



## ${\mathscr R}_{\mathsf{ESILIENCE}}$ and ${\mathscr R}_{\mathsf{ESOLVE}}$



"In the course of building long term growth, Resilience and Resolve are the essential values that will continue to steer a Company forward. As such, even as EDARAN reinvents and readapts itself to seize new opportunities that await beyond, it will continue to cultivate within the Company, a strong sense of resilience and resolve so that with its collective strength, it may bend and rise with the changing tide of business. And indeed, take firmer and deeper roots for growth"

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# otice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Twelfth Annual General Meeting of Edaran Digital Systems Berhad will be held on Wednesday, 15 December, 2004 at Ballroom 1, Level 1, Corus Hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur at 10.00 a.m. to transact the following businesses:

#### A. Ordinary Business

1. To consider and receive the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2004 together with the Directors' and Auditors' Reports thereon.

**Resolution 1** 

**Resolution 2** 

**Resolution 3** 

**Resolution 4** 

- 2. To re-elect the following Directors retiring under Article 101 of the Company's Articles of Association, and who, being eligible, offer themselves for re-election:
  - i. Datuk Emam Mohd Haniff Emam Mohd Hussain
  - ii. Mohd Shu'aib Ishak
  - iii. Shaifubahrim Mohd Saleh
- 3. To approve the payment of the Directors' fee for the financial year ended 30 June 2004.
- 4. To appoint Messrs. Mea & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration.

Resolution 5

**Resolution 6** 

#### B. Special Business

5. To consider and, if thought fit, to pass the following Ordinary Resolution, with or without modifications:

"THAT pursuant to Section 132D of the Companies Act, 1965 full authority be and is hereby given to the Directors to issue shares in the capital of the Company from time to time at such price upon such terms and conditions for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being, subject to the Companies Act, 1965, the Articles of Association of the Company and approval from Bursa Malaysia Securities Berhad and other relevant bodies where such approval is necessary AND THAT such authority shall continue in force until the conclusion of the next annual general meeting of the Company."

Resolution 7

#### C. Any Other Ordinary Business

6. To transact any other ordinary business of which due notice has been given in accordance with the relevant authorities.

By Order of the Board

RIZANA MOHAMAD DAUD (LS 03437)

Company Secretary

Kuala Lumpur 10 November 2004

#### **EXPLANATORY NOTE ON ITEM 5 OF THE AGENDA**

- Resolution pursuant to Section 132D of the Companies Act, 1965

Ordinary Resolution 7 (under item 5 above), if passed, will give the Directors of the Company, from the date of the above General Meeting, authority to issue and allot ordinary shares from the unissued capital of the Company being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, expire at the next annual general meeting.

#### **NOTES:**

- 1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint any person or persons, whether a member or not, as his/her proxy or proxies to attend and vote in his/her stead. Where a member appoints two (2) or more proxies, the member shall specify the proportion of the member's shareholding to be represented by each proxy.
- 2. A proxy need not be a member of the Company. A member may appoint any person to be his/her proxy without limitation.
- 3. A corporation or a corporation sole or a statutory corporation may appoint any person as its representative.
- 4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing and if such appointer is a corporation, corporation sole or a statutory corporation; either under its common seal or the hand of its officers or attorney duly authorised and shall be deposited together with the power of attorney (if any) under which it is signed or an office copy or notarially certified copy thereof and shall be deposited at the Company Secretary's Office, 8th Floor, Menara TR, 161B Jalan Ampang, 50450 Kuala Lumpur not less than forty eight (48) hours before the time for holding of the Meeting or any adjournment thereof.
- 5. The signature to the instrument appointing the proxy executed outside Malaysia must be attested by a Solicitor, Notary Public, Consul or Magistrate.



The following are details of the Board meetings held during the financial year ended 30 June 2004 and attendance of the Directors at the meetings:-

#### 1. Details of the Board meetings held during the financial year:

Date	Time	Venue
28/08/2003	10.00 a.m.	Board Room, 23rd Floor, Menara TR, 161B Jalan Ampang, 50450 Kuala Lumpur.
23/10/2003	10.00 a.m.	Board Room, 23rd Floor, Menara TR, 161B Jalan Ampang, 50450 Kuala Lumpur.
21/11/2003	9.30 a.m.	Board Room, 23rd Floor, Menara TR, 161B Jalan Ampang, 50450 Kuala Lumpur.
18/02/2004	10.00 a.m.	Board Room, 23rd Floor, Menara TR, 161B Jalan Ampang, 50450 Kuala Lumpur.
27/05/2004	10.00 a.m.	Board Room, 23rd Floor, Menara TR, 161B Jalan Ampang, 50450 Kuala Lumpur.

#### 2. Directors' attendance at Board meetings

Details of Directors' attendance at Board meetings during their tenure in office during the last financial year:

Name of Directors	Appointment	Attendance	
Tan Sri Dato' Tajudin Ramli	01/06/92	5/5	
Dato' Idrus Zainol	01/06/92	5/5	
Dato' Abdul Halim Abdullah	15/12/00	5/5	
Bistamam Ramli	15/12/00	5/5	
Mohd Shu'aib Ishak	15/12/00	5/5	
Shaifubahrim Mohd Saleh	15/12/00	4/5	
Datuk Emam Mohd Haniff Emam Mohd Hussain	30/10/01	5/5	
Dato' Hj Abdul Hamid Mustapha	06/11/03*	3/3	
Dato' Abdul Malek Ahmad Shazili	06/11/03*	2/3	

<sup>\*</sup> Dato' Hj Abdul Hamid Mustapha and Dato' Abdul Malek Ahmad Shazili were appointed Directors of the Company during the financial year. Following their appointment, the Board met on three (3) occasions.

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

The Directors who are standing for re-election at the Twelfth Annual General Meeting of Edaran Digital Systems Berhad are as follows:

DATUK EMAM MOHD HANIFF EMAM MOHD HUSSAIN MOHD SHU'AIB ISHAK SHAIFUBAHRIM MOHD SALEH Senior Independent Non-Executive Director Executive Director Independent Non-Executive Director

The profile of the Directors who are standing for re-election are set out on pages 6 to 9 of the Annual Report.





- Tan Sri Dato' Tajudin Ramli Chairman Non-Independent Non-Executive Director
- Bistamam Ramli Managing Director (appointed Managing Director on 1 June 2004)
- Mohd Shu'aib Ishak Executive Director
- Dato' Idrus Zainol Non-Independent Non-Executive Director
- Datuk Emam Mohd Haniff Emam Mohd Hussain Senior Independent Non- Executive Director
- Dato' Abdul Halim Abdullah Independent Non-Executive Director
- Dato' Hj Abdul Hamid Mustapha Independent Non-Executive Director
- Dato' Abdul Malek Ahmad Shazili Independent Non-Executive Director
- Shaifubahrim Mohd Saleh Independent Non-Executive Director

## UDIT COMMITTEE

- Dato' Abdul Halim Abdullah Chairman
- Datuk Emam Mohd Haniff Emam Mohd Hussain
- Shaifubahrim Mohd Saleh
- Bistamam Ramli

COMPANY SECRETARY
Rizana Mohamad Daud
(LS 03437)

#### **REGISTERED OFFICE**

8th Floor Menara TR 161B, Jalan Ampang 50450 Kuala Lumpur Tel: 03-2162 0878 Fax: 03-2168 8596

#### **BUSINESS OFFICE**

No. 32, Jalan 1/76C Desa Pandan 55100 Kuala Lumpur Tel : 03-9206 7200 Fax : 03-9284 3531

#### **AUDITORS**

Ernst & Young (AF: 0039) Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Tel: 03-2087 7000 Fax: 03-2095 5332

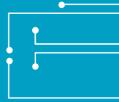
Mea &Co (AF:0744) 5C, Jalan 4/6 Pandan Indah 55100 Kuala Lumpur Tel: 03-4294 6626 Fax: 03-4293 8626

#### **SHARE REGISTRAR**

Symphony Share Registrars Sdn Bhd (378993-D) (Formerly known as Malaysian Share Registration Services Sdn Bhd)
Level 26, Menara Multi Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 03-27212222 Fax: 03-27212531

#### PRINCIPAL BANKERS

Malayan Banking Berhad Bumiputra Commerce Bank Berhad EON Bank Berhad



Main Board Bursa Malaysia Securities Berhad





### **EDARAN DIGITAL SYSTEMS BERHAD**

SIDIC TECHNOLOGY SDN BHD (100%)

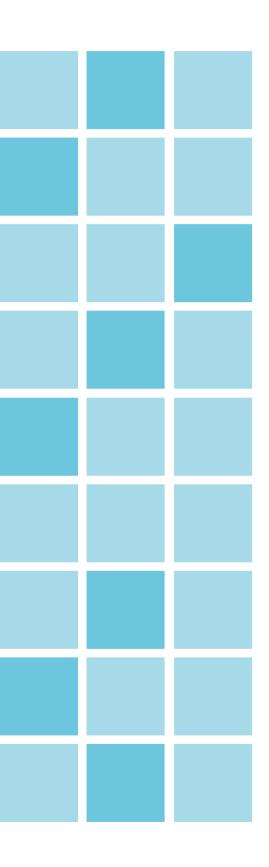
MIDC TECHNOLOGY SDN BHD (100%)

#### **ELITEMAC RESOURCES SDN BHD (100%)**

- EDARAN COMMUNICATIONS SDN BHD (100%)
- ADVANCE COMMUNICATION SOLUTIONS SDN BHD (49%)

#### **EDARAN KOMPUTER SDN BHD (100%)**

• MRCB MULTIMEDIA CONSORTIUM SDN BHD (5%)



## **Board of Directors**

■ Tan Sri Dato' Tajudin Ramli

Chairman
Non-Independent Non-Executive Director

- Bistamam Ramli Managing Director
- Mohd Shu'aib Ishak Executive Director
- Dato' Idrus Zainol
   Non-Independent Non-Executive Director
- Datuk Emam Mohd Haniff
   Emam Mohd Hussain
   Senior Independent Non- Executive Director
- Dato' Abdul Halim Abdullah Independent Non-Executive Director
- Dato' Hj Abdul Hamid Mustapha
   Independent Non-Executive Director
- Dato' Abdul Malek Ahmad Shazili Independent Non-Executive Director
- Shaifubahrim Mohd Saleh Independent Non-Executive Director



#### Tan sri dato' ta ilidin ramli

Chairman
Non-Independent Non-Executive Director

Tan Sri Dato' Tajudin Ramli, a Malaysian, was appointed a Director of EDARAN on 1 June 1992 and was subsequently appointed Non-Executive Chairman of the Company on 15 December 2000. On 3 October 2001, he was appointed a member of the Remuneration Committee. Aged 58, he graduated from the University of Malaya with a Bachelor of Economics degree and has been involved in various industries, the more significant of which are banking, telecommunications, transportation and tourism.

## BISTAMAM RAMLI Managing Director

Bistamam Ramli, a Malaysian, was appointed a Director of EDARAN on 15 December 2000. Bistamam was subsequently appointed a member of the Audit Committee on 15 August 2001. On 1 June 2004, he was appointed the Managing Director of EDARAN. Bistamam also sits on the Board of Audit, Remuneration and Risk Management Committees. Aged 42, he is a Fellow Member of the Chartered Association of Certified Accountants. Bistamam was previously attached to Celcom (M) Berhad, Technology Resources Industries Berhad, Bank Negara Malaysia and Ernst & Young.



#### MOHD SHU'AIB ISHAK

#### **Executive Director**

Mohd Shu'aib Ishak, aged 45, was appointed the Executive Director of EDARAN on 15 December 2000. Mohd Shu'aib, a Malaysian, obtained his degree in Electrical Engineering from the University of Technology Malaysia. He has more than 20 years experience in the telecommunications industry since his employment with Jabatan Telekom Malaysia in 1982. He was attached to Electroscon (M) Sdn Bhd and KYM Industries Sdn Bhd before being appointed as the General Manager cum Director of Edaran Communications Sdn Bhd (ECOMM) on 24 January 1991.

## DATUK EMAM MOHD HANIFF EMAM MOHD HUSSAIN Senior Independent Non-Executive Director

Datuk Emam Mohd Haniff Emam Mohd Hussain, a Malaysian, aged 62 was appointed Director of EDARAN on 30 October 2001. He was subsequently appointed Senior Independent Non-Executive Director and a member of the Audit Committee on 22 August 2002. Datuk Emam Mohd Haniff obtained his Bachelor of Arts (Hons) degree from the University of Malaya in 1966. He was assigned to the Ministry of Foreign Affairs and has served in various capacities both at home and in Malaysian diplomatic missions overseas. In the later years of his service, Datuk Emam Mohd Haniff was appointed the Malaysian Ambassador to Pakistan (1983-1986), Ambassador to Philippines (1987-1991) and the High Commissioner to Singapore (1992-1997). He retired from the government service in 1997 after attaining the age of 55.



### DATO' ABDUL HALIM ABDULLAH

Independent Non-Executive Director

Dato' Abdul Halim Abdullah, a Malaysian, was appointed to the Board of EDARAN on 15 December 2000. He was appointed Chairman of the Audit and Nominating Committees on 3 October 2001 and was subsequently appointed Chairman of the Remuneration Committee on 27 May 2004. Aged 58, Dato' Abdul Halim holds a Bachelor of Arts (Hons) degree from the University of Malaya. He has served in various government departments and his last position was as the State Secretary of Penang (1992-1994). In 1994, after his retirement from government service, Dato' Halim was appointed Executive Director of Technology Resources Properties Sdn Bhd until 8 June 2000.

### Dato' idrus zainol

Non-Independent Non-Executive Director

Dato' Idrus Zainol, a Malaysian, was appointed to the Board of EDARAN on 1 June 1992. Dato' Idrus was appointed member of the Remuneration and Nominating Committees on 3 October 2001. Aged 60, he is also the Executive Chairman and Chief Executive Officer of Cendanasari Insurance Brokers Sdn Bhd.

### Dato' abdul malek ahmad shazili

Independent Non-Executive Director

Dato' Abdul Malek Ahmad Shazili, a Malaysian, aged 57, was appointed a Director of EDARAN on 6 November 2003 and was subsequently appointed Chairman of the Risk Management Committee on 27 May 2004. He holds a Bachelor of Arts (Hons) degree from the University of Malaya and a Master's Degree in Public Administration from the American University, Washington D.C. Dato' Abdul Malek has served Pos Malaysia Berhad in various capacities since 1972 until his retirement as the Chief Executive Officer in 2002.



### SHAIFUBAHRIM MOHD SALEH

Independent Non-Executive Director

Shaifubahrim Mohd Saleh, a Malaysian, was appointed to the Board of EDARAN on 15 December 2000. He was later appointed a member of the Audit and Nominating Committees on 3 October 2001. Aged 45, Shaifubahrim holds a Bachelor of Science (Hons) degree in Computer Science and Management from the University of Science Malaysia (USM). Over the last 20 years, he was involved in the ICT industry, particularly in its development in Malaysia and Asian region. He has served several multinational organizations including IBM, Oracle, Logica and Data General. He was formerly the Managing Director of Cisco System (Malaysia) Sdn Bhd (Cisco Malaysia) and Chairman of PIKOM (1997-1998). He is currently a member of the Board and the Audit Committee of Multimedia Super Corridor (MSC) project, a member of Penang K-ICT Council as well as an advisor to PIKOM. Shaifubahrim is presently a Senior Partner in Prichett Rummler-Brache Malaysia & Brunei. He is also the Chairman and CEO of Frontech Solutions Sdn Bhd.

### Dato' HJ ABDUL HAMID MUSTAPHA

Independent Non-Executive Director

Dato' Hj Abdul Hamid Mustapha, a Malaysian, aged 58, was appointed to the Board of EDARAN on 6 November 2003 and was subsequently appointed as a member of the Remuneration Committee on 27 May 2004. He graduated with a Bachelor of Arts degree from the University of Malaya in 1971. Dato' Hj Abdul Hamid has served the Royal Malaysian Police Force in various capacities since 1971 until his retirement as the Commissioner of Police, Director of Public Order and Internal Security in 2002.

## Reenergised Resolute Resilient

The EDARAN Team is committed to setting a new course for growth and development.

# The Management Team



Bistamam Ramli Managing Director, Edaran Digital Systems Berhad



Mohd Azmi Ebni Hajar Group Human Resources & Administration Manager, Edaran Digital Systems Berhad



Mohd Shu'aib Ishak
Executive Director,
Edaran Digital Systems Berhad



Abdul Aziz Shik Razak Customer Engineering Manager, Edaran Komputer Sdn Bhd



Md Arif Haji Hasan
Chief Operating Officer,
Edaran Digital Systems Berhad



Raslan Dahlan
Sales Manager,
Edaran Komputer Sdn Bhd



Mustafa Rawther Mohamed Rawther Senior General Manager, Edaran Komputer Sdn Bhd

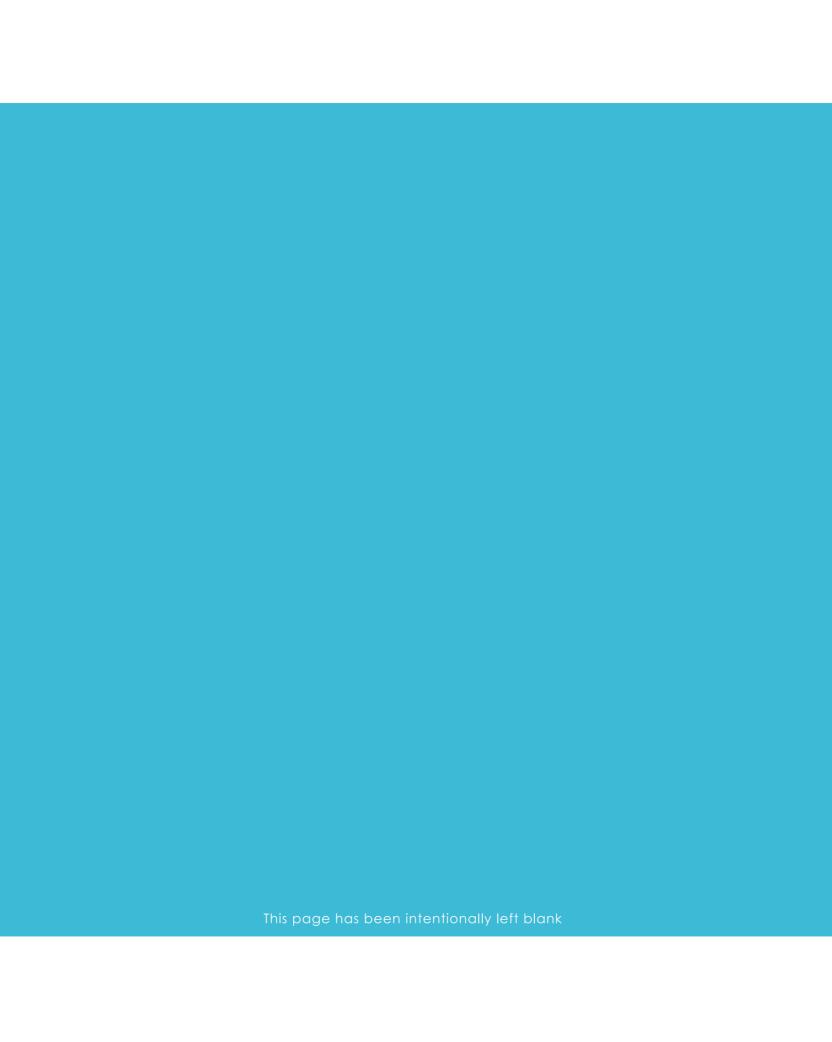


Shamsul Selamat
Services Manager,
Edaran Komputer Sdn Bhd



Hamzah Ismail
General Manager,
SIDIC Technology Sdn Bhd







"EDARAN seeks to continually renew itself so as to remain a relevant and significant force in the ICT industry."

## Chairman's Message

alued Shareholders and Partners,

I have the honour once again to present to you the Annual Report of Edaran Digital Systems Berhad (EDARAN) for the year ended 30 June 2004.

While the Group focused on keeping a steady keel in an evolving business environment in the previous year, 2004 was a year that saw the EDARAN Group taking firm measures to stabilise and strengthen the Company, even as internal and external changes prevailed.

#### **Financial Review**

Over the year, the Group addressed the financial challenges that disrupted its onward progress. The Group has nonetheless continued to pursue its business goals and succeeded in minimizing its total loss before tax to RM7.47 million for FY2004 ended 30 June, compared to a loss before tax of RM36.93 million in the previous year. This can be largely attributed to better cost control and a reduction in operational expenses. Total revenue, however, decreased from RM 197 million in the Financial Year 2003 to RM40 million for the year under review. The drop in revenue was mainly the result of the completion of several contracts towards the end of the financial year in review.

As the Group worked on securing business it has also continued to pursue the recovery of doubtful debts, and to adopt prudent measures to minimise further impact to the Group's financial position.

#### Strengthening and Refocusing for Growth

In tandem with the evolving dynamics of the business environment and the Information Communications Technology(ICT) industry, EDARAN has started to review its business activities and strategies. Recognising that old ways of conducting business must give way to more innovative approaches, we have initiated a long term programme to revitalise and refresh the Group. EDARAN seeks to continually renew itself so as to remain a relevant and significant force in the ICT industry.

#### A More Driven Team

Over the last 12 months the Group began a systematic reassessment of its internal strengths and capabilities beginning with an assessment of its human resources. Indeed, the Group has begun to inject new blood, particularly in senior positions to reinforce the management team while a recruitment programme for excellent talent in marketing has seen an injection of new drive in the area of sales and marketing as well.

Yet another significant and on-going initiative is the progressive review of the Group's internal systems and operational procedures. While standard operating procedures and systems are in place, the Group is stepping up measures to enforce greater accountability and discipline in areas which relate to revenue and cost.

#### **Customer Driven Marketing**

While EDARAN has decided on a more targeted and aggressive marketing strategy for its products and services, the trademark of friendly, personalised customer service continues to brand our business relationships with customers and partners. We believe that the dual-pronged approach of aggressive one-on-one marketing and good rapport with customers will afford the Group a stronger competitive edge in this ever evolving industry. We will nonetheless continue to nurture our business partnerships built over years of trust and growth.

#### **Prospects**

#### **Smart Technology to Drive Future Growth**

As the country witnesses an increase in the emphasis on convenience and smart lifestyle, EDARAN is excited about the potential within its smart technology arm, SIDIC Technology. Already we have successfully participated in the national IT programme through our involvement in the MyKad initiative. From that platform itself, the possibilities are substantial.

The lifestyle revolution that is picking up momentum as a result of greater implementation of IT will further add to the demand for smart technologies such as those innovated by SIDIC Technology. We are confident that EDARAN will emerge a significant force as SIDIC moves forward proactively in the areas of smart lifestyle and business solutions, both within the private and the public sectors

EDARAN has begun to cast its net wider to enlarge its portfolio of businesses. Even then, EDARAN will continue to grow and sustain its traditional business of systems integration and maintenance, an area in which EDARAN has long established a solid reputation for personalised and customised service.

#### **Appreciation**

In closing, I wish to once again record my sincere appreciation to our valued shareholders, customers and business partners and not forgetting the management and staff of EDARAN, whose invaluable support has enabled us to progress through another year. A special word of thanks to our financiers and bankers who have continued to support the Company and to place their trust in us. To my fellow Directors on the Board who have given the Group valuable support and guidance, my sincere appreciation.

Yours sincerely,

**Tajudin Ramli**Chairman

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# OPERATIONS REVIEW

#### **EDARAN KOMPUTER**

daran Komputer(EKOM) is an IT systems integrator providing solutions and services covering large and medium scale projects. Its core strength lies in its ability to put together varying hardware, software, network and services to deliver a complete solution to the customer.

EKOM has been very actively involved in the continuous rollout of Phase III of Kastam DiRaja Malaysia's (KDRM) Sistem Maklumat Kastam project involving over 200 sites nationwide. The Company has also been actively involved in providing solutions in the areas of document management, application software services, maintenance and IT infrastructure upgrading to customers such as KDRM, Kementerian Pembangunan Usahawan Negara (KPUN), Jabatan Penilaian dan Perkhidmatan Harta (JPPH), Majilis Perbandaran Klang (MPK), Bank Negara and Pembangunan Sumber Manusia Berhad (PSMB).

2004 was a very challenging year for EKOM with stiffer competition from existing and new players as well as an increasingly margin sensitive IT market. The Company has taken major steps to increase its competitiveness and strengthen its competencies to be in a better position for the coming year.

EKOM has identified a number of areas that will be of high focus for the coming year. Among these areas are :

- Strengthening of the systems integration business with core focus on solutions and services to provide higher margins.
- Broaden opportunities at the International level in the area of Customs as well as in Systems Integration.
- Improve image and customer perception to gain better awareness in the industry.
- Initiate new business growth greats to achieve new revenue streams for the Company.

The Company is also building its core competencies in the area of Open Source computing in line with the Government's introduction of the Government Open Source Blueprint.

With the forecasted growth of ICT spending and the continued enhancement and implementation of new IT projects with the government, the coming year presents new opportunities for EKOM to expand its business. EKOM has built up a promising list of sales opportunities and remains optimistic on the future growth of the Company.

### ELITEMAC RESOURCES SDN BHD (EMAC)



Since its set up in 1992, Elitemac Resources Sdn Bhd (EMAC) and its wholly owned subsidiary, Edaran Communications Sdn Bhd (ECOMM) have been involved in the provision of engineering services and equipment to mobile telecommunications network operators. The Company's business partners include global names like SIEMENS, Ericsson's Argus Power Systems, Emmerson Energy System and Siae Microwave Systems. The huge growth within the country's telecommunications industry just over the last decade provided vast opportunities for EMAC and ECOMM to increase and hone their expertise in installing and integrating telecommunications equipment.

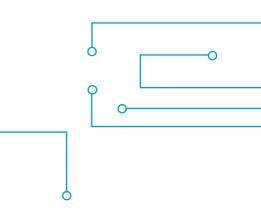
Changes in the mobile communications industry that began to shift the business environment set in over the last three years. The recent merger trend among mobile network operators that started in 2002 saw major players like Celcom, TM Touch, Maxis and Time Cell merging their operations and these activities have brought about significant changes in the business dynamics among suppliers and vendors. Mobile network operators have, since their merger exercises, been immersed in looking at the best options and strategies to share and utilise their combined capacities and infrastructure; resulting in an overall slowdown of new investments in network expansion. With the slowdown, EMAC and ECOMM are maintaining existing contracts but turning their eyes to other possible revenue streams to boost the Company's performance.

n the meantime, the mobile communications industry is witnessing an explosion in its non-voice area, namely, the area of Short Messaging Service (SMS). Revenues from this service have doubled if not tripled in comparison to revenues from traditional voice services.

Potential for content providers in the myriad areas of content categories is continuing to increase as SMS – based entertainment and infotainment proves more and more popular in the market. EMAC and ECOMM sees this as a potential revenue stream given the EDARAN Group's IT base and expertise and is seeking to enter this lucrative market.

While the GPRS and 3G (Third Generation Network) systems have been launched, the market has yet to see the growth of GPRS and 3G applications. Major suppliers are still conducting trial networks with collaborating network operators. Until GPRS and 3G applications and services are launched on a more massive and wider scale, business opportunities arising from these greats will be limited.

EMAC and ECOMM have taken the necessary steps to restructure the unit to reduce overhead costs as it waits out the slowdown in its core business. Competitive pricing and long credit terms have made it more prudent for the Company to outsource much of its projects in an effort to further sustain the Company's profitability.



#### SIDIC TECHNOLOGY SDN BHD



-Integrated Secure Solutions

SIDIC Technology is EDARAN's smart technology arm. It's principal activities revolve around developing, innovating and providing end-to-end smart technology solutions to serve the increasing demands of the industry. SIDIC's range of products are broadly categorised under three areas namely:

- Integrated Secure Solutions,
- Remote Management Solutions and
- Smart Lifestyle Solutions.

Combined, all three areas of services seek to provide customers with secure, smart and efficient IT solutions that have become part and parcel of today's e-business environment

While its initial focus was on the private sector, SIDIC is making progressive inroads into the public sector which is also looking to seriously creating an IT driven environment, a move that is in line with Malaysia's national agenda of development. SIDIC seeks to position itself as one of the country's key smart solutions provider. To that end, the Company has been successfully involved in the applications programme of MyKad. Given the potential capabilities of MyKad, SIDIC foresees the critical need to link MyKad holders to service providers both from the public sector and government agencies now and in the immediate future.

SIDIC recognises that other government agencies wherein security and intelligence systems play an important role are among the potential users of smart technology. With the aim to further penetrate the government market, SIDIC consistently promotes greater awareness of its capabilities through targeted exhibitions and visits.

Within the private sector, organisations are becoming more sophisticated and complex in their IT needs. SIDIC steps up to this challenge by continuing to innovate smart solutions which emphasise security, intelligence and user-friendliness.

Recognising the emerging trend of organisational changes, mergers and consolidation, SIDIC aims to provide the solutions that afford better automation capabilities to help organisations achieve improvement in processes.



SIDIC believes that achieving greater efficiency in systems and processes and enabling efficient integration of resources will afford customers a sustainable competitive advantage when they go through major integration exercises.



-Smart Life Style Solution, My-kad Solutions

The prospects for smart technology and thus, SIDIC Technology continues to look promising given the trend of smarter lifestyles, higher levels of security in systems and the government's constant call to implement a higher degree of IT applications in the country. Indeed, SIDIC Technology is not merely looking at developing and implementing smart technology projects. Beyond that, it seeks to set the application and integration standards for such technologies.

### 2004 FINANCIAL HIGHLIGHTS

#### GROUP FIVE YEARS FINANCIAL DATA

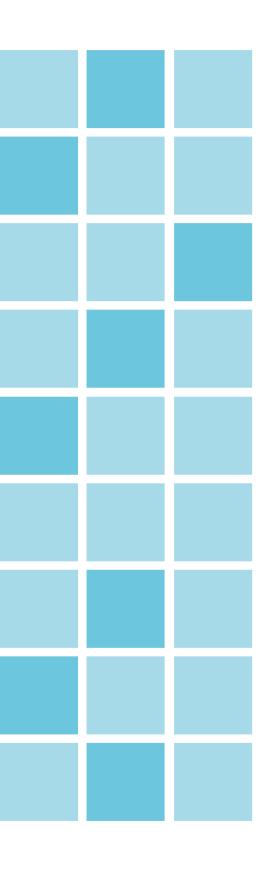
INCOME STATEMENT	2004	2003	2002	2001	2000
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
REVENUE	40,157	197,056	175,089	116,931	87,308
(Loss)/Profit before interest, depreciation and taxation	(2,826)	(31,242)	24,186	20,812	19,181
Depreciation	(1,625)	(1,698)	(1,835)	(1,260)	(1,597)
Interest	(3,022)	(3,992)	(1,361)	(2,686)	(3,135)
(Loss)/Profit before taxation	(7,473)	(36,932)	20,990	16,866	14,449
Taxation	(1,209)	(1,076)	(5,853)	(5,173)	(4,684)
(Loss)/Profit after taxation	(8,682)	(38,008)	15,137	11,693	9,765
(Loss)/Gross Earnings per share (sen)	(12.46)*	(61.55)*	34.98*	39.15**	44.37*
(Loss)/Net Earnings per share (sen)	(14.47)*	(63.35)*	25.23*	27.14**	29.99*
Net Dividend per share (sen)	-	-	7.50	7.20	-

BALANCE SHEET					
Shareholders' Funds	46,648	55,330	97,838	87,647	41,295
Paid-Up Share Capital	60,000	60,000	60,000	60,000	32,564
Net Tangible Assets	46,648	55,330	97,838	87,647	41,295
Net Current Assets	47,753	56,010	82,999	72,427	30,230
Total Assets	83,189	172,500	233,267	168,732	117,672
Fixed Assets - Net Book Value	22,815	24,179	16,565	15,337	15,022
Capital Expenditure	261	9,342	3,097	2,723	634
Long Term Debts	24,153	25,119	1,298	974	4,632
Debts Equity Ratio	0.54	1.43	0.32	0.03	0.53
Net Tangible Assets per share (sen)	0.78	0.92	1.63	1.46	1.27

<sup>\*</sup> The gross/net (loss)/ earnings per share is calculated based on the (loss)/profit before/after taxation and on the number of ordinary shares of RM1 each for the Group.

<sup>\*\*</sup> The gross/net earnings per share is calculated based on the profit before after taxation and on the weighted average number of 43,082,104 ordinary shares of RM1 each for the Group.

#### Financial Highlights 2004 40 30 29.99 250,000 20 25.23 10 200,000 0 197,056 -10 175,089 150,000 (14.47)-20 -30 10,0000 -40 87,308 -50 50,000 -60 -70 2003 2002 2000 2003 2001 2002 Net (Loss)/ **REVENUE** (RM'000) Earnings per share (sen) 9.0 30,000 30,000 11,693 20,000 20,990 20,000 8.0 998,91 14,449 10,000 10,000 6.0 0 0 -10,000 (7,473)-10,000 (8,682)4.0 36,932) -20,000 -20,000 2.0 -30,000 -30,000 0.00 -40,000 -40,000 2003 2002 2001 2000 2003 2001 (Loss)/ Profit after Net Dividend (Loss)/ Profit before Taxation (RM'000) Taxation (RM'000) per share (sen)



## **UDIT COMMITTEE**

- DATO' ABDUL HALIM ABDULLAH (Chairman)
  Independent Non-Executive Director
- DATUK EMAM MOHD HANIFF

  EMAM MOHD HUSSAIN
  Senior Independent Non-Executive Director
- SHAIFUBAHRIM MOHD SALEH
  Independent Non-Executive Director
- BISTAMAM RAMLI
  Managing Director



#### A. REPORT OF THE AUDIT COMMITTEE

The Report of the Audit Committee is for the financial year ended 30 June 2004.

#### 1. Composition

As at the date of this Report, the composition of the Audit Committee is as follows:

NAME	POSITION	
DATO' ABDUL HALIM ABDULLAH (Independent Non-Executive Director)	Chairman	
DATUK EMAM MOHD HANIFF EMAM MOHD HUSSAIN (Senior Independent Non-Executive Director)	Member	
SHAIFUBAHRIM MOHD SALEH (Independent Non-Executive Director)	Member	
BISTAMAM RAMLI (Managing Director)	Member	

#### 2. Activities

There were six (6) Audit Committee meetings held during the financial year. Details of Audit Committee meetings held:

NO.	DATE	TIME	
03-03	3 July 2003	10:00 a.m.	
04-03	27 August 2003	2:30 p.m.	
05-03	22 October 2003	2:30 p.m.	
06-03	20 November 2003	2:00 p.m.	
01-04	17 February 2004	10:00 a.m.	
02-04	26 May 2004	2:30 p.m.	

Details of attendance of the Committee members were as follows:

MEMBER	ATTENDANCE
DATO' ABDUL HALIM ABDULLAH	6/6
DATUK EMAM MOHD HANIFF EMAM MOHD HUSSAIN	6/6
Shaifubahrim mohd saleh	6/6
BISTAMAM RAMLI	6/6

Among the matters reviewed and discussed by the Audit Committee were:

- The Internal Audit Reports for the year;
- The Internal Auditors' Annual Audit Plan;
- The draft audited financial statements of the Company and the Group for the financial year ended 30 June 2003;
- Quarterly results of the Company and the Group and the draft announcements to Bursa Malaysia Securities Berhad for the financial quarters ended 30 June 2003, 30 September 2003, 31 December 2003 and 31 March 2004.

In carrying out their duties, the Audit Committee updated the Board on the issues and concerns discussed during their meetings including those raised by the External Auditor and where appropriate, made the necessary recommendations to the Board and shall continue to do so from time to time.

#### 3. Internal Audit Function

The Audit Committee is supported by an independent Group Internal Audit Department. The Audit Committee is aware of the fact that an independent and adequately resourced internal audit department is essential to assist the Committee in reviewing the effectiveness of the system of internal control.

The main role of the Group Internal Audit Department is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care.

#### B. TERMS OF REFERENCE OF THE AUDIT COMMITTEE

#### 1. Composition of the Audit Committee

The Audit Committee shall at all times consist of at least three (3) members a majority of whom must be Independent Directors. At least one (1) member shall be a member of the Malaysian Institute of Accountants or otherwise fulfils the criteria set out in paragraph 15.10(1) of the Bursa Malaysia Securities Listing Requirements. No alternate Director shall be appointed as a member of the Audit Committee.

The Chairman of the Audit Committee is to be elected amongst themselves but must be an Independent Non-Executive Director.

#### 2. Secretary to the Audit Committee

The Company Secretary and / or the Assistant Company Secretary and / or any other person as may be appointed by the Audit Committee shall be the Secretary to the Audit Committee. The Secretary shall provide the necessary administrative and secretarial services for the effective functioning of the Audit Committee. The Minutes of meetings, which are kept by the Secretary, are circulated to the Committee members and to all other members of the Board. Alternatively, the Chairman of the Audit Committee shall present the Audit Committee Report at the earliest Board of Directors' Meeting. The Audit Committee Report shall include, among others, a summary of all matters discussed in the Audit Committee Meeting and the decisions and recommendations made therein.

#### 3. Quorum of Meetings

The majority of members present must be Independent Directors.

#### 4. Attendance at Meetings

The Managing Director and the Head of Internal Audit shall normally attend the meetings. Other Directors and employees of the Company shall attend the meetings only at the invitation of the Committee.

As and when necessary, the External Auditor would be invited to attend meetings.

#### 5. Frequency of Meetings

The Committee shall meet regularly, at least one meeting per financial quarter.

#### 6. Functions of the Audit Committee

- 6.1 To review the following and report the same to the Board of Directors:
  - (a) with the External Auditor, the audit plan;
  - (b) with the External Auditor, its evaluation of the system of internal controls;
  - (c) with the External Auditor, its audit report;
  - (d) the assistance given by the employees of the Company to the External Auditor;
  - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - (f) the internal audit programme, process, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
    - (i) changes in or implementation of major accounting policy changes;
    - (ii) significant and unusual events; and
    - (iii) compliance with accounting standards and other legal requirements;
  - (h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of the Management's integrity;
  - (i) any letter of resignation from the External Auditor of the Company;
  - (j) whether there is reason (supported by grounds) to believe that the Company's External Auditor is not suitable for re-appointment;
  - (k) the External Auditor's management letter and the Management's response thereto;
  - (I) any appraisal or assessment of the performance of members of the internal audit function;
  - (m) any appointment or termination of senior staff members of the internal audit function; and
  - (n) the appointment and remuneration of the External Auditor each year;
- 6.2 To recommend the nomination of a person or persons as External Auditor;
- 6.3 To be informed of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning, if necessary;
- 6.4 To consider the major findings of internal investigations and Management's response thereto;
- 6.5 To consider other topics as defined by the Board from time to time; and
- 6.6 To support, whenever deemed necessary, the internal audit activities.

The Board may review the above duties and responsibilities from time to time.

#### 7. Access

Wherever necessary and reasonable for the performance of its duties, the Audit Committee shall, at the cost of the Company:

- 7.1 Have authority to investigate any matter within its terms of reference;
- 7.2 Have the resources which are required to perform its duties;
- 7.3 Have full and unrestricted access to any information pertaining to the Company;
- 7.4 Have direct communication channels with the External Auditor and person(s) carrying out the internal audit function or activity (if any);
- 7.5 Be able to obtain independent professional or other advice; and
- 7.6 Be able to convene meetings with the External Auditor, excluding the attendance of the executive members of the Committee, whenever deemed necessary.
- 7.7 Where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirements, the Audit Committee must promptly report such matter to the Bursa Securities as it deems necessary.

#### 8. Review of the Audit Committee

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

## Statement on Corporate Governance

The Board of Directors is required, under paragraph 15.26 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements, to make a statement in relation to its compliance with the Malaysian Code on Corporate Governance.

The Board of Directors is committed to follow the highest standards of corporate governance throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance the interests of all stakeholders. To this end, the Board fully supports the recommendations of the Malaysian Code on Corporate Governance, which are divided into the following four Sections:

**Section 1: Directors** 

**Section 2: Directors' Remuneration** 

**Section 3: Shareholders** 

Section 4: Accountability and Audit

In preparing this report, the Board has considered the manner in which it has applied the Principles of the Code and the extent to which it has complied with the Best Practices of the Code.

#### **SECTION 1: DIRECTORS**

#### Composition of the Board

The Group is led and managed by an experienced Board comprising members from a wide variety of background, bringing a wealth of skills and experience appropriate to the business. The biographical details of the Board are set out on pages 6 to 9 of this Annual Report.

The Board currently has nine (9) members, comprising seven (7) Non-Executive Directors and two (2) Executive Directors. Five (5) of the Non-Executive Directors are independent. There is a clear division of responsibility between the Chairman, and the Executive Directors, to ensure there is a balance of power and authority.

In accordance with the requirements of the Code, Datuk Emam Mohd Haniff Emam Mohd Hussain was appointed as the Senior Independent Non-Executive Director to assist with concerns regarding the Company where it could be inappropriate for these to be dealt with by the Chairman or the Executive Directors.

#### **Board Responsibilities**

The Board retains full control of the Group. This includes responsibility for the examination and deliberation of the strategies proposed by the management as well as the development and control of the Group. Key matters, such as approval of business plans and budgets, annual and quarterly financial results, investment acquisitions and disposals, major capital expenditures, key policies, procedures and authority limits, are the prerogatives of the Board.

The Board meets at least four (4) times a year, with additional meetings convened as necessary. During the financial year ended 30 June 2004, the Board held five (5) Board meetings. Details of Directors' attendance at Board meetings are laid out on page 3 of this Annual Report.

The Board has an Audit Committee, which terms of reference are consistent with the Bursa Securities Listing Requirements. The terms of reference, outlining the Audit Committee's functions and duties, and summarising the Audit Committee's activities are set out in the Audit Committee Report.

#### **Supply of Information**

The schedule for Board and Audit Committee meetings are prepared in advance. All Directors receive the agenda and a full set of Board papers prior to the meetings.

The Board has dealt with the following matters during the financial year:

- Group Business Plan and Budget;
- Financial and operational review, including performance to date against the annual budget;
- Proposals for capital expenditures;
- Proposals for acquisitions and disposals; and
- Corporate proposals.

Directors may seek independent professional advice if deemed reasonable and necessary. Any such request is presented to the Board for approval. Directors also have direct access to all information within the Company as well as the advice and services of the Company Secretary.

#### Appointments of the Board and Re-election

The Articles of Association state that at each Annual General Meeting (AGM), one third (1/3) of the Directors are required to retire from office.

All Directors shall retire from office at least once in every three (3) years and shall be eligible for reelection.

All the Directors of the Group have attended the Mandatory Accreditation Training Programme (MAP) and continue to attend the Continuous Education Programme (CEP) prescribed by the Bursa Securities.

Directors have direct access to the advice and services of the Company Secretary who is responsible to ensure all appointments are properly made and necessary information obtained from Directors, both for the Group's own record as well as compliance with the regulatory requirements.

#### **Board Committees**

The Board of Directors is assisted by its Board Committees, which have been established under defined terms of reference. The Committees are the Audit Committee, Remuneration Committee, Nominating Committee and Risk Management Committee.

#### **Audit Committee**

The members, composition and functions of the Audit Committee are laid down on pages 21 to 24 of this Annual Report.

#### **Remuneration Committee**

The members, composition and responsibilities of the Remuneration Committee are laid down on pages 28 of this Annual Report.

#### **Nominating Committee**

The members of the Nominating Committee are Dato' Abdul Halim Abdullah (Chairman), Dato' Idrus Zainol and Shaifubahrim Mohd Saleh, all of whom are Non-Executive Directors and a majority of whom are independent.

The Nominating Committee's responsibilities include the following and such other responsibilities as may be determined by the Board from time to time:

- Recommend to the Board, candidates for all directorship to be filled by shareholders or the Board, candidates for all directorships in the group of companies and Directors to fill the seats on Board Committees:
- Review Board structure and balance of appointments between Executive and Non-Executive Directors;
- Review adequacy of Committee structure of the Audit, Remuneration, Nominating and other Board Committees;
- Review, on an annual basis, the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board;
- Carry out the process endorsed by the Board for assessing the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual Director.

### **Risk Management Committee**

The Risk Management Committee was formed to assist the Board in the discharge of risk management and control responsibilities.

The members of the Risk Management Committee are:-

Chairman: Dato' Abdul Malek Ahmad Shazili (Non-Executive Director)

Members: Bistamam Ramli (Managina Director)

Mohd Shu'aib Ishak (Executive Director)
Md Arif Hj Hasan (Chief Operating Officer)
Mustafa Rawther Mohamed Rawther (Senior

General Manager, EKOM)

Abdul Shukri Abdullah (Director, EKOM) Fazlan Azri Tajudin (Director, EKOM)

Secretary: Mohd Suhaimi Ahmad (Head of Corporate Finance and Credit Control)

This Committee's functions include:

- To develop a risk management framework;
- To coordinate and monitor the effectiveness of the Group's risk management activities;
- To coordinate the identification of the Group's key business risks; and
- To develop and implement mitigating action plans.

### **SECTION 2: DIRECTORS' REMUNERATION**

### **Remuneration Committee**

The Remuneration Committee is made up mainly of Non-Executive Directors whose members are Dato' Abdul Halim Abdullah (Chairman), Bistamam Ramli, Tan Sri Dato' Tajudin Ramli, Dato' Idrus Zainol and Dato' Hj Abdul Hamid Mustapha. The responsibilities include the following and such other responsibilities as may be determined by the Board from time to time:

- To establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing remuneration packages of individual Directors;
- To consider and recommend the level and make-up of remuneration of the Executive Directors;
- To review all benefits and entitlements of the Board of Directors on a regular basis.

Executive Directors play no part in the decisions made on their own remuneration. An individual Director concerned does not participate in the discussion on his own remuneration.

The determination of remuneration packages of Non-Executive Directors is a matter for the Board as a whole. Fees payable to Non-Executive Directors are recommended by the Board for approval of shareholders at the Annual General Meeting.

In accordance with the Bursa Securities Listing Requirements, the details of the remuneration of Directors during the financial year for the Company are as follows:-

Aggregated Directors' remuneration categorised into appropriate components:

	Fees	Fees Salaries & Bonuses	Other Benefits
	RM	RM	RM
Executive Directors	-	318,800	150,456
Non-Executive Directors	178,000	-	-

The total remuneration of the Directors for the financial year ended 30 June 2004 are as follows:

Range of Remuneration	Number of Directors	Number of Directors
	Executive	Non- Executive
Below RM 50,000	-	7
RM 50,001 - RM 100,000	-	-
RM 100,001 - RM 150,000	-	-
RM 150,001 - RM 200,000	1	-
RM 200,001 - RM 250,000	-	-
RM 250,001 - RM 300,000	1	-
	2	7

### **SECTION 3: SHAREHOLDERS**

### Investor Relations and Shareholder Communication

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Group. Timely release of financial results on a quarterly basis provide the shareholders with an overview of the Group's performance and operations. In addition, information is also available through the various announcements made during the year and through circulars, if necessary. Meetings with fund managers and analysts are held as and when deemed required.

The AGM is the principal forum for dialogue with shareholders. At each AGM, the Board presents the progress and performance of the business and shareholders are encouraged to participate in the Question and Answer session. Where appropriate, the Board will provide the questioner with written answer.

For re-election of Directors, the Board will ensure that full information is disclosed in notices of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement of the effects of the proposed resolution to facilitate full understanding and evaluation of issues involved.

### **SECTION 4: ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

For financial reporting through quarterly reports to the Bursa Malaysia Securities Berhad and the annual report to shareholders, the Directors have a responsibility to present a fair assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Statement by Directors pursuant to section 169 of the Companies Act, 1965 is set out in the Financial Statements of this Annual Report.

#### Internal Controls

The Directors recognise their responsibility for the maintenance of internal control, covering financial, operational and compliance, including the risk assessment and control.

Information on the Group's internal control is presented in the Statement on Internal Control.

### **Relationship with Auditors**

The role of the Audit Committee in relation to the external auditors may be found in the Report on Audit Committee. The Company maintains a transparent relationship with its external auditors.

### Statement of Compliance with the Best Practices of the Code

The Group fully complies with the Principles and Best Practices of the Code.

This Statement is made in accordance with the Board of Directors' Resolution dated 6 October 2004.



Para 9.25 of the Bursa Securities Listing Requirements

### 1. Directors (as at 15 October 2004)

None of the Directors has any family relationships with other Directors except for the following:

- \* Tan Sri Dato' Tajudin Ramli is the brother of Bistamam Ramli and also a shareholder of Kauthar Sdn Bhd ("KSB"), a substantial shareholder of the Company.
- \* Bistamam Ramli is the brother of Tan Sri Dato' Tajudin Ramli.

The profiles of the respective Directors are set out on pages 6 to 9 of this Annual Report.

### 2. Directors' Attendance at Board Meetings

Details of Directors' attendance at the Board of Directors meetings are laid out in the Statement Accompanying Notice of Annual General Meeting on page 3 of this Annual Report.

### 3. Offence (as at 15 October 2004)

None of the Directors has been convicted for offences within the past ten years other than traffic offences, if at all there was any.

### 4. Conflict of Interest (as at 15 October 2004)

There has been no conflict of interest between any of the Directors and the Company.

### 5. Utilisation of Listing's Proceeds (as at 15 October 2004)

Since the last financial year, the Company has utilised a further RM0.291 million from the proceeds of the Listing allocated for Business Development. However, as at October 2004, there was still about RM 0.218 million of the proceeds not utilised. The allocated amount will include payment for consultancy and preparation for "branding & image", investment in new business activities, training, marketing and promotion of new business direction.

### 6. Share Buyback

During the financial year, the Company did not enter into any share buyback transactions.

### 7. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities exercised during the financial year.

## 8. American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme (as at 15 October 2004)

During the financial year, the Company did not sponsor any ADR or GDR programme.

### 9. Imposition of Sanctions and / or Penalties (as at 15 October 2004)

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

### 10. Non-Audit Fees

There is no amount of non-audit fees paid to the external auditors by the Group and the Company during the financial year ended 30 June 2004.

### 11. Variation in Results

There were no variations of 10% or more between the audited result and the unaudited result of the Group for the financial year ended 30 June 2004.

### 12. Profit forecast

The disclosure requirements for explanatory notes for profit forecast are not applicable.



Para 9.25 of the Bursa Securities Listing Requirements

### 13. Profit Guarantee

During the financial year, there were no profit guarantees given by the Company.

### 14. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests which were still subsisting as at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

### 15. Revaluation Policy on Landed Properties

The Company has adopted a policy of regular revaluation on its landed properties in the financial year as disclosed in Note 2 (e) of the Financial Statements.

### 16. List of Properties

The list of properties is stated on page 86 to 88 of this Annual Report.

### 17. Related Party Transactions - Para 10.09 of the Bursa Securities Listing Requirements

Details of the transactions with related parties undertaken by the Group during the period under review are disclosed in the Listing Compliance Status laid out in this statement below and Note 25 of the Financial Statements.

### **Listing Compliance Status**

### A. Shareholding

The majority of Edaran Digital Systems Berhad (EDARAN) shares are held by Bumiputera shareholders and details of the shareholdings as at 15 October 2004 are as follows:

	No. of shares	% of Paid -up Capital
MALAYSIAN		
· Bumiputera	44,184,439	73.64
· Non - Bumiputera	15,538,661	25.90
Total Malaysian	59,723,100	99.54
FOREIGN	276,900	0.46
TOTAL	60,000,000	100.00

### B. Moratorium Share

A total of 27 million Ordinary Shares representing 45% of the issued and paid-up capital of the Company were placed under moratorium for a period of three years from 6 June 2001.

Based on the above, from 6 June 2004 onwards, there are no more shares designated as moratorium shares.



Para 9.25 of the Bursa Securities Listing Requirements

### C. Proceeds of the Listing Exercise

The total gross proceeds of the Rights Issue, the Placement of Shares and the Public Issue was RM38,476,000. In the proposal, the management suggested that the amount to be utilised for several purposes, and the status of the proposed utilisation of the proceeds as at 15 October 2004 are as follows:

Proceeds	Period	Allocation (RM'000)	Expenses (RM'000)	Remaining (RM'000)
Repayment of Borrowing	2 <sup>nd</sup> Qtr 2001	15,593	15,593	0
Working Capital	4 <sup>th</sup> Qtr 2001	15,391	15,391	0
Listing Expenses	2 <sup>nd</sup> Qtr 2001	3,000	3,000	0
Business Development	4 <sup>th</sup> Qtr 2004	4,492	4,274	218
Total		38,476	38,258	218

Note: The Business Development Costs allocated for are as follows:

	Allocation (RM'000)	Expenses (RM'000)	Remaining (RM'000)
Consultancy/ Operation for "Branding and image"	600	600	0
Investment in new business (inclusive of Capex) and engagement of business consultants	3,320	3,320	0
Training, marketing and promotions to equip employees with new business direction	572	354	218
Total	4,492	4,274	218

### D. Related Party Transactions

The Company has not sought any mandate from the shareholders for Recurrent Related Party Transactions (RRPT) and has not entered into any RRPT since the last AGM.

### E. Overdue Debts

As at 30 June 2004, the amount owing from trade debtors is approximately RM19.3 million (RM82.2 million FYE 2003) of which the amount over the 365 days period is approximately RM9.9million (RM23.7 million FYE 2003).

## Statement on Internal Control

The Board of Directors is required, under paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements, to issue a statement on the state of internal control.

### **RESPONSIBILITY**

The Board has the overall responsibility for the Group's system of internal control and reviewing its effectiveness whilst the role of management is to implement the Board's policies.

### **KEY PROCESSES**

The Board identifies the principal risks relating to the business and has created processes to manage these risks.

The Management Committee, tasked with this responsibility by the Board, meets regularly to deliberate on issues involved.

The Risk Management Committee (RMC) which functions are described on page 27, meets regularly and reports to the Board.

Specifically, the key processes that the Board has established in reviewing the adequacy and integrity of the system of internal control are as follows:

- Clearly defined delegation of responsibilities to Committees of the Board, the management and operating units, including authorisation levels. Each operating unit has clear policies and appropriate control procedures. The delegation is subject to ongoing reviews.
- Clearly documented internal procedures are set out in the Standard Operating Procedures (SOP).
- Regular and comprehensive information provided by management, covering financial performance, key business indicators, staff utilisation and cash flow performance.
- A detailed Business Plan including budgeting is reviewed and approved by the Board annually.
- Results are reviewed on quarterly basis.
- Site visits by members of the Board.
- The Audit Committee through Group Internal Audit Department monitors compliance with procedures on a regular basis.
- There is a clearly defined framework for investment appraisals and approvals. Post implementation reviews are conducted and reported to the Board.
- The professionalism and competence of staff are maintained through a rigorous recruitment process, performance appraisal and training and development programmes.

This Statement is made in accordance with the Board of Directors' Resolution dated 6 October 2004.

# Statement of Directors' Responsibility in Relation to the Financial Statements

The Board of Directors is required, under Paragraph 15.27(a) of the Bursa Malaysia Securities Berhad Listing Requirements, to issue a statement explaining their responsibility for preparing the annual audited financial statements.

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of their results and their cash flows for that year then ended.

The Directors consider that in preparing the financial statements,

- the Group and the Company have used appropriate accounting policies which have been consistently applied;
- reasonable and prudent judgments and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Company maintains accounting records with reasonable accuracy to provide the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have taken reasonable steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with the Board of Directors' Resolution dated 6 October 2004.

## Financial Statements

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### **DIRECTORS' REPORT**

The Directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2004.

### **PRINCIPAL ACTIVITIES**

The principal activities of the Company are that of investment holding and provision of management services.

The principal activities of the subsidiaries and associate are disclosed in the Note 9 and 10 to the financial statements.

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

### **RESULTS**

	Group	Company
	RM	RM
Loss for the year	(8,682,016)	(16,668,357)

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the notes to the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than:

- (a) the effects arising from the impairment of losses on investment in subsidiaries of RM16,000,000 resulting in a loss to the Company as disclosed in Notes 4 and 9 to the financial statements; and
- (b) the effects arising from the provision for doubtful debts of RM2,614,717 resulting in a loss to the Group as disclosed in Note 4 to the financial statements.

### **DIVIDEND**

No dividend has been paid or declared by the Company since the end of the previous financial year.

### **DIRECTORS**

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

Tan Sri Dato' Tajudin Ramli
Dato' Idrus Zainol
Dato' Abdul Halim Abdullah
Bistamam Ramli
Mohd Shu'aib Ishak
Shaifubahrim Mohd Saleh
Datuk Emam Mohd Haniff Emam Mohd Hussain
Dato' Hi Abdul Hamid Mustapha

(appointed on 6.11.2003) (appointed on 6.11.2003)

### **DIRECTORS' BENEFITS**

Dato' Abdul Malek Ahmad Shazili

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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 emoluments received or due and receivable by the Directors as shown in Note 4 to the financial statements or the fixed salary of a full time employee of the Company) 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, except as disclosed in Note 25 to the financial statements.

### **DIRECTORS' INTERESTS**

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

		Number of Ordinar	nary Shares of RM 1 each		
	1.7.03	Acquired	Sold	30.6.04	
The Company					
Direct Interest:					
Mohd Shu'aib Ishak	1,421,428	-	-	1,421,428	
Tan Sri Dato' Tajudin Ramli	2	-	-	2	
Dato' Idrus Zainol	50,002	-	-	50,002	
Shaifubahrim Mohd Saleh	30,000	-	-	30,000	
Indirect Interest:					
Tan Sri Dato' Tajudin Ramli (Note a)	15,769,440	-	-	15,769,440	
Mohd Shu'aib Ishak (Note b)	60,000	-	-	60,000	

### **DIRECTORS' INTERESTS** (contd.)

- Note a: Deemed interest by virtue of his 95% interest or 4,750,000 shares in Kauthar Sdn. Bhd. which holds the 15,769,440 shares in the Company.
- Note b: Deemed interested in the shares of the Company registered in the name of his close family member.

Tan Sri Dato' Tajudin Ramli by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

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.

#### OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:-
  - (i) to ascertain that proper 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:-
  - (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances 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.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

### **OTHER STATUTORY INFORMATION** (contd.)

- (e) As at the date of this report, there does not exist:-
  - (i) 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 liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:-
  - (i) 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 when they fall due: and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### **AUDITORS**

The auditors, Messrs Ernst & Young, have stated that it is their Firm's Global Policy that in accepting the role as principal auditors, the Firm should undertake a substantial portion of the audit of the consolidated financial statements.

Based on the financial projections and future plans of Edaran Group, the two subsidiaries of the Group that would be the main revenue earners for the Group are not audited by Messrs Ernst & Young.

Consequently, Messrs Ernst & Young does not wish to continue in office for the ensuing year.

Meanwhile, Messrs Mea & Co. have offered themselves to be nominated as auditors at the forthcoming Annual General Meeting.

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

#### DATO' ABDUL HALIM ABDULLAH

**BISTAMAM RAMLI** 

Kuala Lumpur, Malaysia 6 October 2004

## INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	Group			Company	
		2004	2003	2004	2003
	Note	RM	RM	RM	RM
Revenue	3	40,156,508	197,056,462	756,000	864,000
Cost of sales		(33,783,824)	(179,521,674)	-	-
Gross profit		6,372,684	17,534,788	756,000	864,000
Other operating income		5,394,750	3,051,980	749,334	1,211,117
Administrative expenses		(8,245,558)	(14,525,626)	(1,706,916)	(2,296,856)
Other operating expenses		(7,972,788)	(39,001,063)	(16,461,097)	(11,686,044)
Loss from operation	4	(4,450,912)	(32,939,921)	(16,662,679)	(11,907,783)
Finance costs	5	(3,022,490)	(3,992,149)	(5,678)	(7,579)
Loss before taxation		(7,473,402)	(36,932,070)	(16,668,357)	(11,915,362)
Taxation	6	(1,208,614)	(1,076,097)	-	(211,821)
Loss after taxation		(8,682,016)	(38,008,167)	(16,668,357)	(12,127,183)
Loss per share (sen)	7	(14.47)	(63.35)	-	_

## BALANCE SHEETS AS AT 30 JUNE 2004

			Group	Company		
		2004	2003	2004	2003	
	Note	RM	RM	RM	RM	
NON-CURRENT ASSETS						
Property, plant and equipment	8	22,815,223	24,179,244	428,857	478,305	
Investments in subsidiaries	9	-	_	25,500,734	21,500,734	
Investments in associates	10	222,320	237,080	_	_	
Other investments	11	10,502	102,002	-	-	
	_	23,048,045	24,518,326	25,929,591	21,979,039	
CURRENT ASSETS						
Amounts due from customers						
on contracts	12	902,634	10,431,306	_	_	
Inventories		10,932	_	_	_	
Trade receivables	13	19,272,071	82,223,262	-	_	
Other receivables	14	1,372,503	2,619,977	69,359	79,272	
Tax recoverable		4,918,446	4,049,186	232,770	125,270	
Amounts due from subsidiaries	15	_	_	23,242,545	33,850,817	
Amounts due from associates	16	13,904	5,904	_	_	
Deposits with licensed banks	17	30,285,211	28,185,995	_	_	
Cash and bank balances		3,364,917	20,466,395	588,421	314,388	
	_	60,140,618	147,982,025	24,133,095	34,369,747	
CURRENT LIABILITIES						
Amounts due to customers						
on contracts	12	467,786	3,863,530	-	-	
Trade payables	18	9,194,234	32,205,184	-	-	
Other payables	19	1,690,125	1,684,202	133,091	150,144	
Amounts due to subsidiaries	15	-	-	10,421,137	-	
Borrowings	20	1,035,272	54,218,648	23,910	21,827	
	_	12,387,417	91,971,564	10,578,138	171,971	
NET CURRENT ASSETS		47,753,201	56,010,461	13,554,957	34,197,776	
	_	70,801,246	80,528,787	39,484,548	56,176,815	

## BALANCE SHEETS AS AT 30 JUNE 2004 (contd.)

	Group			C	Company
		2004	2003	2004	2003
	Note	RM	RM	RM	RM
FINANCED BY:					
Share capital	21	60,000,000	60,000,000	60,000,000	60,000,000
Share premium		8,004,347	8,004,347	8,004,347	8,004,347
Accumulated losses		(21,356,242)	(12,674,226)	(28,545,951)	(11,877,594)
		46,648,105	55,330,121	39,458,396	56,126,753
Borrowings	20	24,153,141	25,118,906	26,152	50,062
Deferred tax liabilities	22	-	79,760	-	-
		24,153,141	25,198,666	26,152	50,062
		70,801,246	80,528,787	39,484,548	56,176,815

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2004

	Non-d	istributable	Distributable	
	Share capital	Share premium	Retained profits (Accumulated los	
	RM	RM	RM	RM
At 1 July 2002	60,000,000	8,004,347	29,833,941	97,838,288
Loss for the year	-	-	(38,008,167)	(38,008,167)
Dividend		-	(4,500,000)	(4,500,000)
At 30 June 2003	60,000,000	8,004,347	(12,674,226)	55,330,121
At 1 July 2002	/0.000.000	0.004.247	(10 /74 00/)	EE 220 101
At 1 July 2003	60,000,000	8,004,347	(12,674,226)	55,330,121
Loss for the year  At 30 June 2004	60,000,000	8,004,347	(8,682,016) (21,356,242)	(8,682,016) 46,648,105
Al 30 Julie 2004		0,004,347	(21,336,242)	40,040,103

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2004

	Non-di	stributable	Distributable	
	Share capital	Share premium	Retained profits/ (Accumulated losses)	Total
	RM	RM	RM	RM
At 1 July 2002	60,000,000	8,004,347	4,749,589	72,753,936
Loss for the year	-	-	(12,127,183)	(12,127,183)
Dividend	-	-	(4,500,000)	(4,500,000)
At 30 June 2003	60,000,000	8,004,347	(11,877,594)	56,126,753
At 1 July 2003	60,000,000	8,004,347	(11,877,594)	56,126,753
Loss for the year	-	-	(16,668,357)	(16,668,357)
At 30 June 2004	60,000,000	8,004,347	(28,545,951)	39,458,396

## **CASH FLOW STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2004

	Group			Company	
	2004	2003	2004	2003	
	RM	RM	RM	RM	
Cash Flows From Operating Activities					
Loss before taxation	(7,473,402)	(36,932,070)	(16,668,357)	(11,915,362)	
Adjustments for:	(0,7,0,0,7,0,7,0,7,0,7,0,7,0,7,0,7,0,7,0	(11), 1 , 11	( 2,222,221,	( ) , = , = , = ,	
Depreciation	1,624,688	1,697,888	163,878	141,030	
Dividend income	-	(30,000)	-	-	
Bad debts written off	25,984	182,000	-	_	
Interest expense	3,022,490	3,992,149	5,678	7,579	
Interest income	(748,717)	(1,808,406)	(739,825)	(1,210,177)	
Provision for doubtful debts	2,614,717	32,520,216	-	-	
Impairment losses:					
- investment in subsidiary	1 4 7 / 0	47.001	16,000,000	11,163,474	
<ul> <li>investment in associaté</li> <li>other investments</li> </ul>	14,760 91,500	47,081 253,209	-	-	
	71,300	233,207	-	_	
Property, plant and equipment		7 702		104	
written off Loss on foreign exchange	4,420	7,703	-	124	
Gain on disposal of associate	4,420	(870,000)	_	_	
•		(0/0,000)			
(Gain)/loss on disposal of property, plant and equipment	(95,692)	2,583		2,583	
ргорепу, ріант ана едорітент —	(73,072)	2,303		2,303	
Operating loss before	(010.050)	(007 ( 47)	(1,000,404)	(1,010,740)	
working capital changes	(919,252)	(937,647)	(1,238,626)	(1,810,749)	
Decrease in receivables	61,557,964	70,750,519	9,913	2,184	
Increase in inventories	(10,932)	-	-	-	
Decrease/(increase) in amounts due from customers on contracts	9,528,672	(941,321)	_	_	
Decrease in amounts due to	7,020,072	(741,021)			
customers on contracts	(3,395,744)	(26,614,180)	-	-	
Decrease in payables	(23,005,027)	(36,227,319)	(17,053)	(446,754)	
(Increase) / decrease in amounts	,	,	,	,	
due from associates	(8,000)	177,471	_	-	
Cash concrated from //used in)					
Cash generated from/(used in) operations	43,747,681	4 207 522	(1 045 744)	(2,255,319)	
·		6,207,523	(1,245,766)	1,210,177	
Interest received	748,717	1,808,406	739,825		
Interest paid	(3,022,490)	(3,992,149)	(5,678)	(7,579)	
Income tax paid	(2,157,634)	(8,268,949)	(107,500)	(130,116)	
Net cash generated from/(used in)					
operating activities	39,316,274	(4,245,169)	(619,119)	(1,182,837)	
		<u> </u>	•		

## **CASH FLOW STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2004 (contd.)

		Group	С	Company	
	2004	2003	2004	2003	
Note	RM	RM	RM	RM	
Cash Flows From Investing Activities					
Additional investments in subsidiaries	-	-	(20,000,000)	-	
Dividend received	-	30,000	-	4,750,000	
Purchase of property, plant and equipment (a)	(260,675)	(9,229,219)	(114,430)	(200,527)	
Proceeds from disposal of property, plant and equipment	95,700	2,200	-	2,200	
Proceeds from disposal of associate	-	900,000	-	-	
Repayment from subsidiary companies	-	_	21,029,409	553,995	
Net cash (used in)/generated from investing activities	(164,975)	(8,297,019)	914,979	5,105,668	
Cash Flows From Financing Activities					
Repayment of hire purchase payables	(386,163)	(406,733)	(21,827)	(19,922)	
Dividend paid	-	(4,500,000)	-	(4,500,000)	
Drawdown of term loan	-	5,000,000	-	_	
Repayment of term loan	(510,160)	(310,475)	-	-	
Drawdown of Murabahah medium term notes	-	20,000,000	-	-	
Drawdown of Murabahah commercial papers	-	55,000,000	_	-	
Repayment of Murabahah commercial papers	(40,000,000)	(15,000,000)	_	-	
Repayment of bankers' acceptances/ trust receipts	(12,043,072)	(12,203,297)	-	-	
Decrease/ (increase) in deposits pledged as security with licensed banks	10,215,901	(16,017,655)	_	-	
Net cash (used in)/generated from financing activities	(42,723,494)	31,561,840	(21,827)	(4,519,922)	

## **CASH FLOW STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2004 (contd.)

		Group		Co	Company	
		2004	2003	2004	2003	
	Note	RM	RM	RM	RM	
Net (decrease)/increase						
in cash and cash equivalents		(3,572,195)	19,019,652	274,033	(597,091)	
Effects of exchange rate changes		(4,420)	-	-	-	
Cash and cash equivalents						
at beginning of year		19,699,227	679,575	314,388	911,479	
Cash and cash equivalents						
at end of year	(b)	16,122,612	19,699,227	588,421	314,388	

(a) The additions in property, plant and equipment were acquired by way of:-

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
- Cash	260,675	9,229,219	114,430	200,527
- Hire purchase	-	113,100	_	-
	260,675	9,342,319	114,430	200,527
(b) Cash and cash equivalents comprise the following:-				
Bank overdrafts (Note 20)	-	(1,209,746)	-	-
Deposits with licensed banks	30,285,211	28,185,995	-	-
Cash and bank balances	3,364,917	20,466,395	588,421	314,388
	33,650,128	47,442,644	588,421	314,388
Less: Deposits pledged as security				
with licensed banks	(17,527,516)	(27,743,417)	_	_
	16,122,612	19,699,227	588,421	314,388

### NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2004

### 1. Corporate Information

The principal activities of the Company are that of investment holding and provision of management services.

The principal activities of the subsidiaries and associate are disclosed in the Note 9 and 10 to the financial statements.

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at 8th Floor, Menara TR, 161B Jalan Ampang, 50450 Kuala Lumpur. The principal place of business of the Company is located at No. 32, Jalan 1/76C, Desa Pandan, 55100 Kuala Lumpur.

The number of employees in the Group and in the Company at the end of the financial year were 88 (2003: 84) and 14 (2003: 16) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 6 October 2004.

### 2. Significant Accounting Policies

### (a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention except for the revaluation of leasehold land and buildings included under property, plant and equipment.

The financial statements comply with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 30 June 2004, the Group and the Company adopted the Malaysian Accounting Standards Board ("MASB") Standards 29: Employee Benefits for the first time.

The adoption of MASB 29 has not given rise to any adjustments to the opening balances of retained profits or accumulated losses of the prior and current years or to changes in comparatives.

#### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated where appropriate on the acquisition method of accounting or on the merger method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated financial statements.

Acquisition of subsidiaries which meet the criteria for merger are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's book is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The results of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

### (c) Associates

Associates are those companies in which the Company has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements by the cost method of accounting. The results of the associates have not been equity accounted as the directors are of the opinion that the associates are not intended to be held for long term. Details of the associates and the effect on the income statement and investments in associates had the equity method been applied are disclosed in Note 10.

### (d) Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and the Group's investments in associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (n).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

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

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises purchase cost and any incidental costs of acquisition. The policy for the recognition and measurement of impairment losses is in accordance with note 2(n).

Leasehold land and buildings are stated at valuation less accumulated depreciation and impairment losses. Revaluations are made at least once in every five years based on a valuation by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation decrease is first offset against an increase on unutilised earlier valuations in respect of the same asset and is thereafter recognised as an expense.

Leasehold land is depreciated over the period of the respective leases which range from 88 to 90 years. All other property, plant and equipment are depreciated on a straight-line basis to write off the cost of each asset to their residual value over the estimated useful lives at the following annual rates:-

Buildings	2%
Furniture and fittings	20%
Office equipment	20% - 33 1/3%
Renovation	20% - 33 1/3%
Motor vehicles	20%
Equipment tools	20%
Gymnasium equipment	20%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

### (f) Contract Work-In-Progress

When the outcome of a contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contact costs.

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

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

### (a) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

### (h) Inventories

Inventories are valued at lower of cost (determined on the weighted-average basis) and net realisable value after adequate allowance has been made for damaged, obsolete and slow moving items. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

### (i) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

### (i) Finance leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2 (e).

### (ii) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

### (i) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### (k) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

### (I) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

- (i) Sale of goods
  Revenue relating to sale of goods is recognised upon the transfer of risks and rewards.
- (ii) Contract works

  Revenue from contract works is accounted for by the stage of completion method as described in Note 2 (f).
- (iii) Revenue from services

  Revenue from services rendered is recognised as and when the services are performed.
- (iv) Interest income Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.
- (v) Rental income Rental is recognised on an accrual basis.
- (vi) Dividend income
  Dividend income is recognised when the right to receive payment is established.

### (m) Foreign Currencies

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as at the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. All exchange differences are taken to the income statement.

### (n) Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or

### (o) Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plans

As required by law, companies in the Group make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

### (p) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

- (i) Other Non-Current Investments
  - Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (n). Upon disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.
- (ii) Trade and Other Receivables
  Trade and other receivables are carried at anticipated realisable values. Bad debts
  are written off when identified. An estimate is made for doubtful debts based on a
  review of all outstanding amounts as at the balance sheet date.

(iii) Trade and Other Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-Bearing Borrowings

Interest-bearing bank borrowings and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

### 3. Revenue

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Contract revenue	34,273,057	185,303,653	-	-
Invoiced value of goods sold	4,343,203	6,136,657	-	-
Invoiced value of services				
rendered	1,540,248	5,616,152	-	-
Management fee income	-	-	756,000	864,000
	40,156,508	197,056,462	756,000	864,000

## 4. Profit/(Loss) from Operations

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
This is stated after charging:-				
Auditors' remuneration (Note a)	65,292	101,300	18,000	39,800
Bad debts written off	25,984	182,000	-	-
Depreciation of property,				
plant and equipment	1,624,688	1,697,888	163,878	141,030
Directors' remuneration (Note b)	647,256	3,817,552	200,000	313,500
Staff costs (excluding Directors'		0.70 / 100	0.40.44=	
remuneration) (Note c)	4,874,488	8,734,199	963,467	1,686,083
Loss on disposal of property,		0.500		0.500
plant and equipment	-	2,583	-	2,583
Loss on foreign exchange	4,420	-	-	-
Provision for doubtful debts	2,614,717	32,520,216	-	-
Impairment losses on:				
- investment in subsidiary	<del>-</del>	<del>-</del>	16,000,000	11,163,474
- investment in associate	14,760	47,081	-	-
- other investments	91,500	253,209	-	-
Property, plant and equipment written off		7,703		124
	-		-	124
Rental expense on premises	222,106	320,895	-	-
This is stated after crediting:-				
Gain on disposal of associate	-	870,000	-	_
Gross dividend income:				
- associate	_	30,000	_	_
Management fee income				
- subsidiaries	-	-	756,000	864,000
- associate	24,000	24,000	-	-
Interest income				
- deposits with licensed banks	748,717	495,085	-	-
- subsidiaries	-	-	739,825	1,210,177
- trade receivables	-	1,313,321	-	-
Rental income on premises	357,800	278,600	-	-
Gain on disposal of property, plant and equipment	95,692	-	-	-

### 4. Profit/(Loss) from Operations (contd.)

		Group		Company	
		2004	2003	2004	2003
		RM	RM	RM	RM
(a)	Auditors' remuneration				
	Auditors of the Company				
	Statutory audit				
	- current year	40,600	40,000	18,000	15,000
	- underprovision				
	in prior year	2,092	14,000	-	6,000
	Non-audit				
	- current year	-	7,300	-	7,300
	- underprovision in prior year	-	11,500	-	11,500
	-	42,692	72,800	18,000	39,800
	Other auditors				
	Statutory audit				
	- current year	22,600	23,500	-	-
	Non-audit				
	- current year	-	5,000	-	
	-	22,600	28,500	-	
	-	65,292	101,300	18,000	39,800
(b)	Directors' remuneration				
	Directors of the Company				
	Executive Directors				
	- salaries and other				
	emoluments	318,800	2,313,602	22,000	-
	- bonuses	150.454	102,000	-	-
	<ul><li>benefits-in-kind</li><li>retirement benefits *</li></ul>	150,456	93,950 945,500	-	-
		469,256	3,455,052	22,000	
	Non-Executive	407,230	3,433,032	22,000	
	- fees	178,000	170,000	178,000	170,000
	- bonuses	-	35,500	-	35,500
	- benefits-in-kind	-	25,000	-	-
	- other emoluments	-	108,000	-	108,000
		178,000	338,500	178,000	313,500
	-	647,256	3,793,552	200,000	313,500
	Other Directors				
	Non-Executive				
	- fees	-	24,000	-	-
	_	-	24,000	-	-

<sup>\*</sup> This relates to the retirement benefits payable to a Director who retired as the Chief Executive Officer of a subsidiary and the Managing Director of the Company.

### 4. Profit/(Loss) from Operations (contd.)

The number of Directors of the Group whose total remuneration during the year fell within the following bands is analysed below:-

	Number of Directors			
		2004	2003	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Directors of the Company				
Below RM50,000	-	7	-	4
RM50,001 - RM100,000	-	-	_	1
RM100,001 - RM150,000	-	-	-	1
RM150,001 - RM200,000	1	-	-	-
RM200,001 - RM250,000	-	-	_	-
RM250,001 - RM300,000	1	-	-	-
RM300,001 - RM350,000	-	-	-	-
RM350,001 - RM450,000	-	-	1	-
RM450,001 - RM500,000	-	-	_	-
RM3,050,001 - RM3,100,000		-	1	-
Other Directors				
Below RM50,000	-	-	-	2

		Group		Co	ompany
		2004	2003	2004	2003
		RM	RM	RM	RM
(C)	Staff costs (excluding Directors' remuneration)				
	Wages and salaries	3,882,120	5,235,794	570,716	1,022,383
	Social security costs	20,789	39,428	-	8,105
	Employees provident funds	425,723	692,109	77,393	123,041
	Voluntary separation scheme payments	(80,576)	2,052,514	-	392,698
	Other staff related costs	626,432	714,354	315,358	139,856
	_	4,874,488	8,734,199	963,467	1,686,083

### 5. Finance Costs

	(	Group	Com	pany
	2004	2003	2004	2003
	RM	RM	RM	RM
Interest expense on:				
- Murabahah commercial papers and				
Murabahah medium term notes	2,187,381	1,928,114	-	-
- overdrafts	65,793	645,400	-	_
- term loans	335,001	349,265	_	_
- trust receipts and bankers'				
acceptances	247,763	904,883	-	-
- hire purchase	186,552	164,487	5,678	7,579
	3,022,490	3,992,149	5,678	7,579

### 6. Taxation

Group		Cor	mpany
2004	2003	2004	2003
RM	RM	RM	RM
-	21,500	-	-
1,288,374	2,072,481	-	211,821
1,288,374	2,093,981	-	211,821
-	(944,054)	-	-
(79,760)	(73,830)	-	-
(79,760)	(1,017,884)	-	-
1,208,614	1,076,097	-	211,821
	2004 RM  - 1,288,374 1,288,374 - (79,760) (79,760)	2004 2003 RM RM  - 21,500  1,288,374 2,072,481 1,288,374 2,093,981  - (944,054) (79,760) (73,830) (79,760) (1,017,884)	2004       2003       2004         RM       RM       RM         -       21,500       -         1,288,374       2,072,481       -         1,288,374       2,093,981       -         -       (944,054)       -         (79,760)       (73,830)       -         (79,760)       (1,017,884)       -

### **6.** Taxation (contd.)

The domestic income tax of the Group is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated assessable profit/(loss) for the year, except for a subsidiary of which the domestic income tax during the current financial year is calculated at the Malaysian statutory tax rate of 20% of the estimated assessable profit/(loss) up to RM500,000 and 28% of the estimated profit/(loss) in excess of RM500,000 for the year.

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

	2004	2003
	RM	RM
Group		
Loss before taxation	(7,473,402)	(36,932,070)
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	(2,092,553)	(10,340,980)
Effect of reduction in Malaysian tax rate	-	(8,000)
Income not subject to tax	(1,244,171)	(417,582)
Expenses not deductible for tax purposes	2,078,699	1,708,054
Deferred tax assets not recognised during the year	1,553,682	8,135,954
Effect on utilisation of previously unrecognised tax losses	(295,657)	-
Underprovision of income tax in prior years	1,288,374	2,072,481
Over provision of deferred tax liabilities in prior years	(79,760)	(73,830)
Tax expense for the year	1,208,614	1,076,097
Company		
Loss before taxation	(16,668,357)	(11,915,362)
Taxation at Malaysian statutory tax rate of 28% (2003:28%)	(4,667,140)	(3,336,301)
Expenses not deductible for tax purposes	4,615,966	3,196,975
Deferred tax assets not recognised during the year	258,325	139,327
Effect on utilisation of previously unrecognised tax losses	(207,151)	-
Underprovision of income tax in prior years	-	211,821
Tax expense for the year	-	211,822

### **6. Taxation** (contd.)

Tax savings during the financial year arising from:

	G	Company		
	2004	2003	2004	2003
	RM	RM	RM	RM
Tax losses are analysed as follows:				
Utilisation of current year tax losses	-	370,838	-	338,850
Utilisation of tax losses brought forward from previous years	295,675	-	207,151	-
Unabsorbed capital allowances are analysed as follows:				
Utilisation of current year capital allowances	-	101,666	-	-
Utilisation of unabsorbed capital allowances brought forward from previous years	-	146,263	-	-

### 7. Loss Per Share

The loss per share is calculated based on the loss after taxation of RM8,682,016 (2003: RM38,008,167) on the 60,000,000 (2003: 60,000,000) ordinary shares of RM1 each in issue during the year.

## 8. Property, Plant and Equipment

### Group

	Long leasehold land	Freehold land	Buildings	Furniture and fittings	Office equipment	Renovation	Motor vehicles	Equipment tools	Gymnasium equipment	Total
Cost/Valuation	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 July 2003	6,337,555	8,645,144	6,197,188	462,110	2,480,674	1,235,810	4,652,469	952,917	31,170	30,995,037
Additions	-	-	-	3,200	195,031	50,306	-	12,138	-	260,675
Disposals	-	-	-	-	-	-	(422,008)	-	-	(422,008)
At 30 June 2004	6,337,555	8,645,144	6,197,188	465,310	2,675,705	1,286,116	4,230,461	965,055	31,170	30,833,704
Accumulated Depreciation										
At 1 July 2003	325,640	_	413,486	314,951	1,665,411	736,475	2,587,479	765,135	7,216	6,815,793
Depreciation charge for the year	ar 71,301	_	123,943	52,559	404,087	169,804	732,635	64,125	6,234	1,624,688
Disposals	_	-	-	-	_	_	(422,000)	-	-	(422,000)
At 30 June 2004	396,941	-	537,429	367,510	2,069,498	906,279	2,898,114	829,260	13,450	8,018,481
Net Book Value										
At 30 June 2004	5,940,614	8,645,144	5,659,759	97,800	606,207	379,837	1,332,347	135,795	17,720	22,815,223
At 30 June 2003	6,011,915	8,645,144	5,783,702	147,159	815,263	499,335	2,064,990	187,782	23,954	24,179,244
Details at 1 July 2002										
Cost/Valuation	6,337,555	_	6,197,188	804,538	3,372,429	1,746,465	4,974,419	901,916	31,170	24,365,860
Accumulated depreciation	254,339	-	289,543	625,872	2,545,624	1,126,533	2,299,277	658,233	982	7,800,403
Depreciation charge for 2003	71,301	-	123,943	49,072	390,543	186,066	763,559	107,170	6,234	1,697,888

### 8. Property, Plant and Equipment (contd.)

### Company

	Office equipment	Renovation	Motor vehicles	Gymnasium equipment	Total
	RM	RM	RM	RM	RM
Cost					
At 1 July 2003	291,245	201,090	158,710	31,170	682,215
Additions	83,124	31,306	-	-	114,430
At 30 June 2004	374,369	232,396	158,710	31,170	796,645
Accumulated Depreciation					
At 1 July 2003	70,352	60,213	66,129	7,216	203,910
Depreciation charge for the year	82,878	43,024	31,742	6,234	163,878
At 30 June 2004	153,230	103,237	97,871	13,450	367,788
Net Book Value					
At 30 June 2004	221,139	129,159	60,839	17,720	428,857
At 30 June 2003	220,893	140,877	92,581	23,954	478,305
Details at 1 July 2002					
Cost	115,853	201,090	158,710	31,170	506,823
Accumulated depreciation	(9,766)	(19,995)	(34,387)	(982)	(65,130)
Depreciation charge for 2003	62,836	40,218	31,742	6,234	141,030

#### 8. Property, Plant And Equipment (contd.)

(i) On 30 November 2000, certain leasehold land and buildings of the subsidiaries were revalued by the Directors based on an independent professional valuation carried out on an existing use basis. The revaluation deficit of RM1,148,004 arising from the revaluation was debited against the income statement and the asset revaluation reserve amounting to RM366,434 and RM781,570 respectively. The leasehold land has an unexpired lease term of 81 years.

Had the revalued leasehold land and buildings been carried at historical cost, the net book value of the leasehold land and buildings included in the financial statements of the Group as at 30 June 2004 would have been RM4,507,669 (2003: RM4,563,587) and RM5,184,026 (2003: RM5,306,381) respectively.

- (ii) Long leasehold land and buildings of the Group with a total cost of RM7,834,743 (2003: RM7,600,000) and net book value of RM7,139,235 (2003: RM5,676,510) and a freehold land with a total cost of RM8,645,144 (2003: RM8,645,144) have been pledged to financial institutions for credit facilities granted to certain subsidiaries.
- (iii) Included above are motor vehicles acquired under hire purchase arrangement for the Group and the Company with net book value of RM960,833 (2003: RM1,948,094) and RM60,839 (2003: RM92,581) respectively.

#### 9. Investments In Subsidiaries

	Company	
	2004	2003
	RM	RM
Unquoted shares, at cost	52,664,208	32,664,208
Less: Accumulated impairment losses	(27,163,474)	(11,163,474)
	25,500,734	21,500,734

#### Details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Principal Activities	Equity Interest Held 2004 %	2003 %
Elitemac Resources Sdn. Bhd.	Malaysia	Investment holding and provisioning, installation, commissioning, and maintenance of power supply equipment for telecommunication	100	100
* Edaran Komputer Sdn. Bhd.	Malaysia	Provisioning, installation, commissioning, integration and maintenance of information technology products and related services	100	100
* SIDIC Technology Sdn. Bhd.	Malaysia	Technology provider for the smart technology industry	100	100
*MIDC Technology Sdn. Bhd.	Malaysia	Technology provider for the integrated data centre. Ceased business operations since the last financial year	100	100
Subsidiary of Elitemac Resou	urces Sdn. Bhd.			
Edaran Communications Sdn. Bhd.	Malaysia	Provisioning, installation, commissioning, integration and maintenance of telecommunication equipment and related services	100	100

<sup>\*</sup> Audited by other firm of auditors.

#### 10. Investments In Associates

	Group		
	2004	2003	
	RM	RM	
Unquoted shares, at cost	490,000	490,000	
Less: Accumulated impairment losses	(267,680)	(252,920)	
	222,320	237,080	

#### Details of the associates are as follows:

Name of Company	Country of Incorporation	Principal Activities	2004 %	Equity Interest Held 2003 %
* Advanced Communication Solutions Sdn. Bhd.	Malaysia	Supply, deliver, install, test and commission digital switches and to provide engineering and training services	49	49

<sup>\*</sup> Audited by other firm of auditors.

As disclosed in Note 2 (c) to the financial statements, the investments in associates are accounted for in the consolidated financial statements under the cost method.

Had the equity method of accounting been applied to the extent quantifiable based on the unaudited management financial statements, the carrying amount of investments in associates would have been as follows:

	Group	
	2004	2003
	RM	RM
Unquoted shares, at cost	490,000	490,000
Share of post acquisition reserves	(267,680)	(252,920)
	222,320	237,080
Represented by:		
Share of net assets	222,320	237,080

#### 10. Investments In Associates (contd.)

Had the equity method of accounting been applied to the extent quantifiable based on the unaudited management financial statements, the income statement of the Group would have been as follows:

	2004			2003
	RM	RM	RM	RM
Loss before taxation and share of loss of associates		(7,473,402)		(36,932,070)
Elimination of impairment of investments		14,760		47,081
Share of loss of associates		(14,760)		(47,081)
Loss before taxation		(7,473,402)		(36,932,070)
Taxation before share of tax of associates	(1,208,614)		(1,076,097)	
Share of tax of associates	<u> </u>			
Taxation		(1,208,614)		(1,076,097)
Loss after taxation		(8,682,016)		(38,008,167)

The comparative amounts have been restated as follows:

Loss after taxation as previously stated Adjustments Loss after taxation as restated	(38,055,248) <u>47,081</u> (38,008,167)

#### 11. Other Investments

	G	Group		
	2004	2003		
	RM	RM		
Quoted in Malaysia				
- Shares, at cost	5,000	5,000		
- Warrants, at cost	350,700	350,700		
	355,700	355,700		
Less: Accumulated impairment losses	(345,199)	(253,699)		
	10,501	102,001		
Unquoted in Malaysia				
- Shares, at cost	250,000	250,000		
Less: Accumulated impairment losses	(249,999)	(249,999)		
	1	1		
	10,502	102,002		
Market value:				
- Shares	1,275	1,175		
- Warrants	10,500	102,000		
	11,775	103,175		

#### 12. Amounts Due From/(To) Customers on Contracts

	Group		
	2004	2003	
	RM	RM	
Contract costs incurred to date	282,202,672	265,406,003	
Add: Attributable profits	50,886,196	45,890,192	
	333,088,868	311,296,195	
Less: Progress billings	(332,654,020)	(304,728,419)	
	434,848	6,567,776	
Amounts due from customers on contracts	902,634	10,431,306	
Amounts due to customers on contracts	(467,786)	(3,863,530)	
	434,848	6,567,776	
Contract revenue recognised as revenue	34,273,057	185,303,653	
Contract costs recognised as expense	28,273,621	169,157,130	

#### 13. Trade Receivables

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Trade receivables	50,819,159	111,275,415	-	-
Less : Provision for doubtful debts *	(31,547,088)	(29,052,153)	-	_
	19,272,071	82,223,262	-	-

Included in the gross trade receivables of the Group in prior year is an amount of RM20,255,823 due from Celcom (Malaysia) Berhad ("Celcom"), a company in which a Director and substantial shareholder of the Company, Tan Sri Dato' Tajudin Ramli had substantial financial interest and held directordhip of Celcom.

The Group's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

As at balance sheet date, the Group has significant concentration of credit risk in the form of outstanding balances due from 5 customers representing 85% of total net trade receivables.

#### 13. Trade Receivables (contd.)

Included in trade receivables of the Group are debts amounting to RM9,879,728 (2003: RM23,681,142) which have been outstanding for more than 1 year. The Directors, upon assessing the debts, are of the opinion that these debts are recoverable and that there is no indication to suggest that the debtors are unable to effect settlement. The Directors have also affirmed their intention to pursue the full recovery of these debts and accordingly, no further provision for doubtful recovery is deemed required.

\* Three of the Company's subsidiaries had, in 2002, entered into four one-year contracts as subcontractors with Daya Minda Sdn. Bhd., SKKPJ (Tanah Merah) Development Sdn. Bhd. and Edisi Permata Sdn. Bhd. who acted as the main contractors for the supply and provision of computers to Perbadanan Komputer Nasional Berhad ("Nascom").

Under two of the sub-contracts, a subsidiary of the Company, Edaran Komputer Sdn Bhd. ("EKOM") had supplied and fulfilled its obligations ("EKOM contracts") while on the remaining two contracts, no Purchase Orders were issued during the tenure of the contracts. Security deposits amounting to 10% of the contract value were provided for each respective contract.

To date, Nascom has failed to make any payment for the computers supplied and has not refunded any of the security deposits ("Outstanding Debts").

Two of the main contractors, who are parties to EKOM contracts, have taken legal actions and recovery proceedings against Nascom. Under the arrangement with them, all proceed from the legal actions and the recovery proceedings will be placed in the interim period with a stakeholder for the benefit of EKOM in settling any amount due to it.

In light of the circumstances surrounding Nascom, the Board of Directors had concluded that it was highly unlikely for Nascom to be able to pay the full amount of the Outstanding Debts. Hence, the Group had made full provision for the Outstanding Debts in the previous financial year to cater for such eventuality.

Despite making full provision amounting to RM 26,959,994, the Board of Directors also decided to continue with the action to recover the amount due to the subsidiaries of the Company from the main contractors.

On 21 October 2003, EKOM had initiated legal proceedings against Daya Minda Sdn. Bhd. and SKKPJ (Tanah Merah) Development Sdn. Bhd. to recover the amount due to it pursuant to EKOM contracts.

The Company had also lodged a police report over the contracts.

#### 14. Other Receivables

Group		Company	
2004	2003	2004	2003
RM	RM	RM	RM
277,080	1,362,142	39,231	50,224
248,586	248,586	-	-
3,796,882	3,809,110	29,828	29,048
669,737	700,139	300	-
4,992,285	6,119,977	69,359	79,272
(3,619,782)	(3,500,000)	_	-
1,372,503	2,619,977	69,359	79,272
	2004 RM 277,080 248,586 3,796,882 669,737 4,992,285 (3,619,782)	2004         2003           RM         RM           277,080         1,362,142           248,586         248,586           3,796,882         3,809,110           669,737         700,139           4,992,285         6,119,977           (3,619,782)         (3,500,000)	2004         2003         2004           RM         RM         RM           277,080         1,362,142         39,231           248,586         248,586         -           3,796,882         3,809,110         29,828           669,737         700,139         300           4,992,285         6,119,977         69,359           (3,619,782)         (3,500,000)         -

<sup>\*\*</sup> An amount of RM3,500,000 is in relation to the security deposits paid in respect of the contracts as explained in Note 13 above.

#### 15. Amounts Due From/(To) Subsidiaries

The amounts due from subsidiaries are unsecured, have no fixed term of repayment and interest is charged at a rate of 4% (2003: 4%) per annum.

The amounts due to subsidiaries are unsecured, have no fixed term of repayment and are interest free.

#### 16. Amounts Due From Associates

The amounts due from associates are unsecured, interest free and have no fixed term of repayment.

#### 17. Deposits With Licensed Banks

Deposits with the licensed banks of the Group amounting to RM17,527,516 (2003: RM27,743,417) are pledged to banks for credit facilities granted to certain subsidiaries as referred to in Note 20.

The interest rates and the average maturities of deposits of the Group as at 30 June 2004 range from 2.5% to 4.0% per annum and between 21 to 365 days respectively.

#### 18. Trade Payables

Included in trade payables of the Group in prior year is an amount of RM3,269,432 owing to Celcom (Malaysia) Berhad ("Celcom"), a company in which a Director and substantial shareholder of the Company, Tan Sri Dato' Tajudin Ramli had substantial financial interest and held a directorship of Celcom.

The normal trade credit terms granted to the Group range from 30 to 90 days.

#### 19. Other Payables

		Group		Company	
	2004	2003	2004	2003	
	RM	RM	RM	RM	
Sundry payables	200,711	269,428	11,396	39,244	
Accruals	1,489,414	1,414,774	121,695	110,900	
	1,690,125	1,684,202	133,091	150,144	

## 20. Borrowings

	Group			npany
	2004	2003	2004	2003
	RM	RM	RM	RM
Short term borrowings				
Secured:				
Bank overdrafts	-	1,209,746	-	-
Bankers' acceptances	-	6,062,000	-	-
Murabahah commercial papers	-	40,000,000	-	-
Term loan	533,566	495,211	-	-
Trust receipts	-	5,981,072	-	-
Hire purchase payables (Note 23)	501,706	470,619	23,910	21,827
	1,035,272	54,218,648	23,910	21,827
Long term borrowings				
Secured:				
Term loan	3,645,799	4,194,314	-	-
Hire purchase payables (Note 23)	507,342	924,592	26,152	50,062
Murabahah medium term notes	20,000,000	20,000,000	-	-
	24,153,141	25,118,906	26,152	50,062
Total borrowings				
Bank overdrafts	-	1,209,746	-	-
Bankers' acceptance	-	6,062,000	-	-
Murabahah commercial papers	-	40,000,000	-	-
Murabahah medium term notes	20,000,000	20,000,000	-	-
Term loan	4,179,365	4,689,525	-	-
Trust receipts	-	5,981,072	-	-
Hire purchase payables (Note 23)	1,009,048	1,395,211	50,062	71,889
<u> </u>	25,188,413	79,337,554	50,062	71,889
Maturity of borrowings (excluding hire purchase):				
Within 1 year	533,566	53,748,029	-	_
More than 1 year and less than 2 years	20,533,566	495,211	-	-
More than 2 years and less than 5 years	1,600,698	21,485,633	-	-
More than 5 years	1,511,535	2,213,470	-	_
_	24,179,365	77,942,343	-	-

#### **20.** Borrowings (contd.)

(a) The interest rates range at the balance sheet date for bank borrowings excluding hire purchase, is as follows:

		Group		pany
	2004	2003	2004	2003
	%	%	%	%
Bank overdrafts	-	7.40 - 9.00	-	-
Bankers' acceptances	-	2.95 - 3.10	-	-
Murabahah commercial papers	-	3.90 - 5.05	-	_
Murabahah medium term notes	8.55	8.55	-	-
Term loan	7.50	7.90	-	-
Trust receipts	-	7.40 - 8.15	-	_

(b) The term loan of the Group is secured by a legal charge over a freehold land of a subsidiary and the corporate guarantee of the Company.

The other bank borrowings of the Group are secured by way of the following:-

- (i) legal charges over the leasehold land and buildings of certain subsidiaries as disclosed in Note 8;
- (ii) certain fixed deposits of the subsidiaries as disclosed in Note 17;
- (iii) assignment of contract proceeds of certain subsidiaries;
- (iv) corporate guarantee of a subsidiary; and
- (v) joint and several guarantee by the Directors of certain subsidiaries.

#### 21. Share Capital

		Number of Ordinary Shares of RM1 each		
	2004	2003	2004	2003
			RM	RM
Authorised				
At 30 June	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
At 30 June	60,000,000	60,000,000	60,000,000	60,000,000

#### 22. Deferred Tax Liabilities

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
At 1 July 2003/2002				
As previously stated	79,760	472,000	-	-
Prior year adjustment	-	625,644	-	-
At 1 July 2003/2002 as restated	79,760	1,097,644	-	-
Recognised in the income statement (Note 6)	(79,760)	(1,017,884)	_	_
At 30 June	-	79,760	-	_

The deferred tax liabilities prior to offsetting are in respect of the following:-

Group		Со	mpany
2004	2003	2004	2003
RM	RM	RM	RM
587,001	594,212	-	-
1,348,275	2,321,803	38,146	168,257
1,935,276	2,916,015	38,146	168,257
	2004 RM 587,001 1,348,275	2004 2003 RM RM  587,001 594,212  1,348,275 2,321,803	2004         2003         2004           RM         RM         RM           587,001         594,212         -           1,348,275         2,321,803         38,146

The deferred tax assets prior to offsetting are in respect of the following:-

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Unutilised tax losses	(1,486,772)	(1,895,811)	-	_
Unabsorbed capital allowances	(448,504)	(940,444)	(38,146)	(168,257)
	(1,935,276)	(2,836,255)	(38,146)	(168,257)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Co	mpany
	2004	2003	2004	2003
	RM	RM	RM	RM
Unutilised tax losses	36,177,521	32,091,180	686,785	371,027
Unabsorbed capital allowances	1,712,099	202,556	372,040	104,853
	37,889,620	32,293,736	1,058,825	475,880

#### **22**. **Deferred Tax Liabilities** (contd.)

The unutilised tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and they have arisen in subsidiaries that have a recent history of losses and/or have current year losses.

#### 23. Hire Purchase Payables

		Group	Co	mpany
	2004	2003	2004	2003
	RM	RM	RM	RM
Minimum lease payments:				
Not later than 1 year	572,716	572,716	27,504	27,504
Later than 1 year and not later than 2 years	463,484	600,200	27,484	54,988
Later than 2 years and not later than 5 years	67,259	503,258	-	
	1,103,459	1,676,174	54,988	82,492
Less: Unexpired interest	(94,411)	(280,963)	(4,926)	(10,603)
Present value of hire purchase payables	1,009,048	1,395,211	50,062	71,889
Present value of hire purchase payables:				
Not later than 1 year	501,706	470,619	23,910	21,827
Later than 1 year and not later than 2 years	441,707	495,857	26,152	23,910
Later than 2 years and not later than 5 years	65,635	428,735	_	26,152
- -	1,009,048	1,395,211	50,062	71,889
Analysed as:				
Due within 12 months (Note 20)	501,706	470,619	23,910	21,827
Due after 12 months (Note 20)	507,342	924,592	26,152	50,062
	1,009,048	1,395,211	50,062	71,889

The hire purchase bore interest at the balance sheet date at a range of 4.95% to 9.16% (2003: 3.9% to 5.75%) per annum.

#### 25. Significant Related Party Transactions (contd.)

The following summary shows the related party transactions not otherwise disclosed in the financial statements:

	Group		Co	ompany
	2004	2003	2004	2003
	RM	RM	RM	RM
Sale of goods, services rendered and contract works to Celcom	-	3,805,637	_	_
Finance charges from Celcom for deferred payment scheme	-	28,245	-	-
Insurance premium paid through Cendanasari	131,503	190,997	-	9,515
Subsidiaries:				
- Interest income	-	_	739,825	1,210,177
- Management fee income	-	-	756,000	864,000
Associates:				
- Dividend income	-	30,000	-	-
- Management fee income	24,000	24,000	-	_

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

#### 24. Contingent Liabilities

#### (a) Legal Proceedings

A third party ("Plaintiff") instituted proceedings against a subsidiary ("Subsidiary") to claim an amount of RM1,002,111 for alleged breach of contract. The Subsidiary disputed the claim on the basis that the Plaintiff did not comply with the terms of supply resulting in the Subsidiary not being able to fulfill its obligation.

Subsequently, the Plaintiff issued a Notice of Discontinuance of the court action with the consent of the Subsidiary. The parties agreed to refer the dispute to arbitration and to sign a Joint Reference Agreement signifying their intention. The Joint Reference Agreement was never finalised and the Notice of Arbitration was never filed.

As of November 2003, the Plaintiff has been time barred from taking any legal proceedings against the Subsidiary.

On the basis of the foregoing, the Directors are of the opinion that no provision for contingent liabilities is necessary.

#### (b) Corporate Guarantees

	Group		(	Company
	2004	2003	2004	2003
	RM	RM	RM	RM
Secured:				
Performance guarantee extended to third parties in respect of contract performance	10,468,676	11,745,771	10,468,676	11,745,771
Financial guarantee extended to third parties in respect of credit limit given by the suppliers	700,000	700,000	700,000	700,000
Tender guarantee extended to third parties in respect of tender participated	100,000	600,000	100,000	600,000
Corporate guarantee given to banks for credit facilities granted to subsidiaries	_	_	32,073,268	77,649,425
	11,268,676	13,045,771	43,341,944	90,695,196

#### 25. Significant Related Party Transactions

The Group entered into transactions with Celcom (Malaysia) Berhad ("Celcom"), Kauthar Sdn. Bhd. ("Kauthar") and Cendanasari Insurance Brokers Sdn. Bhd. ("Cendanasari"). These companies are related to certain Directors of the Company as follows:

Company	Relationship
Celcom	Indirect interest held by Tan Sri Dato' Tajudin Ramli.
	Tan Sri Dato' Tajudin Ramli ceased to be a substantial shareholder of
	Celcom with effect from 30 January 2003.
Kauthar	Direct interest held by Tan Sri Dato' Tajudin Ramli.
Cendanasari	Direct interest held by Dato' Idrus Zainol.

#### 26. Financial Instruments

#### (a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

#### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt; the Company had no long term interest-bearing assets as at 30 June 2004. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits which yield better returns than cash at bank. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and interest rates of financial assets and liabilities are disclosed in their respective notes.

#### (c) Foreign Exchange Risk

The Group predominantly operates domestically and is not exposed to foreign exchange risk.

#### (d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

#### (e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group has significant exposure to a group of counterparties as disclosed in Notes 13 and 14 to the financial statements.

#### **26.** Financial Instruments (contd.)

#### (f) Fair Values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair values on the balance sheets of the Group and of the Company as at 30 June 2004 are represented as follows:

		Group		
		Carrying Amount	Fair Value	
	Note	RM	RM	
Financial Assets:				
Other investments - Quoted shares Amount due from associate	11 16	10,501 13,904	11,775	
Financial Liabilities:				
Hire purchase payables	23	1,009,048	948,134	

		Con	npany
		Carrying Amount	Fair Value
	Note	RM	RM
Financial Assets:			
Amounts due from subsidiaries	15	23,242,545	*
Amounts due to subsidiaries	15	10,421,137	*
Financial Liabilities:			
Hire purchase payables	23	50,062	51,488

<sup>\*</sup> It is not practical to estimate the fair values of amounts due from associates and subsidiaries due principally to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received.

#### **26.** Financial Instruments (contd.)

#### (f) Fair Values (contd.)

The notional amount and net fair value of financial instruments not recognised in the balance sheet of the Company as at 30 June 2004 are:

		Group	Company		
	Notional Amount			Fair Value	
	RM	RM	RM	RM	
Corporate guarantees	11,268,676	11,268,676	43,341,944	43,341,944	

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

#### (i) Cash and Cash Equivalents, Receivables, Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

#### (ii) Quoted investments

The fair value of quoted investments is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

#### (iii) Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

#### (iv) Term loan

The carrying value of the Group's variable rate term loan is considered to be a reasonable estimate of the fair value as the term loan will be repriced immediately in the event of any changes to the market interest rates.

#### (v) Corporate guarantees

The fair value of corporate guarantee is estimated by discounting the expected future cash flows of borrowings which are secured by corporate guarantees, using the current interest rates for liabilities with similar risk profiles.

#### 27. Segment Information

#### (a) Business Segments

The Group is organised into 2 major business segments:

#### (i) Telecommunications

Provisioning, installation, commissioning and maintenance of power supply equipment for telecommunication systems and integration and maintenance of telecommunication equipment and related services;

#### (ii) Information Technology

Provisioning, installation, commissioning, integration and maintenance of information technology products and related services, and provisioning of technology for the smart technology industry and for the integrated data centre.

Other business segments include investment holding and property investment, none of which are of a sufficient size to be reported separately.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

### 27. Segment Information (contd.)

#### (a) Business Segments (contd.)

2004	Telecom- munications	Information Technology	Others	Eliminations	Consolidated
	RM	RM	RM	RM	RM
Revenue					
External sales	745,086	39,411,422	-	-	40,156,508
Inter-segment sales	-	-	756,000	(756,000)	-
Total Revenue	745,086	39,411,422	756,000		40,156,508
Results					
Segment results	(152,868)	(2,886,517)	(671,704)	(739,823)	(4,450,912)
Unallocated corporate expenses					
Loss from operations					(4,450,912)
Finance costs					(3,022,490)
Taxation					(1,208,614)
Net loss for the year					(8,682,016)
Assets and liabilities					
Segment assets	32,433,059	37,333,786	66,144,281	(25,602,234)	110,308,892
Unallocated corporate assets					(27,120,229)
Consolidated total assets					83,188,663
Segment liabilities	3,098,715	33,214,143	184,454		36,497,312
Unallocated corporate liabilities					43,246
Consolidated total liabilities					36,540,558
Other information					
Capital expenditure	-	146,245	114,430		260,675
Depreciation	547,219	907,865	169,604		1,624,688
Impairment losses	106,260	-	16,000,000	(16,000,000)	106,260
Non-cash expenses other than					
depreciation and impairment losses	2,187,909	794,224			2,982,133

#### 27. Segments Information (contd.)

#### (a) Business Segments (contd.)

2003	Telecom- munications	Information Technology	Others	Eliminations	Consolidated
	RM	RM	RM	RM	RM
Revenue					
External sales	7,559,509	189,496,953	-	-	197,056,462
Inter-segment sales		<u> </u>	864,000	(864,000)	
Total Revenue	7,559,509	189,496,953	864,000		197,056,462
Results					
Segment results	(3,040,410)	(28,019,230)	(11,681,956)	9,953,298	(32,788,298)
Unallocated corporate expenses					(151,623)
Loss from operations					(32,939,921)
Finance costs					(3,992,149)
Taxation					(1,076,097) (38,008,167)
Net loss for the year					(30,000,167)
Assets and liabilities					
Segment assets	44,411,275	118,576,477	61,251,519	(70,731,093)	153,508,178
Unallocated corporate assets					18,992,173
Consolidated total assets					172,500,351
Segment liabilities	19,131,498	18,241,902	150,144		37,523,544
Unallocated corporate liabilities					79,646,686
Consolidated total liabilities					117,170,230
Other information					
Capital expenditure	106,167	591,008	-		697,175
Unallocated capital expenditure	-	-	8,645,144		8,645,144
Depreciation	455,482	825,272	265,511		1,546,265
Unallocated depreciation	-	<del>-</del>	_		151,623
Impairment losses	50,291	249,999	11,163,474	(11,163,474)	300,290
Non-cash expenses other than depreciation and impairment losses	es 4,209	32,724,186	2,707		32,731,102
аврівстанон ана іттраіттеті 10556	4,209	32,724,100			32,/31,102

#### (b) Geographical Segments

No geographical segment information is presented as the Group operates within Malaysia.

#### STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, DATO' ABDUL HALIM ABDULLAH and BISTAMAM RAMLI, being two of the Directors of EDARAN DIGITAL SYSTEMS BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 39 to 80 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

#### DATO' ABDUL HALIM ABDULLAH

**BISTAMAM RAMLI** 

Kuala Lumpur, Malaysia 6 October 2004

#### STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, BISTAMAM RAMLI, being the Director primarily responsible for the financial management of EDARAN DIGITAL SYSTEMS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 39 to 80 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned BISTAMAM RAMLI at Kuala Lumpur in the Federal Territory 6 October 2004

Before me,
HJ. ABDUL HAMID B.YUSOF (AMN)
NO. W 182
Commissioner of Oaths

**BISTAMAM RAMLI** 

#### **AUDITORS' REPORT**

# REPORT OF THE AUDITORS TO THE MEMBERS OF EDARAN DIGITAL SYSTEMS BERHAD

(Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 39 to 80. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

#### In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of :
  - (i) the financial position of the Group and of the Company as at 30 June 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditor's reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 9 to the financial statements, being financial statements that have been included in the consolidated financial statements.

## REPORT OF THE AUDITORS TO THE MEMBERS OF EDARAN DIGITAL SYSTEMS BERHAD (contd.)

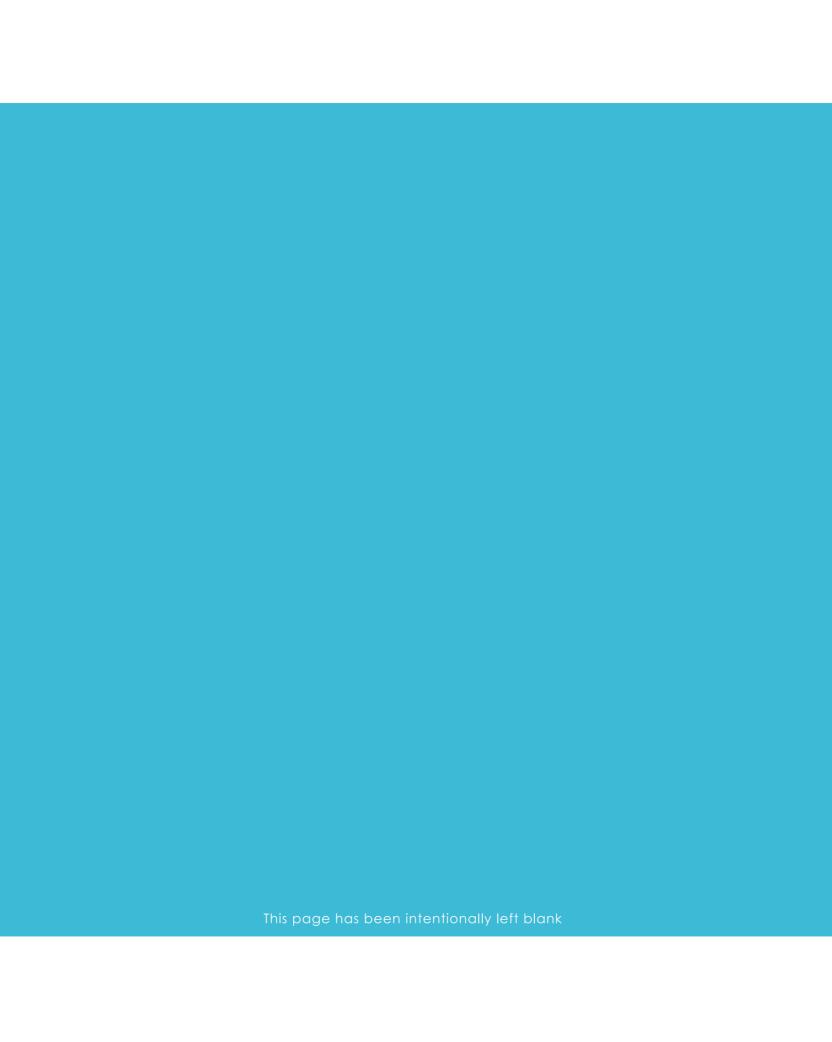
We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**ERNST & YOUNG** 

AF: 0039 Chartered Accountants Yap Seng Chong 2190/12/05(J) Partner

Kuala Lumpur, Malaysia 6 October 2004





#### **Statement of Shareholdings**

**Authorised Capital** RM100,000,000 RM60,000,000

Issued And Paid Up Capital Class Of Shares Voting Rights Ordinary shares of RM1.00 each fully paid One vote per shareholder on a show of hands

One vote per share on a poll

No. Of Shareholders 2,590

Analysis of shareholdings

#### A. Distribution of Shareholdings (as at 15 October 2004)

Size Of Shareholdings	Shareholders	Shareholdings	%
Less than 100	4	92	0.00
100 to 1,000	1,333	1,318,800	2.20
1,001 to 10,000	990	4,416,904	7.36
10,001 to 100,000	233	6,024,132	10.04
100,001 to less than 5% of issued shares	25	11,689,403	19.48
5% and above of issued shares	5	36,550,669	60.92
Total	2,590	60,000,000	100.00

#### B. List of Thirty (30) Largest Shareholders (as at 15 October 2004)

Itali	ne Of Shareholders	No. Of Shares Held	%
1 K	Cauthar Sdn Bhd	15.769.440	26.28
	/aliant Chapter Sdn Bhd	10,863,765	18.11
	Unique Pyramid Sdn Bhd	3,521,802	5.87
	abri Bin Hashim	3,305,000	5.51
	nitiative Aims San Bha	3,090,662	5.15
	Shahidan Bin Shafie	2,620,000	4.37
	Mohd Shu'aib Ishak		
	Rizuwan Bin Mohd Murad	1,421,428 1,300,428	2.37 2.17
	Abdul Shukri Bin Abdullah		
		1,068,334	1.78
	Mayban Nominees (Tempatan) Sdn Bhd	554,900	0.92
	Mayban Investment Management Sdn Bhd		
	or MIDF Consultancy and Corporate Services Sdn Bhd (230730)]		
	Power Protection (M) Sdn Bhd	546,000	0.91
	Ce-Zan Nominees (Tempatan) Sdn Bhd	519,000	0.87
	Pledged Securities Account for Tan Ee Seng]		
	Mohd Salleh Bin Lamsah	473,667	0.79
	Choi Yoke Lan	459,000	0.77
15. A	Mazlifah Binti Abdullah	410,800	0.68
16. S	ioo Chow Kok	378,200	0.63
17. T	eh Teaw Kee	306,300	0.51
18. <i>A</i>	Alliancegroup Nominees (Tempatan) Sdn Bhd	235,061	0.39
['	Pledged Securities Account for Mohd Salleh		
В	lin Lamsah (700058)]		
19. <i>F</i>	Ahmad Yasri Bin Mohd Hashim @ Mohd Hassan	193,085	0.32
20. L	eong Fook Seang	181,000	0.30
	(wan Chee Tong	177,100	0.30
	iow Nee Liu Pei Yun	170,000	0.28
23. I	oke Phaik Har	157,100	0.26
	OSK Nominees (Tempatan) Sdn Bhd	141,800	0.24
	Pledged Securities Account for Tan Gaik Suan	141,000	0.24
	CL Nominees (Asing) Sdn Bhd	140,000	0.23
	OCBC Securities Pte Ltd for Goh Yong Swee Robert)	140,000	0.23
,	Citicorp Nominees (Tempatan) Sdn Bhd	127,000	0.21
	Pledged Securities Account for Loo Keah Chin @	127,000	0.21
	ow Keah Ching(473213)]		
	A Nominees (Tempatan) Sdn Bhd	114000	0.10
	, , ,	114,200	0.19
	Pledged Securities Account for Ling		
	(am Sing (118AQ0111)]		
	Ong Beng Kee	100,000	0.17
	aujana Paradigma Sdn Bhd	100,000	0.17
	HDM Nominees (Tempatan) Sdn Bhd	100,000	0.17
[	Pledged Securities Account for Tan Ee Seng]		
	TOTAL	48, 545, 072	80.92

#### C. Substantial Shareholders (as at 15 October 2004)

(as shown in the Register of Substantial Shareholders)

Na	me of substantial Shareholde	ers	No. of shares held	%	Notes
1.	Tan Sri Dato' Tajudin Ramli	(Direct)	2	0.00	
		(Indirect)	15,769,440	26.28	
		Total	15,769,442	26.28	(a)
2.	Kauthar Sdn Bhd		15,769,440	26.28	
3.	Valiant Chapter Sdn Bhd		10,863,765	18.11	
4.	Unique Pyramid Sdn Bhd		3,521,802	5.87	
5.	Sabri Bin Hashim		3,305,000	5.51	

Note:

#### D. Directors' Shareholding (as at 15 October 2004)

(as shown in the Register of Directors' Shareholding)

Directors	No. of shares direct	No. of shares indirect	%
Tan Sri Dato' Tajudin Ramli	2	15,769,440 (a)	26.28
Mohd Shu'aib Ishak	1,421,428	60,000 (b)	2.47
Datuk Emam Mohd Haniff	0	0	0.00
Emam Mohd Hussain			
Bistamam Ramli	0	0	0.00
Dato' Abdul Halim Abdullah	0	0	0.00
Dato' Idrus Zainol	50,002	0	0.08
Shaifubahrim Mohd Saleh	30,000	0	0.05
Dato' Hj Abdul Hamid Mustapha	0	0	0.00
Dato' Abdul Malek Ahmad Shazili	0	0	0.00

Notes:

#### Directors' Shareholding (as at 15 October 2004) in subsidiaries and associate companies

	No. of shares direct	No. of shares indirect	%
Tan Sri Dato' Tajudin Ramli			
Nil	-	-	-
Mohd Shu'aib Ishak Nil			
Datuk Emam Mohd Haniff Emam Mohd Hussain	_	_	-
Nil	-	-	-
Bistamam Ramli			
Nil Dato' Abdul Halim Abdullah	-	-	-
Nil	-	-	-
Dato' Idrus Zainol			
Nil Shaifubahrim Mohd Saleh	-	-	-
Nil	_	-	-
Dato' Hj Abdul Hamid Mustapha			
Nil Dato' Abdul Malek Ahmad Shazili	-	-	-
Nil			-
	-	-	

<sup>(</sup>a) Tan Sri Dato' Tajudin Ramli is deemed interested in the shares held by Kauthar Sdn Bhd by virtue of his 95% interest therein.

<sup>(</sup>a) Tan Sri Dato' Tajudin Ramli is deemed interested in the shares held by Kauthar Sdn Bhd by virtue of his 95% interest therein.

<sup>(</sup>b) Mohd Shu'aib Ishak is deemed interested in the shares held by his wife, Zulriana Zahari.

# Zist of Properties (as at October 2004)

Location	Description / current use of building	Tenure / Tenure period	Approximate age of building (yrs)	Building Area / Land Area (sq. m.)	Net Book value (RM'000)
EDARAN KOMPUTER S	DN BHD				
HS (D) 50146, Lot No. PT 1702 Mukim of Ampang, District and State of Wilayah Persekutuan. (No. 32, Jalan 1/76C, Desa Pandan, 55100 Kuala Lumpur)	Terrace Shophouse / Own occupation (office space)	Leasehold / 99 years expiring on 06.07.2085.  Remaining term approximately 81 years	10	852.02 / 284.18	2,172
HS (D) 50136, Lot No. PT 1692 Mukim of Ampang, District and State of Wilayah Persekutuan. (No. 21, Jalan 2/76C, Desa Pandan, 55100 Kuala Lumpur)	Terrace Shophouse / Rented Out:  1. Restaurant 2. Office space 3. Office space	Leasehold / 99 years expiring on 06.07.2085. Remaining term approximately 81 years	10	474.43 / 153.28	995
HS (D) 50137 Lot No. PT 1693 Mukim of Ampang, District and State of Wilayah Persekutuan. (No. 19, Jalan 2/76C, Desa Pandan, 55100 Kuala Lumpur)	Terrace Shophouse / Rented Out:  1. Travel agency 2. Office space Own Occupation: 3. Staff Recreation Centre	Leasehold / 99 years expiring on 06.07.2085. Remaining term approximately 81 years	10	474.43 / 153.28	1,197
HS (D) 7111, Lot No. PT 12138, HS (D) 7112, Lot No. PT 12139, and HS (D) 7113, Lot No. PT 12140, Mukim of Dengkil, District of Sepang, Selangor	Vacant land	Freehold	-	18,704.60	8,606

Location	Description / current use of building	Tenure / Tenure period	Approximate age of building (yrs)	Building Area / Land Area (sq. m.)	Net Book value (RM'000)	
EDARAN COMMUNICATIONS SDN BHD						
HS (D) 50312, Lot No. PT 1866 Mukim of Ampang, District and State of Wilayah Persekutuan.  (No. 2, Jalan 4/76C, Desa Pandan, 55100 Kuala Lumpur)	Terrace Shophouse / Rented Out:  1. Restaurant  2. Office space (vacant)  3. Office space	Leasehold / 99 years expiring on 07.07.2085. Remaining term approximately 81 years	9	700.11 / 289.82	1,902	
HS (D) 50313, Lot No. PT 1867 Mukim of Ampang, District and State of Wilayah Persekutuan. (No. 4, Jalan 4/76C, Desa Pandan, 55100 Kuala Lumpur)	Terrace Shophouse / Rented Out:  1. Shop Own Occupation:  2. Office space 3. Office space (vacant)	Leasehold / 99 years expiring on 07.07.2085. Remaining term approximately 81 years	9	443.52 / 163.50	1,240	
HS (D) 50314, Lot No. PT 1868 Mukim of Ampang, District and State of Wilayah Persekutuan. (No. 6, Jalan 4/76C, Desa Pandan, 55100 Kuala Lumpur)	Terrace Shophouse / Rented Out:  1. Shop  2. Office space Own Occupation:  3. Office space	Leasehold / 99 years expiring on 07.07.2085. Remaining term approximately 81 years	9	443.52 / 163.50	1,240	

Location	Description / current use of building	Tenure / Tenure period	Approximate age of building (yrs)	Building Area / Land Area (sq. m.)	Net Book value (RM'000)	
ELITEMAC RESOURCES SDN BHD						
HS (D) 50130, Lot No. PT 1686 Mukim of Ampang, District and State of Wilayah Persekutuan. (No. 33, Jalan 2/76C, Desa Pandan, 55100 Kuala Lumpur)	Terrace Shophouse / Rented Out:  1. Car dealer Own Occupation 2. Office space 3. Office space	Leasehold / 99 years expiring on 06.07.2085. Remaining term approximately 81 years	10	1,002.00 / 334.18	2,468	
HS (D) 50259, Lot No. PT 1815 Mukim of Ampang, District and State of Wilayah Persekutuan. (No. 23-1, First Floor, Jalan 5/76B, Desa Pandan, 55100 Kuala Lumpur)	Terrace Shophouse / Own Occupation 1. Office space	Leasehold / 99 years expiring on 06.07.2085. Remaining term approximately 81 years	11	153.29 -	156	



#### **PROXY FORM**

Number of shares held :	
CDS Account No :	

'We	NRIC No		
f			
		being a mer	mber / membei
DARAN DIGITAI	SYSTEMS BERHAD, hereby appoint		
	NRIC		
	e, NRIO	^ No	
		0110.	
daran Digita , Corus Hote adjournment t	oxy to vote for me/us on my/our behalf at the Twell Systems Berhad will be held on Wednesday, 15 Decel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumhereof.  is to vote as indicated hereunder:	ember, 2004 a	t Ballroom 1, Le
,, , , , ,	RESOLUTIONS	FOR	AGAINST
RESOLUTION 1	To consider and receive the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2004 together with the Directors' and Auditors' Reports thereon.		7.07.11.00
RESOLUTION 2	To re-elect a Director retiring under Article 101 of the Company's Articles of Association:  (i) Datuk Emam Mohd Haniff Emam Mohd Hussain		
RESOLUTION 3	To re-elect a Director retiring under Article 101 of the Company's Articles of Association:  (ii) Mohd Shu'aib Ishak		
RESOLUTION 4	To re-elect a Director retiring under Article 101 of the Company's Articles of Association:  (iii) Shaifubahrim Mohd Saleh		
RESOLUTION 5	To approve the payment of the Directors' fee for the financial year ended 30 June 2004.		
RESOLUTION 6	To appoint Messrs. Mea & Co as Auditors of the Company and to authorise the Directors to fix their remuneration.		
RESOLUTION 7	To give authority to the Directors to issue shares under Section 132D of the Companies Act, 1965.		
	n an "X" in the spaces provided how you wish to cast your votes. If you c	do not do so, the Pr	oxy will vote or abs
ease indicate witl om voting at his d			
om voting at his d			

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint any other person or persons, whether a member or not, as his/her proxy or proxies to attend and vote in his/her stead. Where a member appoints two (2) or more proxies, the member shall specify the proportion of the member's shareholding to be represented by each proxy.

2. A proxy need not be a member of the Company. A member may appoint any person to be his/her proxy without limitation.

3. A corporation or a corporation sole or a statutory corporation may appoint any person as its representative.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing and if such appointer is a corporation, corporation sole or a statutory corporation, either under its common seal or the hand of its officers or attorney duly authorised and shall be deposited together with the power of attorney (if any) under which it is signed or an office copy or notarially certified copy thereof and shall be deposited at the Company Secretary's Office, 8th Floor, Menara TR, 161B Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the time for holding of the Meeting or any adjournment thereof.

thereof.
5. The signature to the instrument appointing the proxy executed outside Malaysia must be attested by a Solicitor, Notary Public, Consul or Magistrate.

Fold this flap for sealing	
Then fold here	
meniou nele	
	AFFIX
	STAMP

THE COMPANY SECRETARY

EDARAN DIGITAL SYSTEMS BERHAD c/o 8th Floor, Menara TR 161B Jalan Ampang 50450 Kuala Lumpur

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Edaran Digital Systems Berhad (241644 - W)

Business Office

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Tel: 603 9206 7200 Fax: 603 9284 3531

Registered Office

8th Floor, Menara TR.

161B, Jalan Ampang,

50450 Kuala Lumpur, Malaysia.

Tel: 603 2162 0878 Fax: 603 2168 8596

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