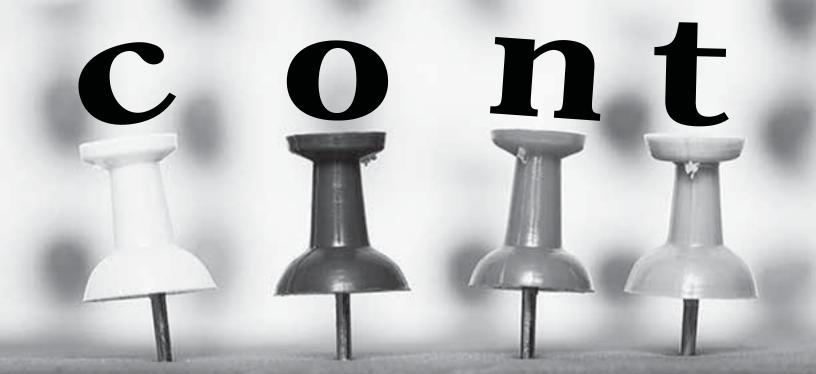


# NO WALLS... NO BARRIERS... annual report 2015

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# NOTICE OF ANNUAL GENERAL MEETING

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty Third Annual General Meeting of Edaran Berhad will be held on Wednesday, 25 November 2015 at No. 2 Jalan 4/76C, Desa Pandan, 55100 Kuala Lumpur at 10.00 a.m. to transact the following businesses:

#### A. ORDINARY BUSINESS

 To receive and adopt the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2015 together with the Directors' and Auditors' Reports thereon.

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 Mohd Shu'aib IshakResolution 1ii.Encik Azlan Mohd AgelResolution 2iii.Encik Fazlan Azri TajudinResolution 3

3. To re-appoint Datuk Emam Mohd Haniff Emam Mohd Hussain who retires pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the next Annual General Meeting.

4. To approve the payment of the Directors' fee for the financial year ended 30 June 2015. **Resolution 5** 

5. To re-appoint Messrs. UHY as Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 6

#### **B. SPECIAL BUSINESS**

6. Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965.

Note b

Resolution 7

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 full force until the conclusion of the next annual general meeting of the Company."

7. Continuation in Office as Independent Non-Executive Directors.

To give an approval to the following Directors who have served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company:

i. Datuk Eman Mohd Haniff Emam Mohd Hussain
 ii. Dato' Abdul Halim Abdullah
 iii. Dato' Hj Abdul Hamid Mustapha
 iv. Dato' Abdul Malek Ahmad Shazili

Resolution 8
Resolution 9
Resolution 10
Resolution 11

#### **C. ANY OTHER ORDINARY BUSINESS**

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

By Order of the Board

Datin Rizana Mohamad Daud (LS 08993) Company Secretary

Asbanizam Abu Bakar (LS 06958) Assistant Company Secretary

Kuala Lumpur 2 November 2015

## NOTICE OF ANNUAL GENERAL MEETING

#### **Explanatory Notes**

#### a. Explanatory Note on Item 1 of the Agenda

- Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2015.

The Audited Financial Statements in Agenda 1 is meant for discussion only as an approval from shareholders is not required pursuant to the provision of Section 169(1) of the Companies Act, 1965. Hence, this Agenda is not put forward for voting.

#### b. Explanatory Note on Item 6 of the Agenda

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

Ordinary Resolution 7 (under item 6 above) is a renewal of the mandate obtained at the last Annual General Meeting which was not utilised during the financial year.

Ordinary Resolution 7, if passed, will give the Directors of the Company, from the date of this General Meeting, an authority to issue and allot ordinary shares from the unissued capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will provide flexibility to the Company for any possible fund raising exercise including but not limited to placement of shares for the purpose of funding current and/or future investment project(s), working capital and/or acquisitions.

This authority will, unless earlier revoked or varied by the Company in a general meeting, expire at the next annual general meeting.

#### c. Explanatory Note on Item 7 of the Agenda

- Continuation in Office as Independent Non Executive Directors.

Pursuant to the Malaysian Code on Corporate Governance 2012, the Board of Directors has assessed the independence of Datuk Eman Mohd Haniff Emam Mohd Hussain, Dato' Abdul Halim Abdullah, Dato' Hj Abdul Hamid Mustapha and Dato' Abdul Malek Ahmad Shazili who each has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

- each of them fulfills the criteria of an Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- (ii) having been with the Company for more than 9 year, each of them is familiar with the Company's business operations;
- (iii) each of them has during his tenure as Independent Non-Executive Director of the Comapny, devoted sufficient time and attention to discharge his responsibilities as such; and
- (iv) each of them has exercised due care during their tenure as Independent Directors of the Company and has carried out their duties in the interest of the Company and shareholders.

Subject to the passing of Resolution 4, the proposed Resolutions 8,9,10 and 11, if passed, will enable Datuk Eman Mohd Haniff Emam Mohd Hussain, Dato' Abdul Halim Abdullah, Dato' Hj Abdul Hamid Mustapha and Dato' Abdul Malek Ahmad Shazili respectively to continue to act as Independent Non-Executive Directors of the Company.

#### 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 without limitation. 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. Only members registered in the Record of Depositors on or before 5.00 p.m. as at 19 November 2015 shall be eligible to attend the meeting or appoint a proxy to attend and/or vote on such depositor's behalf.
- 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 Registered Office, 33-1 Jalan 2/76C, Desa Pandan 55100 Kuala Lumpur not less than forty eight (48) hours before the time for holding this General 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 a Magistrate.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The following are details of the Board meetings held during the financial year ended 30 June 2015 and the attendance of the Directors thereat:-

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

| - 1 |             |           |  |     |
|-----|-------------|-----------|--|-----|
| 1   | Date        | Time      | Venue  | H   |
| 1   | 27 Aug 2014 | 2.30 p.m. |  |     |
| 1   | 21 Oct 2014 | 2.30 p.m. | 2 12   |     |
| 1   | 25 Nov 2014 | 2.30 p.m. | Board Room,<br>No. 2 Jalan 4/76C, Desa Pandan, 55100 Kuala Lumpur. | i i |
| 1   | 24 Feb 2015 | 2.30 p.m. |  | i   |
| 1   | 27 May 2015 | 2.30 p.m. |  |     |
| - 1 |             |           |  |     |

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

Details of Directors' attendance at the above Board meetings during their tenure in office:-

| Directors                                | Appointment | Attendance |
|--|-------------|------------|
| Tan Sri Dato' Tajudin Ramli              | 01 Jun 1992 | 4/5        |
| Datuk Emam Mohd Haniff Emam Mohd Hussain | 30 Oct 2001 | 5/5        |
| Dato' Abdul Halim Abdullah               | 15 Dec 2000 | 5/5        |
| Dato' Abdul Malek Ahmad Shazili          | 06 Nov 2003 | 5/5        |
| Dato' Hj Abdul Hamid Mustapha            | 06 Nov 2003 | 5/5        |
| Dato' Lim Kheng Yew                      | 12 Dec 2007 | 4/5        |
| Dato' Kamal Mohd Ali                     | 05 Apr 2012 | 5/5        |
| Encik Azlan Mohd Agel                    | 05 Apr 2012 | 5/5        |
| Dato' Bistamam Ramli                     | 15 Dec 2000 | 4/5        |
| Datuk Mohd Shu 'aib Ishak                | 15 Dec 2000 | 5/5        |
| Encik Fazlan Azri Tajudin                | 23 May 2006 | 5/5        |

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

The Directors who are standing for re-election at the forthcoming Twenty Third Annual General Meeting of Edaran Berhad are as follows:-

a. Retiring under Article 101 of the Company's Articles of Association.

#### i. DATUK MOHD SHU'AIB ISHAK

Executive Director

#### ii. ENCIK AZLAN MOHD AGEL

Non-Independent, Non-Executive Director

#### iii. ENCIK FAZLAN AZRI TAJUDIN

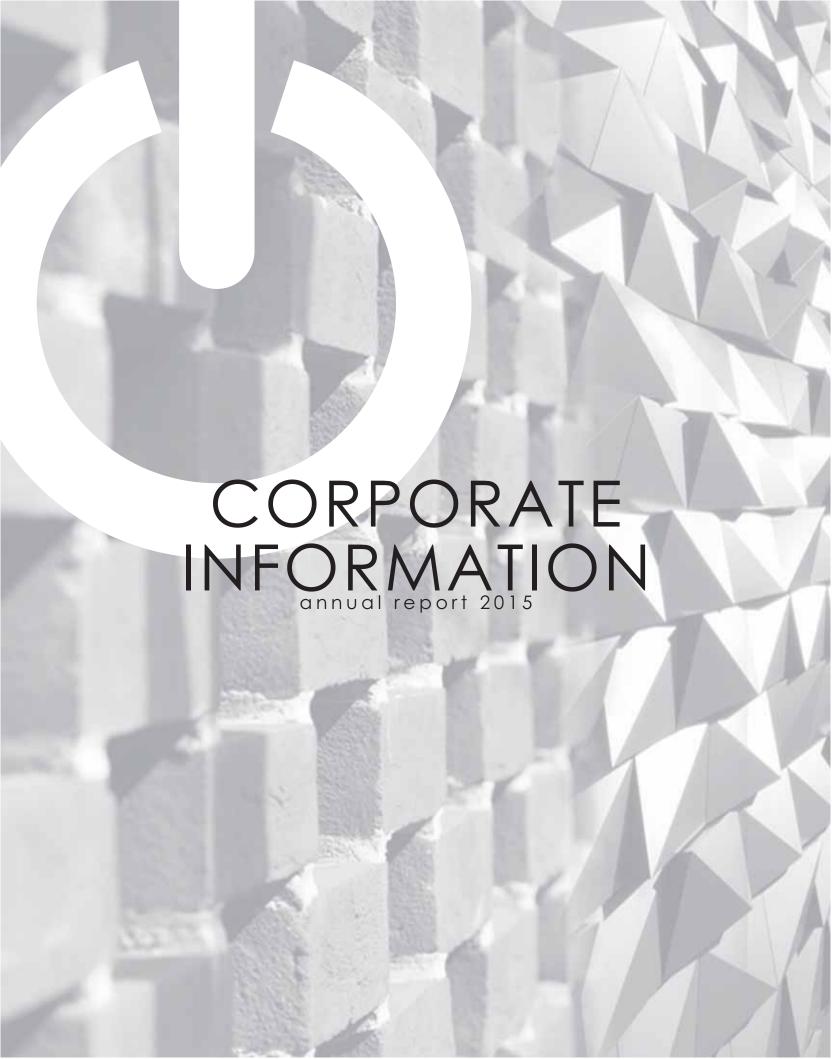
Executive Director

b. Retiring pursuant to Section 129 (6) of the Companies Act, 1965.

#### i. DATUK EMAM MOHD HANIFF EMAM MOHD HUSSAIN

Senior Independent, Non-Executive Director

The profiles of the Directors who are standing for re-election are set out on pages 12 to 16 of the Annual Report.



## CORPORATE INFORMATION

#### **BOARD OF DIRECTORS**

Tan Sri Dato' Tajudin Ramli Chairman 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' Abdul Malek Ahmad Shazili Independent Non-Executive Director

Dato' Hj Abdul Hamid Mustapha Independent Non-Executive Director

Dato' Lim Kheng Yew Independent Non-Executive Director

Dato' Kamal Mohd Ali Non-Independent Non-Executive Director

**Azlan Mohd Agel** *Non-Independent Non-Executive Director* 

Dato' Bistamam Ramli Managing Director

Datuk Mohd Shu'aib Ishak Executive Director

Fazlan Azri Tajudin Executive Director

Listing

Main Market

Bursa Malaysia Securities Berhad

**AUDIT COMMITTEE** 

Dato' Abdul Halim Abdullah Chairman Independent Non-Executive Director

**Datuk Emam Mohd Haniff Emam Mohd Hussain** Senior Independent Non-Executive Director

Dato' Lim Kheng Yew Independent Non-Executive Director

Dato' Abdul Malek Ahmad Shazili Independent Non-Executive Director

**Company Secretary** 

Datin Rizana Mohamad Daud (LS 08993)

**Assistant Company Secretary** 

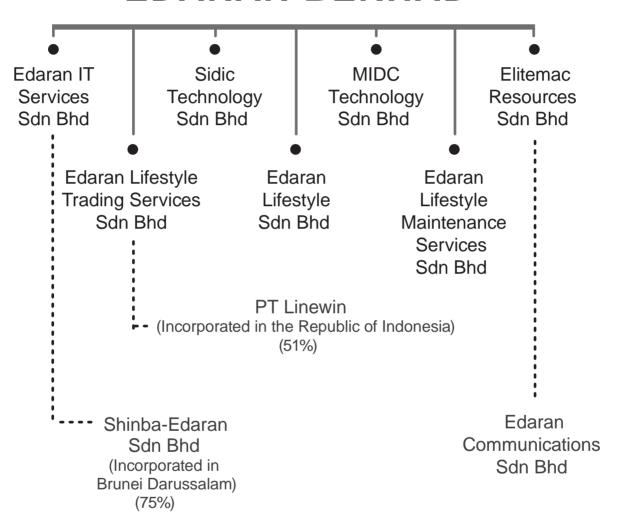
Asbanizam Abu Bakar (LS 06958)

Registered Office: No. 33-1, Jalan 2/76C, Desa Pandan, 55100 Kuala Lumpur Tel: 03-9206 7381 Fax: 03-9283 0192 **Business Office** No. 2,4 & 6, Jalan 4/76C, Desa Pandan, 55100 Kuala Lumpur Tel: 03-9206 7200 Fax: 03-9284 3531 **Auditors UHY** (AF: 1411) Suite 11.05, Level 11, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur Tel: 03-2279 3088 Fax: 03-2279 3099 **Share Registrar** Symphony Share Registrars Sdn Bhd (378993-D) Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Tel: 03-7841 8000 Fax: 03- 7841 8151 /03 7841 8152 **Principal Bankers:** Malayan Banking Berhad CIMB Bank Berhad Bank Muamalat Malaysia Berhad



## CORPORATE STRUCTURE

### **EDARAN BERHAD**



#### TAN SRI DATO' TAJUDIN RAMLI

Chairman

Non-Independent Non-Executive Director

Tan Sri Dato' Tajudin Ramli, a Malaysian, was appointed a Director of EDARAN Berhad 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 69, 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 telecommunications, transportation and tourism.

#### DATUK EMAM MOHD HANIFF EMAM MOHD HUSSAIN

Senior Independent Non-Executive Director

Datuk Emam Mohd Haniff Emam Mohd Hussain, a Malaysian, aged 73 was appointed Director of EDARAN Berhad on 30 October 2001. He was subsequently appointed Senior Independent Non-Executive Director and a member of the Audit Committee on 22 August 2002. On 26 November 2008, he was appointed a member of the Nominating Committee. 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 had served in various capacities both in the Ministry 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 government service in 1997 after attaining the age of 55. Datuk Emam also sits on the board of Lion Corporation Berhad.

#### DATO' ABDUL HALIM ABDULLAH

#### Independent Non-Executive Director

Dato' Abdul Halim Abdullah, a Malaysian, was appointed to the Board of EDARAN Berhad 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. He relinquished his position as Chairman of the Nominating Committee on 26 November 2008. Aged 69, 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 the State Secretary of Penang (1992-1994). In 1994, after his retirement from government service, Dato' Abdul Halim was appointed Executive Director of Technology Resources Properties Sdn Bhd until 8 June 2000.

#### DATO' ABDUL MALEK AHMAD SHAZILI

#### Independent Non-Executive Director

Dato' Abdul Malek Ahmad Shazili, a Malaysian, aged 68, was appointed a Director of EDARAN Berhad on 6 November 2003 and was subsequently appointed Chairman of the Risk Management Committee on 27 May 2004. On 26 November 2008, Dato' Abdul Malek was appointed a member of the Audit Committee. 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 its Chief Executive Officer in 2002.

#### DATO' HJ ABDUL HAMID MUSTAPHA

#### Independent Non-Executive Director

Dato' Hj Abdul Hamid Mustapha, a Malaysian, aged 69, was appointed to the Board of EDARAN Berhad on 6 November 2003 and was subsequently appointed a member of the Remuneration Committee and Nominating Committee on 27 May 2004 and 28 February 2008 respectively. He was appointed Chairman of the Nominating Committee on 26 November 2008. 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.

#### DATO' LIM KHENG YEW

#### Independent Non-Executive Director

Dato' Lim Kheng Yew, aged 64, a Fellow of the Institute of Chartered Accountants in England and Wales, was appointed to the Board of EDARAN Berhad on 12 December 2007 and appointed a member of the Audit Committee on the same date. He was subsequently appointed a member of the Nominating Committee and Remuneration Committee on 28 February 2008. He started his career with international accounting firms in London and Kuala Lumpur. Presently, Dato' Lim is also a Director of KYM Holdings Berhad and TSM Global Berhad.

#### DATO' KAMAL MOHD ALI

#### Non-Independent Non-Executive Director

Dato' Kamal Mohd Ali, aged 55, was appointed to the Board of EDARAN on 5 April 2012. Dato' Kamal joined Prokhas Sdn Bhd in April 2008. He began his career as a Credit Officer at Bank Bumiputra Malaysia Berhad and thereafter held various key positions in the Bank for the following 22 years, including as the General Manager for BBMB Singapore and BCB Labuan Offshore (after the bank merged to form Bumiputra Commerce Bank Berhad). He has also served as the Group Head for Emerging Corporate II, Corporate Banking Division, managing a portfolio in excess of USD550 million comprising public listed companies engaged in manufacturing, services, oil & gas, construction, plantation and stock broking activities. For his achievements, Dato' Kamal was awarded the Superior Performance Employee by the Asian Institude of Management, Manila in 1994. In April 2005, he was appointed as the General Manager, Corporate & Institutional Banking Division, Bank Islam Malaysia Berhad (BIMB) and a Management Member of BIMB Holdings Berhad. From May 2006, Dato' Kamal was tapped to lead the Export-Import Bank of Malaysia Berhad as thge Managing Director /Chief Executive Officer, responsible for the overall operations, management and planning of the Bank. Dato' Kamal graduated from Universiti Malaya with a Bachelor in Economics(Hons) in 1983 and later obtained his Diploma in Banking & Finance from Institut Bank-Bank Malaysia (IBBM) in 1995. Dato' Kamal is presently a Chief Operating Officer in Prokhas Sdn Bhd.

#### AZLAN MOHD AGEL

#### Non-Independent Non-Executive Director

Azlan Mohd Agel, aged 50, was appointed to the Board of EDARAN on 5 April 2012. He holds a B.Sc in Computer Science and a B.A in Economics from New Mexico State University, USA. He is a Deputy General Manager in Prokhas Sdn Bhd, overseeing the Technology Solutions Divisions. Azlan brings to the EDARAN Board his vast and extensive experience in ICT solutions development, planning, implementation and management especially in the areas of IT outsourcing and shared services, SAP implementation, systems integration and development and IT consultancy.

#### DATO' BISTAMAM RAMLI

#### Managing Director

Dato' Bistamam Ramli, a Malaysian, was appointed a Director of EDARAN Berhad on 15 December 2000. He was subsequently appointed a member of the Audit Committee on 15 August 2001 until 26 November 2008. On 1 June 2004, he was appointed the Managing Director of EDARAN Berhad and Chief Executive Officer of Edaran IT Services Sdn Bhd. Dato' Bistamam also sits on the Board of Remuneration and Risk Management Committees. Aged 53, he is a Fellow Member of the Chartered Association of Certified Accountants. Dato' Bistamam was previously attached to Celcom (Malaysia) Berhad, Technology Resources Industries Berhad, Bank Negara Malaysia and Ernst & Young.

#### DATUK MOHD SHU'AIB ISHAK

#### Executive Director

Datuk Mohd Shu'aib Ishak, aged 56, was appointed the Executive Director of EDARAN Berhad on 15 December 2000. Datuk Mohd Shu'aib, a Malaysian, obtained his degree in Electrical Engineering from the University of Technology Malaysia. He has more than 20 years of 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 the General Manager and Director of Edaran Communications Sdn Bhd on 24 January 1991.

#### FAZLAN AZRI TAJUDIN

#### Executive Director

Fazlan Azri Tajudin, aged 40, was appointed to the Board of EDARAN Berhad on 23 May 2006. He was subsequently appointed the Executive Director of the Company on 28 February 2008. He holds an Engineering degree from Imperial College of Science, Technology and Medicine, London. He sits on several private companies, including Kauthar Sdn Bhd and was previously attached to Celcom (Malaysia) Berhad. He is the son of Tan Sri Dato' Tajudin Ramli.





# No Walls... No Barriers...

"Opportunities lie within the on-going transformation, cross pollination of ideas, technologies, methodologies and processes between multiple industries. The expansion of horizons and new opportunities for businesses who successfully tap these positive synergies are there for the taking. This is the big picture going forward."

Another financial year comes to a close for EDARAN and I have the duty once again, to present to you the Company's Financial Statement and Annual Report for the year ended 30 June 2015.

#### Valued Shareholders and Partners

#### FINANCIAL PERFORMANCE

The Group recorded a total revenue of RM46.2 Million, an increase of 23% from RM37.6 Million in the previous year. The higher revenue is attributed to the acquisition of new contracts of higher value. The Group recorded a profit after tax of RM290 Thousand compared to a loss after tax of RM4.09 Million for the previous year. The better overall performance of the Group reflects its perseverance in an increasingly competitive industry. Edaran IT Services has continued to win the confidence of the market upon the back of its nationwide presence and sense of commitment to customers.

#### NETSCAPE THE INEVITABLE LANDSCAPE

The reality of a changing landscape has been impacting the globe unremittingly since the advent of the internet and the world wide web in the 80s, a communications phenomenon which became user friendly in the 90s with the rise of computing language such as the HTML language and computing standards such as SMTP, FTP and SSI which allowed different computer standards to communicate with each other. Today the internet is an indispensable tool for almost everybody with a need to keep connected to the rest of his universe.

As walls come down and as a flat world platform emerges, harnessing the power of technology and communities has become more and more possible. The single and most important driver of innovation and growth for national economies continues to be information and communications technologies."

Indeed, the use of digital computing has become so extensive and sweeping that almost every country has become a digital economy, some to a larger extent, others to a lesser. New technological trends such as mobile and social media solutions, cloud computing and data analytics offer a whole new range of opportunities for business services in the knowledge economy. New business value is being created everyday by the potential that these technologies hold. No one denies that the single and most important driver of innovation and growth for national economies continues to be information and communication technologies. Entire industries are still being reshaped, value chains redefined, barriers to industries reduced or completely lifted, market intelligence sharpened and doors opened to a whole new generation of entrepreneurs and innovators.

#### FLATTER WORLD

The mounting impact of connectivity, the Internet of Things, Internet of Services, emergence of big data, integration and convergence opportunities will continue to drive industries and businesses as well as the lives of ordinary folks doing ordinary things.

The development of work flow software has made it possible for people to not only communicate over vast distances but also to work and engage with others to create new information and indeed to spur new opportunities.

As walls come down and as a flat world platform emerges, harnessing the power of technology and communities has become more and more possible. Users of information technology are not only accessing these technologies for information but also contributing to the reservoir of knowledge. A platform for sharing ideas, thoughts, knowledge and know-how has materialised. One has only to press a button to open the doors to an immense pool of knowledge in any field. Web search engines such as Google and Yahoo! have given information search a whole new definition. Mountains have been levels and valleys filled in the information and communication gap of today.

### The level of power and wealth will increasingly accrue to economies, companies and individuals who have the basic, namely, the infrastructure for connectivity, especially broadband access.

The flat world platform operates with no regard to geographical boundaries, distance and time zones. Going forward everything will converge on this platform. The level of power and wealth will increasingly accrue to economies, companies and individuals who have the basic, namely, the infrastructure for connectivity, especially broadband access, the people who can maximise the potential of such infrastructure and the ability to manage these infrastructure and people resources to get the best out of this connectivity platform.

## Understanding the technology trends and mapping their relevance in the context of our businesses will be an inevitable necessity if EDARAN intends to maximise the potential of these trends.

EDARAN is acutely aware of what is trending and emerging within the sphere of IT and Communications. Understanding the trends and mapping their relevance in the context of our businesses will be an inevitable necessity if EDARAN intends to maximise the potential of these trends. These opportunities lie within the on going transformation, cross pollination of ideas, technologies, methodologies and processes between multiple industries. The expansion of horizons and new opportunities for businesses who successfully tap these positive synergies are there for the taking. EDARAN intends to stay attuned and alert to these opportunities. This is the big picture, going forward.

#### THE GST EXPLOSION

While all that is happening, another explosion has recently added to the reality of the changing landscape within Malaysia. The introduction of the Malaysian goods and services tax (GST) on 1 April 2015, is a major development in the country. Its introduction has, in no small way, initiated monumental shifts in the way businesses and everyday activities are conducted. The impact of this explosion has reverberated across the country and affected all facets of the people's lives. Indeed the GST explosion, the effects of which were not completely anticipated, shook the entire industry and business landscape

EDARAN primed itself for early participation in the GST landscape, entering the scenario as a provider of a comprehensive eGST accounting software. As one of Jabatan Kastam DiRaja Malaysia's (JKDM) enlisted providers of eGST solutions, and equipped with the reputation of being a long established IT partner of JKDM, EDARAN was able to enter the GST market with a more comprehensive knowledge of the requirements and expectations of the Malaysian government.

Expanding on this advantage, EDARAN will engage itself in collaborative partnerships to become a more effective participant in JKDM's GST collection efforts. Already EDARAN has made headway in securing the right partner to reach the target collection points of JKDM.

## ...the '(GST) explosion' will sweep through the length and breadth and heights and depths of the country eventually setting a new landscape for industries and businesses.

What is perhaps more significant than the first wave of GST on the country is that the effects of the pandemonium are still waiting to spill over even as the country's mercantile system tries to cope with the initial impact. Like the spills of a volcano, the 'explosion' will sweep through the length and breadth and heights and depths of the country eventually setting a new landscape for industries and businesses. As it is with the phenomenon of the digital technology wave, companies will stand to gain by recognising and seizing the opportunities that shall arise from this new landscape. The opportunities springing forth from the shifting terrains of the country's trade and mercantile system will be there for those equipped with the relevant resources.

#### CONVERGENCE IS AN UNFOLDING PARADIGM

In my previous statement I spoke about the inevitable trend of convergence which is enveloping the whole world. I spoke about the need for technologies to work together to provide a seamless customer or user experience when he interfaces with suppliers, vendors or service providers.

This convergence is still happening and on-going. While stage one of convergence was about converging on a web based platform, enabling individuals, groups, companies and organisations to collaborate for a whole lot of reasons and purposes, stage two of convergence involves business practices and procedures taking advantage of stage one convergence to move forward efficiently. It is giving rise to integration among departments and units and even companies for greater efficiencies. Common standards such as accounting standards are being adopted system-wide.

### Connectivity and access to digital technology will continue to be the tools for their participation in the next exciting wave of convergence.

We now anticipate the further unfolding of the convergence paradigm. I believe moving forward, it will involve the convergence of demographics and of world economies. New players, new playing fields, new landscapes brought about by 'explosions' of technology, new trends of collaboration will shape business, trade and mercantilism of economies. Convergence will awaken and energise the world community which will soon be able to participate in all sorts of innovations and discoveries. Connectivity and access to digital technology will continue to be the tools for their participation in the next exciting wave of convergence.

#### **OUTLOOK AND PROSPECTS**

Against that aforementioned backdrop of development, the Group stays positive and ready to capture some of the opportunities, harvesting the first and lower hanging fruits as we move along. These opportunities are there for every business unit and subsidiary under the Group's umbrella.

#### **EDARAN IT SERVICES**

EDARAN IT Services will continue to provide the mainstay services of systems installation, integration and maintenance placing greater emphasis on strategic alliances with leading world technology partners which will involve collaborative efforts in securing new business, training, knowledge transfer and certification. The technical marketing support and technology updates from these partners will prove critical to EDARAN IT Services' efforts to stay at cutting edge of the industry. The company will sharpen its focus in a two-pronged manner, namely to keep a focus on IT offerings that are trending and in demand such as cloud computing and security solutions; and a focus on key sectors including education and health care.

#### eGST

Its newly established eGST unit is looking to the bigger potential which lies in the continued take up of GST compliancy by businesses operating in the country. EDARAN's eGST unit recognises that there remains huge economic areas that the Government will find difficult to reach and equally huge areas of leakages that need to be managed. As with EDARAN IT Services, the eGST Unit sees collaboration with partners as a strategic way to provide the Government the help it needs in the protection of GST revenue. The shifting environment brought about by the introduction of GST also means the country's National Single Window (NSW) environment now offers opportunities for service providers. EDARAN's eGST unit looks to becoming a significant and trusted service provider within the new environment of the NSW.

#### **ELITEMAC RESOURCES**

In another significant area of IT services, Elitemace Resources(Elitemac) positions itself to venture into the areas of network infrastructure and network services. Equipped with the NFP and NSP licenses to operate these services Elitemac is actively preparing itself to be involved in key infrastructure projects that will provide seamless connectivity for trade and businesses. Together with strategic partners, Elitemac is targeting to establish communications hubs in the country to facilitate high speed broadband connectivity. Elitemac's ultimate plan is to be a completely neutral telecommunications network and services provider, to offer border to border connectivity at competitive rates.

#### P.T LINEWIN

The Group's manufacturing division domiciled in Medan, Sumatra continues to make its mark in the market delivering its promise of quality, consistently. Although not without challenges which include the escalating cost of labour and difficult accessibility to high tech resources for the production process of its timber products, PT Linewin has made headway in securing new markets and customers adding to a higher volume of sales. The prospects remain good for PT Linewin who sees the opportunity to improve its financial performance by improving its manufacturing processes with better machines and higher technology production methods as well as by identifying more marketing channels. It also sees the potential in establishing strategic partnerships to penetrate the world market more competitively.

#### CORPORATE SOCIAL RESPONSIBILITY

Whatever the field of business the Group is engaged in, it is guided by an overarching philosophy of minimising destruction. EDARAN takes effort to minimise destruction whether it is the physical, mental or moral destruction of the society.

Being a responsible corporate citizen is an attitude much ingrained in the mindset of EDARAN. While charitable acts and monetary donations to the less fortunate are standard practices of the Group, EDARAN does not believe that such practices bring long term sustainable benefits to the recipients, but merely temporary relief. And while the founders of utilitarianism promote the concept of "the greater good for the greatest number of people", EDARAN prefers to believe that every individual deserves the right to enjoy the greater good. No one ought therefore to be sacrificed for the good of his neighbour. Organisations and companies have the opportunity to act as a collective citizen to bring about this common good to their communities and societies through their activities and their attitudes in business.

Whatever the field of business the Group is engaged in, it is guided by an overarching philosophy of minimising destruction. In this, EDARAN takes effort to minimise destruction whether it is the physical, mental or moral destruction of the society.

We hold ourselves responsible in the way we conduct business, the methodologies we use, the vision and missions we formulate for our companies, our ethos and charters.

Edaran IT Services continues to train young graduates with the intention of preparing them in terms of professional and technical skills as well as in character. The company continues to emphasise the training of its employees with new skills and knowledge regardless if the trained employee stays with the company to serve or not.

PT Linewin maintains strict compliance to green manufacturing practices, mindful of the need to replenish what they take from the earth and mindful of the safety of its workers environment and overall well being of its environment. The company continues the practice of proper riddance of residual material after harvest, forbidding the menacing way of open burning.

#### **APPRECIATION**

In closing, I wish to record my appreciation to the stakeholders who have contributed in one way or another to the continued progress of EDARAN.

Our customers deserve the Group's deepest appreciation. Your confidence and trust in EDARAN make us what we are today. On behalf of the Board of Directors and the Management and Staff of the Group, I thank you for looking to us for your needs.

To our technology partners, our suppliers, our financial partners and alliances, our gratitude for your continued support.

To the members of the staff and the management, it goes without saying that without your diligence and belief in this company, we will not be a progressive company. On behalf of the Board I thank your family members who provide you the support that enables you to contribute to the Company through your day to day commitment.

And last but not least, my deepest appreciation to the members of the Board for your guidance and contribution. EDARAN's well being is, in no small way, the result of your good and honest counsel.

Yours sincerely

Tajudin Ramli

# OPERATIONS REVIEW annual report 2015

## **OPERATIONS REVIEW**

#### THE EDARAN GROUP

EDARAN which began with a mission to raise the level of IT competence in the country some 25 years back is today a company that is committed to bringing the benefits and incredible wonders of connectivity and advanced digital communications technology to the communities it serves.

#### **IT Division**

Edaran IT Services Sdn Bhd Shinba-Edaran Sdn Bhd

The Group's IT Division is fronted by its three core subsidiaries, namely Edaran IT Services, Shinba-Edaran and SIDIC Technology. This division grew with the country's push for greater penetration of computerisation and the use of IT solutions in

industries and government agencies. It's most significant contribution to the development of the Malaysian IT environment has been the development and implementation of the Sistem Maklumat Kastam for Jabatan Kastam Diraja Malaysia (JKDM) (Royal

Malaysian Customs), a system that optimises the collection of duties and taxes for goods entering and leaving the country. The Division has chalked several milestones since, moved with the progress of computer technology from bulky mainframes to microprocessors and microcomputers and today into the era of digital technology and smart platforms. Over the course of time, the Division has helped organisations and businesses equip themselves with efficient IT facilities and solutions, creating proficient IT environments that sped up the overall progress of the organizations.

Shinba-Edaran, domiciled and located in Brunei Darussalam is the Division's regional arm, providing the same spectrum of IT services to businesses and organizations around Brunei. SIDIC Technology is the smart solutions arm of the Division. Edaran IT Services strives to remain tech savvy and relevant to the evolving market by securing crucial certifications within the industry. Among such certifications are the much coveted CMMI ranking, the MSC Malaysia status, recognition and certifications from IT leaders including Dell, Microsoft and Hewlett Packard.

Within the government sector, a traditionally strong domain of Edaran IT Services, the focus remains on the education sector, public administration and finance services, public transportation services and public safety and government linked companies. The Division lists several sizeable organisations on its customer list, among which are MYIPO-Patent Department and the Department of Muslim Syariah Court.

During the year in review, Edaran IT Services continued to secure maintenance business from its core and long term customers such as JKDM and Majlis Perbandaran Kuantan, the latter of which has continued to entrust the maintenance of their IT environment to Edaran IT Services for the past two decades. The continued support of these established customers for Edaran IT Services is attributed mainly to the Company's reliable services and nationwide presence.

PC leasing has continued to remain an active and profitable business activity for the Company, counting Universiti Malaysia Pahang and UiTM as long term customers in this respect. Most recently, the Company added Politeknik Jeli Kelantan to its customer list.

While the Division remained active in the pursuit of new accounts, the success rate has not been completely encouraging where 'high level proposals' are concerned. Nevertheless the Company

will not give up pursuing these businesses, and is determined to reinforce its team with new skills and knowledge to be more competitive.

Edaran IT Services will move forward with a focus on businesses with a higher sales and profit margin and will step up efforts to

secure more of the government's budgeted ICT projects. It recognizes the importance of resources to be found in technology partners and will hence maintain a close working relationship with key technology partners such as Huawei, Oracle, HP, Microsoft and IBM even as it continues to seek out other strategic partners to widen its market presence and penetration into new

The commencement of GST in the country has opened up opportunities for Edaran IT Services to penetrate the promising SME sector. Edaran IT Services through its eGST unit will strengthen its collaborative efforts with Jabatan Kastams Diraja Malaysia (JKDM) to protect revenue due to the country by assisting businesses in their

#### **eGST**

payment of GST.

businesses.

Maintenance and Systems Integration within the

IT environment of long established customers

continue to feature as mainstay activity of Edaran

IT Services. The Company's reputation for

reliability and its nationwide presence have been

key factors in attracting new customers.

A most recent development within the Division is the establishment of a new business initiative, namely the eGST unit. This unit was formed when Edaran IT Services was appointed as one of the 160 companies authorized by Jabatan Kastam Diraja Malaysia to provide GST compliant software to facilitate businesses, particularly small medium enterprises, in their payment of GST when the system was introduced in Malaysia on 1 April 2015.

## **OPERATIONS REVIEW**

EDARAN whose long standing business relationship with JKDM coupled with its extensive understanding of JKDM's processes made Edaran IT Services a logical and ideal company to assist JKDM in its massive mission to ensure the effective implementation of GST. Principally the eGST unit will aim to protect and assure the government's GST revenue by providing reliable and comprehensive GST accounting solutions and services to businesses. The eGST unit aims to assist JKDM by reaching economic areas that are especially difficult to reach and difficult to control therefore managing the potential leakages of GST revenue at various business transaction points of the economy. The eGST unit of Edaran IT Services will work in close collaboration with JKDM, becoming an extension of the organisation to be present at every relevant economic stage involving the movement of GST.

In its eGST initiative, Edaran IT Services aims to work in collaboration with the right technology partners to reach the local and international trading community and hence become a more effective service provider of JKDM.

### EDARAN IT Services Secures a Key Role in Malaysia's National Single Window

Malaysia's National Single Window (NSW) was developed for the country's trade facilitation in early 2000 when communications technology was rapidly changing world economic landscapes and as international trade became

more and more borderless. An NSW is defined as a facility that allows parties involved in trade and transport to lodge standardised information and documents with a single entry point to fulfill all import, export and transit-related regulatory requirements. The country needed to ensure it maximized revenue through its trade and commerce activities by lowering trade cost and continually reducing time to markets so as to increase its volume of exports and imports. The NSW facility provided the solution.

Trade facilitation has continued to be crucial for the country. With the advent of GST in April this year, the need to improve and step up efficiencies in trade facilitation is more urgent today as the larger community of traders and business people enter the picture. Focus has been on strategies to protect and assure revenue due to the country. JKDM has adopted a new information system in anticipation of the changes in the economic landscape. JKDM's new system, U-Customs, incorporates the functions of the NSW, linking all government agencies, port authorities, free zone authorities and marine department involved in trade, chambers, ports and all parties involved in logistics. This widened scenario prompted JKDM to open up opportunities for more service providers to link up with U-Customs.

Edaran IT Services together with Rank Alpha Technologies (the operator of Port Klang Net) has formed a consortium and

successfully won the bid to become the National Single Window (NSW) Service Provider for JKDM. The scope is to design, develop, install, configure, test, commission, and provisioning of support and maintenance services for the Trade Facilitation Portal. The new NSW services will commence on the date of the issuance of the certificate to operate (CTO) by RMC. The CTO shall be renewed every two years.

Edaran IT Services recognises that this is another significant milestone in its growth, opening the path into higher technology and higher value business activities. Indeed, the Company's imminent role in the country's re-engineered NSW will positively redefine EDARAN's position in the industry.

#### Elitemac Resources Sdn Bhd

Another milestone is chalked for the Group as

Edaran IT Services in partnership with Rank

Alpha Technologies successfully wins the bid

to become the National Single Window (NSW)

Service Provider for JKDM.

The Group's wholly owned subsidiary Elitemac Resources (Elitemac) has been involved in the provision and commissioning of telecommunications services. Recognising the increasing need for reliable and fast speed broadband connectivity and after substantial observation of the market, the company secured two critical licenses, namely a Network Services Provider license and

a Network Facilities Provider license with an aim to becoming a neutral carrier of mobile and broadband traffic, offering competitive services at competitive prices.

Elitemac's long term plan is to participate fully in trade and businesses, assisting these

sectors to advance and improve efficiencies through seamless broadband connectivity and to maximise potential that arises from a converging IT environment.

The licenses which allow Elitemac to offer connectivity infrastructure and services from border to border within Malaysia open upopportunities to establish critical and much-in-demand communication hubstofacilitate the collection and forward transmission of data throughout the country, right up to the borders of our immediate neighbours and beyond. Elitemac recognises that Singapore is currently the major telecommunications hub in the Asia Pacific, serving a huge number of international internet providers. Singapore'shuge volume of communications traffic is indeed an encouraging factor for Elitemac.

Elitemac aims to become a neutral carrier of mobile and broadband traffic, offering competitive services at competitive prices. The increasing demand for high speed and reliable broadband services augurs well for Elitemac's mission to build efficient communication hubs at key points in the country.

## **OPERATIONS REVIEW**

The need for high technology and substantial investment capital points Elitemac towards the route of collaborative partnerships. Elitemac recognizes that collaboration is also the expeditious way to shore up relevant resources as well as to speed up its projects, one of the more immediate being the establishment of a fibre optic network stretching the length of the second link between Johor Baru and Singapore.

#### P.T Linewin

The demand for processed timber products has been encouraging and P.T Linewin is looking to extending its product line to include finished furniture parts and furniture pieces.

Across the Straits of Melaka, P.T Linewin in Medan has continued to make headway in the search for new markets for its timber products, raking up better sales revenue over the year in review. The Company reckons performance could have been better had operational efficiencies been better managed and labour cost more stabilised. Steps are continually being taken to improve operational efficiencies, including upgrading machines to arrest downtime.

P.T Linewin is encouraged by the trust and support of its customers evidenced by the continual orders received. The Company recognizes that repeat orders are happening only because it has been mindful of the consistent high quality of its products. As new markets are being identified around the region, P.T Linewin is looking to extending its product line to include finished furniture parts and furniture pieces.

# FINANCIAL HIGHLIGHTS annual report 2015

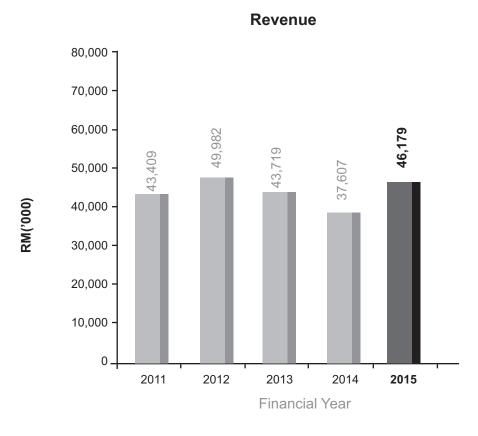
## FINANCIAL HIGHLIGHTS as at 30 June 2015

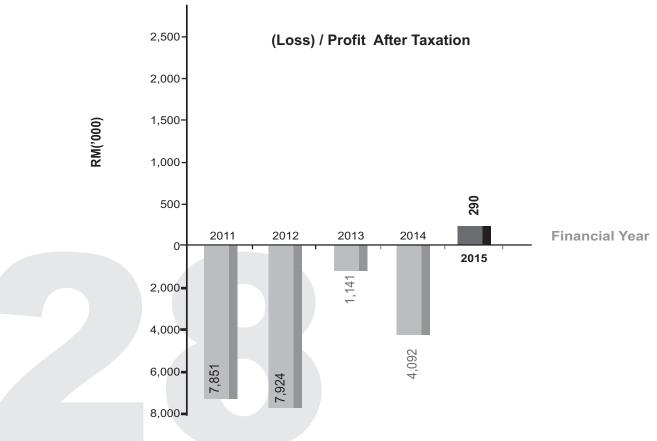
#### **Five Years Group Financial Highlights**

|                                   | 2015<br>(RM'000) | 2014<br>(RM'000) | 2013<br>(RM'000) | 2012<br>(RM'000) | 2011<br>(RM'000) |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|
| INCOME STATEMENT                  |                  |                  |                  |                  |                  |
| REVENUE                           | 46,179           | 37,607           | 43,719           | 49,982           | 43,409           |
| (Loss) / Profit before taxation   | 485              | (4,088)          | (1,141)          | (7,924)          | (8,051)          |
| Taxation                          | (195)            | (4.66)           | -                | -                | 200              |
| (Loss) / Profit after taxation    | 290              | (4,092)          | (1,141)          | (7,924)          | (7,851)          |
| (Loss) / Earnings per share (sen) | 0.31             | (7.38)           | (1.07)           | (11.65)          | (13.18)          |
| BALANCE SHEET                     |                  |                  |                  |                  |                  |
| Shareholders' Fund                | 33,233           | 32,624           | 37,569           | 38,047           | 40,219           |
| Net Current Assets                | 12,254           | 7,151            | 11,270           | 10,615           | 7,581            |
| Total Assets                      | 54,821           | 48,181           | 54,490           | 60,108           | 56,184           |
| Long Term Liabilities             | 5,355            | 2,440            | 2,690            | 2,797            | 1,279            |
| Net Assets per share (sen)        | 55               | 54               | 63               | 63               | 67               |



# FINANCIAL HIGHLIGHTS as at 30 June 2015

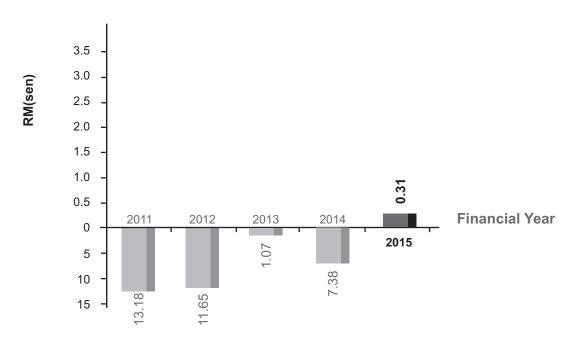




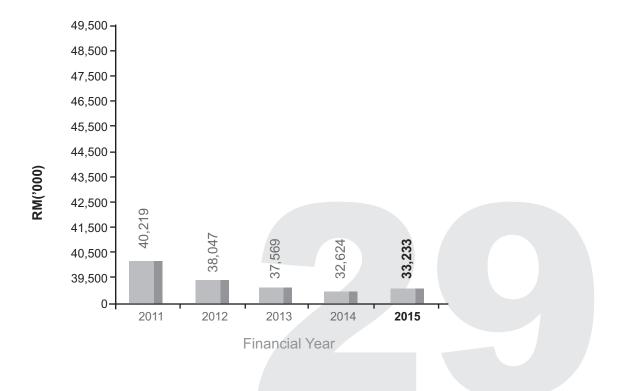
## FINANCIAL HIGHLIGHTS

as at 30 June 2015

#### (Loss) / Earning per share (sen)



#### Shareholder's Fund



## STATEMENT ON CORPORATE GOVERNANCE annual report 2015

# STATEMENT ON CORPORATE GOVERNANCE

The Group acknowledges the importance of corporate governance practices in protecting and enhancing stakeholder value, increasing investors' confidence, establishing trust and building a competitive organisation. The Board of Directors ("Board") is committed to ensuring that the Principles and Recommendations in Corporate Governance established by the Malaysian Code on Corporate Governance 2012 ("Code") are observed and practised in order to protect and enhance the interest of all stakeholders. In line with this, the Board continues to conduct its business with integrity and exercises a high level of transparency and objectivity.

The Board's fundamental approach to good corporate governance is to ensure that the right executive leadership, business strategy and internal controls are in place. The Board subscribes to the belief that self-regulation in tandem with observance of statutory requirements is pivotal to sound corporate governance.

In line with the above, the Company continues with various initiatives and measures in achieving the highest standard of good corporate governance. The Company is committed to disclose its corporate governance practices.

#### 1. BOARD OF DIRECTORS

#### **Composition of the Board**

The Group continues to have a strong and experienced Board, comprising members from a wide variety of background with suitable qualifications and experience relevant to the business. The profiles of the Directors set out in the Corporate Information of this Annual Report, reflect clearly the depth and diversity in expertise to allow for an independent and objective analysis of business decisions.

The Board currently has eleven members, three of whom are Executive Directors. There are eight Non-Executive Directors, five of whom are Independent. The Independent Directors, fulfill their roles by exercising independent judgment and objective participation in the deliberations of the Board. The Board is headed by a Non-Executive Chairman whose role is clearly differentiated from that of the Managing Director, to ensure a balance of power and authority.

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

#### Duties and Responsibilities of the Board

The Board has diligently carried out its responsibilities for the policies and general affairs while retaining full and effective control of the Group. This includes responsibility for the examination and deliberation of the medium and long-term strategies proposed by the management as well as strategies for the development of the Group. The Board's other main duties include regular reviews of the business operations and performance and ensuring that the infrastructure, internal controls and risk management process are well in place. The Board approves the Group's annual business plan and budget and carries out periodic reviews of the progress made by various units of the Group.

#### **Board Meetings and Supply of Information**

Board meetings are held regularly, at least once every quarter when reports on the financial and operational performance are tabled for review. The Board also evaluates corporate proposals that may give significant financial impact to the Group such as capital expenditure and acquisitions or disposals of assets. During the financial year ended 30 June 2015, the Board held five meetings. All the Directors have complied with the minimum 50% attendance requirement in respect of Board Meetings as stipulated in the Bursa Securities Main Market Listing Requirements. The details of the Directors' attendance are laid out in the Statement Accompanying Notice of Annual General Meeting.

The agenda for every Board meeting, together with comprehensive management reports are furnished to all Directors for their perusal in advance of the meeting date. This gives the Directors ample time to review matters to be deliberated at the Board meeting and to facilitate informed decision-making.

All members of the Board have ready and unrestricted access to the advice and services of the Company Secretaries. The Directors have the liberty to seek independent professional advice if so required by them. Any such request is presented to the Board for approval.

#### Appointments and Re-election of Directors

The proposed appointment of new member(s) of the Board is recommended by the Nominating Committee to the Board for approval. The Nominating Committee comprises Independent, Non-Executive Directors and its composition is as follows:

Chairman : Dato' Hj Abdul Hamid Mustapha

Members : Datuk Emam Mohd Haniff Emam Mohd Hussain

Dato' Abdul Halim Abdullah

Dato' Lim Kheng Yew

# STATEMENT ON CORPORATE GOVERNANCE

The Nominating Committee's responsibilities are as follows:

- Recommend to the Board, technically competent persons of integrity with a strong sense of professionalism and who practise the highest standards for appointment as members of the Board of Directors, Managing Director and members of Board Committees.
- Review the Board structure and balance of appointments between Executive and Non-Executive Directors.
- Review the adequacy of the Committee structures of the Audit, Nominating, Remuneration 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 the contribution of each individual Director.

The Articles of Association states that at each Annual General Meeting (AGM), one-third of the Directors are required to retire from office. All Directors shall retire from office at least once in every three years and shall be eligible for re-election.

#### **Directors' Training**

All Directors have attended the Mandatory Accreditation Programme (MAP) and the Continuous Education Programme (CEP) prescribed by the Bursa Malaysia Securities Berhad. The Directors of EDARAN Berhad continue to attend relevant training programmes to keep themselves abreast of the development in the industries the Company is involved in.

On 24 February 2015 and 27 May 2015, the Directors convened for a session which highlighted and discussed the emerging trends in businesses driven by IT. The session focused especially on the unstoppable phenomenon of the convergence of technology, a phenomenon which is relentlessly blurring the boundaries between various streams of IT businesses and creating stiffer competition in the industry.

From a broader perspective, the session discussed the increasing connectivity of the world which is also commonly referred to as the Internet of Things. The Internet of Things which essentially links all manner of devices into larger and larger networks will bring about unprecedented changes in the way businesses are modeled and managed. It will in no small way, represent a transformative shift for all businesses and in the larger context, a transformative shift for the entire economy.

It was deemed most crucial that the Directors stay alert and aware of the fact that even as the arrival of the Internet of Things ushers in new business opportunities, stiffer competition will set in. While the future holds tremendous promise for businesses revolving around IT in particular, the value that these businesses can build and add to themselves will depend on how well they understand the meaning of these new technology trends.

#### **Committees Established by the Board**

The Board has established Board Committees to assist the Board. The functions and terms of reference of the Board Committees as well as the authority delegated by the Board to these Committees are clearly defined. The Board may determine such other responsibilities from time to time. The Committees are as follows:

#### Audit Committee

The terms of reference of the Audit Committee are set out in the Audit Committee Report.

#### Nominating Committee

The terms of reference of the Nominating Committee are set out in the section 'Appointments and Re-election of Directors' in this Statement on Corporate Governance.

#### Remuneration Committee

The terms of reference of the Remuneration Committee are set out in the section 'Directors' Remuneration' in this Statement on Corporate Governance.

#### Risk Management Committee

The main function of the Risk Management Committee is to assist the Board in its supervisory role in the management of risks covering external and strategic risks, customer and product risks, regulatory and financial risks, people, operations and internal process risks. The composition of the Risk Management Committee is as follows:

Chairman : Dato' Abdul Malek Ahmad Shazili

Members : Dato' Bistamam Ramli

Datuk Mohd Shu'aib Ishak Fazlan Azri Tajudin

Abdul Shukri Abdullah

## STATEMENT ON CORPORATE **GOVERNANCE**

The terms of reference of the Risk Management Committee include:

- Developing a risk management framework.
- Identifying the Group's key business risks.
- Developing and implementing mitigating action plans.
- Coordinating and monitoring the effectiveness of the Group's risk management activities.

#### **Board Independence Assessment**

The Code recommends the Board to undertake an assessment of its independent directors. In line with the recommendation, the Board's standards for determining the independence of a director are set in the Board Charter and the Board shall conduct an annual self evaluation.

#### 2. DIRECTORS' REMUNERATION

#### Level and Make-Up of Remuneration

The Executive Directors' remuneration consists of salary, allowance, bonus and other customary benefits as deemed appropriate. The Non-Executive Directors' remuneration consists of annual flat fees as a Board member and allowance for attendance of meetings. The Directors' remuneration is disclosed in Note no. 27 of the Financial Statements.

The Remuneration Committee carries out reviews whereupon recommendations are submitted to the Board on the level and make-up of remuneration. This is to ensure that the remuneration policy remains competitive and in tandem with the corporate objectives, culture and strategy. The Remuneration Committee is mainly made up of Non-Executive Directors whose members are as follows:

#### Chairman : Dato' Abdul Halim Abdullah

Members

: Tan Sri Dato' Tajudin Ramli Dato' Hj Abdul Hamid Mustapha Dato' Lim Kheng Yew Dato' Bistamam Ramli

The responsibilities of the Remuneration Committee are as follows:

- Establish a formal and transparent policy and procedure for executive remuneration and the remuneration packages of individual Directors.
- Consider and recommend the level and make-up of the remuneration of the Executive Directors.
- Review all benefits and entitlements of the Board of Directors on a regular basis.

The determination of the remuneration packages for Non-Executive Directors is a matter for the Board as a whole. Fees payable to Non-Executive Directors are recommended by the Board for shareholders' approval at the AGM. The Executive Directors play no part in the decisions made on their remuneration.

#### 3. COMMUNICATION WITH SHAREHOLDERS **AND INVESTORS**

#### **Investor Relations**

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Group. Timely releases 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.

The AGM is the principal forum for dialogue with shareholders in which they are encouraged to participate. At each AGM, the Board presents the progress and performance of the Group and where appropriate, provides the shareholders with a written clarification.

For the re-election of Directors, the Board ensures 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 the full understanding and evaluation of issues involved.

The Group's website, www.edaran.com is accessible for the shareholders, investors and members of the public to obtain information on Group's announcements, corporate information, operational updates and financial performance.

#### 4. ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Board aims to present a balanced, clear and meaningful assessment of the Group's financial position and prospects in all their reports to shareholders, investors and regulatory authorities. 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.

# STATEMENT ON CORPORATE GOVERNANCE

#### **Internal Controls**

The Board has overall responsibility for maintaining a system on internal controls that provides reasonable assurance of effective and efficient operations and compliance with Standard Operating Procedures and other internal guidelines. The Statement on Internal Control, which is set out in this Annual Report, provides an overview of the risk management process as well as the manner by which the internal control systems have been designed to manage risks and avert failures.

#### **Relationship with External Auditors**

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

#### 5. SUSTAINABILITY

The Company will pursue its success and prosperity only through acceptable and justifiable means, mindful always to others and of the environment pursuant to the Code.

The Company's philosophy established in the Group Charter is adopted as a way to conduct the business and to achieve sustainability.



## AUDIT COMMITTEE REPORT annual report 2015

# AUDIT COMMITTEE REPORT

# 1. COMPOSITION

The Audit Committee members were appointed by the Board of Directors from amongst its Non-Executive Directors and consist of not less than three members at all time. All of the Audit Committee members are independent directors and at least one member is a member of the Malaysian Institute of Accountants or otherwise fulfills the criteria set out in paragraph 15.9 (1C) of the Bursa Securities Main Market Listing Requirements. No alternate Director is appointed as a member of the Audit Committee. The Chairman of the Audit Committee who is an Independent, Non-Executive Director was elected from amongst the members themselves.

# 2. SECRETARY

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 minutes of meetings are circulated to the Committee members and briefed 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 including the decisions and recommendations made.

# 3. ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

During the financial year, a total of five Audit Committee meetings were held on the following dates:

| Meeting No. | Date             | Time      |
|-------------|------------------|-----------|
| 03-14       | 27 August 2014   | 10.00 a.m |
| 04-14       | 21 October 2014  | 10.00 a.m |
| 05-14       | 25 November 2014 | 10.00 a.m |
| 01-15       | 24 February 2015 | 10.00 a.m |
| 02-15       | 27 May 2015      | 10.00 a.m |

The details of attendance of each member at the committee meetings held are as follows:

| Composition and Name of Members   | Attendance at Meetings |
|---|------------------------|
| Dato' Abdul Halim Abdullah<br>Chairman / Independent,<br>Non-Executive Director                       | 5 of 5                 |
| Datuk Emam Mohd Haniff<br>Emam Mohd Hussain<br>Member / Senior Independent,<br>Non-Executive Director | 5 of 5                 |
| Dato' Lim Kheng Yew<br>Member / Independent,<br>Non-Executive Director                                | 4 of 5                 |
| Dato' Abdul Malek Ahmad Shazili<br>Member / Independent,<br>Non-Executive Director                    | 5 of 5                 |

The Head of Internal Audit normally attended the meetings. Other Directors and employees of the Group attended the meetings at the invitation of the Committee. As and when necessary, the external auditors were invited to the meetings.

In accordance with its terms of reference, the following activities were undertaken by the Audit Committee:

- Reviewed the annual audit plan to ensure adequate scope and coverage for the year.
- Reviewed the internal audit reports, audit recommendations made and the management's responses thereon. Where appropriate, the Audit Committee has directed action to be taken by the management to rectify and improve the system of internal controls.
- Reviewed the status reports to monitor the implementation of audit recommendations to ensure that all key risks and controls have been addressed.
- Reviewed the draft audited financial statements for the financial year ended 30 June 2014.
- Reviewed the draft announcements to the Bursa Malaysia Securities Berhad on the quarterly report of the Group for the financial quarters ended 30 June 2014, 30 September 2014, 31 December 2014 and 31 March 2015.

# **AUDIT COMMITTEE REPORT**

The Audit Committee updated the Board on the issues and concerns discussed during their meetings including those raised by the external auditors and where appropriate, made the necessary recommendations to the Board.

### 4. TERMS OF REFERENCE

## **Quorum of Meeting**

The majority of members present must be Independent Directors.

## **Frequency of Meeting**

The Audit Committee shall have at least one meeting per financial quarter.

#### **Functions**

The Audit Committee shall undertake the following functions and report, where necessary to the Board of Directors:

- Review with the external auditor, its audit plan.
- Review with the external auditor, its evaluation of the system of internal controls.
- Review with the external auditor, its audit report.
- Review the assistance given by the employees of the Company to the external auditor.
- Review the adequacy of the scope, functions, competency and resources of the internal audit functions and ensure that it has the necessary authority to carry out its work.
- Review the internal audit programme, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- Review the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on changes in or implementation of major accounting policy changes, significant or unusual events and compliance with accounting standards and other legal requirements.
- Review 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 management integrity.

- Review any letter of resignation from the external auditor of the Company.
- Review whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.
- Review the external auditor's management letter and the management's response thereto.
- Review any appraisal or assessment of the performance of members of the internal audit function.
- Review any appointment or termination of senior staff members of the internal audit function.
- Review the appointment and remuneration of the external auditor each year and make recommendation thereon.
- 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.
- Consider the major findings of internal investigations and management's response thereto.
- Consider other topics as defined by the Board of Directors from time to time.
- Provide support, as deemed necessary, to the internal audit activities.
- Recommend the nomination of a person or persons as external auditor.

## Access

The Audit Committee shall have:

- The authority to investigate any matter within its terms of reference.
- The resources, which are required to perform its duties.

# AUDIT COMMITTEE REPORT

- Full and unrestricted access to any information pertaining to the Group.
- Direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
- Independent professional or other advice, as deemed necessary.
- The rights to convene meetings with the external auditors, excluding the attendance of the Executive Members of the Committee.
- To report to the Bursa Malaysia Securities Berhad should the Committee opine that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Bursa Securities Main Market Listing Requirements as it deems necessary.

#### **Review of the Audit Committee**

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

# **Retirement and Resignation**

In the event of any vacancy in the composition of Audit Committee, the Group must fill the vacancy within three months.

#### 5. INTERNAL AUDIT FUNCTION

The Group has established an in-house Internal Audit to assist the Audit Committee to oversee that the Management has in place a sound risk management, internal controls and governance systems. The costs incurred for maintaining the Internal Audit function for the financial year 2015 was approximately RM74,000.

The internal audit function is guided by its Audit Charter and reports directly to the Audit Committee. The main role of the Internal Audit is to independently assess the internal control system established by the Management, the adequacy and integrity of the system and to make

appropriate recommendations for implementation. The formulation of auditable areas in the annual audit plan is premised on risk-based approach to ensure that the higher risk activities in the Group are audited periodically.

During the financial year ended 30 June 2015, the Internal Audit carried out reviews in accordance with the annual audit plan. The annual audit plan had taken into cognizance, the Group's objectives and business strategies. The Internal Audit also conducts ad hoc assignments and special reviews as instructed by the Audit Committee as and when necessary. Recommendations for improvements were put forward for implementation by the Management.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") is responsible for the Group's system of internal controls and its effectiveness to safeguard shareholders' investment and the Group's asset. The Board has established an on-going process for identifying, evaluating and managing significant risks faced by the Group and this process has been in place during the year under review. The management assists the Board in the implementation of the Board's policies and procedures on risks and controls.

The key processes that have been established by the Board in reviewing the adequacy and integrity of the system of internal controls, which provide reasonable assurance against material misstatement or loss, include the following:

- The Risk Management Committee (RMC) was established to assist the Board to oversee the overall management of principal areas of risk. The RMC meets regularly and reports subsequently to the Board. The functions of the RMC are set out in the Statement on Corporate Governance.
- Other committees have also been established with appropriate empowerment, including authorisation levels to ensure effective management and supervision. The delegation of authorities to these committees of the Board is subject to ongoing reviews.
- Internal procedures and limits of authority set out in the Standard Operating Procedures, which are periodically reviewed, facilitate compliance with internal controls and other regulatory requirements.
- The management provides regular and comprehensive information covering financial performance, key business indicators, staff utilisation and cash flow performance.
- The annual budget and business plan are prepared and tabled to the Board for approval.
- The Board receives and reviews financial results on a quarterly basis.
- The Audit Committee reviews internal control issues identified by the Internal Audit Department and monitors compliance with procedures on a regular basis.

 The professionalism and competence of staff are maintained through a comprehensive recruitment process, performance appraisal, training and development programmes.

The external auditor has reviewed this statement for inclusion in the annual report for the financial year ended 30 June 2015 and reported to the Board that the statement is consistent with the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

The Board is of the view that there were no material losses, deficiencies or errors arising from any inadequacy or failure of the Group's internal control system that will require disclosure in the Annual Report. The Board continues to take measures to strengthen the system of internal control maintained by the Group and ensure shareholders' investment and Group's assets are consistently safeguarded.

# ADDITIONAL COMPLIANCE STATEMENT annual report 2015

# ADDITIONAL COMPLIANCE STATEMENT

The following information is provided incompliance with paragraph 9.25 of Main Market Listing Requirements.

#### 1. Directors (as at 30 September 2015)

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

Tan Sri Dato' Tajudin Ramli is a shareholder of Kauthar Sdn Bhd, a substantial shareholder of the Company. He is related to the following directors:-

- (i) Dato' Bistamam Ramli, who is the brother of Tan Sri Dato' Tajudin Ramli, and
- (ii) En. Fazlan Azri Tajudin, who is the son of Tan Sri Dato' Tajudin Ramli.

The profiles of the respective directors are set out on pages 12 to 16 of this Annual Report.

### 2. Offence (as at 30 September 2015)

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

# 3. Conflict of Interest (as at 30 September 2015)

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

#### 4. Share Buyback

The Company did not enter into any share buy-back transaction during the financial year.

# 5. Options, Warrants or Convertible Securities

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

6. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme (as at 30 September 2015)

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

# 7. Imposition of Sanctions and/or Penalties (as at 30 September 2015)

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.

## 8. Non-Audit Fees

There is a non-audit fee payable to Messrs. UHY Chartered Accountants for reviewing the Company's Statement of Risk Management and Internal Control for FY2015 as disclosed in Note 24 of the financial statement.

#### 9. Variation in Results

There was no variance between the audited result and the unaudited result of the Group previously announced for the financial year ended 30 June 2015.

#### 10. Profit Forecast

The Company did not release any profit estimate, forecast or projection for the financial year. The disclosure requirements for explanatory notes for profit forecast are therefore not applicable.



# ADDITIONAL COMPLIANCE STATEMENT

#### 11. Profit Guarantee

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

#### 12. 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.

# 13. Revaluation Policy on Landed Properties

The Group has adopted a policy of regular revaluation on its landed properties in the financial year as disclosed in Note 3 of the Financial Statements.

# 14. Related Party Transactions

Details of the transactions with related parties undertaken by the Group during the period as disclosed in Note 30 of the Financial Statements.

15. Recurrent Related Party Transactions - Para 10.09 of Main Market Listing Requirements
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.



# STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

# STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the annual audited financial statements of the Group and the Company are drawn up in accordance with the requirements of the applicable financial reporting standards in Malaysia, the provisions of the Companies Act, 1965 and the Bursa Securities Main Market Listing Requirements.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and the Company are prepared with reasonable accuracy so as to provide 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 cash flows for that year then ended.

In preparing the annual audited financial statements, the Directors have:

- Applied the appropriate and relevant accounting policies on a consistent basis.
- Exercised judgment and made estimates that are reasonable and prudent.
- Followed all applicable Financial Reporting Standards in Malaysia.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy 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 and Bursa Securities Main Market Listing Requirements.

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



### STATEMENT OF SHAREHOLDINGS

Authorised Capital : RM100,000,000 Issued and Paid-Up Capital : RM 60,000,000

Class of Shares : Ordinary shares of RM1.00 each

Voting Rights : One vote per shareholder on a show of hands

One vote per share on a poll

No. of Shareholders : 1,656

### **ANALYSIS OF SHAREHOLDINGS**

# A. Distribution of Shareholdings (as at 30 September 2015)

| Size of Shareholdings                    | Shareholders | Shareholding | %      |
|--|--------------|--------------|--------|
| Less than 100                            | 23           | 796          | 0.00   |
| 100 - 1,000                              | 1,112        | 1,085,200    | 1.81   |
| 1,001 - 10,000                           | 369          | 1,595,900    | 2.66   |
| 10,001 - 100,000                         | 127          | 4,081,232    | 6.80   |
| 100,001 to less than 5% of issued shares | 20           | 15,632,869   | 26.05  |
| 5% and above of issued shares            | 5            | 37,604,003   | 62.67  |
| Total                                    | 1,656        | 60,000,000   | 100.00 |

### B. List of Thirty (30) Largest Shareholders (as at 30 September 2015)

| Naı | nes   | No. of Shares | %     |
|-----|---|---------------|-------|
| 1   | Valiant Chapter Sdn Bhd   | 14,168,765    | 23.61 |
| 2   | CIMSEC Nominees (Tempatan) Sdn Bhd<br>Pengurusan Danaharta Nasional Berhad    | 11,038,608    | 18.40 |
| 3   | Kauthar Sdn Bhd   | 4,730,830     | 7.88  |
| 4   | Unique Pyramid Sdn Bhd  | 4,590,136     | 7.65  |
| 5   | Initiative Aims Sdn Bhd   | 3,075,662     | 5.13  |
| 6   | Gigantic Talent Sdn Bhd   | 2,842,700     | 4.74  |
| 7   | Shahidan Bin Shafie   | 2,620,000     | 4.37  |
| 8   | Graphics Divine Sdn Bhd   | 2,201,100     | 3.67  |
| 9   | Datuk Mohd Shu'aib Bin Hj Ishak   | 1,421,428     | 2.37  |
| 10  | Rizuwan Bin Mohd Murad  | 1,300,428     | 2.17  |
| 11  | Kauthar General Services Sdn Bhd  | 563,500       | 0.94  |
| 12  | Mazlifah Binti Abdullah   | 548,800       | 0.91  |
| 13  | Mohd Salleh Bin Lamsah  | 300,028       | 0.50  |
| 14  | Fazlan & Amal Sdn Bhd   | 289,600       | 0.48  |
| 15  | Ahmad Yasri Bin Mohd Hashim @ Mohd Hassan                                     | 242,385       | 0.40  |
| 16  | TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Yee Foong | 234,200       | 0.39  |
| 17  | Lim Poh Fong  | 219,800       | 0.37  |

# B. List of Thirty (30) Largest Shareholders (as at 30 September 2015) (Continued)

| Na | mes   | No. of Shares | %    |
|----|---|---------------|------|
| 18 | CIMSEC Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ng Geok Wah (B BRKLANG-CL)       | 200,000       | 0.33 |
| 19 | Affin Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Shiraz Bin Shahidan (SHI0075C)    | 186,000       | 0.31 |
| 20 | Power Protection (M) Sdn Bhd  | 170,000       | 0.28 |
| 21 | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Idris Bin Abdullah @ Das Murthy | 149,400       | 0.25 |
| 22 | Chiam Yoke Kee  | 130,000       | 0.22 |
| 23 | Ahmad Bin Bachok  | 100,000       | 0.17 |
| 24 | Renfield Investment Limited   | 100,000       | 0.17 |
| 25 | Rohana Binti Laksamana  | 100,000       | 0.17 |
| 26 | Saujana Paradigma Sdn Bhd   | 100,000       | 0.17 |
| 27 | Yong Yoke Eng   | 100,000       | 0.17 |
| 28 | Normah Binti Ali Affandi  | 92,932        | 0.15 |
| 29 | RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Gaik Suan                        | 81,200        | 0.14 |
| 30 | HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chin Peng Jin                        | 81,000        | 0.14 |

# C. Substantial Shareholders (as at 30 September 2015)

(as shown in the Register of Substantial Shareholders)

| Names of Substantial Shareho           | ders       | No. of Shares<br>Held | %     | Notes |
|--|------------|-----------------------|-------|-------|
| 1. Valiant Chapter Sdn Bhd             |            | 14,168,765            | 24.46 |       |
| 2. CIMSEC Nominees (Tempatar           | ) Sdn Bhd  |                       |       |       |
| (Pengurusan Danaharta Nasional Berhad) |            | 11,038,608            | 19.06 |       |
| 3. Tan Sri Dato' Tajudin Ramli         | (Direct)   | 2                     | 0.00  |       |
|  | (Indirect) | 4,730,832             | 8.17  |       |
|  | Total      | 4,730,834             | 8.17  | (a)   |
| 4. Kauthar Sdn Bhd                     |            | 4,730,832             | 8.17  |       |
| 5. Unique Pyramid Sdn Bhd              |            | 4,590,136             | 7.93  |       |

#### Note

<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> The computation of the above percentage (%) excludes the Treasury Shares of 2,094,800 held by the Company.

### D. Directors' Shareholding (as at 30 September 2015)

(as shown in the Register of Directors' Shareholding)

| Directors                                   | No. of Shares Held<br>(Direct) | No. of Shares Held<br>(Indirect) | %    |
|---|--------------------------------|----------------------------------|------|
| 1. Tan Sri Dato' Tajudin Ramli              | 2                              | 4,730,832(a)                     | 8.17 |
| 2. Datuk Emam Mohd Haniff Emam Mohd Hussain | 0                              | 0                                | 0.00 |
| 3. Dato' Abdul Halim Abdullah               | 0                              | 0                                | 0.00 |
| 4. Dato' Abdul Malek Ahmad Shazili          | 0                              | 0                                | 0.00 |
| 5. Dato' Hj Abdul Hamid Mustapha            | 0                              | 0                                | 0.00 |
| 6. Dato' Lim Kheng Yew                      | 0                              | 0                                | 0.00 |
| 7. Dato' Kamal Mohd Ali                     | 0                              | 0                                | 0.00 |
| 8. Encik Azlan Mohd Agel                    | 0                              | 0                                | 0.00 |
| 9. Dato' Bistamam Ramli                     | 0                              | 0                                | 0.00 |
| 10. Datuk Mohd Shu'aib Ishak                | 1,421,428                      | 60,000(b)                        | 2.56 |
| 11. Encik Fazlan Azri Tajudin               | 0                              | 853,100(c)                       | 1.37 |

#### Notes:

- (a) Tan Sri Dato' Tajudin Ramli is deemed interested in the shares held by Kauthar Sdn Bhd by virtue of his 95% interest therein.
- (b) Datuk Mohd Shu'aib Ishak is deemed interested in the shares held by his wife, Datin Zulriana Zahari.
- (c) Encik Fazlan Azri Tajudin is deemed interested in the shares held by Fazlan & Amal Sdn Bhd and Kauthar General Services Sdn Bhd by virtue of his 25% and 50% interest therein respectively.
  - \* The computation of the above percentage (%) excludes the Treasury Shares of 2,094,800 held by the Company.

# E. Directors' Shareholding in Subsidiaries and Associate Companies (as at 30 September 2015)

| Directors  | No. of Shares Held<br>(Direct) | No. of Shares Held<br>(Indirect) | % |
|--|--------------------------------|----------------------------------|---|
| 1. Tan Sri Dato' Tajudin Ramli                     | -                              | -                                | - |
| Nil<br>2. Datuk Emam Mohd Haniff Emam Mohd Hussain | -                              | -                                | - |
| Nil<br>3. Dato' Abdul Halim Abdullah               | -                              | -                                | - |
| Nil<br>4. Dato' Abdul Malek Ahmad Shazili          | -                              | -                                | - |
| Nil<br>5. Dato' Hj Abdul Hamid Mustapha            | -                              | -                                | - |
| Nil<br>6. Dato' Lim Kheng Yew                      | -                              | -                                | - |
| Nil<br>7. Dato' Kamal Mohd Ali                     | -                              | -                                | - |
| Nil<br>8. Encik Azlan Mohd Agel                    | -                              | -                                | _ |
| Nil<br>9. Dato' Bistamam Ramli                     | _                              | _                                | _ |
| Nil 10. Datuk Mohd Shu'aib Ishak                   |                                |                                  |   |
| Nil  |                                |                                  |   |
| 11. Encik Fazlan Azri Tajudin<br>Nil               | •                              | -                                | - |

# GROUP PROPERTIES annual report 2015

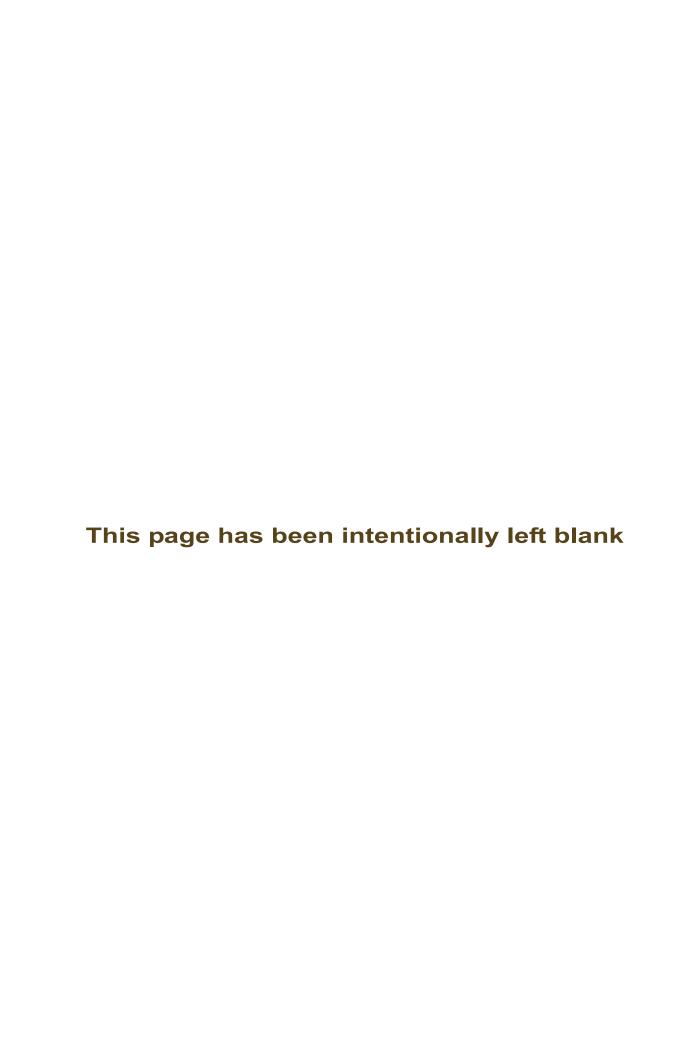
# GROUP PROPERTIES as at 30 June 2015

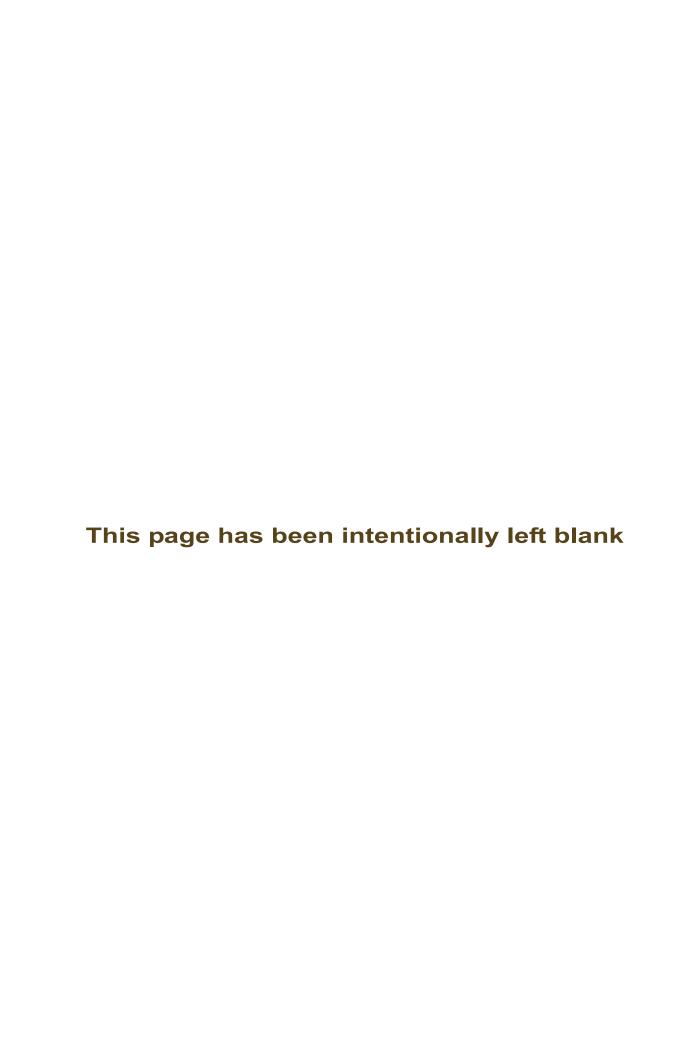
| Location   | Description/<br>Current Use<br>of<br>Building                             | Tenure/<br>Tenure<br>Period                           | Date of<br>Revaluation | Approximate<br>Age of<br>Building<br>(years) | Building Area/<br>Land Area<br>(sq. meters) | Net Book<br>Value<br>(RM'000) |
|--|---|---|------------------------|--|---|-------------------------------|
| HS (D) 50310,<br>Lot No. PT 1686<br>Mukim of Ampang,<br>District and State of<br>Wilayah Persekutuan.<br>(No. 33 Jalan 2/76C,<br>Desa Pandan,<br>55100 Kuala Lumpur) | Terrace Shophouse  Own Occupation (Office space)  Rented Out (Restaurant) | Leasehold /<br>99 years<br>expiring on<br>06.07.2085. | 12 Sept 2011           | 21   | 1,002.00 /<br>334.18                        | 3,361                         |
| HS (D) 50146,<br>Lot No. PT 1702<br>Mukim of Ampang,<br>District and State of<br>Wilayah Persekutuan.<br>(No. 32 Jalan 1/76C,<br>Desa Pandan,<br>55100 Kuala Lumpur) | Terrace<br>Shophouse  • Own Occupation<br>(Office space)                  | Leasehold /<br>99 years<br>expiring on<br>06.07.2085. | 12 Sept 2011           | 21   | 852.02 /<br>284.18                          | 2,893                         |
| HS (D) 50312,<br>Lot No. PT 1866<br>Mukim of Ampang,<br>District and State of<br>Wilayah Persekutuan.<br>(No. 2 Jalan 4/76C,<br>Desa Pandan,<br>55100 Kuala Lumpur)  | Terrace Shophouse  Own Occupation (Office space)                          | Leasehold /<br>99 years<br>expiring on<br>07.07.2085. | 12 Sept 2011           | 20   | 700.11 /<br>289.82                          | 3,819                         |
| HS (D) 50313,<br>Lot No. PT 1867<br>Mukim of Ampang,<br>District and State of<br>Wilayah Persekutuan.<br>(No. 4 Jalan 4/76C,<br>Desa Pandan,<br>55100 Kuala Lumpur)  | Terrace<br>Shophouse<br>• Own Occupation<br>(Office space)                | Leasehold /<br>99 years<br>expiring on<br>07.07.2085. | 12 Sept 2011           | 20   | 443.52 /<br>163.50                          | 2,117                         |
| HS (D) 50314,<br>Lot No. PT 1868<br>Mukim of Ampang,<br>District and State of<br>Wilayah Persekutuan.<br>(No. 6 Jalan 4/76C,<br>Desa Pandan,<br>55100 Kuala Lumpur)  | Terrace<br>Shophouse<br>• Own Occupation<br>(Office space)                | Leasehold /<br>99 years<br>expiring on<br>07.07.2085. | 12 Sept 2011           | 20   | 443.52 /<br>163.50                          | 2,117                         |

# GROUP PROPERTIES as at 30 June 2015

| Location   | Description/<br>Current Use<br>of<br>Building                               | Tenure/<br>Tenure<br>Period                           | Date of<br>Revaluation | Approximate<br>Age of<br>Building<br>(years) | Building Area/<br>Land Area<br>(sq. meters) | Net Book<br>Value<br>(RM'000) |
|--|---|---|------------------------|--|---|-------------------------------|
| HS (D) 50137,<br>Lot No. PT 1693<br>Mukim of Ampang,<br>District and State of<br>Wilayah Persekutuan.<br>(No. 19 Jalan 2/76C,<br>Desa Pandan,<br>55100 Kuala Lumpur)                 | Terrace<br>Shophouse  Own Occupation<br>(Office space)                      | Leasehold /<br>99 years<br>expiring on<br>06.07.2085. | 12 Sept 2011           | 20   | 474.43 /<br>153.28                          | 1,546                         |
| HS (D) 50136,<br>Lot No. PT 1692<br>Mukim of Ampang,<br>District and State of<br>Wilayah Persekutuan.<br>(No. 21 Jalan 2/76C,<br>Desa Pandan,<br>55100 Kuala Lumpur)                 | Terrace Shophouse  Own Occupation (Office space)  Rented Out (Office space) | Leasehold /<br>99 years<br>expiring on<br>06.07.2085. | 12 Sept 2011           | 20   | 474.43 /<br>153.28                          | 1,546                         |
| HS (D) 50259,<br>Lot No. PT 1815<br>Mukim of Ampang,<br>District and State of<br>Wilayah Persekutuan.<br>(No.23-1 First Floor<br>Jalan 5/76B,<br>Desa Pandan,<br>55100 Kuala Lumpur) | Terrace<br>Shophouse  Own Occupation<br>(Office space)                      | Leasehold /<br>99 years<br>expiring on<br>06.07.2085. | 12 Sept 2011           | 21   | 153.29/<br>-                                | 240                           |







# **PROXY FORM**

# Number of shares held: CDS Account No:

|                                       |   | ODO Account No .   |
|---------------------------------------|---|--|
| I/We                                  |   | NRIC/Company No.   |
| of                                    |   |  |
|                                       |   | being a member / members of Edaran Berhad,   |
|                                       |   |  |
|                                       |   | NRIC No.   |
| of                                    |   |  |
|                                       |   | NRIC No.   |
| of                                    |   |  |
| as my/our proxy to                    | vote for me/us on my/our behalf at the<br>vember 2015 at No.2 Jalan 4/76C, De   | e Twenty Third Annual General Meeting of Edaran Berhad to be held on<br>sa Pandan, 55100 Kuala Lumpur at 10.00 a.m. and at any adjournment |
| My / Our pro                          | xy is to vote as indicated  | below:   |
|                                       | RESOLUTIONS   | FOR AGAINST  |
| RESOLUTION 1                          | To re-elect a Director retiring under A  Datuk Mohd Shu'aib Ishak   | rticle 101 of the Company's Articles of Association:   |
| RESOLUTION 2                          | To re-elect a Director retiring under A  • Encik Azlan Mohd Agel  | rticle 101 of the Company's Articles of Association:   |
| RESOLUTION 3                          | To re-elect a Director retiring under A  ● Encik Fazlan Azri Tajudin  | rticle 101 of the Company's Articles of Association:   |
| RESOLUTION 4                          |   | laniff Emam Mohd Hussain who retires pursuant<br>ct, 1965 to hold office until the next Annual General                                     |
| RESOLUTION 5                          | To approve the payment of the Direct  | tors' fee for the financial year ended 30 June 2015.   |
| RESOLUTION 6                          | To re-appoint Messrs. UHY as Audito to fix their remuneration.  | ors of the Company and to authorise the Directors  |
| RESOLUTION 7                          | To give authority to the Directors to is Act, 1965.   | ssue shares under Section 132D of the Companies  |
| RESOLUTION 8                          |   |  |
| RESOLUTION 9                          | To give an approval to a Directors w<br>Director of the Company for a cum<br>to act as an Independent Non-Exect<br>Dato' Abdul Halim Abdullah | tho has served as an Independent Non-Executive ulative term of more than nine years, to continue utive Director of the Company:            |
| RESOLUTION 10                         |   |  |
| RESOLUTION 11                         |   | tho has served as an Independent Non-Executive ulative term of more than nine years, to continue utive Director of the Company:  azili     |
| (Please indicate<br>Proxy will vote o | with an "X" in the spaces provid<br>r abstain from voting at his/her d  | ed how you wish to cast your votes. If you do not do so, the iscretion.)   |
| Signed this                           | day of  | 2015   |
| o .                                   | •   |  |

#### Signature of Member / Common Seal

#### 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 without limitation. 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. Only members registered in the Record of Depositors on or before 5.00 p.m. as at 19 November 2015 shall be eligible to attend the meeting or appoint a proxy to attend and/or vote on such depositor's behalf.
- 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 thereof and shall be deposited at the Registered Office, 33-1 Jalan 27/6C, Desa Pandan 55100 Kuala Lumpur not less than forty eight (48) hours before the time for holding this General 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 a Magistrate.

| _  |      |      |      | •   |     |      |
|----|------|------|------|-----|-----|------|
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AFFIX STAMP

THE COMPANY SECRETARY

EDARAN BERHAD No. 33-1 Jalan 2/76C Desa Pandan 55100 Kuala Lumpur

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# Business Office: No. 2,4,6 Jalan 4/76C Desa Pandan 55100 Kuala Lumpur

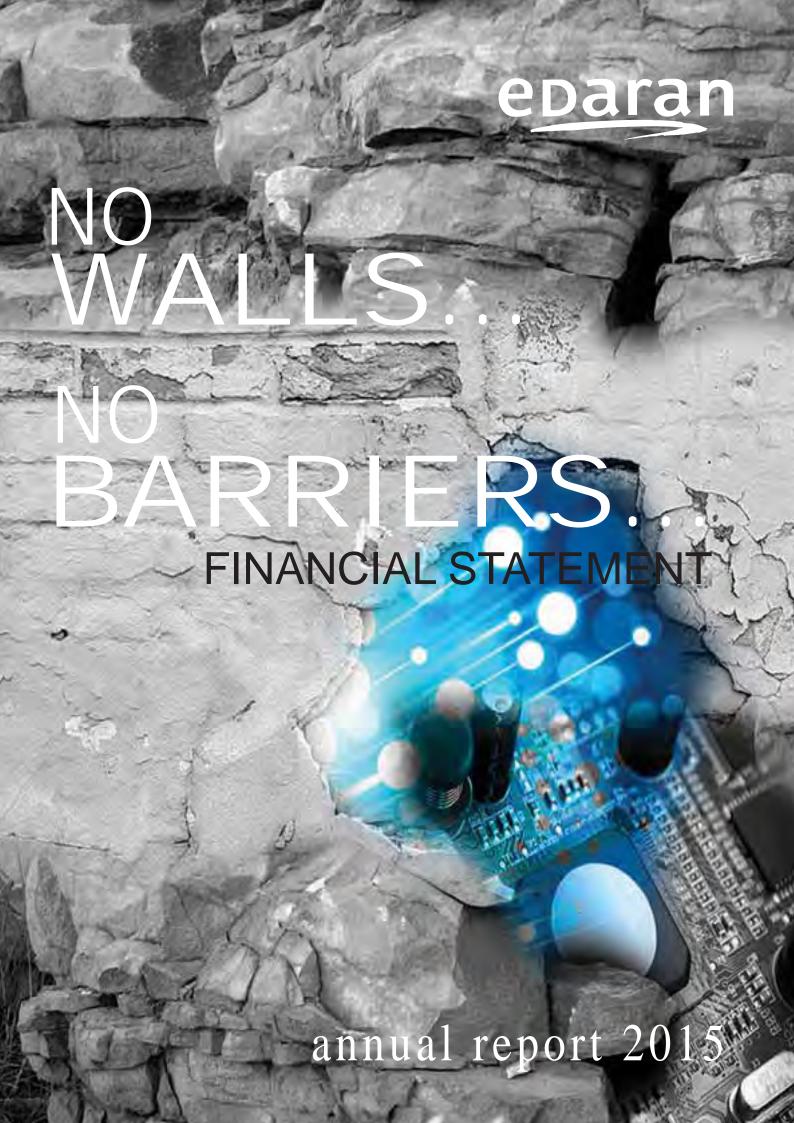
Tel: (6) 03-9206 7200 Fax: (6) 03-9284 3531

# Registered Office:

No.33-1 Jalan 2/76C Desa Pandan 55100 Kuala Lumpur

Tel: (6) 03-9206 7381 Fax: (6) 03-9283 0192

www.edaran.com



(Company No. 241644-W) (Incorporated in Malaysia)

# REPORT AND FINANCIAL STATEMENTS

**30 JUNE 2015** 

Registered office: No. 33-1, Jalan 2/76C Desa Pandan 55100 Kuala Lumpur

Principal place of business: No. 2, 4 & 6, Jalan 4/76C Desa Pandan 55100 Kuala Lumpur

(Incorporated in Malaysia)

# REPORT AND FINANCIAL STATEMENTS

# **30 JUNE 2015**

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(Incorporated in Malaysia)

# **DIRECTORS' REPORT**

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and the Company for the financial year ended 30 June 2015.

# **Principal Activities**

The principal activities of the Company consist of the provision of management services and investment holding. The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements.

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

# **Financial Results**

|  | Group<br>RM | Company<br>RM |
|--|-------------|---------------|
| Net profit/(loss) for the financial year | 289,507     | (1,590,823)   |
| Attributable to: Owners of the parent    | 179,908     | (1,590,823)   |
| Non-controlling interests                | 109,599     |               |
|  | 289,507     | (1,590,823)   |

# **Reserves and Provisions**

There were no material transfer to or from reserves or provisions during the financial year other than disclosed in the financial statements.

# **Dividends**

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the current financial year.

# **Issue of Shares and Debentures**

There was no issuance of shares or debentures during the financial year.

# **Treasury Shares**

As at 30 June 2015, the Company held 2,094,800 treasury shares out of the total 60,000,000 issued ordinary shares. Further relevant details are disclosed in Note 16 to the financial statement.

# **Options Granted Over Unissued Shares**

No options were granted to any person to take up unissued shares of the Company during the financial year.

# **Directors**

The Directors in office since the date of the last report are:

Tan Sri Dato' Tajudin Ramli

Datuk Emam Mohd Haniff Emam Mohd Hussain

Dato' Abdul Halim Abdullah

Dato' Abdul Malek Ahmad Shazili

Dato' Hj Abdul Hamid Mustapha

Dato' Lim Kheng Yew

Dato' Bistamam Ramli

Datuk Mohd Shu'aib Ishak

Fazlan Azri Tajudin

Dato' Kamal Mohd Ali

Azlan Mohd Agel

# **Directors' Interests**

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

|                                 | Number of ordinary shares of RM1.00 each |        |      |           |
|---------------------------------|--|--------|------|-----------|
|                                 | At                                       |        |      | At        |
|                                 | 1.7.2014                                 | Bought | Sold | 30.6.2015 |
| Interest in the Company         |  |        |      |           |
| <b>Direct Interests</b>         |  |        |      |           |
| Tan Sri Dato' Tajudin Ramli     | 2  | -      | -    | 2         |
| Datuk Mohd Shu'aib Ishak        | 1,421,428                                | -      | -    | 1,421,428 |
| <b>Indirect Interests</b>       |  |        |      |           |
| Tan Sri Dato' Tajudin Ramli (a) | 4,730,832                                | -      | -    | 4,730,832 |
| Datuk Mohd Shu'aib Ishak (b)    | 60,000                                   | -      | -    | 60,000    |
| Fazlan Azri Tajudin (c)         | 853,100                                  | -      | -    | 853,100   |

# **Directors' Interests (Cont'd)**

- (a) deemed interest by virtue of his interest in Kauthar Sdn. Bhd. which holds 4,730,832 shares in the Company.
- (b) deemed interest by virtue of the shares of the Company registered in the name of his spouse.
- (c) deemed interest by virtue of his interest in Fazlan & Amal Sdn. Bhd. and Kauthar General Services Sdn. Bhd. which hold 289,600 and 563,500 shares in the Company respectively.

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

# **Directors' Benefits**

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the 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 27 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# **Other Statutory Information**

- (a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and the Company were made out, the Directors took reasonable steps:
  - (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no bad debts had been written off and no allowance for doubtful debts was required; 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.

# Other Statutory Information (Cont'd)

- (b) At the date of this report, the Directors are not aware of any circumstances:
  - (i) which would render it necessary to write off any bad debts or to make any allowance for doubtful debts in the financial statements of the Group and the Company; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
  - (iii) not otherwise dealt with in this report or the financial statements of the Group and the Company which would render any amount stated in the financial statements misleading; or
  - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or
  - (ii) any contingent liability of the Group or the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and the Company.
- (d) 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 the Company to meet its obligations as and when they fall due;
  - (ii) the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

| The Auditors, Messrs UHY, have expressed their willingness to continue in office.                                  |
|--|
| Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 21 October 2015. |
|  |

DATO' ABDUL HALIM ABDULLAH

DATO' BISTAMAM RAMLI

KUALA LUMPUR

(Incorporated in Malaysia)

# STATEMENT BY DIRECTORS Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 11 to 81 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 30 June 2015 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 35 to the financial statements on page 82 have been compiled in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 21 October 2015.

| DATO' ABDUL HALIM ABDULLAH | DATO' BISTAMAM RAMLI |
|----------------------------|----------------------|

KUALA LUMPUR

(Incorporated in Malaysia)

# STATUTORY DECLARATION Pursuant to Section 169(16) of the Companies Act, 1965

| I, DATO' BISTAMAM RAMLI, being the Director primarily responsible for the financial management of Edaran Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 11 to 82 are 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 ) abovenamed at Kuala Lumpur in the State of ) Federal Territory on 21 October 2015  |
| DATO' BISTAMAM RAMLI   |
|  |
| Before me,   |
|  |
|  |
|  |
|  |

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDARAN BERHAD

(Company No.: 241644-W) (Incorporated in Malaysia)

# **Report on the Financial Statements**

We have audited the financial statements of Edaran Berhad, which comprise the statements of financial position as at 30 June 2015 of the Group and the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 81.

# Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDARAN BERHAD (CONT'D)

(Company No.: 241644-W) (Incorporated in Malaysia)

# Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as of 30 June 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

# Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the followings:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

# **Other Reporting Responsibilities**

The supplementary information set out in Note 35 on page 82 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDARAN BERHAD (CONT'D)

(Company No.: 241644-W) (Incorporated in Malaysia)

# **Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY

Firm Number: AF 1411 Chartered Accountants

LOH CHYE TEIK Approved Number: 1652/08/16(J) Chartered Accountant

KUALA LUMPUR 21October 2015

(Incorporated in Malaysia)

# STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015

|                                    |          | Group        |              | Company      |              |
|------------------------------------|----------|--------------|--------------|--------------|--------------|
|                                    |          | 2015         | 2014         | 2015         | 2014         |
|                                    | Note     | RM           | RM           | RM           | RM           |
| ASSETS                             |          |              |              |              |              |
| Non-current assets                 |          |              |              |              |              |
| Property, plant and equipment      | 4        | 23,691,875   | 24,822,803   | 3,638,784    | 4,302,521    |
| Investment in subsidiary companies | 6        | 23,091,873   | 24,022,003   | 28,008,155   | 28,008,155   |
| Other investments                  | 7        | -<br>1       | 1            | 28,008,133   | 26,006,133   |
| Other investments                  | ′ -      | 23,691,876   | 24,822,804   | 31,646,939   | 32,310,676   |
|                                    | -        | 23,091,870   | 24,022,004   | 31,040,939   | 32,310,070   |
| Current assets                     |          |              |              |              |              |
| Inventories                        | 8        | 10,814,024   | 7,754,173    | -            | -            |
| Amount due from contract           |          |              |              |              |              |
| customers                          | 9        | 3,648,461    | 3,590,069    | -            | -            |
| Trade receivables                  | 10       | 4,612,160    | 5,993,834    | -            | -            |
| Other receivables                  | 11       | 2,539,006    | 2,339,228    | 422,566      | 316,981      |
| Amount due from subsidiary         |          |              |              |              |              |
| companies                          | 12       | -            | -            | 14,267,224   | 11,271,221   |
| Dividend receivables               |          | -            | -            | 3,200,000    | 2,400,000    |
| Deposits, bank and                 |          |              |              |              |              |
| cash balances                      | 13       | 9,515,515    | 3,680,872    | 22,684       | 81,514       |
|                                    | •        | 31,129,166   | 23,358,176   | 17,912,474   | 14,069,716   |
| Total assets                       |          | 54,821,042   | 48,180,980   | 49,559,413   | 46,380,392   |
|                                    | •        |              |              |              |              |
| EQUITY                             |          |              |              |              |              |
| Share capital                      | 14       | 60,000,000   | 60,000,000   | 60,000,000   | 60,000,000   |
| Reserves                           | 15       | (25,717,519) | (26,326,008) | (48,477,742) | (46,886,919) |
| Treasury shares                    | 16       | (1,049,536)  | (1,049,536)  | (1,049,536)  | (1,049,536)  |
| Equity attributable to owners of   | <u>-</u> |              |              |              |              |
| the parent                         |          | 33,232,945   | 32,624,456   | 10,472,722   | 12,063,545   |
| Non-controlling interests          | -        | (2,641,769)  | (3,090,607)  |              |              |
| <b>Total equity</b>                |          | 30,591,176   | 29,533,849   | 10,472,722   | 12,063,545   |
|                                    |          |              |              |              |              |

(Incorporated in Malaysia)

## STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (CONT'D)

|                              |      | Group      |            | Company    |            |  |
|------------------------------|------|------------|------------|------------|------------|--|
|                              |      | 2015       | 2014       | 2015       | 2014       |  |
|                              | Note | RM         | RM         | RM         | RM         |  |
| LIABILITIES                  |      |            |            |            |            |  |
| Non-current liabilities      |      |            |            |            |            |  |
| Loans and borrowings         | 17   | 3,447,261  | 505,386    | -          | -          |  |
| Deferred tax liabilities     | 18   | 1,907,547  | 1,934,798  |            | -          |  |
|                              | _    | 5,354,808  | 2,440,184  |            |            |  |
| Current liabilities          |      |            |            |            |            |  |
| Loans and borrowings         | 17   | 6,026,474  | 5,428,691  | -          | -          |  |
| Amount due to contract       |      |            |            |            |            |  |
| customers                    | 9    | 1,824,876  | 622,475    | -          | -          |  |
| Trade payables               | 19   | 8,119,282  | 6,733,575  | -          | -          |  |
| Other payables               | 20   | 2,704,426  | 3,422,206  | 1,442,851  | 2,313,386  |  |
| Amount due to subsidiary     |      |            |            |            |            |  |
| companies                    | 12   | -          | -          | 37,643,840 | 32,003,461 |  |
| Provision for taxation       |      | 200,000    | -          | -          | -          |  |
|                              | _    | 18,875,058 | 16,206,947 | 39,086,691 | 34,316,847 |  |
| <b>Total liabilities</b>     | _    | 24,229,866 | 18,647,131 | 39,086,691 | 34,316,847 |  |
| Total equity and liabilities | _    | 54,821,042 | 48,180,980 | 49,559,413 | 46,380,392 |  |

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

(Incorporated in Malaysia)

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

|   |      |              | Group        | Com         | pany        |
|---|------|--------------|--------------|-------------|-------------|
|   |      | 2015         | 2014         | 2015        | 2014        |
|   | Note | RM           | RM           | RM          | RM          |
| Revenue   | 21   | 46,179,055   | 37,606,991   | 1,448,000   | 1,448,000   |
| Costs of sales  | 22   | (32,624,963) | (27,696,677) | -           | -<br>-      |
| Gross profit  | •    | 13,554,092   | 9,910,314    | 1,448,000   | 1,448,000   |
| Other income  |      | 597,394      | 604,959      | 633,839     | 586,704     |
| Administrative expenses   |      | (8,911,010)  | (9,869,806)  | (2,440,974) | (2,642,952) |
| Other expenses  |      | (4,187,753)  | (4,322,181)  | (1,231,688) | (1,365,319) |
| Profit/(Loss) from operation  |      | 1,052,723    | (3,676,714)  | (1,590,823) | (1,973,567) |
| Finance costs   | 23   | (567,873)    | (411,003)    | -           |             |
| Profit/(Loss) before tax  | 24   | 484,850      | (4,087,717)  | (1,590,823) | (1,973,567) |
| Taxation  | 25   | (195,343)    | (4,657)      | -           |             |
| Net profit/(loss) for the financial ye                              | ar   | 289,507      | (4,092,374)  | (1,590,823) | (1,973,567) |
| Other comprehensive income/(loss)                                   |      |              |              |             |             |
| Items that will not be reclassified subsequently to profit or loss  |      |              |              |             |             |
| Crystallisation of deferred tax                                     |      |              |              |             |             |
| liability on revaluation reserve                                    | 25   | 27,250       | 27,249       | -           | -           |
| Items that are or may be reclassifie subsequently to profit or loss | d    |              |              |             |             |
| Exchange translation differences                                    |      | 740.570      | (1.2(0.220)  |             |             |
| for foreign operations  | L    | 740,570      | (1,360,329)  | -           | -           |
| Total other comprehensive income/(loss) for the financial year      | r    | 767,820      | (1,333,080)  | _           | _           |
| Total comprehensive income/   | •    |              | (1,222,000)  |             |             |
| (loss) for the financial year                                       |      | 1,057,327    | (5,425,454)  | (1,590,823) | (1,973,567) |

(Incorporated in Malaysia)

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

|                                 |      |           | Group       | Company     |             |  |
|---------------------------------|------|-----------|-------------|-------------|-------------|--|
|                                 |      | 2015      | 2014        | 2015        | 2014        |  |
|                                 | Note | RM        | RM          | RM          | RM          |  |
| Net profit/(loss) for the       |      |           |             |             |             |  |
| financial year attributable to: |      |           |             |             |             |  |
| Owners of the parent            |      | 179,908   | (4,272,532) | (1,590,823) | (1,973,567) |  |
| Non-controlling interests       |      | 109,599   | 180,158     | -           | _           |  |
|                                 | _    | 289,507   | (4,092,374) | (1,590,823) | (1,973,567) |  |
| Total comprehensive income/     |      |           |             |             |             |  |
| (loss) attributable to:         |      |           |             |             |             |  |
| Owners of the parent            |      | 608,489   | (4,944,317) | (1,590,823) | (1,973,567) |  |
| Non-controlling interests       |      | 448,838   | (481,137)   | -           | <u>-</u>    |  |
| -                               | _    | 1,057,327 | (5,425,454) | (1,590,823) | (1,973,567) |  |
| Earnings per share              |      |           |             |             |             |  |
| Basic earnings/(loss)           |      |           |             |             |             |  |
| per share (sen)                 | 26   | 0.31      | (7.38)      |             |             |  |

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

(Incorporated in Malaysia)

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

Attributable to owners of the parent

|  | Non-distributable      |                        |                              |   |                          |                             |             |  |                       |
|--|------------------------|------------------------|------------------------------|---|--------------------------|-----------------------------|-------------|--|-----------------------|
| Group  | Share<br>capital<br>RM | Share<br>premium<br>RM | Revaluation<br>reserve<br>RM | Foreign<br>currency<br>translation<br>reserve<br>RM | Treasury<br>shares<br>RM | Accumulated<br>losses<br>RM | Total<br>RM | Non-<br>controlling<br>interests<br>RM | Total<br>equity<br>RM |
| At 1 July 2014   | 60,000,000             | 8,022,580              | 5,846,029                    | (897,770)   | (1,049,536)              | (39,296,847)                | 32,624,456  | (3,090,607)                            | 29,533,849            |
| Net profit for the financial year<br>Other comprehensive income for          | -                      | -                      | -                            | -   | -                        | 179,908                     | 179,908     | 109,599                                | 289,507               |
| the financial year   | -                      | -                      | 27,250                       | 401,331   | -                        | -                           | 428,581     | 339,239                                | 767,820               |
| Total comprehensive income for the financial year Realisation of revaluation | -                      | -                      | 27,250                       | 401,331   | -                        | 179,908                     | 608,489     | 448,838                                | 1,057,327             |
| reserve  | -                      | -                      | (81,750)                     | -   | -                        | 81,750                      | -           | -                                      | -                     |
| At 30 June 2015  | 60,000,000             | 8,022,580              | 5,791,529                    | (496,439)   | (1,049,536)              | (39,035,189)                | 33,232,945  | (2,641,769)                            | 30,591,176            |

(Incorporated in Malaysia)

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

## Attributable to owners of the parent

|  | Non-distributable      |                        |                              |   |                          |                             |             |  |                       |
|--|------------------------|------------------------|------------------------------|---|--------------------------|-----------------------------|-------------|--|-----------------------|
| Group  | Share<br>capital<br>RM | Share<br>premium<br>RM | Revaluation<br>reserve<br>RM | Foreign<br>currency<br>translation<br>reserve<br>RM | Treasury<br>shares<br>RM | Accumulated<br>losses<br>RM | Total<br>RM | Non-<br>controlling<br>interests<br>RM | Total<br>equity<br>RM |
| At 1 July 2013   | 60,000,000             | 8,022,580              | 5,900,533                    | (198,736)   | (1,049,536)              | (35,106,068)                | 37,568,773  | (2,609,470)                            | 34,959,303            |
| Not loss for the financial year  |                        |                        |                              |   |                          | (4 272 522)                 | (4 272 522) | 180,158                                | (4,092,374)           |
| Net loss for the financial year<br>Other comprehensive loss for                  | _                      | -                      | -                            | -   | -                        | (4,272,532)                 | (4,272,532) | 100,130                                | (4,092,374)           |
| the financial year   | -                      | -                      | 27,249                       | (699,034)   | -                        | -                           | (671,785)   | (661,295)                              | (1,333,080)           |
| Total comprehensive loss for<br>the financial year<br>Realisation of revaluation | -                      | -                      | 27,249                       | (699,034)   | -                        | (4,272,532)                 | (4,944,317) | (481,137)                              | (5,425,454)           |
| reserve  | -                      | -                      | (81,753)                     | -   | -                        | 81,753                      | -           | -                                      | _                     |
| At 30 June 2014  | 60,000,000             | 8,022,580              | 5,846,029                    | (897,770)   | (1,049,536)              | (39,296,847)                | 32,624,456  | (3,090,607)                            | 29,533,849            |

(Incorporated in Malaysia)

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

Attributable to owners of the parent

|   | No                     | Non-distributable      |                          |                             |                       |
|---|------------------------|------------------------|--------------------------|-----------------------------|-----------------------|
| Company   | Share<br>capital<br>RM | Share<br>premium<br>RM | Treasury<br>shares<br>RM | Accumulated<br>losses<br>RM | Total<br>equity<br>RM |
| At 1 July 2014  | 60,000,000             | 8,022,580              | (1,049,536)              | (54,909,499)                | 12,063,545            |
| Net loss for the financial year,<br>representing total comprehensive<br>loss for the financial year | -                      | -                      | -                        | (1,590,823)                 | (1,590,823)           |
| At 30 June 2015   | 60,000,000             | 8,022,580              | (1,049,536)              | (56,500,322)                | 10,472,722            |
| At 1 July 2013  | 60,000,000             | 8,022,580              | (1,049,536)              | (52,935,932)                | 14,037,112            |
| Net loss for the financial year,<br>representing total comprehensive<br>loss for the financial year | -                      | -                      | -                        | (1,973,567)                 | (1,973,567)           |
| At 30 June 2014   | 60,000,000             | 8,022,580              | (1,049,536)              | (54,909,499)                | 12,063,545            |

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

(Incorporated in Malaysia)

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

|  | Gro         | up          | Company     |             |  |
|--|-------------|-------------|-------------|-------------|--|
|  | 2015        | 2014        | 2015        | 2014        |  |
|  | RM          | RM          | RM          | RM          |  |
| Cash flows from operating activities   |             |             |             |             |  |
| Profit/(Loss) before tax               | 484,850     | (4,087,717) | (1,590,823) | (1,973,567) |  |
| Adjustments for:                       |             |             |             |             |  |
| Depreciation of property, plant        |             |             |             |             |  |
| and equipment                          | 1,505,200   | 1,795,879   | 690,647     | 791,200     |  |
| (Gain)/Loss on disposal of             |             |             |             |             |  |
| property, plant and equipment          | (24,116)    | 6,816       | -           | -           |  |
| Dividend income                        | -           | -           | (800,000)   | (800,000)   |  |
| Finance costs                          | 567,873     | 411,003     | -           | -           |  |
| Finance income                         | (97,714)    | (141,377)   | (633,839)   | (586,704)   |  |
| Property, plant and equipment          |             |             |             |             |  |
| written off                            | 11          | -           | -           | -           |  |
| Unrealised gain on                     |             |             |             |             |  |
| foreign exchange                       | (17,825)    | (36,407)    |             | _           |  |
| Operating profit/(loss) before working |             |             |             | _           |  |
| capital changes                        | 2,418,279   | (2,051,803) | (2,334,015) | (2,569,071) |  |
| Changes in working capital:            |             |             |             |             |  |
| Inventories                            | (3,059,851) | (857,429)   | -           | -           |  |
| Contract customers                     | 1,144,007   | 389,657     | -           | -           |  |
| Receivables                            | 1,200,146   | (2,270,198) | (105,585)   | (53,135)    |  |
| Payables                               | 667,505     | (991,917)   | (870,535)   | 9,023       |  |
| Cash generated from/(used in)          |             |             |             | _           |  |
| operations                             | 2,370,086   | (5,781,690) | (3,310,135) | (2,613,183) |  |
| Interest paid                          | (567,873)   | (411,003)   | -           | -           |  |
| Interest received                      | 97,714      | 141,377     | 633,839     | 586,704     |  |
| Tax refund/(paid)                      | 4,657       | (4,657)     | -           | -           |  |
| Net cash generated from/               |             |             |             |             |  |
| (used in) operating activities         | 1,904,584   | (6,055,973) | (2,676,296) | (2,026,479) |  |
|  |             |             |             |             |  |

(Incorporated in Malaysia)

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

|  |      | Group       |             | Company   |           |  |
|--|------|-------------|-------------|-----------|-----------|--|
|  | Note | 2015        | 2014        | 2015      | 2014      |  |
|  |      | RM          | RM          | RM        | RM        |  |
| Cash flows from investing activities                   |      |             |             |           |           |  |
| Acquisition of property, plant and                     |      |             |             |           |           |  |
| equipment  | 4(d) | (279,672)   | (611,874)   | (26,910)  | (35,216)  |  |
| Additional investment in subsidiary companies          |      | _           | -           | -         | (400,000) |  |
| Advances from subsidiary                               |      |             |             |           |           |  |
| companies  |      | -           | -           | 2,644,376 | 2,537,869 |  |
| Proceeds from disposal of                              |      |             |             |           |           |  |
| property, plant and equipment                          | _    | 44,208      | 60,353      |           |           |  |
| Net cash used in investing activities                  | _    | (235,464)   | (551,521)   | 2,617,466 | 2,102,653 |  |
| Cash flows from financing activities Increase in fixed | 1    |             |             |           |           |  |
| deposits pledged as security with                      |      |             |             |           |           |  |
| licensed banks   |      | (196,156)   | (443,513)   | -         | -         |  |
| Payment of finance lease liabilities                   |      | (108,853)   | (177,407)   | -         | -         |  |
| Proceeds from bank borrowings                          | _    | 5,788,445   | 653,187     | <u> </u>  |           |  |
| Net cash generated from                                |      |             |             |           |           |  |
| operating activities                                   | _    | 5,483,436   | 32,267      |           |           |  |
| Net increase/(decrease) in cash                        |      |             |             |           |           |  |
| and cash equivalents                                   |      | 7,152,556   | (6,575,227) | (58,830)  | 76,174    |  |
| Cash and cash equivalents at the                       |      |             |             |           |           |  |
| beginning of the financial year                        |      | (2,169,088) | 5,542,288   | 81,514    | 5,340     |  |
| Effect of exchange translation                         |      |             |             |           |           |  |
| differences on cash and cash                           |      |             |             |           |           |  |
| equivalents  |      | 668,271     | (1,136,149) |           |           |  |
| Cash and cash equivalents at the                       |      |             |             |           |           |  |
| end of the financial year                              | _    | 5,651,739   | (2,169,088) | 22,684    | 81,514    |  |

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## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONT'D)

|   |      |             | Group       | Company |        |  |
|---|------|-------------|-------------|---------|--------|--|
|   |      | 2015        | 2014        | 2015    | 2014   |  |
|   | Note | RM          | RM          | RM      | RM     |  |
| Cash and cash equivalents at the end of the financial year comprises: |      |             |             |         |        |  |
| Cash and bank balances  | 13   | 6,337,183   | 419,618     | 22,684  | 81,514 |  |
| Fixed deposits with licensed banks                                    | 13   | 3,178,332   | 3,261,254   | -       | -      |  |
| Bank overdrafts   | 17   | (1,029,690) | (3,212,030) | -       | -      |  |
|   | _    | 8,485,825   | 468,842     | 22,684  | 81,514 |  |
| Less: Fixed deposits pledged  |      |             |             |         |        |  |
| with licensed banks   | 13   | (2,834,086) | (2,637,930) | -       | _      |  |
|   |      | 5,651,739   | (2,169,088) | 22,684  | 81,514 |  |

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

(Incorporated in Malaysia)

#### NOTES TO THE FINANCIAL STATEMENTS

#### 1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at No. 2, 4 & 6, Jalan 4/76C, Desa Pandan, 55100 Kuala Lumpur.

The registered office of the Company is located at No. 33-1, Jalan 2/76C, Desa Pandan, 55100 Kuala Lumpur.

The principal activities of the Company consist of the provision of management services and investment holding. The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

#### 2. Basis of Preparation

## (a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

#### Adoption of new and amended standards and IC Interpretation

During the financial year, the Group and the Company have adopted the following amendments to MFRSs and IC Interpretation issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

| Amendments to MFRS 10,<br>MFRS 12 and MFRS 127 | Investment Entities  |
|--|--|
| Amendments to MFRS 132                         | Offsetting Financial Assets and Financial Liabilities        |
| Amendments to MFRS 136                         | Recoverable Amount Disclosures for Non-Financial Assets      |
| Amendments to MFRS 139                         | Novation of Derivatives and Continuation of Hedge Accounting |
| IC Interpretation 21                           | Levies   |

#### (a) Statement of compliance (Cont'd)

## Adoption of new and amended standards and IC Interpretation (Cont'd)

Amendments to MFRS 119 Defined Benefits Plans: Employee Contributions Annual Improvements to MFRSs 2010 – 2012 Cycle Annual Improvements to MFRSs 2011 – 2013 Cycle

Adoption of above amendments to MFRSs and IC Interpretation did not have any significant impact on the financial statements of the Group and the Company.

#### Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

|  |   | Effective dates for financial periods |
|--|---|---------------------------------------|
|  |   | beginning on or after                 |
| MFRS 14  | Regulatory Deferral Accounts  | 1 January 2016                        |
| Amendments to MFRS 11                          | Accounting for Acquisitions of Interests in Joint Operations                                | 1 January 2016                        |
| Amendments to MFRS 116<br>and MFRS 138         | Clarification of Acceptable<br>Methods of Depreciation and<br>Amortisation                  | 1 January 2016                        |
| Amendments to MFRS 116 and MFRS 141            | Agriculture: Bearer Plants  | 1 January 2016                        |
| Amendments to MFRS 127                         | Equity Method in Separate Financial Statements  | 1 January 2016                        |
| Amendments to MFRS 10 and MFRS 128             | Sale or Contribution of Assets<br>between an Investor and its<br>Associate or Joint Venture | 1 January 2016                        |
| Annual Improvements to MF                      | RSs 2012 – 2014 Cycle   | 1 January 2016                        |
| Amendments to MFRS 10,<br>MFRS 12 and MFRS 128 | Investment Entities: Applying the Consolidation Exception                                   | 1 January 2016                        |
| MFRS 15  | Revenue from Contracts with Customers   | 1 January 2017                        |
| MFRS 9   | Financial Instruments (IFRS 9 issued by IASB in July 2014)                                  | 1 January 2018                        |

#### (a) Statement of compliance (Cont'd)

#### Standards issued but not yet effective (Cont'd)

The Group and the Company intend to adopt the MFRSs when they become effective.

The initial applications of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and the Company except as mentioned below:

## MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

#### MFRS 15 Revenue from Contracts with Customers

MFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Standard replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Group is in the process of assessing the impact of this Standard.

#### (b) Functional and presentation currency

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

#### (c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

#### Useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amount of property, plant and equipment is disclosed in Note 4.

## Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The impairment assessment of goodwill is disclosed in Note 5.

#### Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 8.

#### (c) Significant accounting judgements, estimates and assumptions (Cont'd)

## **Key sources of estimation uncertainty (Cont'd)**

#### Impairment of investment in subsidiary companies

The Company has recognised impairment loss in respect of its investment in subsidiary companies. The Company carried out the impairment test based on the estimation of the higher of the value-in-use or the fair value less cost to sell of the cash-generating units to which the investment in subsidiary companies belong to. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investment in subsidiary companies is disclosed in Note 6.

## Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 10, 11 and 12 respectively.

#### Construction contracts

The Group recognises constructions contracts revenue and expenses in statements of profit or loss based on stage of completion method. Revenue recognised from construction contracts reflects management's best estimate about each contract's outcome and stage of completion. The Group assesses the profitability of on-going construction contracts and the order backlog at least montly, using project management procedures. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainly. Details of construction contract costs are disclosed in Note 9.

#### (c) Significant accounting judgements, estimates and assumptions (Cont'd)

#### Key sources of estimation uncertainty (Cont'd)

#### Income taxes

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 25.

#### Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group, for matters in the ordinary course of business. Details of contingent liabilities are disclosed in Note 29.

### 3. Significant Accounting Policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

#### (a) Basis of consolidation

#### (i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### (a) Basis of consolidation (Cont'd)

#### (i) Subsidiary companies (Cont'd)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement* either in profit or loss or other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investment in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(k) to the financial statements on impairment of non-financial assets.

#### (a) Basis of consolidation (Cont'd)

#### (ii) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(k) to the financial statements on impairment of non-financial assets.

#### (b) Foreign currency translation

#### (i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

#### (b) Foreign currency translation (Cont'd)

#### (ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

#### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k).

#### (i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

#### (c) Property, plant and equipment (Cont'd)

#### (i) Recognition and measurement

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss. On disposal of a revalued asset, the amounts in revaluation reserve relating to those assets are transferred to retained earnings.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuation are performed with sufficient regularity, usually every five years, to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of the reporting period.

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revolutions of the land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

#### (c) Property, plant and equipment (Cont'd)

#### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

## (iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

| Long term leasehold land      | Over the remaining lease |
|-------------------------------|--------------------------|
| Long term leasehold buildings | 2%                       |
| Motor vehicles                | 20%                      |
| Office equipment              | 20% - 33%                |
| Renovations                   | 5% - 20%                 |
| Furniture and fittings        | 20%                      |
| Equipment tools               | 20%                      |
| Gymnasium equipment           | 20%                      |
| Plant and machinery           | 6% - 25%                 |

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

#### (d) Leases

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

#### (d) Leases (Cont'd)

#### (i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

#### (ii) Operating lease

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

Payments made under operating leases are recognised in profit or loss on a straightline basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

## (e) Intangible assets

#### (i) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequently to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### (e) Intangible assets (Cont'd)

#### (ii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(k) to the financial statements on impairment of non-financial assets for intangible assets.

#### (f) Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

#### (f) Financial assets (Cont'd)

## (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends from an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in profit or loss.

#### (g) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

The Group and the Company classify their financial liabilities at initial recognition, into financial liabilities measured at amortised cost.

The Group's and the Company's financial liabilities comprise trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### (h) Inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value.

Cost of raw material is determined on a first-in-first out (or weighted average) basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (i) Construction contracts

Construction contracts are contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of contract as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion method is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable recoverable and contract costs are recognised as expenses in the period in which they are incurred.

Irrespective whether the outcome of a construction contract can be estimated reliably, when it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probably that they will result in revenue and they are capable of being reliably measured.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the reporting period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is presented as amounts due from contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as amounts due to contract customers.

#### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

#### (k) Impairment of assets

#### (i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from contract customer) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

#### (k) Impairment of assets (Cont'd)

#### (i) Non-financial assets (Cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

#### (ii) Financial assets

All financial assets, other than those categorised as investment in subsidiary companies, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

#### Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

#### (k) Impairment of assets (Cont'd)

#### (ii) Financial assets (Cont'd)

#### Financial assets carried at amortised cost (Cont'd)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

#### (l) Share capital

#### (i) Ordinary shares

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

Dividends on ordinary shares are accounted for in equity as appropriation of retained earnings and recognised as a liability in period in which they are declared.

#### (ii) Treasury shares

When issued share of the Company are repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are not subsequently cancelled are classified as treasury shares in the statements of changes in equity. No gain or loss is recognised in the statements of profit or loss and other comprehensive income on the sale, re-issuance or cancellation of treasury shares

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied as a reduction of the share premium account or the distributable retained earnings or both.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

#### (m) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The relating expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

#### (n) Employee benefits

#### (i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group and the Company. 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. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

#### (ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

#### (n) Employee benefits (Cont'd)

#### (iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after end of the reporting period are discounted to present value.

#### (o) Revenue

## (i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

#### (ii) Rendering of services

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers during the period.

#### (iii) Construction contracts

Revenue from construction contracts is accounted in accordance to the accounting policies as described in Note 3(i) to the financial statements.

#### (iv) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

#### (o) Revenue (Cont'd)

#### (v) Interest income

Interest income is recognised on accrual basis using the effective interest method.

#### (vi) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

#### (vi) Management fee

Management fee is recognised on accrual basis when the services are rendered.

#### (p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

#### (q) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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

#### (q) Income taxes (Cont'd)

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

#### (r) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

#### (s) Contingencies

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

## 4. Property, plant and equipment

|                               | At Valuation                   |                                     |                   |                  | At Cost     |                           |                 |                        |                     |            |
|-------------------------------|--------------------------------|-------------------------------------|-------------------|------------------|-------------|---------------------------|-----------------|------------------------|---------------------|------------|
|                               | Long term<br>leasehold<br>land | Long term<br>leasehold<br>buildings | Motor<br>vehicles | Office equipment | Renovations | Furniture<br>and fittings | Equipment tools | Gymnasium<br>equipment | Plant and machinery | Total      |
| Group                         | RM                             | RM                                  | RM                | RM               | RM          | RM                        | RM              | RM                     | RM                  | RM         |
| 2015                          |                                |                                     |                   |                  |             |                           |                 |                        |                     |            |
| Cost/Valuation                |                                |                                     |                   |                  |             |                           |                 |                        |                     |            |
| At 1 July 2014                | 12,171,002                     | 6,446,998                           | 5,107,543         | 9,514,498        | 7,448,060   | 843,191                   | 992,983         | 3,420                  | 2,655,413           | 45,183,108 |
| Additions                     | -                              | -                                   | 26,359            | 235,116          | -           | -                         | -               | -                      | 18,197              | 279,672    |
| Disposals                     | -                              | -                                   | (414,058)         | (19,461)         | -           | -                         | -               | -                      | (5,421)             | (438,940)  |
| Written off                   | -                              | -                                   | -                 | -                | (473,603)   | -                         | -               | -                      | -                   | (473,603)  |
| Foreign currency translation  |                                |                                     |                   |                  |             |                           |                 |                        |                     |            |
| differences                   | _                              | -                                   | 20,027            | 14,019           | 39,176      | 1,983                     | -               | -                      | 148,585             | 223,790    |
| At 30 June 2015               | 12,171,002                     | 6,446,998                           | 4,739,871         | 9,744,172        | 7,013,633   | 845,174                   | 992,983         | 3,420                  | 2,816,774           | 44,774,027 |
| Accumulated depreciation      |                                |                                     |                   |                  |             |                           |                 |                        |                     |            |
| At 1 July 2014                | 366,907                        | 333,095                             | 4,789,554         | 8,785,034        | 3,584,410   | 830,751                   | 990,713         | 3,419                  | 676,422             | 20,360,305 |
| Charge for the financial year | 149,491                        | 128,940                             | 123,496           | 550,688          | 296,108     | 10,731                    | 1,327           | -<br>-                 | 244,419             | 1,505,200  |
| Disposals                     | ·<br>-                         | -                                   | (414,056)         | (1,008)          | -           | -                         | -               | _                      | (3,784)             | (418,848)  |
| Written off                   | -                              | -                                   | -                 | -                | (473,592)   | -                         | -               | -                      | -<br>-              | (473,592)  |
| Foreign currency translation  |                                |                                     |                   |                  |             |                           |                 |                        |                     |            |
| differences                   | -                              | -                                   | 16,510            | 13,060           | 34,468      | 1,971                     | -               | -                      | 43,078              | 109,087    |
| At 30 June 2015               | 516,398                        | 462,035                             | 4,515,504         | 9,347,774        | 3,441,394   | 843,453                   | 992,040         | 3,419                  | 960,135             | 21,082,152 |
| Carrying amount               |                                |                                     |                   |                  |             |                           |                 |                        |                     |            |
| At 30 June 2015               | 11,654,604                     | 5,984,963                           | 224,367           | 396,398          | 3,572,239   | 1,721                     | 943             | 1                      | 1,856,639           | 23,691,875 |

## 4. Property, plant and equipment (Cont'd)

|                               | At Val                         | uation                              |                   | At Cost          |             |                        |                        |                        |                     |            |
|-------------------------------|--------------------------------|-------------------------------------|-------------------|------------------|-------------|------------------------|------------------------|------------------------|---------------------|------------|
|                               | Long term<br>leasehold<br>land | Long term<br>leasehold<br>buildings | Motor<br>vehicles | Office equipment | Renovations | Furniture and fittings | <b>Equipment</b> tools | Gymnasium<br>equipment | Plant and machinery | Total      |
| Group                         | RM                             | RM                                  | RM                | RM               | RM          | RM                     | RM                     | RM                     | RM                  | RM         |
| 2014                          |                                |                                     |                   |                  |             |                        |                        |                        |                     |            |
| Cost/Valuation                |                                |                                     |                   |                  |             |                        |                        |                        |                     |            |
| At 1 July 2013                | 12,171,002                     | 6,446,998                           | 5,094,196         | 9,399,872        | 7,466,724   | 903,054                | 992,983                | 3,420                  | 2,698,370           | 45,176,619 |
| Additions                     | -                              | -                                   | 56,870            | 130,354          | -           | 950                    | =                      | -                      | 479,898             | 668,072    |
| Disposals                     | -                              | -                                   | -                 | (9,258)          | -           | (62,184)               | =                      | -                      | (109,060)           | (180,502)  |
| Foreign currency translation  |                                |                                     |                   |                  |             |                        |                        |                        |                     |            |
| differences                   |                                | -                                   | (43,523)          | (6,470)          | (18,664)    | 1,371                  | -                      | -                      | (413,795)           | (481,081)  |
| At 30 June 2014               | 12,171,002                     | 6,446,998                           | 5,107,543         | 9,514,498        | 7,448,060   | 843,191                | 992,983                | 3,420                  | 2,655,413           | 45,183,108 |
| Accumulated depreciation      |                                |                                     |                   |                  |             |                        |                        |                        |                     |            |
| At 1 July 2013                | 217,414                        | 204,155                             | 4,603,943         | 8,081,435        | 3,245,663   | 855,807                | 989,386                | 3,419                  | 596,229             | 18,797,451 |
| Charge for the financial year | 149,493                        | 128,940                             | 209,995           | 712,323          | 332,850     | 35,574                 | 1,327                  | -                      | 225,377             | 1,795,879  |
| Disposals                     | -                              | -                                   | -                 | (5,574)          | -           | (62,152)               | -                      | -                      | (40,898)            | (108,624)  |
| Foreign currency translation  |                                |                                     |                   |                  |             |                        |                        |                        |                     |            |
| differences                   |                                | -                                   | (24,384)          | (3,150)          | 5,897       | 1,522                  | -                      | -                      | (104,286)           | (124,401)  |
| At 30 June 2014               | 366,907                        | 333,095                             | 4,789,554         | 8,785,034        | 3,584,410   | 830,751                | 990,713                | 3,419                  | 676,422             | 20,360,305 |
| Carrying amount               |                                |                                     |                   |                  |             |                        |                        |                        |                     |            |
| At 30 June 2014               | 11,804,095                     | 6,113,903                           | 317,989           | 729,464          | 3,863,650   | 12,440                 | 2,270                  | 1                      | 1,978,991           | 24,822,803 |

## 4. Property, plant and equipment (Cont'd)

|                               | Motor   |             | Office    | Gymnasium |           |
|-------------------------------|---------|-------------|-----------|-----------|-----------|
|                               |         | Renovations | equipment | equipment | Total     |
| Company                       | RM      | RM          | RM        | RM        | RM        |
| 2015                          |         |             |           |           |           |
| Cost                          | 150 710 | 5 260 600   | 2 005 274 | 2 420     | 0.227.104 |
| At 1 July 2014                | 158,710 | 5,269,600   | 3,905,374 | 3,420     | 9,337,104 |
| Additions                     | 150.510 | -           | 26,910    |           | 26,910    |
| At 30 June 2015               | 158,710 | 5,269,600   | 3,932,284 | 3,420     | 9,364,014 |
| Accumulated depreciation      |         |             |           |           |           |
| At 1 July 2014                | 158,709 | 1,504,872   | 3,367,583 | 3,419     | 5,034,583 |
| Charge for the financial year | -       | 253,661     | 436,986   | · -       | 690,647   |
| At 30 June 2015               | 158,709 | 1,758,533   | 3,804,569 | 3,419     | 5,725,230 |
| Carrying amount               |         |             |           |           |           |
| At 30 June 2015               | 1       | 3,511,067   | 127,715   | 1         | 3,638,784 |
| - Tit 50 suite 2015           |         | 3,311,007   | 127,713   |           | 2,030,701 |
| 2014                          |         |             |           |           |           |
| Cost                          |         |             |           |           |           |
| At 1 July 2013                | 158,710 | 5,269,600   | 3,870,158 | 3,420     | 9,301,888 |
| Additions                     | -       | -           | 35,216    | -         | 35,216    |
| At 30 June 2014               | 158,710 | 5,269,600   | 3,905,374 | 3,420     | 9,337,104 |
| Accumulated depreciation      |         |             |           |           |           |
| At 1 July 2013                | 158,709 | 1,246,982   | 2,834,273 | 3,419     | 4,243,383 |
| Charge for the financial year | 130,707 | 257,890     | 533,310   | 5,717     | 791,200   |
|                               | 159 700 |             |           | 2 410     |           |
| At 30 June 2014               | 158,709 | 1,504,872   | 3,367,583 | 3,419     | 5,034,583 |
| Carrying amount               |         |             |           |           |           |
| At 30 June 2014               | 1       | 3,764,728   | 537,791   | 1         | 4,302,521 |

#### 4. Property, plant and equipment (Cont'd)

## (a) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group pledged as securities for bank borrowings are as disclosed in Note 17 to the financial statements as follows:

|                               | Group      |            |  |
|-------------------------------|------------|------------|--|
|                               | 2015<br>RM | 2014<br>RM |  |
| Long term leasehold land      | 9,055,082  | 5,738,502  |  |
| Long term leasehold buildings | 4,984,437  | 4,016,296  |  |
| Plant and machinery           | 1,853,118  | 1,978,991  |  |
|                               | 15,892,637 | 11,733,789 |  |

#### (b) Assets held under finance lease

At 30 June, the carrying amount of leased plant and equipment are as follows:

|                     |            | Group      |
|---------------------|------------|------------|
|                     | 2015<br>RM | 2014<br>RM |
| Motor vehicles      | 156,777    | 239,933    |
| Plant and machinery | 70,122     | 76,500     |
|                     | 226,899    | 316,433    |

#### (c) Revaluation of land and buildings

Leasehold land and building of a subsidiary companies was revalued on 12 September 2011 by an independent professional valuer. The valuation was determined by reference to recent market transaction on arm's length term.

Had the land and building been carried at historical cost less accumulated depreciation, their carrying amount would have been as follows:

|   |                        | Group                  |  |  |
|---|------------------------|------------------------|--|--|
|   | 2015<br>RM             | 2014<br>RM             |  |  |
| Long term leasehold land<br>Long term leasehold buildings | 6,740,303<br>2,813,352 | 6,861,104<br>2,936,624 |  |  |
| Zong wim wasting sundings                                 | 9,553,655              | 9,797,728              |  |  |

# 4. Property, plant and equipment (Cont'd)

# (d) Assets acquired by means of finance lease liabilities

The aggregate additional cost for property plant and equipment of the Group during the financial year under cash payment and finance lease liabilities are as follow:

|   | Group      |            | (          | Company    |
|---|------------|------------|------------|------------|
|   | 2015<br>RM | 2014<br>RM | 2015<br>RM | 2014<br>RM |
| Cost of property, plant and equipment purchased | 279,672    | 668,072    | 26,910     | 35,216     |
| Less: finance lease liabilities                 | -          | (56,198)   | -          | -          |
| Cash Payment                                    | 279,672    | 611,874    | 26,910     | 35,216     |

# 5. Intangible asset

|  | Group      |            |
|--|------------|------------|
|  | 2015<br>RM | 2014<br>RM |
| Goodwill   |            | 14.72      |
| Cost<br>At 1 July/30 June                          | 2,072,488  | 2,072,488  |
| Accumulated impairment losses<br>At 1 July/30 June | 2,072,488  | 2,072,488  |
| Carrying amount At 1 July/30 June                  |            |            |

Goodwill acquired in a business combination is allocated to the cash-generating unit ("CGU") that is expected to benefit from that business combination. Before recognition of any impairment losses, the carrying amount of goodwill has been allocated to the manufacturing division segments as independent CGU.

Due to the losses suffered from this business segment, the management is of the opinion to impair the goodwill arising from the said business combination.

The impairment loss has been included in the other operating expenses in the statements of comprehensive income.

# 6. Investment in subsidiary companies

|                       | Company      |              |
|-----------------------|--------------|--------------|
|                       | 2015         | 2014         |
|                       | RM           | RM           |
| In Malaysia:          |              |              |
| At cost               |              |              |
| Unquoted share        | 56,684,208   | 56,684,208   |
| Less: Impairment loss | (28,676,053) | (28,676,053) |
|                       | 28,008,155   | 28,008,155   |

Details of the subsidiary companies are as follows:

| Name of company                                   | Country of incorporation | Effective in 2015 | aterest (%)<br>2014 | Principal activities   |
|---|--------------------------|-------------------|---------------------|--|
| Direct holding:                                   |                          |                   |                     |  |
| Elitemac Resources<br>Sdn. Bhd.                   | Malaysia                 | 100               | 100                 | Provisioning,<br>installation,<br>commissioning and<br>maintenance of power<br>supply equipment for<br>telecommunication<br>system and investment<br>holding |
| Edaran IT Services<br>Sdn. Bhd.                   | Malaysia                 | 100               | 100                 | Provisioning,<br>installation,<br>commissioning,<br>integration and<br>maintenance of<br>information technology<br>products and related<br>services          |
| SIDIC Technology<br>Sdn. Bhd.                     | Malaysia                 | 100               | 100                 | Smart technology provider  |
| MIDC Technology<br>Sdn. Bhd.                      | Malaysia                 | 100               | 100                 | Dormant  |
| Edaran Lifestyle<br>Sdn. Bhd.                     | Malaysia                 | 100               | 100                 | Event management and Special interest project  |
| Edaran Lifestyle<br>Trading Services<br>Sdn. Bhd. | Malaysia                 | 100               | 100                 | Provision of trading services and consultancy  |

# 6. Investment in subsidiary companies (Cont'd)

Details of the subsidiary companies are as follows (cont'd):

| Name of company   | Country of incorporation | Effective in 2015 | aterest (%)<br>2014 | Principal activities   |
|---|--------------------------|-------------------|---------------------|--|
| Direct holding:   |                          |                   |                     |  |
| Edaran Lifestyle<br>Maintenance<br>Services Sdn. Bhd.                     | Malaysia                 | 100               | 100                 | Dormant  |
| Indirect holding:   |                          |                   |                     |  |
| Held through Elitemac Resources Sdn. Bhd. Edaran Communications Sdn. Bhd. | Malaysia                 | 100               | 100                 | Provisioning, installation, commissioning and maintenance of power supply equipment for the telecommunication system |
| Held through Edaran IT Services Sdn. Bhd. Shinba-Edaran Sdn. Bhd.*        | Brunei                   | 75                | 75                  | Information technology provider  |
| Held through Edaran Lifestyle Trading Services Sdn. Bhd. PT Linewin       | Indonesia                | 51                | 51                  | Manufacturing, processing and trading of timber wood including rubber wood and related product                       |

<sup>\*</sup> Subsidiary company not audited by UHY

# 6. Investment in subsidiary companies (Cont'd)

# **Non-controlling interest**

Set out below are the Group's subsidiary companies that have material non-controlling interests:

| Name of<br>company | owned interpretation of the control | ortion of ership rests voting s held non- colling rests | Profit/(Los<br>to non-co<br>inter | ntrolling  |             |             |
|--------------------|---|---|-----------------------------------|------------|-------------|-------------|
|                    | 2015<br>%   | 2014<br>%   | 2015<br>RM                        | 2014<br>RM | 2015<br>RM  | 2014<br>RM  |
| Shinba-Edaran      |   |   |                                   |            |             |             |
| Sdn. Bhd.          | 25  | 25  | 1,375                             | (37,068)   | (687,815)   | (689,190)   |
| PT Linewin         | 49  | 49  | 447,463                           | (444,069)  | (1,953,954) | (2,401,417) |
|                    |   |   | 448,838                           | (481,137)  | (2,641,769) | (3,090,607) |

Summarised financial information for each subsidiary company that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

# (i) Summarised statements of financial position

|                     | Shinba-Edaran Sdn. Bhd. |             | PT           | Linewin      |
|---------------------|-------------------------|-------------|--------------|--------------|
|                     | 2015                    | 2014        | 2015         | 2014         |
|                     | RM                      | RM          | RM           | RM           |
| Non-current assets  | 810                     | 2,958       | 1,978,172    | 2,164,306    |
| Current assets      | 1,699,500               | 1,519,753   | 12,879,283   | 9,613,220    |
| Non-current         |                         |             |              |              |
| liabilities         | -                       | -           | (222,456)    | (395,048)    |
| Current liabilities | (6,307,294)             | (6,135,195) | (18,669,849) | (16,330,517) |
| Net liabilities     | (4,606,984)             | (4,612,484) | (4,034,850)  | (4,948,039)  |

# 6. Investment in subsidiary companies (Cont'd)

# **Non-controlling interest (cont'd)**

# (ii) Summarised statements of profit or loss and other comprehensive income

|       |  | Shinba-Edaran Sdn. Bhd. |                | PT Linewin  |             |
|-------|--|-------------------------|----------------|-------------|-------------|
|       |  | 2015<br>RM              | 2014<br>RM     | 2015<br>RM  | 2014<br>RM  |
|       | Revenue  | 162,623                 | 210,846        | 9,252,782   | 9,252,782   |
|       | (Loss)/Profit for the financial year Other                 | (92,451)                | (211,133)      | 270,840     | 475,394     |
|       | comprehensive income/(loss) for                            | 07.074                  | <b>60</b> 0 60 | 642.220     | (4.204.650) |
|       | the financial year<br>Total                                | 97,951                  | 62,860         | 642,350     | (1,381,659) |
|       | Comprehensive Income/(loss) for                            |                         |                |             |             |
|       | the financial year   | 5,500                   | (148,273)      | 913,190     | (906,265)   |
| (iii) | Summarised statemen  | ts of cash flows        |                |             |             |
|       | Net cash (used in)/  |                         |                |             |             |
|       | generated from<br>operating activities<br>Net cash used in | (201,168)               | 34,123         | (2,313,813) | (178,548)   |
|       | investing activities<br>Net cash generated                 | -                       | -              | (23,991)    | (372,350)   |
|       | From/(used in) financing activities                        | 102,419                 | (97,876)       | 1,597,134   | 816,204     |
|       | Net increase/<br>(decrease) in cash<br>and cash            |                         |                |             |             |
|       | equivalents  | (98,749)                | (63,753)       | (740,670)   | 265,306     |

#### 7. Other investments

|                                     | Group |      |  |
|-------------------------------------|-------|------|--|
|                                     | 2015  | 2014 |  |
|                                     | RM    | RM   |  |
| Available-for-sale financial assets |       |      |  |
| <b>Equity instruments</b>           |       |      |  |
| Unquoted shares in Malaysia *       | 1     | 1    |  |
| Less: Loss on change in fair value  | -     | -    |  |
| Carrying amount                     | 1     | 1    |  |

<sup>\*</sup> The investee company was delisted in year 2013 and a nominal carrying amount is disclosed accordingly.

# 8. Inventories

|                             | Group      |           |  |
|-----------------------------|------------|-----------|--|
|                             | 2015       | 2014      |  |
|                             | RM         | RM        |  |
| At cost:                    |            |           |  |
| Raw material                | 1,668,581  | 626,868   |  |
| Work-in-progress            | 8,762,553  | 6,882,700 |  |
| Finished goods              | 85,050     | -         |  |
| Consumables and spare parts | 297,840    | 244,605   |  |
|                             | 10,814,024 | 7,754,173 |  |

Inventories of the Group amounting to RM10,728,974 (2014: RM7,754,173) are pledged as security for bank borrowings granted to subsidiary company as disclosed in Note 17.

# 9. Amount due from/(to) contract customers

|                                    | Group        |              |  |
|------------------------------------|--------------|--------------|--|
|                                    | 2015         | 2014         |  |
|                                    | RM           | RM           |  |
| Contract costs incurred to date    | 68,321,328   | 78,017,598   |  |
| Attributable profits               | 18,954,925   | 24,112,398   |  |
|                                    | 87,276,253   | 102,129,996  |  |
| Less: Progress billings            | (85,452,668) | (99,162,402) |  |
|                                    | 1,823,585    | 2,967,594    |  |
| Presented as:                      |              |              |  |
| Amount due from contract customers | 3,648,461    | 3,590,069    |  |
| Amount due to contract customers   | (1,824,876)  | (622,475)    |  |
|                                    | 1,823,585    | 2,967,594    |  |

Included in contract cost is operating lease payment amounting to RM3,809,259 (2014: RM6,573,438) incurred during the financial year.

#### 10. Trade receivables

|                   | Group      |            |  |
|-------------------|------------|------------|--|
|                   | 2015<br>RM | 2014<br>RM |  |
| Trade receivables | 4,612,160  | 5,993,834  |  |

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2014: 30 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Analysis of the trade receivables ageing as at the end of the financial year is as follow:

|  | Group      |            |
|--|------------|------------|
|  | 2015<br>RM | 2014<br>RM |
| Neither past due nor impaired Past due not impaired: | 2,507,362  | 2,433,592  |
| Less than 30 days                                    | 1,534,362  | 2,992,606  |
| 31 to 60 days  | 92,116     | 43,416     |
| 61 to 90 days  | 5,859      | 40,196     |
| More than 90 days                                    | 472,461    | 484,024    |
|  | 2,104,798  | 3,560,242  |
|  | 4,612,160  | 5,993,834  |

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

As at 30 June 2015, trade receivables of RM2,104,798 (2014: RM3,560,242) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

## 11. Other receivables

|                   | Group     |           | Company |         |
|-------------------|-----------|-----------|---------|---------|
|                   | 2015      | 2014      | 2015    | 2014    |
|                   | RM        | RM        | RM      | RM      |
| Other receivables | 1,052,493 | 676,904   | 301,656 | 203,277 |
| Deposits          | 1,179,031 | 1,236,293 | 102,946 | 101,304 |
| Prepayments       | 307,482   | 426,031   | 17,964  | 12,400  |
|                   | 2,539,006 | 2,339,228 | 422,566 | 316,981 |

# 12. Amount due from/(to) subsidiary companies

|  | Company    |            |
|--|------------|------------|
|  | 2015       | 2014       |
|  | RM         | RM         |
| Amount due from subsidiary companies Non-trade related |            |            |
| Interest bearing                                       | 7,904,278  | 6,319,386  |
| Non-interest bearing                                   | 6,362,946  | 4,951,835  |
|  | 14,267,224 | 11,271,221 |
| Amount due to subsidiary companies  Non-trade related  |            |            |
| Non-interest bearing                                   | 37,643,840 | 32,003,461 |

Amount due from/(to) subsidiary companies with non-interest bearing are non-trade in nature, unsecured and repayable on demand.

Amount due from subsidiary companies bear interest at 4% p.a. (2014: 4% p.a.) are non-trade in nature, unsecured and repayable on demand.

# 13. Deposits, bank and cash balances

|  | Group                  |                        | Company    |            |
|--|------------------------|------------------------|------------|------------|
|  | 2015<br>RM             | 2014<br>RM             | 2015<br>RM | 2014<br>RM |
| Cash and bank balances Fixed deposits with | 6,337,183              | 419,618                | 22,684     | 81,514     |
| licensed banks                             | 3,178,332<br>9,515,515 | 3,261,254<br>3,680,872 | 22,684     | 81,514     |

Fixed deposits with licensed institutions of the Group amounting to RM2,834,086 (2014: RM2,637,930) are pledged as security for bank borrowings granted to subsidiary company as disclosed in Note 17.

The effective interest rates and maturities of fixed deposits of the Group as at the end of the reporting period range from 2.85% to 5.00% (2014: 2.85% to 5.00%) per annum and 1 to 12 months (2014: 1 to 12 months) respectively.

# 14. Share capital

|                               | Group and Company |             |  |
|-------------------------------|-------------------|-------------|--|
|                               | 2015              | 2014        |  |
|                               | RM                | RM          |  |
| Authorised:                   |                   |             |  |
| Ordinary share of RM1.00 each | 100,000,000       | 100,000,000 |  |
| Issued and fully paid shares: |                   |             |  |
| Ordinary share of RM1.00 each | 60,000,000        | 60,000,000  |  |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

#### 15. Reserves

The nature of reserves of the Group and the Company are as follows:

## (a) Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

#### (b) Revaluation reserve

|   | Group     |           |
|---|-----------|-----------|
|   | 2015      | 2014      |
|   | RM        | RM        |
| Property, Plant and Equipment             |           |           |
| At 1 July                                 | 5,846,029 | 5,900,533 |
| Crystallisation of deferred tax liability |           |           |
| on revaluation reserve                    | 27,250    | 27,249    |
| Realisation of revaluation reserve        | (81,750)  | (81,753)  |
| At 30 June                                | 5,791,259 | 5,846,029 |
|   |           |           |

The revaluation reserve represents increases in the fair value of leasehold land and buildings, and decrease to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

#### (c) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

# 16. Treasury shares

|                      | Group and  | Group and Company |  |
|----------------------|------------|-------------------|--|
|                      | 2015<br>RM | 2014<br>RM        |  |
| As at 1 July/30 June | 1,049,536  | 1,049,536         |  |

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition cost of treasury shares including transaction cost.

Of the total 60,000,000 (2014: 60,000,000) issued and fully paid ordinary shares of RM1.00 each as at 30 June 2015, the Company held 2,094,800 (2014: 2,094,800) ordinary shares as treasury shares.

The shareholders of the Company, by ordinary resolution passed in an extraordinary general meeting held on 26 November 2014, renewed the Company's plan to purchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders. The repurchase transactions were financed by internally generated funds.

# 17. Loans and borrowings

|                                    | Group      |            |
|------------------------------------|------------|------------|
|                                    | 2015<br>RM | 2014<br>RM |
| Secured                            |            |            |
| Term loans (Note a)                | 3,639,506  | 688,600    |
| Finance lease liabilities (Note b) | 145,540    | 250,447    |
| Bankers acceptance (Note a)        | 4,659,000  | 1,783,000  |
| Bank overdrafts (Note a)           | 1,029,689  | 3,212,030  |
|                                    | 9,473,735  | 5,934,077  |
| Non-current                        |            |            |
| Term loans                         | 3,395,687  | 361,708    |
| Finance lease liabilities          | 51,573     | 143,678    |
|                                    | 3,447,260  | 505,386    |
| Current                            |            |            |
| Term loans                         | 243,818    | 326,892    |
| Finance lease liabilities          | 93,967     | 106,769    |
| Bankers acceptance                 | 4,659,000  | 1,783,000  |
| Bank overdrafts                    | 1,029,689  | 3,212,030  |
|                                    | 6,026,474  | 5,428,691  |
|                                    | 9,473,735  | 5,934,077  |

# 17. Loans and borrowings (Cont'd)

# (a) Bank borrowings

The term loans, bankers acceptance and bank overdrafts are secured by the following:

- (i) Legal charge over the property, plant and equipment of certain subsidiary companies as disclosed in Note 4 to the financial statements;
- (ii) Certain fixed deposits of the subsidiary companies as disclosed in Note 13 to the financial statements:
- (iii) Assignment of contract proceeds of one of the subsidiary company;
- (iv) All inventories of one of the subsidiary company as disclosed in Note 8 to the financial statement;
- (v) Corporate guarantee by the Company; and
- (vi) Personal guarantee by a Director of one of the subsidiary company.

The average effective interest rates per annum are as follows:

|                           | Group        |              |
|---------------------------|--------------|--------------|
|                           | 2015         | 2014         |
|                           | %            | %            |
| Term loans                | 7.35 to 8.56 | 7.92 to 9.19 |
| Finance lease liabilities | 4.68 to 9.08 | 4.68 to 9.08 |
| Bankers acceptance        | 4.50 to 4.90 | 4.50 to 4.70 |
| Bank overdrafts           | 7.90 to 8.50 | 4.00 to 8.50 |
|                           |              |              |

# (b) Finance lease liabilities

|   | Group      |            |
|---|------------|------------|
|   | 2015<br>RM | 2014<br>RM |
| Minimum lease payments:                           |            |            |
| Within one year                                   | 101,296    | 122,027    |
| Later than one year and not later than two years  | 52,727     | 99,967     |
| Later than two year and not later than five years | -          | 51,953     |
|   | 154,023    | 273,947    |
| Less: Future finance charges                      | (8,483)    | (23,500)   |
| Present value of minimum lease payments           | 145,540    | 250,447    |
| Present value of minimum lease payments:          |            |            |
| Within one year                                   | 93,967     | 106,769    |
| Later than one year and not later than two years  | 51,573     | 92,845     |
| Later than two year and not later than five years | -          | 50,833     |
|   | 145,540    | 250,447    |

# 17. Loans and borrowings (Cont'd)

# (b) Finance lease liabilities (Cont'd)

The Group leases plant and machinery and motor vehicles under finance lease (Note 4). At the end of the lease term, the Group has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payment.

#### 18. Deferred tax liabilities

|  | Group      |            |
|--|------------|------------|
|  | 2015<br>RM | 2014<br>RM |
| Deferred tax liabilities                 | 24.2       | 222        |
| At 1 July                                | 1,934,797  | 1,962,047  |
| Recognised in other comprehensive income | (27,250)   | (27,249)   |
| At 30 June                               | 1,907,547  | 1,934,798  |

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

|                          | Group      |           |
|--------------------------|------------|-----------|
|                          | 2015       | 2014      |
|                          | RM         | RM        |
| Deferred tax assets      | (193)      | (499,956) |
| Deferred tax liabilities | 1,907,740_ | 2,434,754 |
|                          | 1,907,547  | 1,934,798 |

The components and movements of deferred tax assets and liabilities are as follows:

# Group

|                                | Unutilised<br>Tax losses<br>RM | Unutilised<br>capital<br>allowances<br>RM | Total<br>RM |
|--------------------------------|--------------------------------|---|-------------|
| Deferred tax assets            |                                |   |             |
| At 1 July 2013                 | (240,833)                      | (308,688)                                 | (549,521)   |
| Recognised in profit or loss   | -                              | 49,565                                    | 49,565      |
| At 30 June 2014                | (240,833)                      | (259,123)                                 | (499,956)   |
| Recognised in profit or loss   | 240,431                        | 258,930                                   | 499,361     |
| Under provision in prior years | 402                            | -   | 402         |
| At 30 June 2015                |                                | (193)                                     | (193)       |
|                                |                                |   |             |

# 18. Deferred tax liabilities (Cont'd)

The components and movements of deferred tax assets and liabilities are as follows (cont'd):

# Group

|                                    | Accelerated<br>capital<br>allowances<br>RM | Revaluation<br>allowances<br>RM | Total<br>RM |
|------------------------------------|--|---------------------------------|-------------|
| Deferred tax liabilities           |  |                                 |             |
| At 1 July 2013                     | 50,226                                     | 2,461,342                       | 2,511,568   |
| Recognised in profit or loss       | (49,565)                                   | -                               | (49,565)    |
| Recognised in comprehensive income | -  | (27,249)                        | (27,249)    |
| At 30 June 2014                    | 661  | 2,434,093                       | 2,434,754   |
| Recognised in profit or loss       | (451)                                      | (518,567)                       | (519,018)   |
| Recognised in comprehensive income | -  | (7,979)                         | (7,979)     |
| Under provision in prior years     | (17)                                       | -                               | (17)        |
| At 30 June 2015                    | 193  | 1,907,547                       | (193)       |

Deferred tax assets have not been recognised in respect of the following temporary difference due to uncertainty of its recoverability:

| Group      |  | Company  |   |
|------------|--|--|---|
| 2015       | 2014   | 2015   | 2014  |
| RM         | RM   | RM   | RM  |
|            |  |  |   |
| (7.50.000) | (5.45.0.41)                                      | 60.004   | 22.1.15   |
| (752,209)  | (745,841)  | 69,884   | 33,147  |
| 722 200    | (40.205  | 420.012  | 250.560   |
| 723,300    | 648,295  | 430,012  | 358,560   |
|            |  |  |   |
| 11,149,273 | 11,278,004                                       | 5,431,035  | 5,316,754   |
| 11,120,364 | 11,180,458                                       | 5,930,931  | 5,708,462   |
|            | 2015<br>RM<br>(752,209)<br>723,300<br>11,149,273 | 2015<br>RM 2014<br>RM 2014<br>RM (752,209) (745,841)<br>723,300 648,295<br>11,149,273 11,278,004 | 2015<br>RM RM 2014<br>RM RM 2015<br>RM 69,884<br>723,300 648,295 430,012<br>11,149,273 11,278,004 5,431,035 |

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

# 19. Trade payables

|                | Group      |            |  |
|----------------|------------|------------|--|
|                | 2015<br>RM | 2014<br>RM |  |
| Trade payables | 8,119,282  | 6,733,575  |  |

Credit terms of trade payables of the Group ranged from 30 to 90 days (2014: 30 to 90 days) depending on the terms of the contracts.

# 20. Other payables

|                | Gro        | Group      |            | any        |
|----------------|------------|------------|------------|------------|
|                | 2015<br>RM | 2014<br>RM | 2015<br>RM | 2014<br>RM |
| Other payables | 1,623,361  | 1,996,130  | 1,377,449  | 1,777,449  |
| Deposits       | 97,931     | 62,531     | -          | -          |
| Accruals       | 983,134    | 1,363,545  | 65,402     | 535,937    |
|                | 2,704,426  | 3,422,206  | 1,442,851  | 2,313,386  |

# 21. Revenue

|                   | Group      |            | Comp      | any       |
|-------------------|------------|------------|-----------|-----------|
|                   | 2015       | 2014       | 2015      | 2014      |
|                   | RM         | RM         | RM        | RM        |
| Contract revenue  | 34,881,655 | 27,283,575 | -         | -         |
| Trading revenue   | 9,997,274  | 9,483,143  | -         | -         |
| Services rendered | 1,300,126  | 840,273    | -         | -         |
| Management fee    | -          | -          | 648,000   | 648,000   |
| Dividend income   | -          | -          | 800,000   | 800,000   |
|                   | 46,179,055 | 37,606,991 | 1,448,000 | 1,448,000 |

# 22. Costs of sales

|                | Group      |            |
|----------------|------------|------------|
|                | 2015<br>RM | 2014<br>RM |
| _              |            |            |
| Contract costs | 24,347,195 | 19,634,219 |
| Trading costs  | 8,064,188  | 7,531,460  |
| Services costs | 213,580    | 530,998    |
|                | 32,624,963 | 27,696,677 |

# 23. Finance costs

|                           | Group                                 |         |
|---------------------------|---------------------------------------|---------|
|                           | 2015                                  | 2014    |
|                           | RM                                    | RM      |
| Interest expenses on:     |                                       |         |
| Bank overdrafts           | 178,797                               | 199,837 |
| Bankers acceptance        | 131,619                               | 62,955  |
| Finance lease liabilities | 8,338                                 | 19,600  |
| Term loans                | 249,119                               | 128,611 |
|                           | 567,873                               | 411,003 |
|                           | · · · · · · · · · · · · · · · · · · · |         |

# 24. Profit/(Loss) before tax

Profit /(Loss) before tax is determined after charging/(crediting) amongst other, the following items:

|  | Group     |           | Company   |           |
|--|-----------|-----------|-----------|-----------|
|  | 2015      | 2014      | 2015      | 2014      |
|  | RM        | RM        | RM        | RM        |
| Auditors' remuneration                   |           |           |           |           |
| - statutory audits                       | 45,355    | 49,811    | 13,000    | 13,000    |
| <ul><li>under/(over) provision</li></ul> |           |           |           |           |
| in prior years                           | -         | (1,000)   | -         | -         |
| - non-audit services                     | 3,000     | 3,000     | 3,000     | 3,000     |
| Depreciation of property,                |           |           |           |           |
| plant and equipment                      | 1,505,200 | 1,795,879 | 690,647   | 791,200   |
| Foreign exchange (gain)                  |           |           |           |           |
| - realised                               | (250,344) | (224,587) | -         | -         |
| - unrealised                             | (17,825)  | (36,407)  | -         | -         |
| (Gain)/Loss on disposal                  |           |           |           |           |
| of property, plant and                   |           |           |           |           |
| equipment                                | (24,116)  | 6,816     | -         | -         |
| Interest income from                     |           |           |           |           |
| - deposits with licensed                 |           |           |           |           |
| bank                                     | (97,714)  | (141,377) | (1,341)   | (1,188)   |
| - advanced to subsidiary                 |           |           |           |           |
| companies                                | -         | -         | (632,498) | (585,516) |
| Property, plant and                      |           |           |           |           |
| equipment written off                    | 11        | -         | -         | -         |
| Rental expenses                          |           |           |           |           |
| - equipment                              | 33,721    | 37,716    | 24,264    | 21,729    |
| - motor vehicles                         | 11,780    | 6,430     | -         | -         |
| - premises                               | 93,069    | 338,819   | -         | -         |
| Rental income                            | (139,130) | (28,800)  | -         | -         |
| Staff costs (Note 27)                    | 6,577,910 | 7,371,624 | 1,666,408 | 1,736,566 |

# 25. Taxation

|                      | Group   |       | Company  |      |
|----------------------|---------|-------|----------|------|
|                      | 2015    | 2014  | 2015     | 2014 |
|                      | RM      | RM    | RM       | RM   |
| Tax expenses         |         |       |          |      |
| recognised in profit |         |       |          |      |
| or loss              |         |       |          |      |
| Current tax          | 200,000 | 4,657 | -        | -    |
| Over provision       |         |       |          |      |
| in prior years       | (4,657) |       |          |      |
|                      | 195,343 | 4,657 | <u> </u> |      |

# 25. Taxation (Cont'd)

| Group     |                                    | Company  |   |
|-----------|------------------------------------|--|---|
| 2015      | 2014                               | 2015   | 2014  |
| RM        | $\mathbf{R}\mathbf{M}$             | RM   | $\mathbf{R}\mathbf{M}$                            |
|           |                                    |  |   |
|           |                                    |  |   |
|           |                                    |  |   |
|           |                                    |  |   |
|           |                                    |  |   |
|           |                                    |  |   |
| (27,250)  | (27,249)                           | -  | -   |
| (27,250)  | (27,249)                           |  | _   |
| (168,093) | (22,592)                           | -  | -   |
|           | 2015<br>RM<br>(27,250)<br>(27,250) | 2015 2014<br>RM RM  (27,250) (27,249) (27,249) | 2015<br>RM RM RM RM  (27,250) (27,249) - (27,249) |

Malaysian income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expenses applicable to profit/(loss) before tax at the statutory tax rate to income tax expenses at the effective income tax rate of the Group and the Company are as follows:

|   | Group      |             | Company     |  |
|---|------------|-------------|-------------|--|
|   | 2015<br>RM | 2014<br>RM  | 2015<br>RM  | 2014<br>RM                               |
| Profit/(Loss) before tax                      | 484,850    | (4,087,717) | (1,590,823) | (1,973,567)                              |
| At Malaysian statutory tax rate of 25% (2014: |            |             |             |  |
| 25%)  | 121,213    | (1,021,929) | (397,706)   | (493,392)                                |
| Different tax rates in the foreign subsidiary | ·          |             |             | , ,                                      |
| company                                       | 6,009      | 10,557      | -           | -  |
| Expenses not deductible                       |            |             |             |  |
| for tax purposes                              | 560,734    | 224,133     | 108,579     | 132,368                                  |
| Income not subject                            | (122051)   |             | (20000)     | (= 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 |
| to tax  | (427,864)  | -           | (200,000)   | (200,000)                                |
| Utilisation of group                          |            |             | 266.656     |  |
| tax relief                                    | -          | -           | 266,656     | -  |
| Movement of deferred                          |            |             |             |  |
| tax assets not                                | (60,002)   | 701 906     | 222 471     | 561 024                                  |
| recognised Over provision in prior            | (60,092)   | 791,896     | 222,471     | 561,024                                  |
| years   | (4,657)    | _           | _           | _  |
| Crystallisation of                            | (4,037)    | -           | -           | -  |
| deferred tax liability on revaluation reserve | (27,250)   | (27.240)    |             |  |
| icvaluation ieserve                           |            | (27,249)    |             | <u>-</u> _                               |
|   | (168,093)  | (22,592)    |             |  |

# 25. Taxation (Cont'd)

The amount and future availability of unutilised tax losses and capital allowances are as follows:

|   | Gro        | up         | Company    |            |  |
|---|------------|------------|------------|------------|--|
|   | 2015<br>RM | 2014<br>RM | 2015<br>RM | 2014<br>RM |  |
| Unabsorbed tax losses<br>Unutilised capital | 44,597,092 | 45,112,017 | 21,724,142 | 21,267,017 |  |
| allowances                                  | 2,893,200  | 2,593,179  | 1,720,048  | 1,434,241  |  |
|   | 47,490,292 | 47,509,196 | 23,444,190 | 22,701,258 |  |

# 26. Earnings/(Loss) per share

The basic earnings/(loss) per share are calculated based on the consolidated profit/(loss) for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

|  | Group                                   |   |  |
|--|---|---|--|
|  | 2015<br>RM                              | 2014<br>RM                              |  |
| Profit/(Loss) attributable to ordinary shareholders  | 179,908                                 | (4,272,532)                             |  |
| Weighted average number of ordinary shares in issue<br>Effect of treasury shares held<br>Weighted average number of ordinary shares at 30 June | 60,000,000<br>(2,094,800)<br>57,905,200 | 60,000,000<br>(2,094,800)<br>57,905,200 |  |
| Basic earnings/(loss) per ordinary shares (in sen)   | 0.31                                    | (7.38)                                  |  |

There are no diluted earnings per share as the Company does not have any equity convertible financial instruments as at the end of the reporting period.

# 27. Staff costs

|                           | Gro       | up        | Company   |           |  |
|---------------------------|-----------|-----------|-----------|-----------|--|
|                           | 2015      | 2014      | 2015      | 2014      |  |
|                           | RM        | RM        | RM        | RM        |  |
| Salaries, wages and other |           |           |           |           |  |
| emoluments                | 5,630,383 | 5,874,956 | 1,301,482 | 1,377,070 |  |
| Social security           |           |           |           |           |  |
| contributions             | 51,474    | 47,395    | 10,140    | 9,949     |  |
| Defined contribution      |           |           |           |           |  |
| plans                     | 655,223   | 700,665   | 142,602   | 139,586   |  |
| Other benefits            | 240,830   | 748,608   | 212,184   | 209,961   |  |
|                           | 6,578,183 | 7,371,624 | 1,645,158 | 1,736,566 |  |

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and the subsidiary companies during the financial year as below:

|                            | Gro     | up      | Company   |         |  |
|----------------------------|---------|---------|-----------|---------|--|
|                            | 2015    | 2014    | 2015      | 2014    |  |
|                            | RM      | RM      | RM        | RM      |  |
| <b>Executive Directors</b> |         |         |           |         |  |
| Existing Directors of the  |         |         |           |         |  |
| Company                    |         |         |           |         |  |
| Salaries, bonus and other  |         |         |           |         |  |
| emoluments                 | 240,000 | 240,000 | 240,000   | 240,000 |  |
| Defined contribution       |         |         |           |         |  |
| plans                      | 28,800  | 28,800  | 28,800    | 28,800  |  |
| Estimated money value of   |         |         |           |         |  |
| benefits-in-kind           | 21,250  | 21,250  | 21,250    | 21,250  |  |
|                            | 290,050 | 290,050 | 290,050   | 290,050 |  |
|                            |         |         |           |         |  |
| Existing Directors of the  |         |         |           |         |  |
| subsidiary companies       |         |         |           |         |  |
| Salaries, bonus and other  |         |         |           |         |  |
| emoluments                 | 657,900 | 678,545 | -         | -       |  |
| Defined contribution       |         |         |           |         |  |
| plans                      | 69,120  | 71,520  | -         | -       |  |
| Estimated money value of   |         |         |           |         |  |
| benefits-in-kind           | 30,325  | 30,325  | <u> </u>  |         |  |
|                            | 757,345 | 780,390 | _         | _       |  |
|                            |         |         |           |         |  |
| Non-executive Directors    |         |         |           |         |  |
| Existing Directors of the  |         |         |           |         |  |
| Company                    |         |         |           |         |  |
| Fees                       | 218,000 | 218,000 | 218,000   | 218,000 |  |
|                            | - ,     |         | - 1 - 0 - | - ,     |  |

#### 28. Commitments

#### **Operating lease commitments - as lessee**

The future minimum lease payments payable under non-cancellable operating leases are:

|  | Group     |           |  |
|--|-----------|-----------|--|
|  | 2015      | 2014      |  |
|  | RM        | RM        |  |
| Within one year                                    | 1,969,537 | 3,584,469 |  |
| Later than one year but not later than two years   | 545,034   | 1,430,042 |  |
| Later than two years but not later than five years | 1,393,517 | 5,538     |  |
|  | 3,908,088 | 5,020,049 |  |

The Company leases a number of computer network equipment under operating leases. The leases typically run for a period of 3 to 5 years (2014: 3 to 4 years), with an option to renew the lease after that date. Operating lease payments are charged out to contract cost.

# 29. Contingencies

|   | Group     |           |  |
|---|-----------|-----------|--|
|   | 2015      | 2014      |  |
|   | RM        | RM        |  |
| Contingent liabilities                              |           |           |  |
| Unsecured   |           |           |  |
| Corporate guarantee extended to banks and financial |           |           |  |
| institutions for credit facilities granted to a     |           |           |  |
| subsidiary company                                  | 7,916,596 | 3,616,114 |  |

## 30. Related party disclosures

#### (a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

# 30. Related party disclosures (Cont'd)

# (b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. In addition to the related party balances disclosed in Notes 12 to the financial statements, the significant related party transactions of the Group and of the Company are as follows:

|  | Compa      | Company    |  |  |
|--|------------|------------|--|--|
|  | 2015<br>RM | 2014<br>RM |  |  |
| (i) Transactions with subsidiary companies |            |            |  |  |
| - Dividend income                          | 800,000    | 800,000    |  |  |
| - Interest income                          | 632,498    | 585,516    |  |  |
| - Management fees                          | 648,000    | 648,000    |  |  |

# (c) Compensation of key management personnel

The remuneration of key management personnel is same as the Directors' remuneration as included in Note 27.

# 31. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable segments as follows:

| Information technology and services | 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. |
|-------------------------------------|--|
| Telecommunications                  | Provisioning, installation, commissioning and maintenance of power supply equipment for telecommunication systems and integration and maintenance of telecommunication equipment and related services.                               |
| Investment holdings                 | Investment holding and provide management services.  |
| Lifestyle                           | Involve in lifestyle activities and special interest project.  |
| Manufacturing                       | Involve in the woods trading and manufacturing services.   |

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

|   | Investment<br>holding<br>RM | Information<br>technology<br>and services<br>RM | Tele-<br>communications<br>RM | Lifestyle<br>RM | Manufacturing<br>RM | Elimination<br>RM | Consolidated<br>RM |
|---|-----------------------------|---|-------------------------------|-----------------|---------------------|-------------------|--------------------|
| 2015  |                             |   |                               |                 |                     |                   |                    |
| Revenue                                     |                             |   |                               |                 |                     |                   |                    |
| External sales                              | -                           | 36,181,781                                      | -                             | 44,949          | 9,952,325           | -                 | 46,179,055         |
| Inter-segment                               | 1,448,000                   | -   | -                             | -               | -                   | (1,448,000)       | <u>-</u> _         |
| Total revenue                               | 1,448,000                   | 36,181,781                                      | -                             | 44,949          | 9,952,325           | (1,448,000)       | 46,179,055         |
| _   |                             |   |                               |                 |                     |                   |                    |
| Results                                     |                             |   |                               |                 |                     |                   |                    |
| Segment result                              | (1,592,164)                 | 4,564,053                                       | (1,140,211)                   | (578,749)       | 502,080             | (800,000)         | 955,009            |
| Interest income                             | 1,341                       | 81,462  | -                             | -               | 14,911              | -                 | 97,714             |
| Finance costs                               | -                           | (321,721)                                       | -                             | -               | (246,152)           | -                 | (567,873)          |
| (Loss)/Profit before tax                    | (1,590,823)                 | 4,323,794                                       | (1,140,211)                   | (578,749)       | 270,839             | (800,000)         | 484,850            |
| Taxation                                    | -                           | (195,343)                                       | -                             | -               | -                   | -                 | (195,343)          |
| (Loss)/Profit for the financial year        | (1,590,823)                 | 4,128,451                                       | (1,140,211)                   | (578,749)       | 270,839             | (800,000)         | 289,507            |
| _   |                             |   |                               |                 |                     |                   |                    |
| Assets and liabilities                      |                             | <   |                               |                 |                     | (111.525.001)     |                    |
| Segment assets                              | 49,559,413                  | 61,983,105                                      | 25,132,537                    | 17,924,533      | 14,857,455          | (114,636,001)     | 54,821,042         |
| Segment liabilities                         | 39,086,691                  | 43,840,597                                      | 1,559,054                     | 22,322,590      | 18,892,304          | (101,471,370)     | 24,229,866         |
| Other information Depreciation of property, |                             |   |                               |                 |                     |                   |                    |
| plant and equipment                         | 690,647                     | 305,309   | 182,847                       | 1,669           | 324,728             | _                 | 1,505,200          |
| Other material non-cash                     | 0,0,017                     | 303,307   | 102,047                       | 1,007           | 321,720             |                   | 1,505,200          |
| expenses                                    | -                           | (23,538)  | -                             | -               | (18,413)            | -                 | (41,951)           |

|   | Investment<br>holding<br>RM | Information<br>technology<br>and services<br>RM | Tele-<br>communications<br>RM | Lifestyle<br>RM          | Manufacturing<br>RM      | Elimination<br>RM             | Consolidated<br>RM       |
|---|-----------------------------|---|-------------------------------|--------------------------|--------------------------|-------------------------------|--------------------------|
| 2014  |                             |   |                               |                          |                          |                               |                          |
| Revenue   |                             |   |                               |                          |                          |                               |                          |
| External sales  | -                           | 28,123,848                                      | -                             | 230,361                  | 9,252,782                | -                             | 37,606,991               |
| Inter-segment   | 1,448,000                   | -   | -                             | -                        | -                        | (1,448,000)                   |                          |
| Total revenue   | 1,448,000                   | 28,123,848                                      | -                             | 230,361                  | 9,252,782                | (1,448,000)                   | 37,606,991               |
| Results   |                             |   |                               |                          |                          |                               |                          |
| Segment result  | (1,974,755)                 | (41,821)  | (1,117,208)                   | (511,568)                | 627,261                  | (800,000)                     | (3,818,091)              |
| Interest income   | 1,188                       | 129,006   | -                             | -                        | 11,183                   | -                             | 141,377                  |
| Finance costs   | -                           | (247,685)                                       | (267)                         | -                        | (163,051)                | -                             | (411,003)                |
| (Loss)/Profit before tax                                  | (1,973,567)                 | (160,500)                                       | (1,117,475)                   | (511,568)                | 475,393                  | (800,000)                     | (4,087,717)              |
| Taxation  | -                           | (4,657)   | -                             | -                        | -                        | -                             | (4,657)                  |
| (Loss)/Profit for the financial year                      | (1,973,567)                 | (165,157)                                       | (1,117,475)                   | (511,568)                | 475,393                  | (800,000)                     | (4,092,374)              |
| Assets and liabilities Segment assets Segment liabilities | 46,380,392<br>34,316,848    | 50,748,004<br>36,040,146                        | 26,339,075<br>1,644,651       | 16,128,320<br>19,947,630 | 11,777,526<br>16,725,565 | (103,192,337)<br>(90,027,709) | 48,180,980<br>18,647,131 |
| segment nationals   | 3 1,310,010                 | 50,010,110                                      | 1,011,031                     | 17,717,050               | 10,725,505               | (70,027,707)                  | 10,017,131               |
| Other information Depreciation of property,               |                             |   |                               |                          |                          |                               |                          |
| plant and equipment<br>Other material non-cash            | 791,200                     | 447,694   | 236,230                       | 10,421                   | 310,334                  | -                             | 1,795,879                |
| expenses  | -                           | (5,010)   | -                             | -                        | (24,581)                 | -                             | (29,591)                 |

# Adjustments and eliminations

Interest income and finance costs, are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Inter-segment revenues are eliminated on consolidation.

Other material non-cash items consist of the following items as presented in the respective notes to the financial statements:

|  | 2015<br>RM | 2014<br>RM |
|--|------------|------------|
| (Gain)/Loss on disposal of property, plant and equipment | (24,116)   | 6,816      |
| Unrealised gain on foreign exchange                      | (17,825)   | (36,407)   |
|  | (41,941)   | (29,591)   |

# Geographic information

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

| Group     | Reve       | enue       | Non-current assets |             |  |      |  |
|-----------|------------|------------|--------------------|-------------|--|------|--|
|           | 2015       | 2015 2014  |                    | 5 2014 2015 |  | 2014 |  |
|           | RM         | RM         | RM                 | RM          |  |      |  |
| Malaysia  | 36,064,107 | 28,143,363 | 21,712,893         | 22,655,539  |  |      |  |
| Brunei    | 162,623    | 210,846    | 810                | 2,958       |  |      |  |
| Indonesia | 9,952,325  | 9,252,782  | 1,978,172          | 2,164,306   |  |      |  |
|           | 46,179,055 | 37,606,991 | 23,691,875         | 24,822,803  |  |      |  |

Non-current assets for this purpose consist of property, plant and equipment.

#### Major customers

Revenue from major customer, the Government Ministries and Departments, Local Authorities or government linked companies under the control of Government of Malaysia amount to RM36,019,158 (2014: RM27,913,002), arising from sales in the information, technology and services segment.

#### 32. Financial instruments

# (a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

|                       |             | Financial liabilities measured at |              |            |
|-----------------------|-------------|-----------------------------------|--------------|------------|
|                       | Loans and   | amortised                         | Available-   |            |
| Group                 | receivables | cost                              | for-sale     | Total      |
| Financial assets      | RM          | RM                                | RM           | RM         |
| 2015                  |             |                                   |              |            |
| Other investments     | -           | -                                 | 1            | 1          |
| Trade receivables     | 4,612,160   | -                                 | -            | 4,612,160  |
| Other receivables     | 2,231,524   | -                                 | -            | 2,231,524  |
| Deposits, bank        |             |                                   |              |            |
| and cash balances     | 9,515,515   | _                                 | -            | 9,515,515  |
|                       | 16,359,199  | -                                 | 1            | 16,359,200 |
|                       |             |                                   |              | _          |
| 2014                  |             |                                   |              |            |
| Other investments     | -           | -                                 | 1            | 1          |
| Trade receivables     | 5,993,834   | -                                 | -            | 5,993,834  |
| Other receivables     | 1,913,197   | -                                 | -            | 1,913,197  |
| Deposits, bank        |             |                                   |              |            |
| and cash balances     | 3,680,872   | _                                 | -            | 3,680,872  |
|                       | 11,587,903  | -                                 | 1            | 11,587,904 |
| Financial liabilities |             |                                   |              |            |
| 2015                  |             | 0 472 725                         |              | 0 472 725  |
| Loan and borrowings   | -           | 9,473,735                         | -            | 9,473,735  |
| Trade payables        | -           | 8,119,282                         | -            | 8,119,282  |
| Other payables        |             | 2,704,426                         | <del>-</del> | 2,704,426  |
|                       |             | 20,297,443                        | -            | 20,297,443 |

# (a) Classification of financial instruments (Cont'd)

|   | Loans and receivables | Financial<br>liabilities<br>measured at<br>amortised<br>cost | Available-<br>for-sale | Total      |
|---|-----------------------|--|------------------------|------------|
| Financial liabilities                               | RM                    | RM   | RM                     | RM         |
| 2014 Loan and borrowings                            | _                     | 5,934,077  | _                      | 5,934,077  |
| Trade payables                                      | _                     | 6,733,575  | -                      | 6,733,575  |
| Other payables                                      | -                     | 3,359,675  | -                      | 3,359,675  |
|   | -                     | 16,027,327   | -                      | 16,027,327 |
| Company Financial assets 2015                       |                       |  |                        |            |
| Other receivables Amount due from                   | 404,602               | -  | -                      | 404,602    |
| subsidiary companies Deposits, bank                 | 14,267,224            | -  | -                      | 14,267,224 |
| and cash balances                                   | 22,684                | -  | _                      | 22,684     |
|   | 14,694,510            | -  | -                      | 14,694,510 |
| 2014<br>Other receivables                           | 304,581               | -  | -                      | 304,581    |
| Amount due from subsidiary companies Deposits, bank | 11,271,221            | -  | -                      | 11,271,221 |
| and cash balances                                   | 81,514                | -  | -                      | 81,514     |
|   | 11,657,316            | -  | _                      | 11,657,316 |
| Financial liabilities 2015                          |                       |  |                        |            |
| Other payables Amount due to                        | -                     | 1,442,851  | -                      | 1,442,851  |
| subsidiary companies                                |                       | 37,643,840   | -                      | 37,643,840 |
|   | _                     | 39,086,691   | -                      | 39,086,691 |
| 2014 Other payables Amount due to                   | -                     | 2,313,386  | -                      | 2,313,386  |
| subsidiary companies                                | _                     | 32,003,461   | -                      | 32,003,461 |
| , <u>1</u>  | _                     | 34,316,847   |                        | 34,316,847 |

#### (b) Financial risk management objectives and policies

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

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

#### (i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured loans and advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM7,916,596 (2014: RM3,616,114), representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

- (b) Financial risk management objectives and policies (Cont'd)
  - (i) Credit risk (Cont'd)

#### Credit risk concentration

The Group determines concentrations of credit risk by monitoring its trade receivables by reportable segments on an ongoing basis. The credit risk concentration profiles of the Group's trade receivables at the end of financial year are as follows:

|                                     | 2015      | 2014     |           |          |
|-------------------------------------|-----------|----------|-----------|----------|
| Group                               | RM        | <b>%</b> | RM        | <b>%</b> |
| Information technology and services | 2,906,928 | 63       | 3,888,844 | 65       |

The customer base in this sector comprises a few large customers involved in the industrial goods sector.

#### (ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

- (b) Financial risk management objectives and policies (Cont'd)
  - (ii) Liquidity risk (Cont'd)

| Group<br>2015                             | On demand<br>or within<br>1 year<br>RM | 1 to 2 years<br>RM | 2 to 5 years<br>RM | After 5 years<br>RM | Total<br>contractual<br>cash flows<br>RM | Total<br>carrying<br>amount<br>RM |
|---|--|--------------------|--------------------|---------------------|--|-----------------------------------|
| Non-derivative financial liabilities      |  |                    |                    |                     |  |                                   |
| Term loans                                | 356,949                                | 527,671            | 994,002            | 4,466,115           | 6,344,737                                | 3,639,506                         |
| Finance lease liabilities                 | 101,296                                | 52,728             | -                  | -                   | 154,024                                  | 145,540                           |
| Bankers acceptance                        | 4,659,000                              | -                  | -                  | _                   | 4,659,000                                | 4,659,000                         |
| Bank overdrafts                           | 1,029,689                              | -                  | -                  | _                   | 1,029,689                                | 1,029,689                         |
| Trade and other payables                  | 10,823,708                             | -                  | -                  | -                   | 10,823,708                               | 10,823,708                        |
|   | 16,970,642                             | 580,399            | 994,002            | 4,466,115           | 23,011,158                               | 20,297,443                        |
| 2014 Non-derivative financial liabilities |  |                    |                    |                     |  |                                   |
| Term loans                                | 454,983                                | 217,634            | 264,942            | -                   | 937,559                                  | 688,600                           |
| Finance lease liabilities                 | 122,027                                | 99,967             | 51,953             | -                   | 273,947                                  | 250,447                           |
| Bankers acceptance                        | 1,783,000                              | -                  | -                  | -                   | 1,783,000                                | 1,783,000                         |
| Bank overdrafts                           | 3,212,030                              | -                  | -                  | -                   | 3,212,030                                | 3,212,030                         |
| Trade and other payables                  | 10,093,250                             | _                  |                    | -                   | 10,093,250                               | 10,093,250                        |
|   | 15,665,290                             | 317,601            | 316,895            | -                   | 16,299,786                               | 16,027,327                        |

# (b) Financial risk management objectives and policies (Cont'd)

# (iii) Liquidity risk (Cont'd)

|                          | On demand<br>or within<br>1 year<br>RM | Total<br>contractual<br>cash flow<br>RM | Total<br>carrying<br>amount<br>RM |
|--------------------------|--|---|-----------------------------------|
| Company                  |  |   |                                   |
| 2015                     |  |   |                                   |
| Non-derivative financial |  |   |                                   |
| <u>liabilities</u>       |  |   |                                   |
| Other payables           | 1,442,851                              | 1,442,851                               | 1,442,851                         |
| Amount due to subsidiary |  |   |                                   |
| companies                | 37,643,840                             | 37,643,840                              | 37,643,840                        |
|                          | 39,086,691                             | 39,086,691                              | 39,086,691                        |
| 2014                     |  |   |                                   |
| Non-derivative financial |  |   |                                   |
| liabilities              |  |   |                                   |
| Other payables           | 2,313,386                              | 2,313,386                               | 2,313,386                         |
| Amount due to subsidiary | . ,                                    | , ,                                     |                                   |
| companies                | 32,003,461                             | 32,003,461                              | 32,003,461                        |
| •                        | 34,316,847                             | 34,316,847                              | 34,316,847                        |
|                          |  |   |                                   |

# (ii) Market risk

# (a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar (USD).

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

- (b) Financial risk management objectives and policies (Cont'd)
  - (iii) Market risk
    - (b) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

|                             | Dominated in USD |
|-----------------------------|------------------|
| Group                       | RM               |
| 2015                        |                  |
| Deposits, bank and balances | 5,483            |
| Trade receivables           | 1,128,426        |
| Trade payables              | (10,863)         |
|                             | 1,123,046        |
| 2014                        |                  |
| Deposits, bank and balances | 6,875            |
| Trade receivables           | 1,054,458        |
|                             | 1,061,333        |
|                             |                  |

# Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following table demonstrates the sensitivity of the Group's profit/(loss) before tax to a reasonably possible change in the USD exchange rates against RM, with all other variables held constant.

| Group | Change in<br>currency rate<br>RM | 2015<br>Effect on<br>profit<br>before tax<br>RM | 2014<br>Effect on<br>loss<br>before tax<br>RM |
|-------|----------------------------------|---|---|
| USD   | Strengthened 5% (2014: 5%)       | 56,152  | 53,067  |
|       | Weakened 5% (2014: 5%)           | (56,152)  | (53,067)                                      |

- (b) Financial risk management objectives and policies (Cont'd)
  - (iii) Market risk (Cont'd)
    - (b) Interest rate risk

The Group's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained.

The carrying amounts of the Group's financial instrument that are exposed to interest rate risk are as follows:

|                           | 2015        | 2014        |
|---------------------------|-------------|-------------|
| Group                     | RM          | RM          |
| Fixed rate instruments    |             |             |
| Financial assets          | 3,178,333   | 3,261,254   |
| Financial liabilities     | (6,216,140) | (4,100,963) |
|                           | (3,037,807) | (839,709)   |
| Floating rate instruments |             |             |
| Financial liabilities     | (3,257,595) | (1,833,114) |

#### Interest rate risk sensitivity analysis

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

- (b) Financial risk management objectives and policies (Cont'd)
  - (iii) Market risk (Cont'd)
    - (b) Interest rate risk (Cont'd)

# Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have decreased the Group's and profit/(loss) before tax by RM32,576 (2014: RM18,331) respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

## (c) Fair value of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and loans and borrowings approximate their fair value due to the relatively short term nature of these financial instruments and/or insignificant impact of discounting.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

#### 32. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

# 33. Capital management (Cont'd)

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants. The gearing ratios at end of the reporting period are as follows:

|  | Group       |             |  |
|--|-------------|-------------|--|
|  | 2015<br>RM  | 2014<br>RM  |  |
| Total loan and borrowings (Note 17) Less: Deposits, bank and cash balances | 9,473,735   | 5,934,077   |  |
| (Note 13)  | (6,681,429) | (1,042,942) |  |
| Net debt   | 2,792,306   | 4,891,135   |  |
| Total equity   | 30,591,177  | 29,533,849  |  |
| Gearing ratio  | 0.09        | 0.16        |  |

There were no changes in the Group's approach to capital management during the financial year.

The Group is not subject to any externally imposed capital requirements.

#### 34. Date of authorisation for issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 October 2015.

# 35. Supplementary information on the disclosure of realised and unrealised profits or losses

The following analysis of realised and unrealised accumulated losses of the Group and the Company as at the reporting date is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

|   | Group        |              | C            | ompany       |
|---|--------------|--------------|--------------|--------------|
|   | 2015         | 2014         | 2015         | 2014         |
|   | RM           | RM           | RM           | RM           |
| Total accumulated losses of the Company and its |              |              |              |              |
| subsidiary companies - realised                 | (59,050,263) | (59,421,521) | (56,500,322) | (54,909,499) |
| - unrealised                                    | (39,030,203) | (39,421,321) | (30,300,322) | (34,909,499) |
|   | (59,050,263) | (59,421,521) | (56,500,322) | (54,909,499) |
| Less: Consolidation                             |              | , , , ,      | , , ,        |              |
| adjustments                                     | 20,015,074   | 20,124,674   | -            | -            |
| Total accumulated                               |              |              |              |              |
| losses  | (39,035,189) | (39,296,847) | (56,500,322) | (54,909,499) |

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

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