edaran

Fostering Values Shaping Character Building Team

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Fostering Value
Shaping Character
Building Team

EDARAN revisits the foundational values upon which the Company has been built and will continue to be built for as long as it shall be. Hence the theme of Fostering values, Shaping character and Building team. On the cover of this year's annual report are the core values and aspirations of EDARAN presented in the graphic form of a Tree, known as the Character Tree of the EDARAN Group.

The Tree is depicted as both 'organic and natural' as well as digital, representing the Company's dual form of existence. We are a Company of human beings and we are a Company which embraces the digital environment in which we engage as a business.

As a commercial enterprise, EDARAN has always operated from a platform of principles, ethics and values. We continue to maintain that the monetary gains and material success we may achieve is of little or no worth unless they are achieved through honourable means.

The basic and foundational values of our Group include Belief (in God), Honesty, Honour, Trust, Discipline , Gratitude and Respect. These values take root and provide EDARAN a firm stance.

From these values, come forth fruits of our endeavour such as Success, Sustainability, Rewards, Esprit de Corp, Partnerships, Relationships, Collaboration, Profitability and Continuity.

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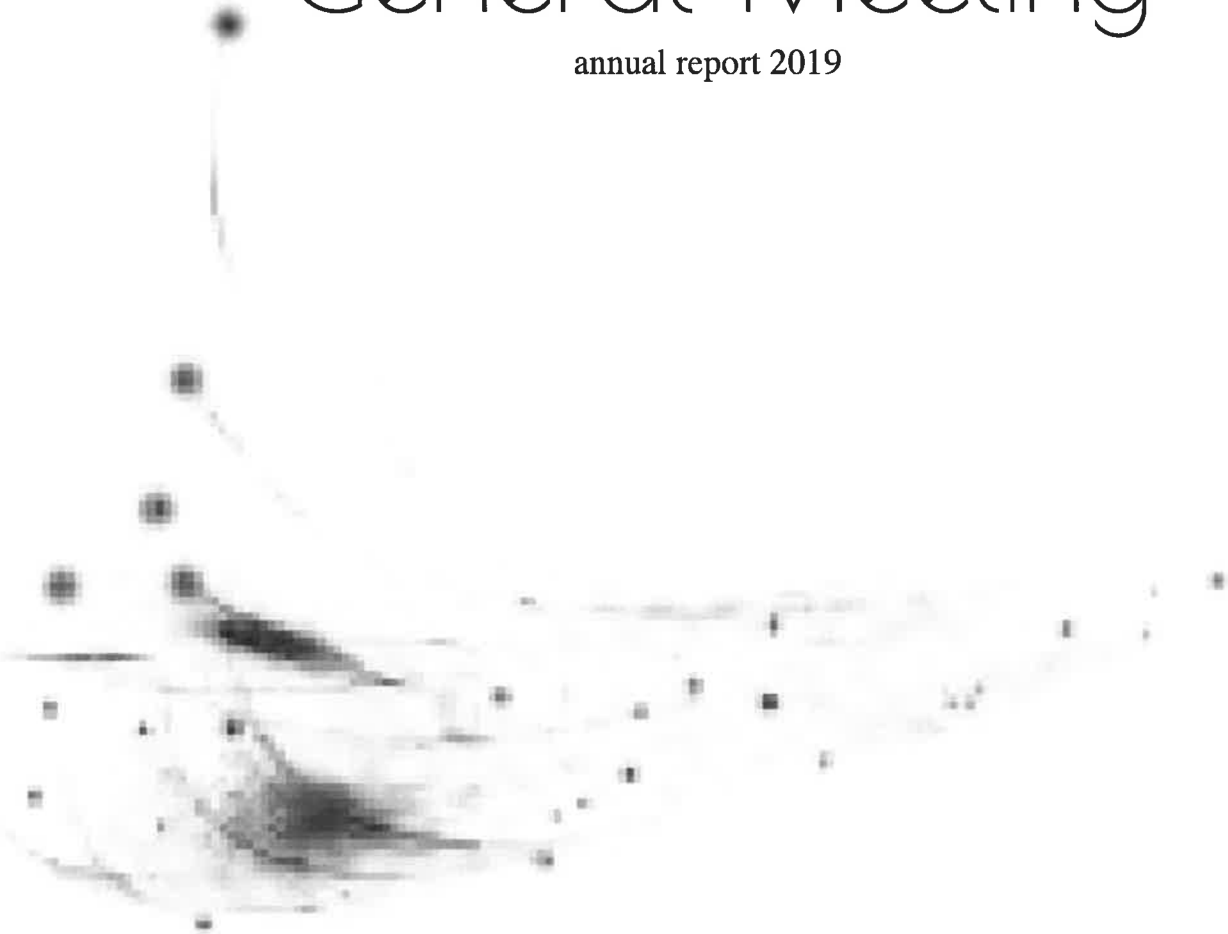

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Twenty Seventh Annual General Meeting of Edaran Berhad will be held on Wednesday, 27 November 2019 at No. 2 Jalan 4/76C, Desa Pandan, 55100 Kuala Lumpur, at 10.00 a.m. to transact the following businesses:

A. Ordinary Business **Note a**

1. To receive the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2019 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. **Dato' Abdul Malek Ahmad Shazili** **Resolution 1**
   ii. **Encik Ahmad Yasri Mohd Hashim @ Mohd Hassan** **Resolution 2**

3. To approve the payment of the Directors' fee for the financial year ended 30 June 2019. **Resolution 3**

4. To re-appoint Messrs. Jamal, Amin & Partners as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 4**

B. Special Business

5. Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016 **Note b**

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

   "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 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, 2016, 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." **Resolution 5**

6. Continue in Office as Independent Non-Executive Directors. **Note c**

   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. **Dato' Abdul Halim Abdullah** **Resolution 6**
   ii. **Datuk Emam Mohd Haniff Emam Mohd Hussain** **Resolution 7**
   iii. **Dato' Hj Abdul Hamid Mustapha** **Resolution 8**
   iv. **Dato' Abdul Malek Ahmad Shazili** **Resolution 9**

C. Any Other Ordinary Business

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

By Order of the Board

Asbanizam Abu Bakar (LS0006958)
Company Secretary

Kuala Lumpur
29 October 2019

Explanatory Note

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 2019

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 340(1)(a) of the Companies Act, 2016. Hence, this Agenda is not put forward for voting.

b. Explanatory Note on Item 5 of the Agenda
- Resolution pursuant to Sections 75 and 76 of the Companies Act, 2016

Ordinary Resolution 5 (under item 5 above) is a renewal of the mandate obtained at the last Annual General Meeting which was not utilised during the financial year.

Ordinary Resolution 5, 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 6 of the Agenda
- Continue in Office as Independent Non Executive Directors

Pursuant to the Malaysian Code on Corporate Governance 2017, the Board of Directors has assessed the independence of Dato' Abdul Halim Abdullah, Datuk Emam Mohd Haniff Emam Mohd Hussain, 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:-

i) 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 Company, 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 Director of the Company and has carried out his duties in the interest of the Company and shareholders.

Subject to the passing of Resolution No. 1, the proposed Resolutions 6,7, 8 and 9, if passed, will enable Dato' Abdul Halim Abdullah,Datuk Emam Mohd Haniff Emam Mohd Hussain, 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 20 November 2019 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 2019 and the attendance of the Directors thereat:-

1. Details of Board meetings held during the financial year

Date	Time	Venue
28 Aug 2018	2.30 p.m.	Board Room, No. 2, Jalan 4/76C, Desa Pandan, 55100 Kuala Lumpur.
03 Oct 2018	2.30 p.m.	
26 Nov 2018	2.30 p.m.	
26 Feb 2019	2.30 p.m.	
30 May 2019	2.00 p.m.	

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

Directors	Appointment	Attendance
Dato' Abdul Halim Abdullah	15 Dec 2000	5/5
Datuk Emam Mohd Haniff Emam Mohd Hussain	30 Oct 2001	5/5
Dato' Abdul Malek Ahmad Shazili	06 Nov 2003	5/5
Dato' Hj Abdul Hamid Mustapha	06 Nov 2003	5/5
Encik Ahmad Yasri Mohd Hashim @ Mohd Hassan	18 April 2016	5/5
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 Seventh Annual General Meeting of Edaran Berhad are as follows:-

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

i. DATO' ABDUL MALEK AHMAD SHAZILI
   Independent Non-Executive Director

ii. ENCIK AHMAD YASRI MOHD HASHIM @ MOHD HASSAN
   Independent Non-Executive Director

The profiles of the Directors who are standing for re-election are set out on pages 14 to 16 of the Annual Report.

Corporate Information

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corporate information

BOARD OF DIRECTORS

Dato' Abdul Halim Abdullah
Chairman
Independent Non-Executive Director

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

Dato' Abdul Malek Ahmad Shazili
Independent Non-Executive Director

Dato' Hj Abdul Hamid Mustapha
Independent Non-Executive Director

Ahmad Yasri Mohd Hashim @ Mohd Hassan
Independent Non-Executive Director

Datuk Mohd Shu'aib Ishak
Executive Director

Fazlan Azri Tajudin
Executive Director

AUDIT COMMITTEE

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

Dato' Abdul Halim Abdullah
Independent Non-Executive Director

Dato' Abdul Malek Ahmad Shazili
Independent Non-Executive Director

Ahmad Yasri Mohd Hashim @ Mohd Hassan
Independent Non-Executive Director

COMPANY SECRETARY

Asbanizam Abu Bakar
(LS 0006958)

Registered Office	:	No. 33-1, Jalan 2/76C, Desa Pandan, 55100 Kuala Lumpur Tel: 03-9206 7383 Fax: 03-9283 0192
Business Office	:	No. 2, Jalan 4/76C, Desa Pandan, 55100 Kuala Lumpur Tel: 03-9206 7200 Fax: 03-9284 3531
Auditors	:	Jamal, Amin & Partners No. 60-2B, 2nd Floor, Jalan 2/23 Off Jalan Genting Klang Taman Danau Kota, Setapak, 53300 Kuala Lumpur Tel: 03 – 4142 1626 Fax: 03 – 4142 1601
Share Registrar	:	Boardroom Share Registrars Sdn Bhd 11th Floor, Menara Symphony No.5, Jalan Semangat (Jalan Professor Khoo Kay Kim) Seksyen 13, 46200 Petaling Jaya, Selangor Tel: 03 - 7841 8000 Fax: 03 - 7841 8151 / 03- 7841 8152
Principal Bankers	:	Malayan Banking Berhad
Listing	:	Main Market Bursa Malaysia Securities Berhad

Corporate Structure

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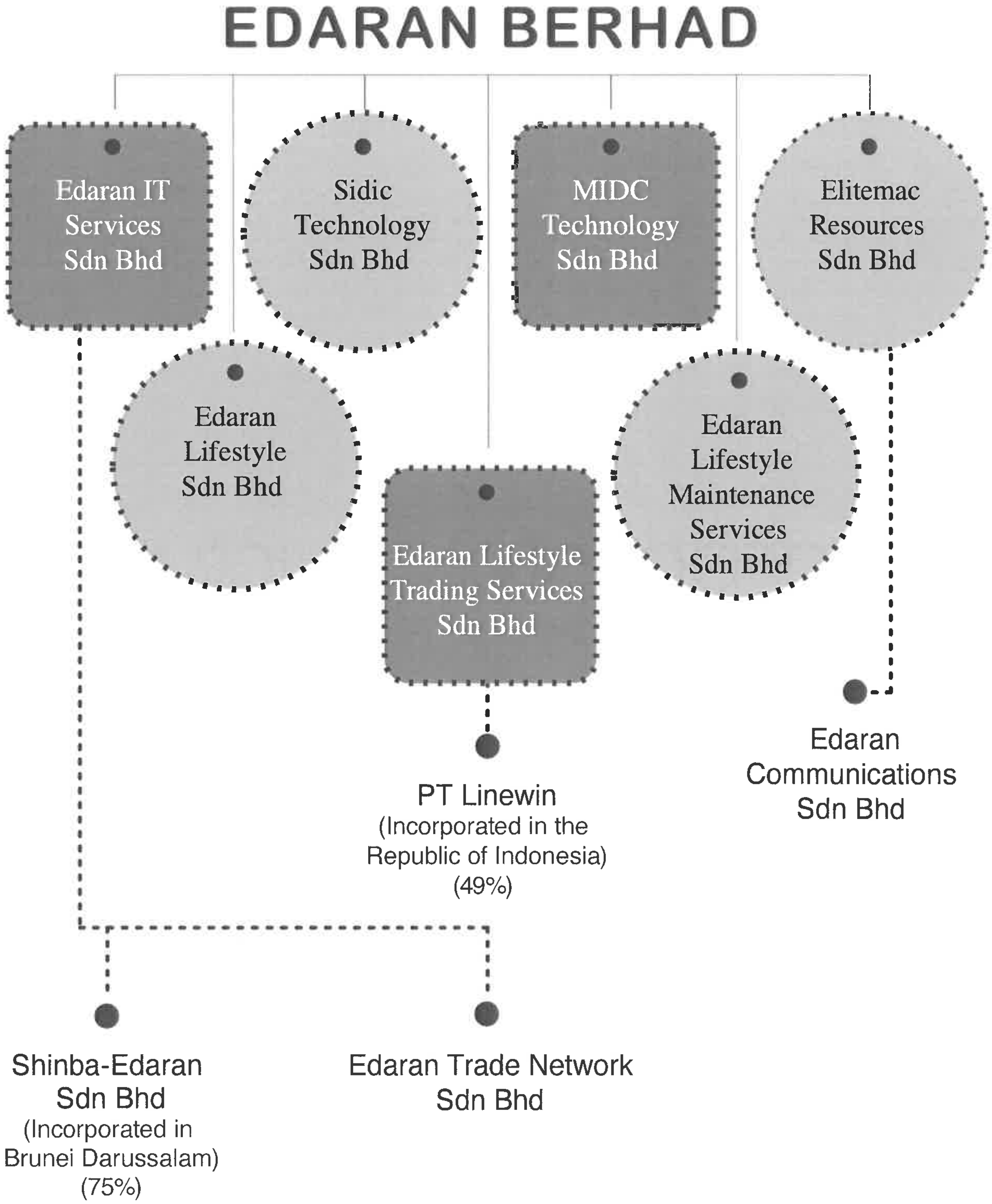
corporate structure



Note: Unless stated, shareholding is 100%

Profile of the Board of the Directors

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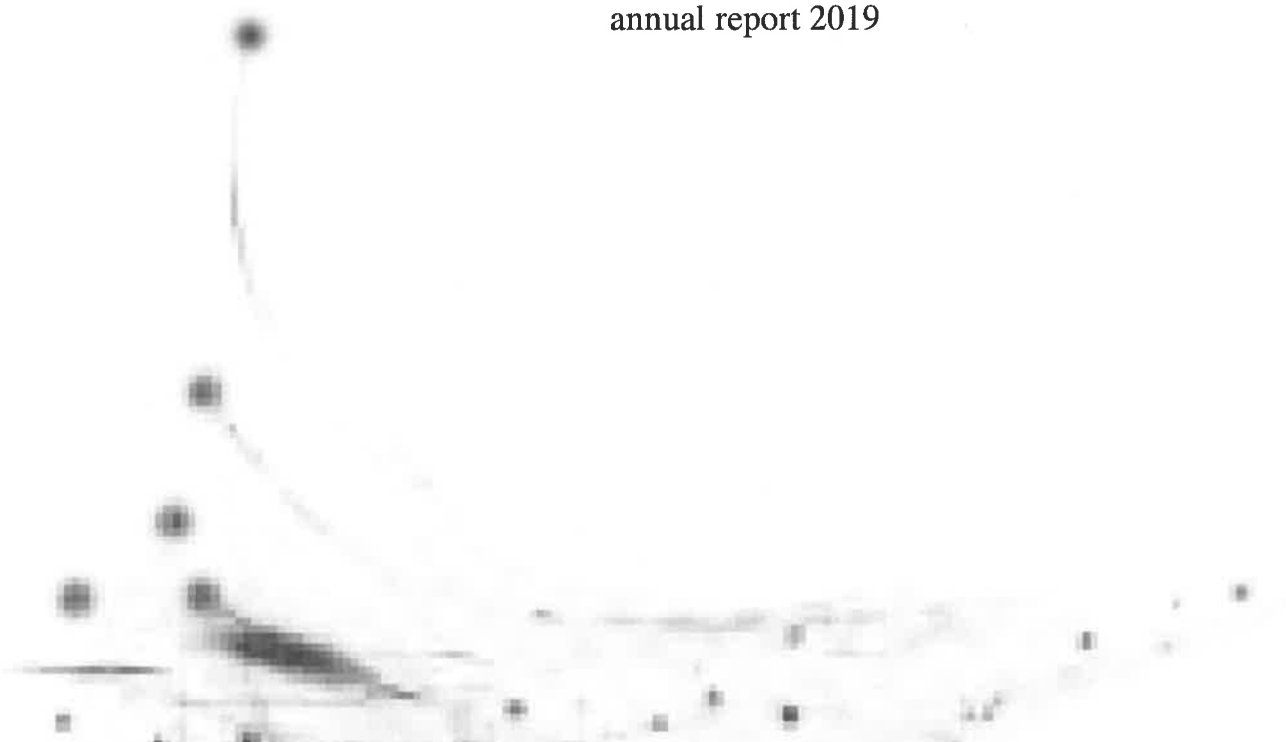

DATO' ABDUL HALIM ABDULLAH
Chairman
Independent Non-Executive Director

Dato' Abdul Halim Abdullah, male, was appointed to the Board of Edaran Berhad on 15 December 2000 and was appointed Chairman of the Company on 30 May 2018. 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 and the Chairman of Audit Committee on 26 November 2008 and 30 May 2018 respectively. Aged 73, 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.

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

Datuk Emam Mohd Haniff Emam Mohd Hussain, male, aged 77 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. He was subsequently appointed Chairman of the Audit Committee on 30 May 2018. 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 MALEK AHMAD SHAZILI
Independent Non-Executive Director

Dato' Abdul Malek Ahmad Shazili, a Malaysian, male, aged 72, 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. He holds a Bachelor of Arts (Hons) degree from the University of Malaya and a Master's Degree in Public Administration from The American University, Washington D.C. Dato' Abdul Malek has served Pos Malaysia Berhad in various capacities since 1972 until his retirement as the Chief Executive Officer in 2002.

DATO' HJ ABDUL HAMID MUSTAPHA
Independent Non-Executive Director

Dato' Hj Abdul Hamid Mustapha, a Malaysian, aged 73, 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 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.

AHMAD YASRI MOHD HASHIM @ MOHD HASSAN

Independent Non-Executive Director

Ahmad Yasri Mohd Hashim @ Mohd Hassan, male, aged 53, a member of the Malaysian Institute of Accountant, was appointed to the Board of Edaran Berhad on 18 April 2016 and appointed a member of the Audit Committee on the same date. On 30 May 2018, he was appointed a member of the Remuneration Committee. He started his career with Earnst Young in 1989. Subsequently, in 1994, he was attached to Kauthar Sdn Bhd as Financial Controller unti12003. Presently, Ahmad Yasri is an Agency Manager at Prudential Assurances Malaysia Berhad.

DATUK MOHD SHU'AIB ISHAK

Executive Director

Datuk Mohd Shu'aib Ishak, male, aged 60, was appointed the Executive Director of EDARAN 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, male, aged 44, was appointed to the Board of EDARAN on 23 May 2006. He was subsequently appointed the Executive Director of the Company on 1 January 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.

GROUP CHIEF EXECUTIVE OFFICER

DATO' BISTAMAM RAMLI

Group Chief Executive Officer

Dato' Bistamam Ramli, male, was appointed a Group Chief Executive Officer of Edaran Berhad on 30 May 2018. He was appointed Director of Edaran Berhad on 15 December 2000 and subsequently appointed the Managing Director of the Company on 1 June 2004 until 8 May 2018. Aged 57, he was 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.

Message from the Chairman

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MESSAGE FROM THE CHAIRMAN

Fostering Values
Shaping Character
Building Team

We marked last year with a celebration of our past achievements. Moving on, we have made a commitment to boldly and assertively face the future with all its uncertainties, fully aware that the challenges will not only be different but will spring from any direction.

Valued Shareholders and Partners,

Another full financial year has come to a close. The new financial year and the years ahead continue to pose immense challenges for industries as the knowledge and technological evolution come on stream explosively. In my last statement to you, I spoke of EDARAN's 30th Year milestone. We marked the year with a celebration of the past but more importantly we made a commitment to boldly embrace the future. Albeit, a future of uncertainties.

As the Group moves forward in these unpredictable yet exciting times, it takes full cognizance of the volatility of the state of affairs around the world, keeping vigilant and staying alert to any opportunity that may arise. Indeed we have made a commitment to assertively face the uncertainties of the future, fully aware that the challenges will not only be different, but will spring from any direction. We have deliberated on our forward plans and we have affirmed our resolve to trump, as best we can, what hurdles may come our way. We will do all we can to chart a future of success in a climate of new possibilities.

With that said, I am happy to once again present to you EDARAN Berhad's Financial Statement and Annual Report for the financial year ended June 30, 2019.

"...The future can be described in one word - unpredictable. The challenges will become bigger but so will the opportunities."

Financial Performance

Total revenue dropped to RM54.1 Million from RM150.3 Million for the financial year under review. Nonetheless, Gross Profit Margin improved from 17.4% to 34.4%.

The Group's Malaysian operations remain positive with a Profit After Tax of RM2.623 Million. This is attributed wholly to the good performance of the Group's I.T Division.

However, overall, the Group incurred losses due to Impairment of Investment and advancements of RM6.782 Million to associate company P.T Linewin.

Essentially, the Group's healthy and promising Malaysian operations are due, in large part to Edaran I.T. Services success in maintaining and securing fresh projects. A noteworthy and commendable project was the implementation of a system that facilitated Jabatan Kastam Diraja Malaysia (JKDM)'s transition from administering the GST system (Good and Services Tax system) to the SST system (Sales and Service Tax system) in a record quick time of less than two months. The change from the GST system to the SST system followed the change in government policy post the 2018 General Elections.

The initiative with JKDM in relation to the Sistem Maklumat Kastam (SMK) also opened up the opportunity for Edaran I.T Services to implement and maintain the Malaysian Tourism Tax System (MyTTx) and the Sales and Services Tax System (MySST). This effectively translates to a bigger scope of service for Edaran IT Services in relation to JKDM. The Group's healthy domestic operations for the year in review is also attributed to contributions from other customers such as MAMPU (through GatesIT), Lembaga Hasil Dalam Negeri (Inland Revenue Board), Jabatan Perdana Menteri (Prime Minister's Department), Jabatan Penerangan Malaysia, Ministry of International Trade and Industry (MITI), UiTM (Universiti Teknologi Malaysia) and some other accounts.

In summary, the Group's overall financial performance is generally affected negatively by impairment to investments in its international operations, in particular, its Indonesian activities.

The Inter-Related Landscape of A Technology Infused World

The waves of technology that are affecting all of life are more and more palpable. These technologies are determining how we go through the innumerable aspects of life, our businesses, our social activities, family lives and just about everything we do in our ordinary day to day living. As these waves of technology engulf the world continually and persistently, life responds by constantly adjusting to the shifts and changes that they bring. This is the fluid and ever changing environment we are and shall be in. EDARAN is heading towards an increasingly digitalised environment where Blockchain, Internet of Things, Virtual Reality, cloud computing, edge computing and, eventually, 5G technology will change everything we do, including our business processes. In a convergent and inter related environment, each organisation will affect the other; and the whole society along with them. A single change at any point of the technology chain triggers a

multitude of changes which thereafter ripples through the entire eco-system of business, industry and society.

EDARAN must remain weaved in the system by keeping itself updated in knowledge and technology. But we are aware that being connected to the system is not enough. Beyond staying in the know, EDARAN will strive to participate and be engaged at the earliest points of advancements and trends. To that end, we will seek to be involved in the stages of research, discovery of new trends and exploration of possibilities by collaborating with institutions of higher learning and technology partners.

Only by doing that can we expect to stay informed, involved and be at the forefront of the industry, so that we may be an effective IT company.

While there is recognisably a downside to new technology when it is used as a means for the wrong ends, the wonders of new technology are indisputably amazing. Each new area of technological development presents opportunities for companies to innovate, to apply and deliver new solutions to the market. Taken as one, these technologies signal new ways of IT application. 5G technology which will demand the rebuilding of applications spells opportunities. The necessary training and retraining of human resources to manage these new technologies again spell opportunities. And the list goes on.

As EDARAN moves forward, we can expect that opportunities will arise when older technology is gradually replaced and new applications become the driving mechanisms in the business operations of customers and prospective customers. This process of changing to the new will happen in all organisations, business or otherwise. And it goes without saying that as vendors of IT solutions, we will need to constantly acquire the latest knowledge in technology, train and retrain ourselves with new skills and strive to be at our most relevant and skilled.

As EDARAN has alluded to in its past Annual Reports, the spread of the Internet of Things will make any imaginable object a computing device, collecting data and providing new capabilities. Computing activities will become more and more seamless and ubiquitous, and not necessarily confined to an office or a home. As computing capabilities afford faster solutions and more digital conveniences, the nastier side effects and potential downsides of technological advancement are becoming real challenges for all technology users. The issues of security and privacy for instance, will be major concerns although issues of misuse and abuse of technologies are equally worrying. Yet, for every challenge that emerges, opportunities to combat the challenge will arise.

The future can be described in one word – unpredictable. The challenges will become bigger but so will the opportunities.

What Happens To The Human In Us?

While technology seems to be advancing and progressing, can we say the same for life as a whole? Are we as a human race becoming better off as a result of technological advancements?

In his book, “What Technology Wants”, Kevin Kelly writes, “Technology wants what life wants: Increasing efficiency; Increasing opportunity; Increasing emergence; Increasing complexity; Increasing diversity; Increasing specialisation; Increasing ubiquity; Increasing freedom; Increasing mutualism; Increasing beauty; Increasing sentience; Increasing structure; Increasing evolvability.”

However in his case study with the Oji-Cree community, a nomadic people living south of Hudson Bay, he found that while the introduction of modern technology made life more comfortable and pleasurable for them, it also led to several health, social and mental problems among the community. Technology enabled the rapid advent of

“There is a predisposition in human beings to surrender their everyday chores to machines because they have learnt to do them for us. More significantly, there is a remote danger that human beings may become less ‘human’ than they are created to be.”

automated conveniences and comforts but also replaced manual labour and made fast foods easily accessible. The Oji Cree adopted unhealthy eating habits and lazy lifestyles. Problems such as morbid obesity, heart diseases, idleness, alcoholism, drug addiction and suicide became rampant. While technology was not the sole cause per se of such problems, it was the driving force.

Whether as an organisation or as an individual, we will be progressively subject to the advancements of technology. The possibilities of A.I and machine learning are within reach today. Machine learning is a game changer and we must anticipate that our lives will change to a lesser or greater degree because of its advent. Human beings are likely to become digital natives. The Millennials, Generation Z and those that come after them have been and are immersed in hyperconnectivity since the day they were born. Without their realising it, gizmos and gadgets have become their most essential accessories for everyday living. In the foreseeable future, machines will become their indispensable assistants and AI will become an expected necessity.

> Can we remain wholly human in our pursuit of technology? Can we discern between the benefits and detriments of technology? Can we manage technology and help others manage it wisely?

In an age where humans shall invariably co-exist with machines which may seem to be more knowledgeable than mankind, we have to be constantly on our toes to remain authentically human. There is a predisposition in human beings to surrender their everyday chores to machines because they have learnt to do them for us. Human beings will begin to rely on these help more and more. There is also a remote danger that human beings may become less ‘human’ than they are created to be. Paradoxically, we may be less connected to people, although we seem to be perpetually connected to friends and family through messaging apps such as Whatsapp, WeChat and Viber.

The fact remains that communication technology today allows us to switch on and switch off whenever we choose to; indeed, it allows us to remain veiled from our fellow human beings. We may stay connected, yet we may not be communicating. Interfacing through digital technology tools as opposed to face-to-face communication robs us of the full experience of communication because expressions and real emotions stay ‘hidden’.

Our perception of several other things in life is the same, be it our experience of a place or an event. Our sensory judgement may become less acute when we merely look at factual and textual information and images virtually on our computer or phone screens rather than actually feast our senses on the variance of real life in the form of natural sounds, sights, smells, emotions, feelings and textures. Technology may get the better of us when we lose our sense of ‘humanness’, become isolated and individualistic, locked up in the self-sufficiency that our intelligent gizmos and machines offer us. We may become primarily competitive rather than collaborative. We may be in danger of adopting a zero sum mentality and view life as no more than a rat race to be won.

Insights

In this regard I wish to share some insights we can gather from EDARAN’s Founder, YBhg Tan Sri Tajudin Ramli’s personal jottings on the progression of technology and its impact on societal life. His reflections are relevant to us although they are primarily addressed to his grandchildren. He shares concerns about the overwhelmingly pervasive phenomenon coming over all of society, besieging the vulnerable and the young. The era of the digital age is upon all of us. He notes with deep concern that “the lives of young people are ‘lived’ almost entirely through their mobile devices”. They are connected to one or more digital devices 24 hours of the day. Their lives are linked to their indispensable appendage, namely, the smart phone. The smart phone has become their go-to ‘person’, their reference point. It connects them to friends, instant information, provides entertainment, suggests lifestyle options, manages their social life, determines their hang out spots, decides their

> Sans morals and good human character, our advance lifestyles may be devoid of real gratification. In the end, humanity must triumph above the achievements of technology.

fashion trends, fills their 'free' time and practically determines their activities". His jottings highlight that "generations of young people, both of today and those of the future, may lose their sense of perspective and their individuality if they are not alert to the perils of the digital age. More alarmingly, they may lose their sense of reality, discernment and judgement". He is concerned and rightfully so, that "the conveniences and 'intelligence' of the digital age may make 'zombies' of people, robbing them of their presence of mind and their innate instinct to pause, reflect and examine their actions".

In his writings, he exhorts young people to guard against becoming isolated individuals as a result of connectivity. He urges them to "retain the human link, to maintain human-to-human connections and to nurture real relationships that involve face to face communication. The human connection is still absolutely essential if people are to be fully functioning human beings, individuals with mind, heart and soul".

It seems fitting to share some of his thoughts because they pertain squarely to us who are so closely involved in IT. Can we remain wholly human in our pursuit of technology? Can we discern between the benefits and detriments of technology? Can we manage technology and help others manage it wisely?

I do believe that if we are to sustain ourselves as a responsible IT company, an IT company with soul, we would do well to take heed of some of those observations and insights.

Lessons Gleaned

The extracts of the Founder's reflections bear on us as individuals and as an IT Company. EDARAN adopts a sound stand in this matter. We believe that the proliferation of artificial intelligence and machine learning in our lives should serve to awaken in all humankind, the need to remain as human as possible. Our necessary endeavors to remain intrinsically human in this epoch of relentless technological advancement must lead us to become aware of what makes us human.

Unquestionably, we should defend the one thing that defines us and makes us inherently different from machines. Our human values. We cannot stop the onslaught of technological innovations and we know that technology is a double edged sword. It can build, it can also destroy. We are called to use the knowledge we acquire to bring about a better environment in this world we call home. With the burgeoning of ingenious technological breakthroughs and the incessant changes in lifestyles, there are some fundamental matters that ought to be retained, or else we risk becoming soul-less beings, much like the machines we work with. We cannot and must not allow technology to overpower our 'humanness', which essentially lies in our morals and values. Sans our values, our progress in science and technology may lead to no real benefits for mankind. Sans morals and good human character, our advance lifestyles may be devoid of real gratification. In the end, humanity must triumph above the achievements of technology.

The Outlook – What Can EDARAN Expect?

The profusion of new technologies, the wealth of possibilities and the expanding eco system of the industry point to the inevitable need for collaboration and partnerships. Given the complex and ever expanding plethora of technological innovations, it will be a defeating and exhausting exercise to single handedly deliver the standard and level of service that customers demand and expect today. Seamless integration of technological capabilities, pooling of skills and tapping the best of market knowledge are becoming inevitable and necessary if companies are to present a comprehensive front to customers.

MESSAGE FROM THE CHAIRMAN

As a traditional infrastructure company in an increasingly applications-centric world, EDARAN will do well to develop itself in the area of software applications to complement its services to customers. We will also do well to fill the gaps in software applications and certain technology disciplines that hinder us from delivering the best to our customers. We believe that EDARAN can be bigger than what it is by teaming up with the right technology partners. Our programme to expand ourselves, expand our capabilities and improve our competencies continues with greater focus.

On the 19 February this year, the Senior Management and Board of Directors of the Group convened for a full day off-site session to assess our strengths, gaps and opportunities. The Group came out of that session with a clearer picture of potential opportunities in the mid and longer term. The Group has also firmly resolved to address some of its critical lacks and needs so that it may deliver a higher level of service and offerings to its customers.

Notwithstanding the unpredictability of the future, EDARAN stands to benefit from the mounting swell of technological breakthroughs. New software applications indicate new opportunities to grow with our stable of customers; to escalate the sophistication of their IT machinery and enhance their engagement in the digital environment. We only need to be more perceptive to our customers' potential requirements and be alert to opportunities that will arise. The future is promising.

Appreciation

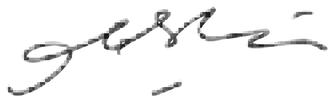
I close with my heartfelt gratitude to every stakeholder for his or her contribution towards the sustainability of EDARAN Berhad.

To our valued members of the staff, the Board of Directors and I thank you from the bottom of our hearts for your dedication and loyalty. We thank you especially for the support of your families without whom your commitment to EDARAN's success will not be possible.

To our loyal and valued Customers, I thank you on behalf of the Company for your faith and support. Without you, we have no reason to be.

To our technology partners and associates, your faith in us, your efforts and your generosity in sharing knowledge go directly towards the success of this Company. Thank you for being part of our journey.

To our suppliers, vendors, financial partners and alliances, thank you for your trust and continuing support.



Yours sincerely,
Dato' Abdul Halim Abdullah
Chairman

Management Discussions and Analysis

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OPERATIONS REVIEW

In this digital age where we will work increasingly with smart automation and artificial intelligence, competencies and character qualities will become much more important. EDARAN will focus on instilling human values and building character, to unleash the potential of our employees and ensure success in business.

The last financial year was a year of taking stock. The Group made a concerted effort to assess the strength of its current resources, mapped against the prevailing industry and market trends.

The main take out of the assessment is that, moving forward, EDARAN shall aim to become more adaptable and fluid. By that we mean that we shall strive to stay agile and flexible so that we may seize opportunities that arise. However, even as we remain open to changes and seek out opportunities in unchartered territories, we shall continue to operate from a platform of our fundamental values and principles. From that platform, we will apply our core competencies, first in familiar grounds that assure sustainable and recurring yields so that the Company remains healthy. We see the shifting and changing patterns in the business landscape. Companies are going beyond their traditional domains to expand and stay ahead. The boundaries between industries are blurring and there is no stopping aggressive companies which encroach onto areas that are not traditionally in their domain. Businesses are breaking into non-traditional territories. It is the call of resourceful and creative companies. Boundaries are blurring between industries and there are no more barriers.

We recognise that what counts today is the ingenuity of companies to enter the supply chain at the most strategic points. We recognise the significance of the last mile of the chain because it is that last link that connects to the customer. We aim to be at those critical points, to be the connecting bridge to the customer. In such an environment, EDARAN will empower every business unit within its stables to exercise creativity and quick wittedness. At the technical end our teams will aim to expand their technical capabilities whether through acquiring new knowledge or by teaming with partners who have such knowledge. Establishing strategic alliances and smart partnerships will be on our agenda so as to increase our resources and augment our expertise.

Along with assessing the Group's strengths, we revisited our business goals. An Off-site Management Meet, themed 'Embracing The Future' was held in early February this year. The full day session gave us the opportunity to pool our minds, ideas and aspirations. We mapped our goals, both mid and long term, against our Group Charter to ensure they fell in line with the values and principles we uphold. Coming out of the Off-Site meet, we are determined to build ourselves into a stronger team, to fortify our assets and fill the gaps where they are found.

Taking Stock of World Trends

EDARAN is certain of something in the near future. All of us will be shuttled into unchartered territories, whether we are prepared or not. We see a definite hastening of technology that aims to create more ease and convenience. We see that the world is transitioning from the age of information and knowledge to an age when machines learn on our behalf, to execute tasks we want them to execute. All around us, machines are learning to help human beings solve everyday issues. And the future uses of machine learning will stretch across all sectors of life, from healthcare to transport, education, recreation, entertainment and commerce. There will be the demise of many conventional ways of doing things. Some of us will be delighted with the assistance of machines, others may find it disorientating but all in all, a fascinating plethora of possibilities opens before us.

In the highly specialised world of medicine and health, what doctors and specialists need to learn, machines will be able to learn as well, maybe in a shorter time. On the roads, our cars and vehicles may not only be self-driven but will learn to move at their most efficient, their computers being able to sense better routings; their algorithms being able to better share information and resources with other vehicles. In the air, aircraft safety and maintenance will be increasingly aided by AI, and passenger experience enhanced.

"…the future is transitioning from the age of information and knowledge to an age when machines learn on our behalf."

In schools, children will be able to explore countries without leaving the classroom; machine aided teaching programmes will become more individualised and curated, and lessons ingeniously tailored to suit the pace of individual students.

In retail, machine learning and A.I such as facial recognition will make it possible for retailers to interact better with the shoppers and offer a personalised experience to them. A.I will help retailers 'familiarise' themselves with their customers' preferences and direct their customers to what they are looking for in the store. And in entertainment, consumer experience may change in an overwhelming way as improvements to computer generated imagery or CGI and light and sound technologies advance to engage the consumers so that they virtually become a part of what they are watching.

In homes, voice and facial recognition will soon become commonplace, replacing conventional security systems. In the parenting department, children are already growing up with the help of digital co-parents in the form of Google Assistant, Watson, SIRI, Alexa and what have you. These machines can teach the children anything from mathematics to how to say their prayers. The innovations will keep coming and the changes to lifestyles, unimaginable. Is there a price for these advancements?

Taking Cognizance Of The Digital Age Customer

As the world around us become more digital and smart, so shall customers become increasingly smart. We recognise that the knowledgeable customer is not an easy customer to serve. Today they are more tech-savvy, more diverse and more discerning than ever. They are not only looking for the right products but are seeking the best channels and personalised services to obtaining those products. Thereafter, they want the guarantee of follow-up services and efficient maintenance. In short, customers are looking for a fully satisfying experience, from point of purchase to after purchase.

Striving to become more attuned to our customers' evolving needs and providing a higher level of personalisation for them is our target. We will aim to bring our marketing, customer engagement and customer service down to the level of the individual. By this we mean that EDARAN will continually focus on engaging with the customer from acutely understanding their needs to efficiently delivering the services and products they require. It is our intention to build positive relationships with our present and prospective customers so that the good relationships become the continual assurance customers look for in us.

In essence, we are aware of the need to anticipate new needs, stay alert to the unrelenting changes, stay equipped with the necessary knowledge and skills to manage the changes and equally important, to prepare ourselves to better serve the tech savvy and knowledgeable customer. Because of the speed of technological changes and the copiousness of new possibilities, the road ahead for EDARAN and for all businesses for that matter, forebodes challenges of a more unpredictable kind.

All said, EDARAN moves forward with a sense of optimism. Breakthroughs in technology will continue to spin off a multitude of applications for businesses. Our challenge is to be alert to these spin offs in technology application and to quickly acquire the skills and knowledge to deliver new applications to customers. Our strength must remain in being a cohesive team, a team that may not only comprise individuals within the Group, but include as well our technology partners and ancillary supports. As a team, we shall be better equipped. As a team, we are effectively larger than a single organisation.

Over and above it all, our strength must be in remaining as a team with principles and ethics. Only then can our success be sustainable.

Building Team

One of the objectives EDARAN going forward, is to instill a strong sense of team among its employees. We reckon that in this age of robotics and smart machines, there is the possibility that people may gravitate towards working alone, losing the invaluable benefits of camaraderie, sharing and learning from co-workers. We prize the spirit of collaboration and cooperation and we believe more can be accomplished as a team than as a sole individual. We believe that collaboration must begin within our own confines, before we can expect to build collaborative efforts with our partners and stakeholders. Ultimately it will be our goal to collaborate as a globally oriented organisation so that we may extend our grasp beyond familiar pastures.

Building ourselves into a globally oriented team will be a continual mission. We will strive to build ourselves into a team with vision. We will train ourselves to be alert to the various needs of the human being as he or she journeys from the cradle to the grave; needs that represent opportunities for EDARAN.

The focus will be on equipping the EDARAN team with skill sets and knowledge that are necessary to meet the customers' needs at the various stages of their lives. As well, we will strive to foster within the team, dynamics that attract good partners. Over and above the aim to become a stronger team is the larger mission to become relevant and beneficial to society, meeting their needs at every stage of life. Building a solid team has never been more imperative than today. The environment will demand that we remain cohesive and enduring as a Group.

The sustainability of the Group is more than just a function of being up to date and acquiring adequate knowledge and skills and establishing strong partnerships. What will always remain important is the way we conduct ourselves, the principles by which we operate and the reputation that we shall continue to build and nurture. But what ultimately sustains us will be our larger vision and mission to be useful to society.

2018/2019 In Review

EDARAN IT SERVICES

In the face of increasing domestic competition and a globally softer market, Edaran IT Services maintained an even keel, albeit without any extraordinary surge in new contracts. Nonetheless the Division continued to receive adequate and firm support from its long standing customers including Jabatan Kastam Diraja Malaysia (JKDM), Jabatan Perdana Menteri, Jabatan Penerangan Malaysia, Kementerian Perdagangan Antarabangsa (MITI) and UiTM. The Division is encouraged by fresh contracts from these customers and will be gainfully focused on delivering upon them. The Division has been kept busy with projects that spilled into the year in review, aiming to fully meet the Services Level of Agreement and to delivering the projects to the best of its ability. The Division's innovative and customised project delivery tools including its Comprehensive Maintenance module and Project Maintenance system have played huge roles in ensuring Edaran IT Services retain its sound repute as a reliable service provider while also being instrumental in contributing to the Company's bottom line.

Software Development

The Division is pursuing the development of its own brand of software applications and solutions, in tandem with its goal of becoming more competitive and reducing the level of out sourcing. To date, the Division has succeeded in developing a range of software applications required by its stable of customers including MyIPO, Pembangunan Sumber Manusia Berhad (PSMB), Jabatan Kastam, Jabatan Perhilitan (Department of Wildlife and National Parks Peninsular Malaysia) and the Anti-Corruption Bureau Brunei (ACB). The initiative to develop its own brand of applications and solutions has involved the need to reorganize the company's resources including its human resources, upgrade the Division's skill sets and realigning the organisation chart to reflect priorities.

Certification

Edaran IT Services continues to earn international recognition of its capabilities. Notes worthy certifications obtained to date include Microsoft's Certified System Engineer (MCSE), awarded to EDARAN technical staff who qualify, (Cisco Certified Network Associate CCNA), Project Management Professional (PMP). During the year in review, two important certifications were added to the list, namely Data Scientist and Data Engineer. These certifications will enable Edaran IT Services to explore the areas of Big Data analytics and advanced algorithms. Progressive acquisition of relevant certifications builds our professional credibility, assures EDARAN of its competitive edge and facilitates increased efficiency in the execution of projects. We recognise that customers are willing to pay for higher levels of professionalism and specialized skills. Our investment in procuring certifications and specialized training will be an on-going matter but the returns have proven to be worth our while.

Edaran Trade Network

Edaran Trade Network has persevered in its efforts to grow the business since its inception as an e-services provider for trade facilitation. In partnership with Rank Alpha Technologies, Edaran Trade Network provides crucial customs related e-services that enable shipping agents, freight forwarders and forwarding agents to streamline their international trading and logistics processes so as to ensure that their efforts are more efficient and productive. Over the year in review, Edaran Trade Network has successfully brought into its fold, new customers who value and appreciate the personalized services of Edaran Trade Network. Another positive development is Jabatan Kastam Diraja Malaysia's (JKDM) declaration that effective 1 June 2019, all trading manifests must pass through U-Customs.

…the environment with all its unpredictable changes will demand that the team remains cohesive and enduring so that our foundations will not be shaken.

Edaran IT Services will pursue the development of its own brand of applications and solutions to become more competitive.

Investing in relevant and valuable certifications will be an on-going initiative because the market and the customers value higher levels of professionalism.

This augurs well for Edaran Trade Network and potentially translates to potentially more scope and thus more revenue for the company. Edaran Trade Network looks forward to more trade facilitation processes that JKDM will make mandatory to be sent through their U-Customs' system. It will effectively open up the possibilities for Edaran Trade Network's facilitation services. The future continues to hold some promise for the company.

Establishing win-win collaborations and smart partnerships to seek out potential business, will be Elitemac's focus.

Elitemac Resources

The Group's communications division, Elitemac Resources (Elitemac) continues to keep track of the changes in the industry and in the world generally. The global trends of increasing levels of IoT influence, the profusion of A.I applications and 5G possibilities will no doubt impact telecommunications and the industry of connectivity in a huge way. In the era of digital communications, massive amounts of mobile to mobile data will need to be moved quickly and securely. Efficient and secure WiFi networks is a major part of that equation. Elitemac through the Malaysian Communications and Multimedia Commission (MCMC) continues to be involved in the vital role of providing secure infrastructure to mobile operators. To date Elitemac's project in the northern region of the Peninsula is nearing completion. With the impending explosion of the game changing 5G technology, Elitemac remains positive about future projects. Building infrastructure and providing reliable secure and speedy connectivity is a massive undertaking for any single company. Establishing win-win collaborations and smart partnerships will be the division's focus as it continues to seek out new business opportunities.

We will continue to improve our competency in English because it will continue to be a principal medium of communication across the IT industry and across the globe.

Other Activities

Soft Skills Training Initiative

EDARAN as a Group is taking steps to improve itself in areas that are equally critical and essential to the sustainable success of the Company. These areas include key soft skills such as communications and customer engagement skills which add up to good projection of the EDARAN brand.

Following the Group's Management Off-site session in February 2019, a key initiative to train front line and customer-facing personnel in English communications skills was started. Regular classes conducted by English language university professors coach EDARAN personnel in the finer art of oral skills, public speaking, presentations and writing.

Soft skills training for the employees take into cognizance that the final stage of the business deal will be direct interface between EDARAN and the customer. The focus on improving the English competency of EDARAN personnel recognises that the English language will continue to be a principal language across the globe and IT will continue to deploy the English language as a medium of communication.

The Team Initiative

The TEAM initiative is led by Executive Director Encik Fazaln Azlan Tajudin. As aforementioned, the initiative aims to reinforce the values and principles the Company professes in its Group Charter. Even as it seeks to build a cooperative, competitively tuned team, the stretched goal of the Team initiative is so that the Group's core values will form the very character of the larger team that will come into being when EDARAN expands itself through partnerships and collaboration.

"We seek to create a Company of Value, not merely a Company of Success."

The Company's philosophy of sustainable success is essentially underpinned by the practice of honest ethics and the delivery, in full measure, of what has been promised the customer. EDARAN upholds the principal that all material gains and success it may achieve are not in essence real success unless and until the means by which they were attained are honest and ethical.

Financial Highlights

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financial highlights

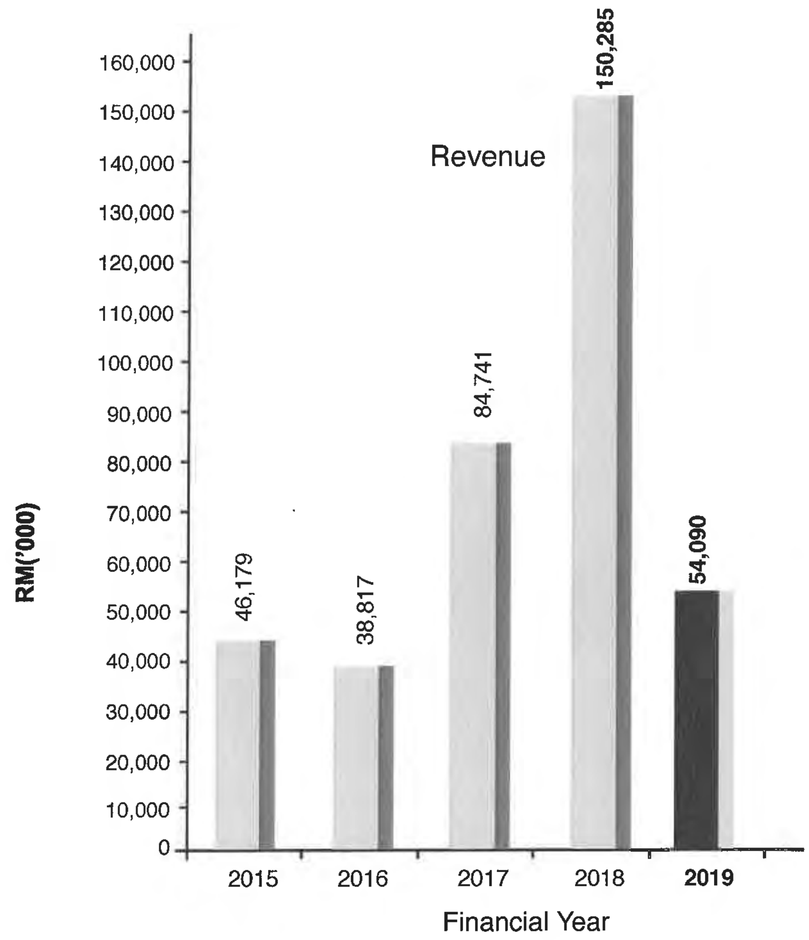
as at 30 June 2019

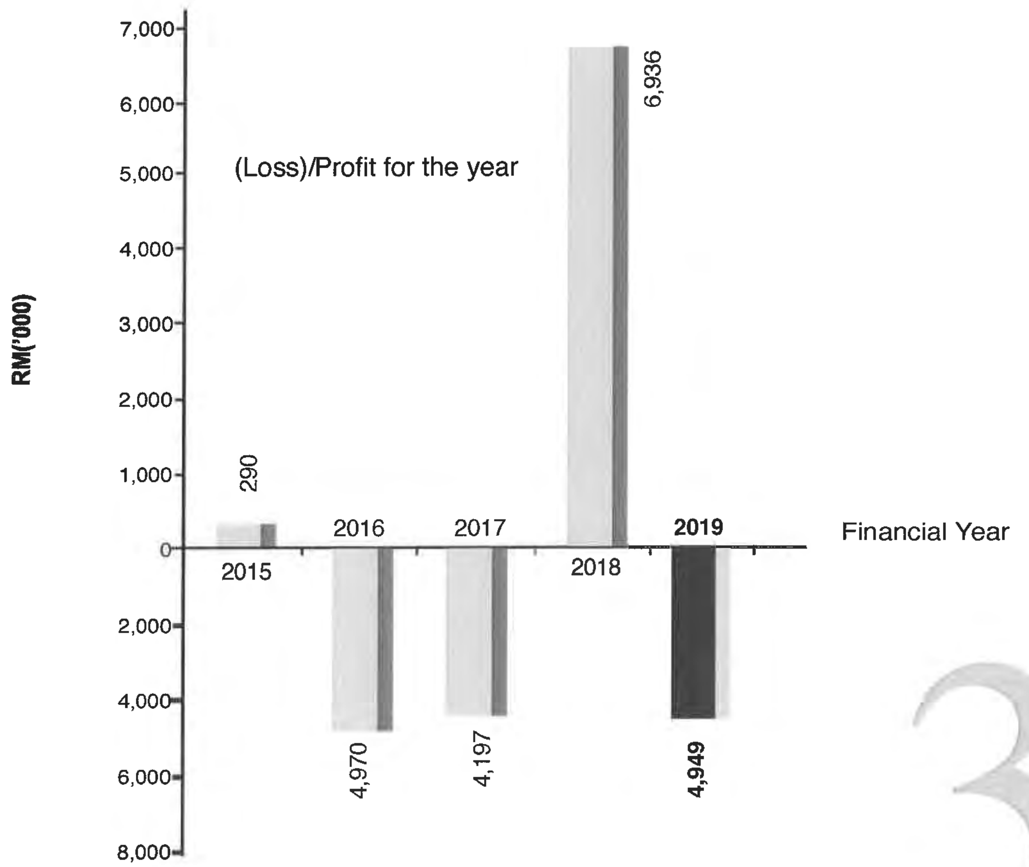
Five Years Group Financial Highlights

	2019 (RM'000)	2018 (RM'000)	2017 (RM'000)	2016 (RM'000)	2015 (RM'000)
INCOME STATEMENT					
Revenue	54,090	150,285	84,741	38,817	46,179
(Loss)/Profit before taxation	(4,033)	2,510	(3,640)	(4,472)	485
Taxation	(917)	(1,582)	(557)	(498)	(195)
(Loss)/Profit for the year	(4,949)	6,936	(4,197)	(4,970)	290
(Loss)/Earnings per share (sen)	(8.65)	12.44	(3.98)	(7.77)	0.31
BALANCE SHEET					
Shareholders' Fund	26,331	31,348	30,252	28,959	33,233
Net Current Assets	9,321	12,678	3,234	8,226	12,254
Total Assets	53,538	83,658	74,529	49,386	54,821
Long Term Liabilities	8,398	9,778	7,368	6,813	5,355
Net Assets per share (sen)	44	52	50	48	55

financial highlights

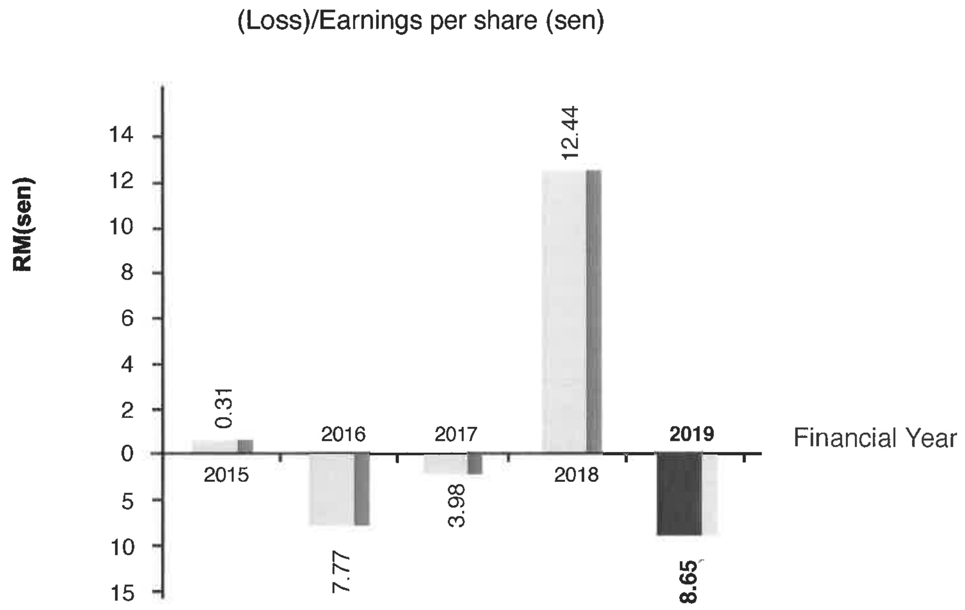
as at 30 June 2019

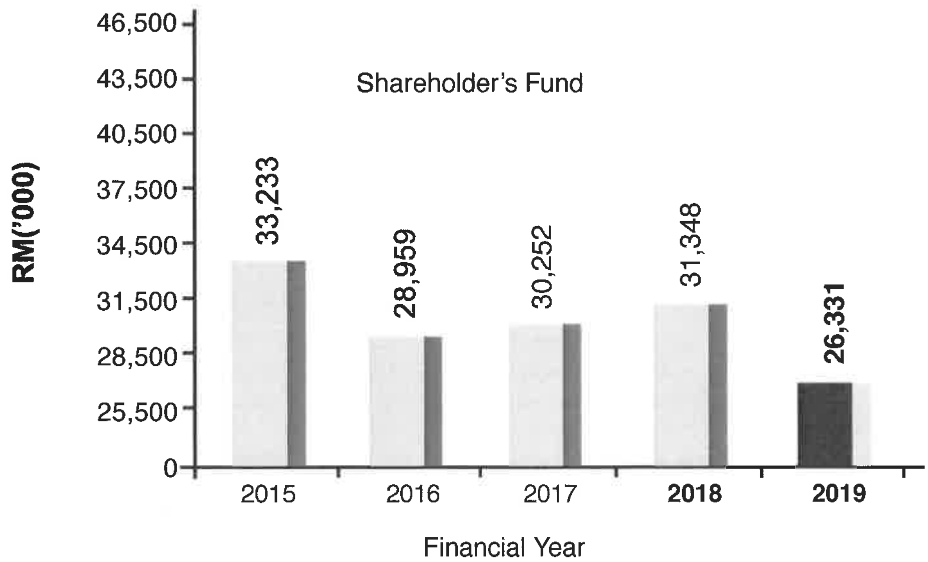




financial highlights

as at 30 June 2019





Statement on Corporate Governance

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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 Practices in Corporate Governance established by the Malaysian Code on Corporate Governance 2017 ("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.

BOARD LEADERSHIP AND EFFECTIVENESS

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.

Functions reserved for the Board and those delegated to Management
In relation to the functions reserved for the Board and those delegated to Management, there is adequate segregation of duties between the Board and the Management. The company's standard operating procedure has also set out the Limit of Authority.

The Board reviews the yearly and three (3) yearly business plans. The Board has assigned the responsibility to implement the corporate objectives to the Chief Executive Officer.

Roles and responsibilities in discharging Board's fiduciary and leadership functions
The Board has discharged its responsibility to exercise the business judgment and to act in what they reasonably believe to be in the best interests of the company and its shareholders. In discharging the obligation, directors should be entitled to rely on the honesty and integrity of the company's senior executives and its outside advisors and auditors.

In furtherance of its responsibilities, the Board of Directors has assumed, among others, the following responsibilities:

- Reviewing and adopting a strategic plan for the company
- Overseeing the conduct of the company's business
- Identifying principal risks and ensuring the implementations of appropriate internal controls and mitigation measures
- Succession Planning
- Overseeing the development and implementation of a shareholder communications policy for the company
- Reviewing the adequacy and the integrity of the management information and internal controls system of the company

Code of conduct
The Group continues to conduct its day to day business operation and action in accordance to the ethical standards described in the Group Charter. The established Group Charter contains the company's philosophy, values, vision and hope.

In furtherance to create and maintain a culture of high ethical standards and commitment to compliance, guidelines in relation to wrongdoings have been established in the Board of Director's Charter. The procedures apply to all the Directors and employees of the Group as guidance to disclose any improper conduct relating to unlawful activities occurring in the Company. This is in line with the existing guidelines of the Group Charter. As part of the implementation, the company has introduced a No-gift Policy on 4 February 2016.

The Board of Directors' Charter is made available for reference on the Company's website at www.edaran.com

Promoting 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. The Sustainability Statement covers the sustainability management activities and its processes.

Supply of information and access to advice
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 2019 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.

Company 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 appointed Company Secretaries have several years of experience and are qualified to adequately carry out their duties as advisor to the Board in respect of:

- current best practice;
- corporate governance requirements and practices;
- directors' duties under the law;
- board reporting and disclosure obligations;
- listing rule requirements; and
- proper meetings' procedure.

Board Charter

A Board Charter, based on the Group Charter and Malaysian Code on Corporate Governance 2017 requirements have been established. It provides guidance and clarity on the role of the Board and the Board Committees and the requirements in carrying out their roles and in discharging their duties.

The Board Charter shall be reviewed and updated in accordance to the needs and directions of the Company. It can be accessed on the Company's website www.edaran.com

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. All Board members are of high caliber and have skills and knowledge in various industries. 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 seven members, two of whom are Executive Directors and five Independent Non-Executive Directors. 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 Chief Operating Officer, 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.

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

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 Assessment
The effectiveness of the Board has been evaluated by considering the Board composition and structure, principal responsibilities of the Board, Board process, management performance and succession planning and Board governance.

The Board also conducts an annual peer's evaluation to determine whether they are functioning effectively. The Board evaluates its own performance and its committee. The assessment covers the areas of Board structure, Board's roles and responsibilities, Board committee and Management performance.

The Board acknowledges the importance of achieving gender diversity within the organization although currently, the Board does not have any gender diversity policy. As an equal opportunity employer, the Company does not discriminate between any of its applicants based on race or gender. The Company has always created an environment where everyone has equal chance and the opportunity to advance into leadership positions.

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

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.

In considering candidates for directorship, the Nominating Committee has performed a thorough assessment of the candidate and deliberated the assessment prior recommending it to the Board for approval. The Nominating Committee has taken into account the candidate's experience, skill and technical competency and professionalism before the directorship appointment.

The Nominating Committee has reviewed the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.

Arrangement has been made for the newly appointed Director to attend Mandatory Accreditation Programme (MAP) as prescribed by the Bursa Securities Practice Note 5/2001.

Level and Make-up of Remuneration
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	: Dato' Hj Abdul Hamid Mustapha
	Encik Mohd Yasri Mohd Hashim @ Mohd Hassan

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.

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 28 of the Financial Statements and the components of remuneration for the financial year 2019 are as follows:

The Board is recommended by the Code to comprise a majority of Independent Directors if the Chairman is not an Independent Director. The non adoption of the Code recommendation by the Board is because the Chairman is the founder of the Group with extensive knowledge, skill and experience. He is competent to lead the Group towards achieving its success.

In furtherance to the above, there is a clear division of roles and responsibilities between the Chairman and Managing Director. The Chairman heads the Board of Directors while the Managing Director manages the Company's operations.

In respect of potential conflicts of interest, the Board is committed in ensuring that there is no undue risk involved. All related party transactions are disclosed and strictly dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

	Fees	Salaries and Other Emoluments	Benefits-in-Kind	Total (RM)
Executive Directors	-	933,847	24,167	958,014
Non-Executive Directors	183,145	87,000	-	270,145

Range of Remuneration	Number of Director Executive Director	Non-Executive Director
Below RM50,000	-	5
RM50,001 – RM100,000	-	1
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	-	-
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	-	-
RM350,001 – RM400,000	1	-
RM400,001 – RM450,000	-	-
RM450,001 – RM500,000	1	-

Reinforcing Independence

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 where the Board shall conduct an annual self evaluation. The Board Charter has also included the membership and term for the independent director as recommended.

The Board is committed in undertaking the assessment of its independent director annually based on the standards determined by the Nominating Committee. The Nominating Committee has reviewed such standards at least annually and recommends any appropriate changes to the Board for consideration. All Independent directors were found independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment and able to act in the best interests of the Group.

Fostering Commitment

The Board has obtained the commitment from its member at the time of appointment. Directors would notify the chairman before accepting any new directorship. All Directors were found to be complied with the requirements of Main Market Listing Requirements of Bursa Malaysia Securities Berhad with regard to the number of directorships held in the listed companies.

Directors' Training

Members of the Board are required to participate in programmes prescribed by Bursa Malaysia Securities Berhad so as to keep themselves updated on knowledge pertaining to the business, stay abreast of industry happenings and advancements. During the year in review, the Members of the Board attended a one day off site session on 19 February 2019, at the Kuala Lumpur Convention Centre. The Off-site session entitled 'Embracing The Future' involved members of Senior Management and Senior Executives of the Company.

The session was designed and intended, among other things, to steer the Directors onto the same roadmap that is being pursued and constantly monitored by the management of EDARAN for the Group's progress. The session commenced with a revisit of the Company's foundational principles and values encapsulated in the Group Charter. One of the aims of the Off-site session was to update the members of the Board on the fast moving trends and developments within the IT industry, in particular the unpredictable state that the Knowledge and Technology Revolution is portending for the future. The Management took the opportunity to share and discuss the critical paths the Company will be embarking on to keep itself confidently engaged, competitive and profitable within the industry. As much as the Session discussed new and promising areas of business activity, it also delved into the insufficiencies and lacks of the Group which may hinder the success of any initiative it may embark on. The take out from the Session was a more enlightened Board of Directors and a critical action plan that addressed the lacks and gaps within the Group.

Upholding Integrity in Financial Reporting

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, 2016 is set out in the Financial Statements of this Annual Report.

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.

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.

Audit Committee

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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.

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.

TERMS OF REFERENCE

In line with the provisions of the Listing Requirements, the Audit Committee Terms of Reference is made available on the Company's website at www.edaran.com

ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

Meetings

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

Meeting No.	Date	Time
03-18	28 August 2018	10.30 a.m.
04-18	03 October 2018	10.30 a.m.
05-18	26 November 2018	10.30 a.m.
01-19	30 February 2019	10.30 a.m.
02-19	30 May 2019	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
Datuk Emam Mohd Haniff Emam Mohd Hussain Chairman / Senior Independent Non-Executive Director	5 of 5
Dato' Abdul Halim Abdullah Member / Independent Non-Executive Director	5 of 5
Encik Ahmad Yasri Bin Mohd Hashim @ Mohd Hassan Member / Independent Non-Executive Director	5 of 5
Dato' Abdul Malek Ahmad Shazili Member / Independent Non-Executive Director	5 of 5

Financial Reporting

- Reviewed 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.

- Reviewed the draft audited financial statements for the financial year ended 30 June 2018.

- Reviewed the draft announcements to the Bursa Malaysia Securities Berhad on the quarterly report of the Group for the financial quarters ended 30 June 2018, 30 September 2018, 31 December 2018 and 31 March 2019.

Internal Audit

The Head of Internal Audit normally attended the meetings. Other Directors and senior personnel 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 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.

- Reviewed 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.

- 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 related party transaction within the Company or Group including transaction, procedure and course of conduct.

- Reviewed appraisal or assessment of the performance of members of the internal audit function.

- Considered other topics as defined by the Board of Directors.

- Provided necessary support to the internal audit activities.

External Auditor

- Reviewed with the external auditor, its audit plan covering the audit objectives and approach, audit plan and key audit areas.

- Reviewed with the external auditor, its evaluation of the system of internal controls together.

- Reviewed with the external auditor, its audit report and the results of the audit, particularly the accounting issues and significant audit adjustments arising from the audit.

- Reviewed the assistance given by the employees of the Company to the external auditor.

- Reviewed 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.

- Reviewed the external auditor's management letter and the management's response thereto.

- Reviewed the appointment and remuneration of the external auditor and made recommendation thereon.

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

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 2019 was approximately RM99,000.

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. The audit plan covers key operational activities that are significant to the overall performance of the Group.

During the financial year ended 30 June 2019, 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

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Pursuant to the Bursa Malaysia Securities Berhad Listing Requirements paragraph 15.26(b) and in accordance to the Principle B of Malaysian Code on Corporate Governance 2017 on the Effective Audit and Risk Management, the Board of Directors ("Board") is pleased to present this Statement on Risk Management and Internal Control.

The Board acknowledges its responsibility 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 assist the Board in the implementation of the Board's policies and procedures on risks and controls.

Board Responsibility

The Board has overall responsibility for maintaining the system on internal controls and risk management in ensuring effective and efficient operations as well as compliance with Standard Operating Procedures and other internal guidelines. The Board is assisted by the Risk Management Committee and the Audit Committee in monitoring and management of the identified business risks covering the internal and external risks.

The Board is of the view that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control framework of the Group and the assurance from the management that the system and procedures put in place is being practised.

The Statement on Risk Management and 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.

Internal Control Processes

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

- 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 the staff are maintained through a comprehensive recruitment process, performance appraisal, training and development programmes.

The Internal Audit Department performs internal audits on various operating units within Group on a risk-based approach based on the annual audit plan approved by the Audit Committee. The department checks for compliance with policies and procedures and the effectiveness of the internal control system and highlights significant findings of non-compliance in the quarterly Audit Committee meetings of the Group.

Risk Management

Consistent with the Principle B of the Malaysian Code on Corporate Governance 2017, the Risk Management Committee (RMC) has been established to assist the Board to oversee the overall management of principal areas of risk. The RMC delegates the responsibility to the Risk Management Working Group (RMWG) in ensuring effective risk management process. The RMWG which comprises of senior management staff and business unit heads perform regular risk management assessments and through Internal Audit Department, review the internal control processes, and evaluate the adequacy and effectiveness of the risk mitigation plan and internal controls system in place on a regular basis.

The Groups' key risk profile that identifed the type of threats to the Company has been established and categorised as below.

These risks were assessed and the sensible measures were taken to control the threats.

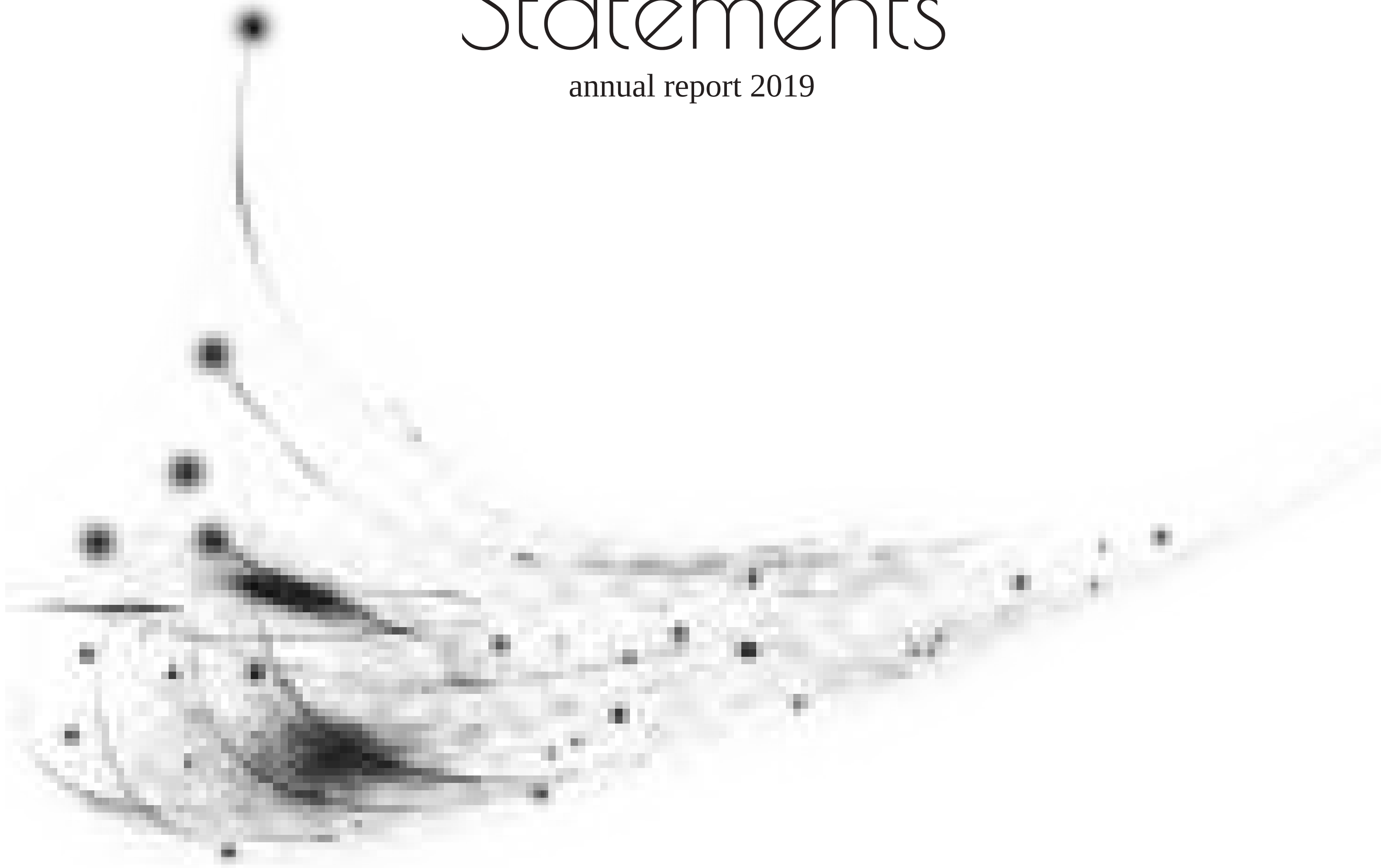
Conclusion

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.

The external auditor has reviewed this statement for inclusion in the annual report for the financial year ended 30 June 2019 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.

Statement of Directors' Responsibility in Relation to the Financial Statements

annual report 2019



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, 2016 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, 2016 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.

Sustainability Statement

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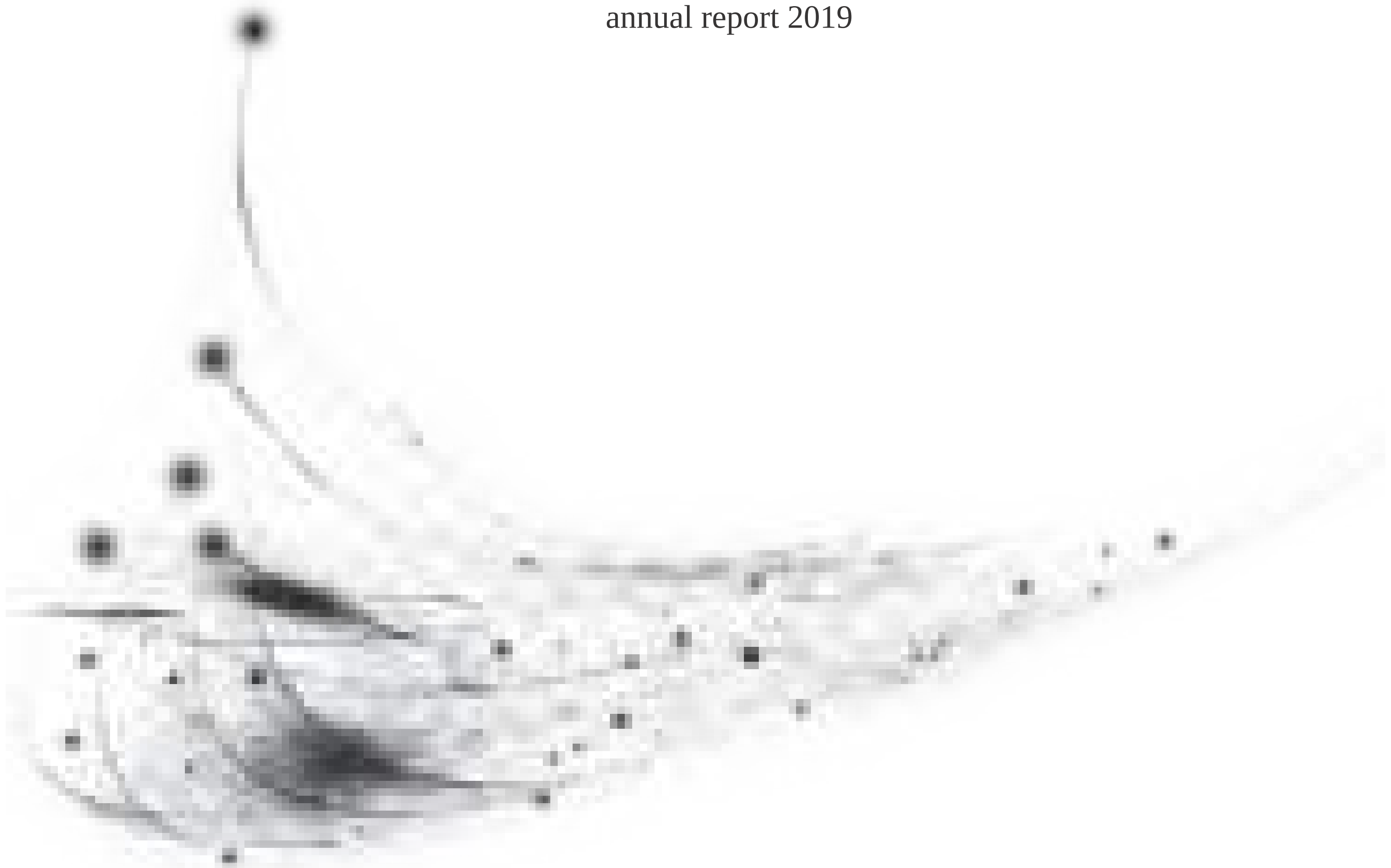

Sustainability is a subject matter that EDARAN holds dear and pertinent in its endeavours to be a profitable organisation. Sustainability is indeed the operative principle in the Company's mission to be not just a successful company but to be a company of value. The tenet of sustainability, expectedly, runs central within the Company's Charter and manifests itself in practices, direct and indirect, in every activity of the Company. In 2010, EDARAN made a declaration of its appreciation of sustainability, through its Annual Report. The principle of sustainability will remain a continual guide for EDARAN for as long as the Company shall exist.

The Value Of Sustainability In EDARAN

EDARAN has long been aware that even as profit creation and maximisation remain one of the main thrusts of business, it is sustainable profit creation that will ultimately ensure the continuity and success of the Company. EDARAN remains clear on its long term goal and that, simply, is to stay in the business for the long haul. In essence, to be sustainable. For this reason, EDARAN strives to operate in a sustainable manner on all fronts, not in the least, to adopt sustainable ways of thinking, of producing, of using, of disposing, of organising, of marketing, of development and of action. We will continue to create value not only for the Company but also for the communities and society at large by practising a sustainability strategy and actions that imprints upon the economy, environment and the social front in a beneficial way.

As a Company whose principle activities lie in and around the domain of Information Technology and Connectivity and indeed, as an enabler of technology, our activities and products impact individuals, communities, industries, the business world, the academia and almost every aspect of societal life. The scope of influence of our activities is undeniably vast. It is therefore clearly one of our responsibilities to ensure matters of sustainability such as producing, disposing, marketing, application and use of our products and services are monitored to avoid wastage of resources and accumulation of obsolete 'junk' which malaise our environment. Essentially, sustainability in an IT company is about minimizing the negative impact of information technology use on the social, economic and environmental aspects of life, and using information technology in fact, to help solve sustainability issues.

Monitoring Sustainability In EDARAN

Governance of the Company's sustainability efforts fall upon the shoulder of every member of the organisation beginning with the Board of Directors. The Management and every member of the Staff is empowered to continually identify areas relevant to their function and field of work within the Group, for the consideration of the Board of Directors and the Management and thereafter translated into suitable actions towards sustainability of the issue in question.

Economic Impact

At EDARAN, we appreciate that the practice of sustainability translates to reduction of waste, higher economic value, higher productivity, better benefits, good public relations and good will. We regard sustainability as sound business because it is essentially not only about next month's profit but it is about future value. We agree as well that leading companies will be those that provide goods and services that reach their customers in ways that address the world's challenges, especially the challenges of climate change, limited resources and loss of species. We believe that more and more, our value as a company will be measured not merely on the merits of its economic value but also by our contribution to sustainability and by our performance on the environmental and social fronts.

Environmental Impact

On the humanitarian front, we strive to practice sustainability of our habitats and surroundings because of the universal good that can be derived from these practices. At its most fundamental level, sustainability means a greener earth, more resources and a high quality of life. For these reasons and several others, we uphold that environmental stewardship is obligatory upon all human beings. We maintain that it is the duty of every person to preserve their immediate environments, their natural heritage and natural resources by reducing their actions that destroy these life giving resources. Unless all human beings begin to appreciate the interdependence of man and all other creations of this planet for survival and harmony, our fear is that we may never learn the value and the exigency of sustainability in our world. And if at length we finally learn, we hope it may not be too late.

Social Impact

A fundamental and early mission of EDARAN was to help young graduates by providing them a platform to put into practice their knowledge and competencies in IT. We will continue to provide the avenues and opportunities for the application and pursuit of knowledge, with the aim of developing quality human resources. IT deals with components and knowledge that become obsolete in quick time. Skills taught and knowledge acquired are soon rendered useless as new technology rewrites the script. EDARAN's solution is to share new knowledge, train and re-train and impart new skills necessary to enable its employees as well as its customers and all

sustainability statement

Growing Along the Sustainability Curve

EDARAN will seek out value that will be unleashed in the pursuit of sustainability across all sectors of society. Beginning within the organisation, sustainable practices as basic as reducing wastage and recycling resources are recognised as a start towards value creation. The observance of sustainable practices stems from the company's group-wide Charter, which espouses the universal principle of reverence for God and reverence for all things created. In Islam, this is encapsulated in the principle of *'...hablimminAllah wa hablimminannas...'.*

For EDARAN, this widely encompassing principle prescribes that as individual citizens of this planet and as a collective corporate body, we must strive to minimise harm and destruction to our environment. We believe that sustainability begins within the individual.

As a competitive force, sustainability is already changing the world, bringing with it completely new ways to operate businesses, and new ways to produce and deliver goods and services. More and more, businesses will be driven by sustainability strategies which lead to the creation of long term value for all stakeholders. It becomes essential for EDARAN to move forward along the same route, appreciating customers' sustainable strategies and helping them to optimise their operational environment to derive efficiencies and ultimately, value.

Additional Compliance Information

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The following information is provided in compliance with paragraph 9.25 of Main Market Listing Requirement.

1. **Directors (as at 30 September 2019)**
   None of the Directors has any family relationships. The profiles of the respective directors are set out on pages 14 to 16 of this Annual Report.

2. **Offence (as at 30 September 2019)**
   None of the Directors has been convicted for offences within the past five years other than traffic offences, if at all there was any.

3. **Conflict of Interest (as at 30 September 2019)**
   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 2019)**
   During the financial year, the Group did not sponsor any AUK or GDR programme.

7. **Imposition of Sanctions and/or Penalties (as at 30 September 2019)**
   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. Jamal, Amin & Partners for reviewing the Company's Statement of Risk Management and Internal Control for FY2019 as disclosed in Note 24 of the Financial Statement.

9. **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.

10. **Profit Guarantee**
    During the financial year, there were no profit guarantees given by the Group.

11. **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.

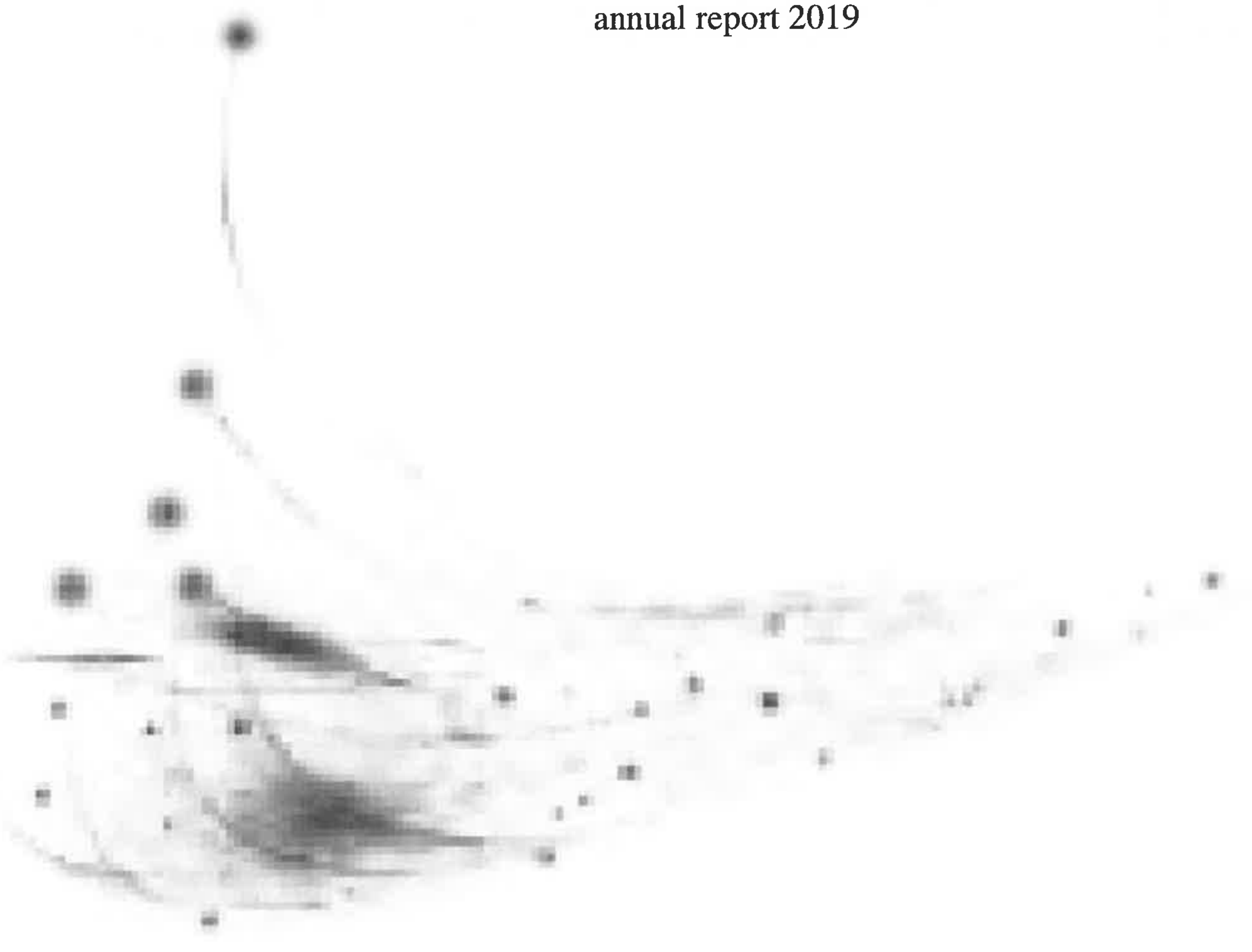
12. **Revaluation Policy on Landed Properties**
    The Group has adopted a policy of regular revaluation on its landed properties in the financial year as disclosed in Note 3 of the Financial Statements.

13. **Related Party Transactions**
    Details of the transactions with related parties undertaken by the Group during the period as disclosed in Note 31 of the Financial Statements.

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

Statistics on Shareholdings

annual report 2019



statistics on shareholdings

Statement of Shareholdings (as at 30 September 2019)

Issued Shares Capital	: 60,000,000 Ordinary shares
Paid Up Capital	: RM68,022,580
Voting Rights	: One vote per shareholder on a show of hands
	One vote per share on a poll
No. Of Shareholders	: 2,361

Analysis of Shareholdings

A. Distribution of Shareholdings (as at 30 September 2019)

Size of Shareholdings	Shareholders	Shareholding	%
Less than 100	25	824	0.00
100 - 1000	1,168	1,090,980	1.88
1,001 - 10,000	700	4,022,100	6.94
10,001 - 100,000	432	13,369,560	23.09
100,001 to less than 5% of issued shares	32	12,614,303	21.78
5% and above of issued shares	4	26,807,433	46.30
Total	**2,361**	**57,905,200**	**100.00**

B. List of Thirty (30) Largest Shareholders (as at 30 September 2019)

	Name	No. of Shares	%
1	Valiant Chapter Sdn Bhd	14,168,765	24.47
2	Kauthar Sdn Bhd	4,730,832	8.17
3	Unique Pyramid Sdn Bhd	4,590,136	7.93
4	Gigantic Talent Sdn Bhd	3,317,700	5.73
5	Initiative Aims Sdn Bhd	2,825,662	4.88
6	Graphics Divine Sdn Bhd	2,201,100	3.80
7	Datuk Mohd Shu'aib Bin Hj Ishak	1,421,428	2.45
8	Public Nominess (Tempatan) Sdn Bhd Pledged Securities Account for Leo Kay Pin	580,800	1.00
9	Kauthar General Services Sdn Bhd	563,500	0.97
10	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohamed Azmi Bin Mohamed Nasurdin	500,000	0.86
11	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tay Pin Sun	380,000	0.66
12	Lim Fook Choo	350,000	0.62
13	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Sok Kim	310,000	0.54
14	Fazlan & Amal Sdn Bhd	289,600	0.50
15	Leow Kay Pin	260,000	0.45

B. List of Thirty (30) Largest Shareholders (as at 30 September 2019) (Continued)

	Name	No. of Shares	%
16	Ahmad Yasri bin Mohd Hashim @ Mohd Hassan	202,385	0.35
17	Rizuwan Bin Mohd Murad	202,328	0.35
18	Maybank Nominees (Tempatan) Sdn Bhd Tiong Chin Tung	200,000	0.35
19	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ooi Thean Hin	200,000	0.35
20	Tan Soh Yen	200,000	0.35
21	Maybank Nominees (Tempatan) Sdn Bhd Low Teck Hin	191,800	0.33
22	Ngo Kin Wee	174,800	0.30
23	Hot Yit Lin @ Ho Yuet Ling	170,000	0.29
24	Ng Tiong Sew	162,500	0.28
25	Lim Geok Mei	155,000	0.27
26	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pang Fong Thau	150,000	0.26
27	Ng Chiam Hock	150,000	0.26
28	Yow Sen Yee	139,000	0.24
29	Lee Fook On	134,100	0.23
30	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tee Jen Tong	117,600	0.20

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

C. Substantial Shareholders (as at 30 September 2019)
(as shown in the Register of Substantial Shareholders)

Name of Substantial Shareholders	No. of Shares Held	%
1. Valiant Chapter Sdn Bhd	14,168,765	24.47
2. Kauthar Sdn Bhd	4,730,832	8.17
3. Unique Pyramid Sdn Bhd	4,590,136	7.93
4. Gigantic Talent Sdn Bhd	3,317,700	5.73

Note:
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 2019)
(as shown in the Register of Directors' Shareholding)

Directors	No. of Share Held (Direct)	No. of Share Held (Indirect)	%
1. Dato' Abdul Halim Abdullah	0	0	0.00
2. Datuk Emam Mohd Haniff Emam Mohd Hussain	0	0	0.00
3. Dato' Abdul Malek Ahmad Shazili	0	0	0.00
4. Dato' Hj Abdul Hamid Mustapha	0	0	0.00
5. Encik Ahmad Yasri Mohd Hashim @Mohd Hassan	202,385	0	0.35
6. Datuk Mohd Shu'aib Ishak	1,421,428	0	2.45
7. Encik Fazlan Azri Tajudin	0	853,100	1.37

Notes:

i. 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.

ii. 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 2019)

Directors	No. of Share Held (Direct)	No. of Share Held (Indirect)	%
1. Dato' Abdul Halim Abdullah			
Nil	-	-	-
2. Datuk Emam Mohd Haniff Emam Mohd Hussain			
Nil	-	-	-
3. Dato' Abdul Malek Ahmad Shazili			
Nil	-	-	-
4. Dato' Hj Abdul Hamid Mustapha			
Nil	-	-	-
5. Encik Ahmad Yasri Mohd Hashim @ Mohd Hassan			
Nil	-	-	-
6. Datuk Mohd Shu'aib Ishak			
Nil	-	-	-
7. Fazlan Azri Tajudin			
Nil	-	-	-

Group Properties

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group properties

as at 30 June 2019

Location	Description/ Current Use of Building	Tenure/ Tenure Period	Date of Revaluation	Approximate Age of Building (years)	Building Area/ Land Area (sq. meters)	Net Book Value (RM'000)
Lot No. 11341 Title No. PN 28142 Mukim of Ampang, District and State of Wilayah Persekutuan. (No. 33, Jalan 2/76C Desa Pandan 55100 Kuala Lumpur)	Terrace Shophouse • Own Occupation (Office space) • Rented Out (Restaurant)	Leasehold / 99 years expiring on 06.07.2085	4 Oct. 2016	25	1,002.00 / 334.18	3,828
Lot No. 11332 Title No. PN 36545 Mukim of Ampang, District and State of Wilayah Persekutuan. (No. 32, Jalan 1/76C, Desa Pandan, 55100 Kuala Lumpur)	Terrace Shophouse • Own Occupation (Office space)	Leasehold / 99 years expiring on 06.07.2085.	4 Oct. 2016	25	852.02 / 284.18	3,358
Lot No. 11304 Title No. 28631 Mukim of Ampang, District and State of Wilayah Persekutuan. (No. 2, Jalan 4/76C Desa Pandan 55100 Kuala Lumpur)	Terrace Shophouse • Own Occupation (Office space)	Leasehold / 99 years expiring on 07.07.2085.	4 Oct. 2016	24	700.11 / 289.82	4,270
Lot No. 11303 Title No. 28632 Mukim of Ampang, District and State of Wilayah Persekutuan. (No. 4, Jalan 4/76C Desa Pandan 55100 Kuala Lumpur)	Terrace Shophouse • Own Occupation (Office space)	Leasehold / 99 years expiring on 07.07.2085.	4 Oct. 2016	24	443.52 / 163.50	2,367
Lot No. 11302 Title No. 28633 Mukim of Ampang, District and State of Wilayah Persekutuan. (No. 6 Jalan 4/76C, Desa Pandan 55100 Kuala Lumpur)	Terrace Shophouse • Own Occupation (Office space)	Leasehold / 99 years expiring on 07.07.2085.	4 Oct. 2016	24	443.52 / 163.50	2,367

group properties

as at 30 June 2019

Location	Description/ Current Use of Building	Tenure/ Tenure Period	Date of Revaluation	Approximate Age of Building (years)	Building Area/ Land Area (sq. meters)	Net Book Value (RM'000)
Lot No. 11348 Title No. 36544 Mukim of Ampang, District and State of Wilayah Persekutuan. (No. 19, Jalan 2/76C Desa Pandan 55100 Kuala Lumpur)	Terrace Shophouse ● Own Occupation (Office space)	Leasehold / 99 years expiring on 06.07.2085	4 Oct. 2016	24	474.43 / 153.28	1,789
Lot No. 11347 Title No. 36543 Mukim of Ampang, District and State of Wilayah Persekutuan. (No. 21, Jalan 2/76C Desa Pandan 55100 Kuala Lumpur)	Terrace Shophouse ● Own Occupation (Office space) ● Rented Out (Office space)	Leasehold / 99 years expiring on 06.07.2085.	4 Oct. 2016	24	474.43 / 153.28	1,751
Lot No. 11462 Title No. 28631 Held under Strata Title Pajakan Negeri (WP): 28323/M1/2/2 Mukim of Ampang District and State of Wilayah Persekutuan. (No. 23-1, First Floor, Jalan 5/76B Desa Pandan 55100 Kuala Lumpur)	Terrace Shophouse ● Own Occupation (Office space)	Leasehold / 99 years expiring on 06.07.2085.	4 Oct. 2016	25	139 / -	425

Reports and Financial Statements

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EDARAN BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of 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 RM 2019	Company RM 2019
Loss for the financial year	(4,949,442)	(813,525)
Attributable to:		
Owners of the parent	(5,008,570)	(813,525)
Non-controlling interests	59,128	-
	(4,949,442)	(813,525)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as 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 2019, 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 statements.

OPTION 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 during the financial year until the date of this report are:

Dato' Abdul Halim Abdullah
Datuk Emam Mohd Haniff Emam Mohd Hussain
Dato' Hj Abdul Hamid Mustapha
Dato' Abdul Malek Ahmad Shazili
Ahmad Yasri Bin Mohd Hashim @ Mohd Hassan
Datuk Mohd Shu'aib Ishak
Fazlan Azri Tajudin

DIRECTORS' INTERESTS

The interests and deemed interests in the 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			
	At 1.7.2018	**Bought**	**Sold**	**At 30.6.2019**
Interests in the Company				
Direct Interests				
Datuk Mohd Shu'aib Ishak	1,421,428	-	-	1,421,428
Ahmad Yasri Bin Mohd Hashim @ Mohd Hassan	242,385	-	-	242,385

EDARAN BERHAD
(Incorporated in Malaysia)

DIRECTORS' INTERESTS (CONT'D)

	Number of ordinary shares			
	At 1.7.2018	Bought	Sold	At 30.6.2019
Interests in the Company				
Indirect Interests				
Fazlan Azri Tajudin (a)	853,100	-	-	853,100

a) 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' REMUNERATION

The details of Directors' remuneration are disclosed in Note 24 and Note 28 of the financial statements.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit 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, other than as certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business and legal fee paid to a firm in which a Director is a member as disclosed in Note 31 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.

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the Director, officer or auditor of the Company.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, 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 adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

  (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

  (iii) not otherwise dealt with in this report or the financial statements of the Group and of 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 of 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 or of 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 of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D)

(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 of the Company to meet its obligations as and when they fall due;

(ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; 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 of the Company for the financial year in which this report is made.

SUBSIDIARY COMPANIES

The details of the subsidiary companies are disclosed in Note 6 to the financial statements.

AUDITORS' REMUNERATION

Total amounts paid to or receivable by the auditors as remunerations for their services as auditors are as follows:

	Group RM 2019	Company RM 2019
Statutory audit	73,672	30,000

EDARAN BERHAD
(Incorporated in Malaysia)

AUDITORS

The auditors, Messrs. Jamal, Amin & Partners have indicated their willingness to accept re-appointment in accordance with Section 267 (4) of Companies Act 2016.

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

DATO' ABDUL HALIM ABDULLAH	DATUK EMAM MOHD HANIFF EMAM MOHD HUSSAIN

Kuala Lumpur

Dated: 2 October 2019.

EDARAN BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT 2016

We, DATO' ABDUL HALIM ABDULLAH and DATUK EMAM MOHD HANIFF EMAM MOHD HUSSAIN, being two of the Directors of EDARAN BERHAD do hereby state that, in the opinion of the Directors, the financial statements set out on pages 14 to 108 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and of their financial performance and cash flows for the financial year then ended.

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

DATO' ABDUL HALIM ABDULLAH	DATUK EMAM MOHD HANIFF EMAM MOHD HUSSAIN

Kuala Lumpur

Dated: 2 October 2019

STATUTORY DECLARATION
PURSUANT TO SECTION 251 (1) OF THE COMPANIES ACT 2016

I, DATO' BISTAMAM RAMLI, being the Officer 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 14 to 108 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 DATO'	)	
BISTAMAM RAMLI at Kuala Lumpur in the state	)	
of Federal Territory on 2 October 2019	)	DATO' BISTAMAM RAMLI

Before me,

KAPT. (B) JASNI BIN YUSOFF
Commisioner for Oaths

<u>INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF</u>
<u>EDARAN BERHAD</u>
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of EDARAN BERHAD, which comprise statements of financial position as at 30 June 2019 of the Group and of 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 of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 108.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Requirements

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How we addressed the key audit matters
Contract revenue and costs recognition	
Edaran Group recognise its contract revenue and cost regarding the long term projects using the stage of completion method. The measurement of the stage of completion is to the extent of contract cost incurred to date. This amount will be compared with the estimated total cost in the project budgets for the contract. The significant judgement is required from management in determining the total estimated revenue and costs, the extent of actual costs incurred as well as the recoverability of amount due from customers for contract works performed. Such judgement involves estimation uncertainty which have significant risk of causing material misstatements to the amounts recognised in the financial statements.	We verified the total contract values and the contract variance (if any). We verified the estimated budgeted cost against the total contract revenue of the projects. The key assumptions and other relevant workings used in the total estimated cost were also reviewed. We enquired the management regarding the status of the ongoing project to ascertain the alignment with the stage of completion recognised in determining the revenue recognition and whether the total budgeted cost is estimated reliably. We recomputed and assess the mathematical accuracy of revenue and costs recognised based on stage of completion method and considered the implications of any identified error and change in estimates. We examined cost and the recognized project revenue on which the determination of completion ratio is based. The mathematical accuracy of the percentage of completion on cost calculation is tested. We assessed the adequacy and reasonableness of the disclosures in the financial statements.

Key Audit Matters	How we addressed the key audit matters
Impairment Receivables The Group has significant exposure of credit risk arising from its trade receivables as well as outstanding balance from project as at 30 June 2019. We focus on this area as the assessment of expected credit losses of receivables involved management judgements and estimation uncertainty in determining the probability of default occurring by considering the ageing of receivable, historical loss experience and forward-looking information.	Our audit procedures in relation to management's impairment assessment included: - Obtaining an understanding of: (i) the Group's control over the trade receivables collection process; (ii) how Group identifies and assess the impairment of trade receivables; and (iii) how the Group makes accounting estimates for impairment. - Considering the ageing of the trade receivables - Evaluating techniques and methodology in the expected credit loss approach against the requirements of MFRS 9. - Assessing the estimated future cash flows by examining the historical repayment records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information. - Evaluate the reasonableness and adequacy of the allowance for impairment recognized for identified disclosure.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDARAN BERHAD (CONT'D)
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDARAN BERHAD (CONT'D)
(Incorporated in Malaysia)

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary companies of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

Other Matters

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

JAMAL, AMIN & PARTNERS
(No : AF 1067)
Chartered Accountants

AHMAD HILMY BIN JOHARI
(No : 2977/03/20(J))
Chartered Accountant

Kuala Lumpur

Dated: 2 October 2019

EDARAN BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	24,400,461	26,344,787	2,663,166	2,897,647
Investment in subsidiary companies	6	-	-	40,693,170	41,706,577
Investment in an associate company	7	-	1,038,867	-	-
		24,400,461	27,383,654	43,356,336	44,604,224
CURRENT ASSETS					
Amount due from contract customers	8	4,892,336	21,388	-	-
Trade receivables	9	15,217,555	6,516,525	-	-
Other receivables	10	1,895,496	6,242,030	321,577	379,121
Amount due from related Company	11	5,742,775	11,485,550	-	-
Amount due from subsidiary companies	12	-	-	3,530,174	4,945,556
Dividend receivables		-	-	6,400,000	5,600,000
Cash and cash equivalents	13	1,388,993	32,009,252	20,074	61,156
		29,137,155	56,274,745	10,271,825	10,985,833
Total Assets		53,537,616	83,658,399	53,628,161	55,590,057
REPRESENTED BY :					
EQUITY					
Share capital	14	68,022,580	68,022,580	68,022,580	68,022,580
Reserves	15	(40,641,731)	(35,625,286)	(54,842,395)	(54,028,870)
Treasury shares	16	(1,049,536)	(1,049,536)	(1,049,536)	(1,049,536)
Equity attributable to owners of the parent		26,331,313	31,347,758	12,130,649	12,944,174
Non-controlling interests		(1,007,426)	(1,064,338)	-	-
Total Equity		25,323,887	30,283,420	12,130,649	12,944,174

(The accompanying notes form an integral part of the financial statements)

EDARAN BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019 (CONT'D)

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM**	**RM**	**RM**	**RM**
LIABILITIES					
Non-current Liabilities					
Loans and borrowings	17	5,762,507	7,097,488	-	-
Deferred tax liabilities	18	2,635,152	2,680,407	-	-
		8,397,659	9,777,895	-	-
Current Liabilities					
Loans and borrowings	17	2,442,123	1,447,141	-	-
Amount due to contract customers	8	5,064,634	7,589,216	-	-
Trade payables	19	7,029,707	30,438,678	-	-
Other payables	20	3,473,077	2,520,369	318,420	536,109
Amount due to subsidiary companies	12	-	-	41,175,342	42,109,774
Tax payable		1,806,529	1,601,680	3,750	-
		19,816,070	43,597,084	41,497,512	42,645,883
Total Liabilities		28,213,729	53,374,979	41,497,512	42,645,883
Total Equity and Liabilities		53,537,616	83,658,399	53,628,161	55,590,057

(The accompanying notes form an integral part of the financial statements)

EDARAN BERHAD
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Revenue	21	54,089,960	150,284,513	4,340,000	4,259,000
Costs of sales	22	(34,967,670)	(124,122,614)	-	-
Gross profit		19,122,290	26,161,899	4,340,000	4,259,000
Other income		401,999	807,938	1,619,959	332,982
Administrative expenses		(12,484,771)	(13,980,793)	(3,552,012)	(3,364,900)
Other expenses		(9,145,067)	(8,100,072)	(3,197,082)	(863,641)
Share of loss in associate company	7	(1,038,867)	(461,133)	-	-
(Loss)/Profit from operations		(3,144,416)	4,427,839	(789,135)	363,441
Finance costs	23	(888,423)	(1,918,031)	-	-
(Loss)/Profit before tax	24	(4,032,839)	2,509,808	(789,135)	363,441
Taxation	25	(916,603)	(1,582,346)	(24,390)	-
(Loss)/Profit from Continuing Operation		(4,949,442)	927,462	(813,525)	363,441
Discontinuing operation:					
Profit from dilution of holdings in a former subsidiary	26	-	6,008,284	-	-
(Loss)/Profit for the year		(4,949,442)	6,935,746	(813,525)	363,441
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of land and buildings		-	-	-	-
Items that are or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operations		(10,091)	(330,088)	-	-
Other comprehensive loss for the financial year		(10,091)	(330,088)	-	-
Total comprehensive (loss) / income for the financial year		(4,959,533)	6,605,658	(813,525)	363,441

(The accompanying notes form an integral part of the financial statements)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM**	**RM**	**RM**	**RM**
(Loss)/Profit for the financial year attributable to:					
Owners of the parent		(5,008,570)	7,202,558	(813,525)	363,441
Non-controlling interests		59,128	(266,812)	-	-
		(4,949,442)	6,935,746	(813,525)	363,441
Total comprehensive (loss)/profit attributable to:					
Owners of the parent		(5,016,445)	6,872,470	(813,525)	363,441
Non-controlling interests		56,912	(266,812)	-	-
		(4,959,533)	6,605,658	(813,525)	363, 441
(Loss)/Earning per share					
Basic (loss)/earning per share (sen)	27(a)	(8.65)	12.44		
Diluted (loss)/earning per share (sen)	27(b)	-	-		

EDARAN BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Attributable to owners of the parent							
	Non-distributable							
Group	**Share capital RM**	**Revaluation reserve RM**	**Foreign currency translation reserve RM**	**Treasury shares RM**	**Accumulated losses RM**	**Total RM**	**Non-controling interests RM**	**Total equity RM**
At 1 July 2017	68,022,580	8,536,128	252,055	(1,049,536)	(45,509,619)	30,251,608	(4,329,784)	25,921,824
Profit/(loss) for the financial year	-	-	-	-	7,202,558	7,202,558	(266,812)	6,935,746
Other comprehensive income for the financial year:								
Exchange translation differences for foreign operations	-	-	(249,087)	-	150,963	(98,124)	(231,964)	(330,088)
Total comprehensive income/(loss) for the financial year	-	-	(249,087)	-	7,353,521	7,104,434	(498,776)	6,605,658
Unrealised gain from dilution of holdings in a former subsidiary	-	-	-	-	(6,008,284)	(6,008,284)	-	(6,008,284)
Transfer to minority interest	-	-	-	-	-	-	3,764,222	3,764,222
Realisation of revaluation reserve	-	(147,549)	-	-	147,549	-	-	-
At 30 June 2018	68,022,580	8,388,579	2,968	(1,049,536)	(44,016,833)	31,347,758	(1,064,338)	30,283,420

(The accompanying notes form an integral part of the financial statements)

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

	Attributable to owners of the parent							
	Non-distributable							
Group	**Share capital RM**	**Revaluation reserve RM**	**Foreign currency translation reserve RM**	**Treasury shares RM**	**Accumulated losses RM**	**Total RM**	**Non-controling interests RM**	**Total equity RM**
At 1 July 2018	68,022,580	8,388,579	2,968	(1,049,536)	(44,016,833)	31,347,758	(1,064,338)	30,283,420
(Loss) / Profit for the financial year	-	-	-	-	(5,008,570)	(5,008,570)	59,128	(4,949,442)
Other comprehensive income for the financial year:								
Exchange translation differences for foreign operations	-	-	(7,875)	-	-	(7,875)	(2,216)	(10,091)
Total comprehensive (loss) / income for the financial year	-	-	(7,875)	-	(5,008,570)	(5,016,445)	56,912	(4,949,533)
Realisation of revaluation reserve	-	(147,549)	-	-	147,549	-	-	-
At 30 June 2019	68,022,580	8,241,030	(4,907)	(1,049,536)	(48,877,854)	26,331,313	(1,007,426)	25,323,887

(The accompanying notes form an integral part of the financial statements)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

	Attributable to owners of the parent			
	Non-distributable			
Company	**Share capital RM**	**Treasury shares RM**	**Accumulated losses RM**	**Total equity RM**
At 1 July 2017	68,022,580	(1,049,536)	(54,392,311)	12,580,733
Profit for the financial year, representing total comprehensive income for the financial year	-	-	363,441	363,441
At 30 June 2018	68,022,580	(1,049,536)	(54,028,870)	12,944,174
At 1 July 2018	68,022,580	(1,049,536)	(54,028,870)	12,944,174
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	(813,525)	(813,525)
At 30 June 2019	68,022,580	(1,049,536)	(54,842,395)	12,130,649

(The accompanying notes form an integral part of the financial statements)

EDARAN BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit Before Tax	(4,032,839)	2,509,808	(789,135)	363,441
Adjustments for :				
Depreciation of property, plant and equipment	2,107,547	4,053,700	278,174	294,995
Dividend income	-	-	(800,000)	(800,000)
Finance costs	-	1,720,820	-	-
Finance income	(210,853)	(488,431)	-	-
Gain on disposal of property, plant and equipment	(50,383)	(133,047)	-	-
Investment in associate	-	(1,500,000)	-	-
Impairment on investment in subsidiary	-	-	1,013,407	-
Impairment loss in subsidiary company	-	-	1,610,643	-
Reversal of impairment loss in subsidiary company	-	-	(1,405,666)	-
Unrealised gain on foreign exchange	-	(249,087)	-	-
Derecognised of non-controlling interest on the dilution of share	59,130	3,265,448	-	-
Derecognised of fixed asset on dilution of share	-	1,535,749	-	-
Share of loss in investment in associate	1,038,867	461,133	-	-
Realisation of deferred liability	(45,255)	(50,563)	-	-
Written off of:				
- property, plant and equipment	9,293	-	-	-
Operating (loss)/profit before working capital changes	(1,124,493)	11,125,530	(92,577)	(141,564)
Changes in working capital:				
Decrease Inventories	-	10,511,357	-	-
(Increase)/Decrease Contract customers	(7,395,531)	4,632,647	-	-
(Increase)/Decrease in Receivables	(4,354,496)	1,003,834	57,544	67,522
(Decrease)/Increase in Payables	(22,101,288)	3,605,329	(213,939)	(628,650)
Decrease/(Increase) in Amount due from subsidiary company	5,742,775	(11,485,550)	275,973	-
Cash (used in)/generated from operations	(29,233,033)	19,393,147	27,001	(419,564)
Interest paid	(1,101,767)	(1,720,820)	-	-
Interest received	210,853	488,431	-	1,758
Tax paid	(1,135,949)	(932,301)	(24,390)	-
Net cash (used in)/generated from operating activities	(31,259,896)	17,228,457	2,611	-

(The accompanying notes form an integral part of the financial statements)

EDARAN BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of:				
- property, plant and equipment	(172,529)	(758,197)	(43,693)	(26,964)
- subsidiary company, net of cash acquired	-	154,000	-	-
Advances from subsidiary companies	-	-	-	763,320
Proceeds from disposal of property, plant and equipment	50,397	-	-	-
Net cash (used in)/generated from investing activities	(122,132)	(604,197)	(43,693)	736,356
CASH FLOWS FROM FINANCING ACTIVITIES				
(Increase) in fixed deposits pledged as security with licensed banks	(32,815)	(103,680)	-	-
Repayment of:				
- finance lease liabilities	-	(345,523)	-	-
- term loans	(3,433,223)	(123,840)	-	-
Drawdown of hire purchase	(1,022,009)	(2,566,025)	-	-
Drawdown of borrowing	5,217,000	104,006	-	-
Net cash generated/(used in) from financing activities	728,953	(3,035,062)	-	-
Net (decrease)/increase in cash and cash equivalents	(30,653,075)	13,589,198	(41,082)	33,664
Cash and cash equivalents at the beginning of the financial year	31,797,344	18,108,173	61,156	27,492
Effect of exchange translation differences on cash and cash equivalents	-	99,973	-	-
Cash and cash equivalents at the end of the financial year	1,144,269	31,797,344	20,074	61,156

(The accompanying notes form an integral part of the financial statements)

EDARAN BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		RM	**RM**	**RM**	**RM**
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances	13	1,144,269	2,137,968	20,074	61,156
Fixed deposits with licensed banks	13	244,724	29,871,284	-	-
		1,388,993	32,009,252	20,074	61,156
Less:Fixed deposits pledged with licensed banks	13	(244,724)	(211,908)	-	-
		1,144,269	31,797,344	20,074	61,156

(The accompanying notes form an integral part of the financial statements)

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

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 at No. 2, 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 of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of 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

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

Annual Improvements to MFRSs 2014 - 2016
Cycle:

- Amendments to MFRS 1
- Amendments to MFRS 128

2 BASIS OF PREPARATION (CONT'D)

a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 15	Clarifications to MFRS 15
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

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

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

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedge accounting requirements under this Standard are not relevant to the Group and to the Company.

The Group and the Company applied MFRS 9 retrospectively, and have elected not to restate the comparative periods in the financial year of initial adoption as permitted under MFRS 9 transitional provision which continue to be reported under MFRS 139. The impact arising from MFRS 9 adoption were included in the opening retained earnings at the date of initial application, 1 January 2018.

(1) Classification of financial assets and liabilities
Financial assets

MFRS 9 contains three (3) principal classification categories for financial assets:

(i) measured at amortised cost ("AC");
(ii) fair value through other comprehensive income ("FVTOCI"); and
(iii) fair value through profit or loss ("FVTPL").

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

2 BASIS OF PREPARATION (CONT'D)

a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

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

The standard replaces the existing MFRS 139 Financial Instruments: Recognition and Measurement categories of loans and receivables, held-to-maturity and available-for-sale. Classification under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics.

Financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. There were no changes to the classification and measurements of financial liabilities to the Group and to the Company.

(2) Impairment

MFRS 9 requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139. The Group and the Company require to record ECL on all of its debt instruments, loans and receivables, either on a 12-months or lifetime basis. The Group and the Company applied the simplified approach and record lifetime expected losses on all receivables. Based on readily information as at the date of this report, the Group and the Company do not expect any significant increase in impairment losses.

(3) Effect of changes in classification and measurement of financial assets on 1 July 2018:

	As at 30.06.2018 RM	Remeasurement RM	MFRS 9 Measurement category – Amortised cost RM
Group			
Financial assets			
Trade receivables	6,516,525	-	6,516,525
Other receivables	6,242,030	-	6,242,030
Cash and cash equivalents	32,009,252	-	32,009,252
	44,767,807	-	44,767,807

2 BASIS OF PREPARATION (CONT'D)

b) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

	As at 30 June 2018 RM	Remeasurement RM	MFRS 9 measurement category – Amortised cost RM
GROUP			
Financial liabilities			
2018			
Loans and borrowings	8,544,629	-	8,544,629
Trade payables	30,438,678	-	30,438,678
Other payables	2,520,369	-	2,520,369
	41,503,676	-	41,503,676

(4) Effect of impairment allowances on 1 July 2018

	Group RM	Company RM
Impairment on financial assets		
Balance under MFRS 139 as at 30 June 2018	-	-
Impairment loss on receivables	-	-
Balance under MFRS 9 as at 1 July 2018	-	-

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. 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 core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

2 BASIS OF PREPARATION (CONT'D)

c) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

(ii) MFRS 15 Revenue from Contracts with Customers

The adoption of MFRS 15 has no material financial impact other than the disclosures made in the financial statements.

There is no significant impact arising from adoption of MFRS 9 and MFRS 15 on the Group's and the Company's financial statements

Standards issued but not yet effective.

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

		Effective dates for financial periods beginning on or after
MFRS 16	Leases	1st January, 2019
IC Interpretation 23	Uncertainty Over Income Tax Treatments	1st January, 2019
Amendments to MFRS 10 and MFRS 128	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
MFRS 3	Definition of Business (Amendment to MFRS 3)	1st January, 2020
MFRS 101	Definition of Material (Amendment MFRS 101)	1st January 2020
MFRS 108	Definition of Material (Amendment MFRS 108)	1st January, 2020

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

2 BASIS OF PREPARATION (CONT'D)

a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

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

The initial application of the above mentioned MFRSs are not expected to have any significant impacts on the financial statements of the Company except as mentioned below:

(iii) MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all lease with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payment to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

This accounting treatment is significantly different from the lease accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Company is currently being assessed by management.

2 BASIS OF PREPARATION (CONT'D)

b) Functional and presentation currency

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

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of consolidation

i) Subsidiary companies (Cont'd)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 (current financial year) and MFRS 139 (previous financial year) Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value in profit or loss. 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(i) to the financial statements on impairment of non-financial assets.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of consolidation (Cont'd)

ii. Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iii. Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

iv. 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 (i.e. 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(i) to the financial statements on impairment of non-financial assets.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of consolidation (Cont'd)

v. 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.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of consolidation (Cont'd)

v. 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.

b) Property, plant and equipment

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

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.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b) Property, plant and equipment (Cont'd)

i) Recognition and measurement (Cont'd)

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.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations 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 revaluations of 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 retained earnings.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b) 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 Company 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%
Computers for hire	20%-33%
Office equipment	20%-33%
Renovations	20%-33%
Furniture and fittings	20%-25%
Equipment tools	20%

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c) Investment in an associate company

An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Company's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increase or decrease to recognised the Company's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Company's share of losses in an associate or joint venture equal or exceeds its interest in the associate or joint venture, the Company does not recognised further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profit and losses resulting from upstream and downstream transactions between the Company and its associate or joint venture are recognised in the Company's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As lessee

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 in 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 and, the leased assets are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. 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.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Leases (Cont'd)

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

e) Financial Instrument

Unless specifically disclosed below, the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instrument, the Group and the Company have elected not to restate the comparative.

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Recognition and Initial Measurement

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

Previous financial year

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.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Financial Instrument (Cont'd)

Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost (AC)

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income (FVOCI)

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Financial Instruments (cont'd)

Financial instrument categories and subsequent measurement (Cont'd)

Financial assets (cont'd)

(b) Fair value through other comprehensive income (FVOCI) (cont'd)

(i) Debt investments (cont'd)

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(c) Fair value through profit or loss (FVPL)

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Financial Instruments (cont'd)

Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured at fair value through other comprehensive income are subject to impairment.

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 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.

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 losses that had been recognised in equity is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Financial instruments (cont'd)

Financial liabilities

Current financial year

The catagories of financial liabilities at initial recognition are as follows:

i. Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except ffor a derivatives that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration ia a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

a) if doing so eliminates or significant reduces an accounting mismatch that would otherwise arise.

b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where embedded derivative significantly modifies the cash flows and saparation is not prohibited.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Financial instruments (cont'd)

Financial liabilities (cont'd)

Financial liabilities categorised as fair value through profit or loss are subsequently measured at the fair value with gains or losses, including any interest expense are recognized in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognize the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

i. *Amortised cost*

Other financial liabilities not catagorised as fair value through profit or loss are subsequently measured at amortised cost using effective interest method.

Interest expense and foreign exchange gains and losses are recognized in the profit or loss. Any gains or losses on derecognition are recognized in the profit or loss.

Previous financial year

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.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Financial instruments (cont'd)

Financial liabilities (Cont'd)

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.

f) Offsetting of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

g) 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.

h) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) Impairment of assets

i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from contract customers and deferred tax assets) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) 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

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policied retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the company recognize loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost, debt investments measure at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability –weighted estimate of credit loss.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) Impairment of assets (Cont'd)

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognized in profit or loss and the carrying amount of the assets is reduced through the use of allowance account.

An impairment loss in respect of debt instruments measured at fair value through other comprehensive income is recognized in profit or loss and the allowance account is recognized in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credited-impaired. A financial asset is credit impaired when one or more event that have detrimental impacts on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the written-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) Impairment of assets (Cont'd)

Previous financial year

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

j) Share capital

i) Ordinary shares

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

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

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 classified as treasury shares in the statements of changes in equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

k) 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 fill 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.

l) 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 of 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"). The group's foreign subsidiary company also makes contributions to the respective country's statutory pension scheme. 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.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

m) 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 risks and rewards of ownership of the goods have been transferred 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, and the amount of revenue can be measured reliably.

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(g) 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.

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.

vii) Management fee

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

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

n) 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.

o) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

o) Income taxes (Cont'd)

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.

p) 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.

q) Contigencies

Where it is not probable that any 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 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:

i) Useful lives of property, plant and equipment

The Group regularly review 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 5.

ii) Revaluation of property, plant and equipment

The Group engaged an independent valuation specialist to assess fair value as at 30 June 2017 for revalued land and buildings. A valuation methodology based on sales comparison approach was used. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. Land was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The fair value of buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The key assumptions used to determine the fair value of the properties are provided in Note 5.

iii) 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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

Key sources of estimation uncertainty (cont'd)

iv) Impairment of investment in subsidiary companies

The Company reviews its investment in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. 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.

v) Construction contracts

The Group recognises constructions contracts input and output in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction revenue and costs, as well as the recoverability of the construction contracts. In making the judgement, the Group evaluates based on experience and by relying on the work of specialists. The details of construction contracts are disclosed in Note 8.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

Key sources of estimation uncertainty (Cont'd)

vi) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbedbcapital allowances another deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of recognised and unrecognised deferred tax assets are disclosed in Note 18.

Income taxes

Judgement 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 tax based on estimates of whether additional taxes will be due. Where the final tax outcome of' these tax 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. As at 30 June 2019, the Group has tax payable of RM1,806,529 (2018: RM1,601,680).

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

5 PROPERTY, PLANT AND EQUIPMENT

	At Valuation		At cost					
	Long term leasehold land	Long term leasehold building	Motor vehicles	Computers for hire	Office equipment	Renovation	Furniture and fittings	Total
Group	RM	RM	RM	RM	RM	RM	RM	RM
2019								
Cost/Valuation								
At 1 July 2018	14,350,000	6,750,000	3,001,559	6,860,591	1,282,206	5,550,951	950	37,796,257
Additional	-	-	-	-	163,900	-	8,629	172,529
Disposal	-	-	(632,399)	-	(9,300)	-	-	(641,699)
Write-Off	-	-	-	-	(9,558)	-	-	(9,558)
At 30 June 2019	14,350,000	6,750,000	2,369,160	6,860,591	1,427,248	5,550,951	9,579	37,317,529

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At Valuation		At cost					
	Long term leasehold land	Long term leasehold building	Motor vehicles	Computers for hire	Office equipment	Renovation	Furniture and fittings	Total
Group	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
2019								
Accumulated depreciation								
At 1 July 2018	364,830	236,251	1,578,894	5,717,716	819,857	2,733,004	918	11,451,470
Charge for the financial year	208,474	135,000	294,342	975,166	254,815	238,190	1,560	2,107,547
Disposals	-	-	(632,391)	-	(9,293)	-	-	(641,684)
Write-Off	-	-	-	-	(265)	-	-	(265)
At 30 June 2019	573,304	371,251	1,240,845	6,692,882	1,065,114	2,971,194	2,478	12,917,068
Carrying amount								
At 30 June 2019	13,776,696	6,378,749	1,128,315	167,709	362,134	2,579,757	7,101	24,400,461

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At Valuation		At cost						
	Long term leasehold land	**Long term leasehold building**	**Motor vehicles**	**Computers for hire**	**Office equipment**	**Renovation**	**Furniture and fittings**	**Plant and machinery**	**Total**
Group	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
2018									
Cost/Valuation									
At 1 July 2017	14,350,000	6,750,000	3,988,468	6,860,591	960,055	5,775,069	11,984	3,079,611	41,775,778
Additional	-	-	1,471,708	-	427,960	-	-	-	1,899,668
Disposal	-	-	(2,152,398)	-	(1,850)	-	-	-	(2,154,248)
Derecognised of deemed disposal in former subsidiary	-	-	(306,219)	-	(103,959)	(224,118)	(11,034)	(3,079,611)	(3,724,941)
At 30 June 2018	14,350,000	6,750,000	3,001,559	6,860,591	1,282,206	5,550,951	950	-	37,796,257

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At Valuation		At cost						
	Long term leasehold land	Long term leasehold building	Motor vehicles	Computers for hire	Office equipment	Renovation	Furniture and fittings	Plant and machinery	Total
Group	RM	RM	RM	RM	RM	RM	RM	RM	RM
2018									
Accumulated depreciation									
At 1 July 2017	156,356	101,251	3,930,699	2,589,422	633,113	2,712,862	11,784	1,584,696	11,720,183
Charge for the financial year	208,474	135,000	62,565	3,128,294	280,987	238,190	190	-	4,053,700
Disposals	-	-	(2,131,443)	-	(1,850)	-	-	-	(2,133,293)
Derecognised of deemed disposal in former subsidiary	-	-	(282,927)	-	(92,393)	(218,048)	(11,056)	(1,584,696)	(2,189,121)
At 30 June 2018	364,830	236,251	1,578,894	5,717,716	819,857	2,733,004	918	-	11,451,470
Carrying amount									
At 30 June 2018	13,985,170	6,513,749	1,422,665	1,142,875	462,349	2,817,947	32	-	26,344,787

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Renovation RM	Office equipment RM	Total RM
2019			
Cost			
At 1 July 2018	4,697,800	286,809	4,984,609
Additions	-	43,693	43,693
Disposals	-	-	-
Written off	-	-	-
At 30 June 2019	4,697,800	330,502	5,028,302
Accumulated depreciation			
At 1 July 2018	1,879,853	207,109	2,086,962
Charge for the financial year	238,190	39,984	278,174
Disposals	-	-	-
Written off	-	-	-
At 30 June 2019	2,118,043	247,093	2,365,136
Carrying amount			
At 30 June 2019	2,579,757	83,409	2,663,166

Company	Renovation RM	Office equipment RM	Total RM
2018			
Cost			
At 1 July 2017	4,697,800	261,695	4,959,495
Additions	-	26,964	26,964
Disposals	-	(1,850)	(1,850)
Written off	-	-	-
At 30 June 2018	4,697,800	286,809	4,984,609
Accumulated depreciation			
At 1 July 2017	1,641,663	152,154	1,793,817
Charge for the financial year	238,190	56,805	294,995
Disposals	-	(1,850)	(1,850)
Written off	-	-	-
At 30 June 2018	1,879,853	207,109	2,086,962
Carrying amount			
At 30 June 2018	2,817,947	79,700	2,897,647

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

a) Assets pledged as securities to licensed banks

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	
	2019	**2018**
	RM	**RM**
Long term leasehold land	10,704,541	10,866,526
Long term leasehold buildings	5,197,500	5,331,499
	15,902,041	16,198,025

b) Assets held under finance leases

At 30 June 2019, the carrying amount of leased computers for hire and motor vehicles are as follows:

	Group	
	2019	**2018**
	RM	**RM**
Computers for hire	167,707	1,142,872
Motor vehicles	1,128,311	1,422,654
	1,269,018	2,565,526

Leased assets are pledged as security for the related finance lease liabilities.

c) Assets acquired by means of finance lease liabilities.

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Cost of property plant and equipment				
Purchased	172,529	2,323,729	43,693	26,964
Less: Finance lease	-	(1,565,500)	-	-
Cash payment	172,529	758,229	43,693	26,964

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

d) Revaluation of land and buildings

Leasehold land and buildings of the Group was revalued on 4 October 2016 by IM Global Property Consultants, an independent professional valuer.

The fair value of land is within level 2 of the fair value hierarchy. The fair value was determined by based on market comparable approach that reflects recent transaction price for similar properties.

The fair value of buildings is within level 3 of the fair value hierarchy. The fair value was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. A slight increase in the estimated construction costs would result in significant increase in the fair value of the buildings, and vice versa.

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

	Group	
	2019	**2018**
	RM	**RM**
Long term leasehold land	10,704,541	10,866,526
Long term leasehold buildings	5,197,500	5,331,499
	15,902,041	16,198,025

e) Leasehold land and buildings

The remaining lease term of leasehold land and buildings are 66 years (2018: 67 years).

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

6 INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2019	**2018**
	RM	**RM**
In Malaysia		
At cost		
Unquoted shares	56,684,208	56,684,208
Less: Accumulated impairment losses	(15,991,038)	(14,977,631)
	40,693,170	41,706,577

Movements in the allowance for impairment losses of investment in subsidiary companies are as follows:

	Company	
	2019	**2018**
	RM	**RM**
At 1 July	14,977,631	14,977,631
Impairment losses recognised	1,013,407	-
Impairment losses reversed	-	-
At 30 June	15,991,038	14,977,631

Details of the subsidiary companies are as follows:

Name of company	**Country of Incorporation**	**Effective Interest (%) 2019**	**Effective Interest (%) 2018**	**Principal activities**
Direct holdings:				
Elitemac Resources Sdn. Bhd.	Malaysia	100	100	Investment holding and provisioning of network facilities and services.

6 INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of company	**Country of incorporation**	**Effective interest (%) 2019**	**2018**	**Principal activities**
Direct holding:				
Edaran IT Services Sdn. Bhd.	Malaysia	100	100	Provisioning, installation, commissioning, integration and maintenance of information technology products and related services.
SIDIC Technology Sdn. Bhd.	Malaysia	100	100	Smart technology applications and solutions provider.
MIDC Technology Sdn. Bhd.	Malaysia	100	100	Dormant.
Edaran Lifestyle Sdn. Bhd.	Malaysia	100	100	Event management and special interest project.
Edaran Lifestyle Trading Services Sdn. Bhd.	Malaysia	100	100	Provision of trading services and consultancy.
Edaran Lifestyle Maintenance Services Sdn. Bhd.	Malaysia	100	100	Dormant.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

6 INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of company	Country of incorporation	Effective interest (%) 2019	2018	Principal activities
Indirect holding:				
Held through Elitemac Resources Sdn. Bhd.				
Edaran Communications Sdn. Bhd.	Malaysia	100	100	Provision, 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 applications and solutions provider.
Edaran Trade Network Sdn. Bhd.	Malaysia	100	100	Provisioning, installation, commissioning, integration and maintenance of information and technology products and related services.

*Subsidiary company not audited by Jamal, Amin & Partners.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

6 INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Material partly-owned subsidiary companies

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

Name of company	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2019	2018	2019	2018	2019	2018
	%	%	RM	RM	RM	RM
Shinba-Edaran Sdn. Bhd.	25	25	56,912	(498,776)	(1,007,426)	(1,064,338)
			56,912	(498,776)	(1,007,426)	(1,064,338)

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.	
	2019	2018
	RM	RM
Non-current assets	-	-
Current assets	118,341	160,521
Non-current liabilities	-	-
Current liabilities	(5,982,762)	(6,273,591)
Net liabilities	(5,864,421)	(6,113,070)

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

6 INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Material partly-owned subsidiary companies (Cont'd)

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

	Shinba-Edaran Sdn. Bhd.	
	2019	**2018**
	RM	**RM**
Revenue	362,400	42,664
Profit / (loss) for the financial year	236,511	(1,067,247)
Other comprehensive (loss) / income for the financial year	(2,216)	157,978
Total comprehensive income / (loss) for the financial year	234,295	(909,269)

(iii) Summarised statements of cash flows

	Shinba-Edaran Sdn. Bhd.	
	2019	**2018**
	RM	**RM**
Net cash used in operating activities	(47,005)	(42,922)
Net cash from investing activities	-	-
Net cash from financing activities	- -	-
Net (Decrease) in cash and equivalents	(47,005)	(42,922)

7 INVESMENT IN AN ASSOCIATE COMPANY

	GROUP	
	2019	**2018**
	RM	**RM**
Outside Malaysia		
Unquoted Shares, at cost	1,500,000	1,500,000
	1,500,000	1,500,000
Amount owing by Associate Company	14,356,937	14,356,937
Less: Impairment	(8,614,162)	(2,871,387)
	5,742,775	11,485,550

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

7 INVESMENT IN AN ASSOCIATE COMPANY (CONT'D)

Detail of the associate company is as follow:

Name of Company	Country of incorporation	Effective interest (%) 2019	Effective interest (%) 2018	Principal activities
PT Linewin	Indonesia	49%	49%	Manufacturing, processing and trading of timber wood including rubber wood and related products.

	Group 2019 RM	Group 2018 RM
Share of loss in associate company for the year ended 30 June 2019		
Investment cost in associate company	1,500,000	1,500,000
At 1 July	(461,133)	(461,133)
Share of loss in associate company during financial year	(1,038,867)	-
	-	1,038,867

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

8 AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2019	**2018**
	RM	**RM**
Contract costs incurred to date	214,206,812	203,893,164
Attributable profits	40,371,830	41,476,647
Less: Provision for foreseeable losses	-	(1,250,761)
	254,578,642	244,119,050
Less: Progress billings	(254,750,940)	(251,686,878)
Foreign currency translations differences	-	-
	(172,298)	(7,567,828)
Presented as:		
Amount due from contract customers	4,892,336	21,388
Amount due to contract customers	(5,064,634)	(7,589,216)
	(172,298)	(7,567,828)

The costs incurred to date on contracts include the following charges made during the financial year:

	Group	
	2019	**2018**
	RM	**RM**
Depreciation of property, plant and quipment	975,166	3,128,296
Operating lease payment	711,871	2,456,508

9 TRADE RECEIVABLES

	Group	
	2019	**2018**
	RM	**RM**
Trade receivables	15,217,555	6,516,525
Less: Allowance for expected credit losses/impairment loss		
Balance at 1 July as per MFRS 9/139	-	-
Current year	-	-
Reversal	-	-
Written off	-	-
Balance at financial year end	-	-
	15,217,555	6,516,525

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2018: 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	
	2019	**2018**
	RM	**RM**
Neither past due nor impaired	8,039,833	5,830,014
Past due not impaired:		
Less than 30 days	1,259,562	29,820
31 to 60 days	-	651,862
61 to 90 days	73,249	4,829
More than 90 days	5,844,911	-
	7,177,722	686,511
	15,217,555	6,516,525

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

As at 30 June 2019, trade receivables of RM7,177,622 (2018: RM686,511) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

10 OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables	211,847	5,329,998	-	6,930
Amount due from companies in which certain Directors of the Company have an interest	195,849	253,730	195,849	249,405
Deposits	351,118	509,524	109,671	106,986
Prepayments	1,136,682	148,778	16,057	15,800
	1,895,496	6,242,030	321,577	379,121

Amount due from companies in which certain Directors of the Company have an interest are unsecured, non-interest bearing and repayable on demand.

11 AMOUNT DUE FROM/(TO) RELATED COMPANY

	Group	
	2019 RM	2018 RM
Non-trade related		
PT Linewin	14,356,937	14,356,937
Less: Impairment	(8,614,162)	(2,871,387)
	5,742,775	11,485,550

The amount due from related company is unsecured and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

12 AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

	Company	
	2019	**2018**
	RM	**RM**
Amount due from subsidiary companies		
Non-trade related		
- Interest bearing	17,428,358	19,428,997
- Non-interest bearing	10,062,864	9,272,630
	27,491,222	28,701,627
Less: Accumulated impairment losses	(23,961,048)	(23,756,071)
	3,530,174	4,945,556
Amount due to subsidiary companies		
Non-trade related		
- Non-interest bearing	(41,175,342)	(42,109,774)

Movements in the allowance for impairment losses of amount due from subsidiary companies are as follows:

	Company	
	2019	**2018**
	RM	**RM**
At 1 July	23,756,071	23,756,071
Impairment losses recognised	1,610,643	-
Impairment losses reversed	(1,405,666)	-
At 30 June	23,961,048	23,756,071

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

Amount due from subsidiary companies bear interest at 4% p.a. (2018: 4% p.a.) are unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

13 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	1,144,269	2,137,968	10,000	10,000
Fixed deposits with licensed banks	244,724	29,871,284	10,074	51,156
	1,388,993	32,009,252	20,074	61,156

Fixed deposits with licensed banks of the Group amounting to RM244,724 (2018: RM211,908) are pledged as security for bank borrowings granted to a subsidiary company as disclosed in Note 17.

The effective interest rates and maturities period of fixed deposits of the Group as at the end of the reporting period range from 2.80% to 3.40% (2018: 2.95% to 3.40%) per annum and 1 month to 12 months (2018: 1 month to 12 months) respectively.

14 SHARE CAPITAL

	Group and Company	
	2019 RM	2018 RM
Ordinary shares issued and fully paid:		
At 30 June	68,022,580	68,022,580

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

15 RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable				
Revaluation reserve	8,241,030	8,388,579	-	-
Foreign currency translation reserve	(4,907)	2,968	-	-
	8,236,123	8,391,547	-	-
Accumulated losses	(48,877,854)	(44,016,833)	(54,842,395)	(54,028,870)
	(40,641,731)	(35,625,286)	(54,842,395)	(54,028,870)

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

a) Revaluation reserve

	Group	
	2019 RM	2018 RM
Property, plant and equipment		
At 1 July	8,388,579	8,536,128
Revaluation of land and buildings		-
Realisation of revaluation reserve	(147,549)	(147,549)
At 30 June	8,241,030	8,388,579

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.

b) 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.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

16 TREASURY SHARES

	Group and Company	
	2019	**2018**
	RM	**RM**
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 (2018: 60,000,000) issued and fully paid ordinary shares of RM1.00 each as at 30 June 2019, the Company held 2,094,800 (2018: 2,094,800) ordinary shares as treasury shares.

17 LOANS AND BORROWINGS

	Group	
	2019	**2018**
	RM	**RM**
Secured		
Term loans (Note a)	6,815,376	5,677,600
Finance lease liabilities (Note b)	1,389,254	2,867,029
Bankers acceptance (Note a)	-	-
Bank overdrafts (Note a)	-	-
	8,204,630	8,544,629
Non-current		
Term loans	4,993,797	5,368,136
Finance lease liabilities	768,710	1,729,352
	5,762,507	7,097,488
Current		
Term loans	1,821,579	309,464
Finance lease liabilities	620,544	1,137,677
Bankers acceptance	-	-
Bank overdrafts	-	-
	2,442,123	1,447,141
	8,204,630	8,544,629

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

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 5 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 payment of a subsidiary company;

iv) Corporate guarantee by the Company.

The average effective interest rates per annum are as follows:

	Group	
	2019	**2018**
	RM	**RM**
	%	**%**
Term loans	7.35 to 7.50	7.35 to 7.50
Finance lease liabilities	3.44 to 4.00	3.44 to 4.00

(b) Finance lease liabilities

	Group	
	2019	**2018**
	RM	**RM**
Minimum lease payments:		
Within one year	668,212	1,585,362
Later than one year and not later than two years	274,824	668,212
Later than two years and not later than five years	540,870	815,693
	1,483,906	3,069,267
Less: Future finance charges	(94,652)	(202,238)
Present value of minimum lease payments	1,389,254	2,867,029
Present value of minimum lease payments:		
Within one year	620,543	1,137,677
Later than one year and not later than two years	247,818	997,983
Later than two years and not later than five years	520,893	731,369
	1,389,254	2,867,029

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

17 LOANS AND BORROWINGS (CONT'D)

(b) Finance lease liabilities (Cont'd)

The Group leases computers for hire, motor vehicles and plant and machinery under finance lease (Note 5). 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	
	2019	**2018**
	RM	**RM**
At 1 July	2,680,407	2,730,970
Recognised in profit and loss	-	-
Recognised in other comprehensive income		
- Relating to revaluation of land and buildings	(45,255)	(50,563)
At 30 June	2,635,152	2,680,407

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Deferred tax assets	(17,522)	(17,522)	-	-
Deferred tax liabilities	2,652,674	2,697,929	-	-
	2,635,152	2,680,407	-	-

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

Group	**Unutilised Tax losses RM**	**Unutilised Capital Allowances RM**	**Total RM**
Deferred tax assets			
At 1 July 2018	-	(17,522)	(17,522)
Recognised in profit or loss	-	-	-
At 30 June 2019	-	(17,522)	(17,522)

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

18 DEFERRED TAX LIABILITIES (CONT'D)

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

Group	Unutilised Tax losses RM	Unutilised Capital Allowances RM	Total RM
Deferred tax assets			
At 1 July 2017	-	(17,522)	(17,522)
Recognised in profit or loss	-	-	-
At 30 June 2018	-	(17,522)	(17,522)
Company			
Deferred tax assets			
At 1 July 2018	-	(7,128)	(7,128)
Recognised in profit or los	-	-	-
At 30 June 2019	-	(7,128)	(7,128)

Group	Accelerated Capital Allowances RM	Revaluation of assets RM	Total RM
Deferred tax liabilities			
At 1 July 2018	33,522	2,664,407	2,697,929
Recognised in profit or loss	-	-	-
Over provision in prior years	-	-	-
Relating to revaluation of land and buildings	-	(62,777)	(62,777)
At 30 June 2019	33,522	2,601,630	2,635,152
At 1 July 2017	33,522	2,714,970	2,748,492
Recognised in profit or loss	-	-	-
Over provision in prior years	-	-	-
Relating to revaluation of land and buildings	-	(50,563)	(50,563)
At 30 June 2018	33,522	2,664,407	2,697,929
Company			
Deferred tax liabilities			
At 1 July 2018	7,128	-	7,128
Recognised in profit or loss	-	-	-
At 30 June 2019	7,128	-	7,128

18 DEFERRED TAX LIABILITIES (CONT'D)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Unutilised tax losses	37,457,247	59,754,892	13,935,221	10,566,553
Unutilised capital allowances	2,865,318	3,401,584	2,205,055	2,177,589
	40,322,565	63,156,476	16,140,276	12,744,142

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	
	2019	**2018**
	RM	**RM**
Trade payables	7,029,707	30,438,678

Credit terms of trade payables of the Group ranged from 30 to 90 days (2018: 30 to 90 days) depending on the terms of the contracts.

20 OTHER PAYABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Other payables	1,422,333	856,038	256,554	341,232
Deposits	60,800	58,998	-	-
Accruals	1,989,944	1,605,333	61,866	194,877
	3,473,077	2,520,369	318,420	536,109

21 REVENUE

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Contract revenue	52,288,125	150,158,240	-	-
Trading revenue	1,679,864	23,358	-	-
Services rendered	121,971	102,915	-	-
Management fee	-	-	3,540,000	3,459,000
Dividend income from a subsidiary company	-	-	800,000	800,000
	54,089,960	150,284,513	4,340,000	4,259,000

22 COSTS OF SALES

	Group	
	2019	**2018**
	RM	**RM**
Contract costs	34,260,445	124,019,030
Trading costs	699,225	31,956
Services costs	8,000	71,628
	34,967,670	124,122,614

23 FINANCE COSTS

	Group	
	2019	**2018**
	RM	**RM**
Interest expenses on:		
Bank overdrafts	50,496	35,415
Bankers acceptance	74,550	49,428
Finance lease liabilities	107,587	276,169
Term loans	52,537	235,055
Project Financing	603,253	1,321,964
	888,423	1,918,031

24 (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Auditors'remuneration				
- statutory audits	73,672	73,592	30,000	30,000
- non-audit services	5,000	5,000	5,000	5,000
Depreciation of property, plant and equipment	2,107,547	4,053,700	278,174	294,995
Gain on disposal of property, plant and equipment	(58,334)	(134,807)	(949)	(1,759)
Impairment losses on:				
- amount due from related company	5,742,775	3,332,521	-	-
- amount due from subsidiary companies	-	-	1,610,643	-
Reversal of impairment loss in amount due from subsidiary companies	-	-	(1,405,666)	-
Interest income from:				
- deposits with licensed banks	(210,853)	(488,431)	-	-
- advances to subsidiary companies	(213,344)	(331,223)	(213,344)	(331,223)
Provision for losses	-	952,227	-	-
Rental expenses				
- equipment	48,774	35,856	30,455	23,190
- motor vehicles	2,022	4,620	-	-
- premises	91,628	101,964	-	-
Rental income	(31,207)	(136,220)	-	-

Including in profit or loss before tax are the non-executive directors remuneration:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Non-executive Directors' remuneration				
- fees	183,145	290,333	183,145	290,333
- other emoluments	87,000	116,000	87,000	116,000

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

25 TAXATION

	Group	
	2019	**2018**
	RM	**RM**
Tax expenses recognised in profit or loss		
Current tax:		
- Current year provision	380,000	1,600,000
- Under provision in prior years	613,826	32,909
	993,826	1,632,909
Deferred tax:		
- Origination and reversal of temporary differences	(45,255)	(50,563)
- Over provision in prior years	(31,968)	-
	(77,223)	(50,563)
	916,603	1,582,346

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

25 TAXATION (CONT'D)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
(Loss)/Profit before tax	(4,032,839)	2,509,808	(789,135)	363,441
At Malaysian statutory tax rate of 24% (2018: 24%)	(967,881)	602,354	(189,392)	87,226
Expenses not deductible for tax purposes	2,216,041	1,408,466	108,886	112,046
Income not subject to tax	(626,198)	(681,811)	(86,360)	(271,916)
Income subject to tax	8,372		8,372	8,372
Movement of deferred tax assets / liability not recognised	-	220,428	-	64,272
Absorbed capital allowance	282,140		215,646	-
Absorbed business loss	920	-	(8,372)	-
Utilization of unabsorbed business loss	(424,143)	-	-	-
Deferred tax asset not recognised	126,100	-	-	-
Deferred tax liability recognised during the year	(24,390)	-	(24,390)	-
Under provision in prior years	325,642	32,909	-	-
	916,603	1,582,346	24,390	-

The Group and the Company have estimated unutilised tax losses and unutilised capital allowances carried forward, available to set-off against future taxable profit. The said amounts are subject to approval by the tax authorities.

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Unutilised tax losses	37,457,247	57,736,823	10,486,212	10,566,553
Unutilised capital allowances	2,865,318	3,440,471	2,205,055	2,177,589
	40,322,565	61,177,294	12,691,267	12,744,142

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

26 DISCONTINUED OPERATION/DEEMED DISPOSAL OF SUBSIDIARY

In March 2018, the former subsidiary of PT Linewin has increased its paid up from 612,245 to 637,245 units of share capital. The share issuance exercise by its existing shareholder has diluted the share percentage held by the Company from 51% to 49%. Due to this, there is a deemed disposal of investment in PT Linewin and PT Linewin become an associate company. The identifiable of assets and liabilities of PT Linewin for the year on deemed disposal is analysed as follows:

Identifiable assets	**2019**	**2018**
Property, Plant & Equipment	-	1,167,668
Inventories	-	7,381,381
Trade Receivables	-	320,557
Other Receivables, Deposit and Prepayment	-	1,039,527
Cash and Cash Equivalents	-	17,651
	-	9,926,784
Identifiable liabilities		
Trade Payables	-	979,650
Other Payables and Accrual	-	1,318,229
Term Loan	-	149,283
Amount Due to Related Companies	-	17,619,530
	-	20,066,692

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

26 DISCONTINUED OPERATION/DEEMED DISPOSAL OF SUBSIDIARY (CONT'D)

	2018	
	RM	**RM**
Gain on disposal of subsidiary		
Consideration Received		-
Fair Value of 49% Investment Retained		1,500,000
		1,500,000
(Less): Net Asset Derecognised:		
Share Capital	2,941,074	
Accumulated Losses	(11,780,849)	
Shareholders' Fund	(8,839,775)	
Representing:		
Non-Controlling Interest	4,331,491	
Owner of the Parent	(4,508,284)	(4,508,284)
Gain on deemed disposal of subsidiary		6,008,284

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

27 (LOSS)/EARNING PER SHARE

a) Basic (loss)/earning per shares

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

	Group	
	2019	**2018**
	RM	**RM**
(Loss)/profit attributable to owners of the parent	(5,008,570)	7,202,558
Weighted average number of ordinary shares in issue		
Issued ordinary shares at 1 July	60,000,000	60,000,000
Effect of treasury shares held	(2,094,800)	(2,094,800)
Weighted average number of ordinary shares at 30 June	57,905,200	57,905,200
Basic (loss)/earning per ordinary shares (in sen)	(8.65)	12.44

b) Diluted (loss)/earning per shares

The Group has no dilution in its (loss)/earning per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

28 STAFF COSTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Salaries, wages and other emoluments	7,314,016	6,991,179	1,817,647	1,475,477
Social security contributions	68,488	71,528	14,207	12,520
Defined contribution plans	878,513	901,391	256,707	207,723
Other benefits	444,689	1,620,953	118,879	220,350
	8,705,706	9,585,051	2,207,437	1,916,070

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Executive Directors				
Existing Directors of the Company				
Salaries and other emoluments	836,000	682,000	836,000	578,000
Defined contribution plans	96,000	80,400	96,000	69,360
Social contribution plan	1,847	1,752	1,847	1,476
Estimated money value of benefits-in-kind	24,167	21,250	24,167	12,396
	958,014	785,402	958,014	661,232
Executive Directors				
Existing Directors of the Subsidiary Company				
Salaries and other emoluments	-	394,500	-	-
Defined contribution plans	-	47,340	-	-
Social contribution plan	-	876	-	-
Estimated money value of benefits-in-kind	-	19,700	-	-
	-	462,416	-	-

29 COMMITMENT

Operating lease commitment - as lessee

	Group	
	2019	**2018**
	RM	**RM**
Within one year	-	862,853
Later than one year but not later than two years	-	761,505
	-	1,624,358

The future minimum lease payments payable under non-cancellable operating leases are: The Group leases a number of computer network equipment under operating leases. The leases typically run for a period of 3 to 5 years (2018: 3 to 5 years), with an option to renew the lease after that date. Operating lease payments are charged out to contract cost.

30 CONTIGENCIES

	Group	
	2019	**2018**
	RM	**RM**
Contingent liabilities		
Unsecured		
Corporate guarantee given to licensed banks for credit facilities granted to a subsidiary company	7,307,131	8,622,284

The Company has also undertaken to provide continuing financial support to certain subsidiary companies to enable them to meet their financial obligations as and when they fall due.

31 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 comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in Notes 11 and 12 to the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	Company	
	2019	**2018**
	RM	**RM**
Transactions with subsidiary companies		
- Dividend income receivable	800,000	800,000
- Interest income receivable	213,344	331,223
- Management fee receivable	3,540,000	3,459,000

	Company	
	2019	**2018**
	RM	**RM**
Transactions with companies in which certain Directors of the Company have an interest		
- Rental income on premises	-	-

c) Compensation of key management personnel

The remuneration of key management personnel is same as the Directors' remuneration as included in Note 28.

32 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has four 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 holding	Investment holding and provision of management services.
Lifestyle	Involve in lifestyle activities and special interest project.

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.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

32 SEGMENT INFORMATION (CONT'D)

2019	Information technology and service RM	Tele-Communications RM	Investment holding RM	Lifestyle RM	Manufacturing RM	Elimination RM	Consolidated RM
Revenue							
External sales	54,089,960	-	-	-	-	-	54,089,960
Inter-segment sales	2,500,008	-	4,340,000	-	-	(6,840,008)	-
Total revenue	56,589,968	-	4,340,000	-	-	(6,840,008)	54,089,960
Results							
Interest income	210,853	-	213,343	-	-	(213,343)	210,853
Finance costs	(1,094,812)	(6,955)	-	-	-	213,343	(888,424)
Depreciation of property, plant and equipment	622,652	230,139	278,174	1,152	-	-	1,132,117
Share of loss in associate company	-	-	-	-	(1,038,867)	-	(1,038,867)
Other non-cash items							
Segment profit/(loss)	(1,403,945)	(819,566)	429,249	(1,899,710)	-	(338,921)	(4,032,893)
Taxation	(919,661)	27,448	(24,390)	-	-	-	(916,603)
Segment assets	72,922,817	25,505,614	54,846,545	96,968	-	-	153,371,943
Included in the measurement of segment assets are:							
Investment in associate company	-	-	-	1,038,867	-	-	1,038,867
Capital expenditure	52,193	2,196	949	-	-	-	55,338
Segment liabilities	52,934,747	3,982,749	41,497,512	13,111,260	-	-	111,526,268

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

32 SEGMENT INFORMATION (CONT'D)

2018	Information technology and service RM	Tele-Communications RM	Investment holding RM	Lifestyle RM	Manufacturing RM	Elimination RM	Consolidated RM
Revenue							
External sales	150,284,513	-	-	-	-	-	150,284,513
Inter-segment sales	1,458,338	-	4,259,000	-	-	(5,717,338)	-
Total revenue	151,742,851	-	4,259,000	-	-	(5,717,338)	150,284,513
Results							
Interest income	488,431	-	-	-	-	-	488,431
Finance costs	(1,918,031)	-	-	-	-	-	(1,918,031)
Depreciation of property, plant and equipment	3,527,380	230,173	294,995	1,152	-	-	4,053,700
Share of loss in associate company	-	-	-	-	(461,133)	-	(461,133)
Other non-cash items							
Segment profit/(loss)	5,306,475	(1,567,984)	363,441	(330,992)	-	(1,261,132)	2,509,808
Taxation	(1,609,794)	27,448	-	-	-	-	(1,582,346)
Segment assets	65,386,076	13,826,852	3,337,923	1,107,548	-	-	83,658,399
Included in the measurement of segment assets are:							
Investment in associate company	-	-	-	1,038,867	-	-	1,038,867
Capital expenditure	1,117,713	-	(1,759)	-	-	-	1,115,952
Segment liabilities	50,956,088	1,878,782	536,109	4,000	-	-	53,374,979

32 SEGMENT INFORMATION (CONT'D)

Adjustments and eliminations

Capital expenditure consists of addition of property, plant and equipment.

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:

	Group	
	2019 RM	**2018 RM**
Gain on disposal of property, plant and equipment	(58,334)	(134,807)
Written off of:		
-property, plant and equipment	9,293	-
	(49,041)	(134,807)

Geographic information

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

	Revenue		Non-current assets	
Group	**2019 RM**	**2018 RM**	**2019 RM**	**2018 RM**
Malaysia	53,727,559	150,241,850	24,400,458	26,344,784
Brunei	362,401	42,663	3	3
	54,089,960	150,284,513	24,400,461	26,344,787

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

Major customers

Revenue from major customers, the Government Ministries and Departments, Local Authorities or government linked companies under the control of Government of Malaysia amount to RM51,925,724 (2018 : RM150,241,850), arising from sales in the information technology and services segment.

33 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:

Group 2019	Fair value through profit or loss RM	Designated at fair value through profit or loss RM	Fair value through other comprehensive income RM	At amortised cost RM	Total contractual cash flows RM	Assets not in scope of MFRS 9 RM	Total carrying amount RM
Financial assets							
Assets							
Amount due from contract customer	-	-	-	4,892,336	4,892,336	-	4,892,336
Trade receivables	-	-	-	15,217,555	15,217,555	-	15,217,555
Other receivables	-	-	-	1,895,496	1,895,496	-	1,895,496
Amount due from related company	-	-	-	5,742,775	5,742,775	-	5,742,775
Cash and cash equivalents	-	-	-	1,388,993	1,388,993	-	1,388,993
	-	-	-	29,137,155	29,137,155	-	29,137,155

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

33 FINANCIAL INSTRUMENTS (CONT'D)

(b) Classification of financial instruments

Group 2018	**Loans and receivables RM**	**Financial assets and liabilities measured at amortised cost RM**	**Total RM**
Financial assets			
Trade receivables	6,516,525	-	6,516,525
Other receivables	6,242,030	-	6,242,030
Cash and cash equivalents	32,009,252	-	32,009,252
	44,767,807	-	44,767,807

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

33 FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments

Group 2019	Fair value through profit or loss RM	Designated at fair value through profit or loss RM	Fair value through other comprehensive income RM	At amortised cost RM	Total contractual cash flows RM	Assets not in scope of MFRS 9 RM	Total carrying amount RM
Financial Liabilities							
Amount due to customer contract				5,604,634	5,604,634	-	5,604,634
Trade payables	-	-	-	7,029,707	7,029,707	-	7,029,707
Other payables	-	-	-	3,473,077	3,473,077	-	3,473,077
Loans and borrowings				8,204,630	8,204,630	-	8,204,630
	-	-	-	24,312,048	24,312,048	-	24,312,048

33 FINANCIAL INSTRUMENTS (CONT'D)

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

	Loans and receivables RM	Financial assets and liabilities measured at amortised cost RM	Total RM
Group			
2018			
Financial liabilities			
Loans and borrowings	-	8,544,629	8,544,629
Trade payables	-	30,438,678	30,438,678
Other payables	-	2,520,369	2,520,369
	-	41,503,676	41,503,676

(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, and interest rate 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 their receivables from customers and deposits with banks and financial institutions, loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to a subsidiary company.

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.

33 FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Credit risk (Cont'd)

The Company provides unsecured loans and advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to a subsidiary company. 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 a subsidiary company. The Company's maximum exposure in this respect is RM7,307,131 (2018: RM8,622,284), representing the outstanding banking facilities of the subsidiary company 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.

Credit risk concentration profile

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:

	2019		2018	
	RM	%	RM	%
Group				
Information technology and services	14,800,887	100	6,087,357	93

(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 timelybasis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

33 FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Liquidity risk (Cont'd)

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.

Group	On demand or within 1 year	1 to 2 years	2 to 5 years	After 5 years	Total contractual cash flows	Total carrying amount
	RM	RM	RM	RM	RM	RM
2019						
Non-derivative financial liabilities						
Term loans	2,250,726	572,725	1,718,177	9,425,428	13,967,056	6,815,376
Finance lease liabilities	668,212	247,824	503,527	-	1,419,563	1,389,254
Trade and other payables	10,502,784	-	-	-	10,502,784	10,502,784
	13,421,722	820,549	2,221,704	9,425,428	25,889,403	18,707,414
2018						
Non-derivative financial liabilities						
Term loans	590,544	590,544	1,771,632	10,148,960	13,101,680	5,677,600
Finance lease liabilities	1,585,362	668,212	815,694	-	3,069,268	2,867,029
Trade and other payables	32,959,047	-	-	-	32,959,047	32,959,047
	35,134,953	1,258,756	2,587,326	10,148,960	49,129,995	41,503,676

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

33 FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Liquidity risk (Cont'd)

Company	**On demand or within 1 year**	**Total contractual cash flows**	**Total carrying amount**
2019	**RM**	**RM**	**RM**
Non-derivative financial liabilities			
Other payables	318,420	318,420	318,420
Amount due to subsidiary companies	41,175,342	41,175,342	41,175,342
	41,493,762	41,493,762	41,493,762
2018			
Non-derivative financial liabilities			
Other payables	536,109	536,109	536,109
Amount due to subsidiary companies	42,109,774	42,109,774	42,109,774
	42,645,883	42,645,883	42,645,883

(iii) Market risks

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) and European Dollar (EURO).

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.

33 FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risks (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 Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

33 FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Market risks (Cont'd)

b) Interest rate risk (Cont'd)

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

Group	**2019**	**2018**
	RM	**RM**
Fixed rate instruments		
Financial assets	244,724	29,871,284
Financial liabilities	(8,204,630)	(8,544,629)
	(7,959,906)	21,326,655
Company		
Fixed rate instrument		
Financial asset	17,428,358	19,428,997

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.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group's (loss)/profit before tax by RM Nil (2018: RM Nil), 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.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

33 FINANCIAL INSTRUMENTS (CONT'D)

c) Fair value of financial instruments

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

The carrying amounts of long term floating rate loans approximate their fair value as the loans will be re-priced to market interest rate on or near reporting date.

The table below analyses financial instruments on those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value			Total carrying amount
	Level 1	**Level 2**	**Level 3**	
Group	**RM**	**RM**	**RM**	**RM**
2019				
Financial liabilities (Non-current)				
Term loans	-	4,993,797	-	4,993,797
Finance lease liabilities	-	768,710	-	768,710
	-	5,762,507	-	5,762,507
2018				
Financial liabilities (Non-current)				
Term loans	-	5,368,136	-	5,368,136
Finance lease liabilities	-	1,729,352	-	1,729,352
	-	7,097,488	-	7,097,488

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

33 FINANCIAL INSTRUMENTS (CONT'D)

c) Fair value of financial instruments (Cont'd)

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

Fair value, which is determined for disclosure purpose, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair value for the financial assets and liabilities are estimated using observable inputs.

34 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.

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 and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	Group	
	2019	**2018**
	RM	**RM**
Total loans and borrowings (Note 17)	8,204,630	8,544,629
Less: Cash and Cash Equivalents (Note 13)	(1,144,269)	(31,797,344)
Net debts	7,060,361	(23,252,715)
Total equity	25,323,887	30,283,420
Gearing ratio	0.28	N/A*

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2019

34 CAPITAL MANAGEMENT (CONT'D)

* The gearing ratio is not applicable as the Company has sufficient cash and cash equivalents to settle the liabilities as at year end.

35 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 2 October 2019.

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PROXY FORM

Number of shares held :
CDS Account No :

I/We ____________________ NRIC/Company No. ____________
of ____________________
____________________ being a member / members of Edaran Berhad,
hereby appoint ____________________ NRIC No. ____________
of ____________________
or in his absence, ____________________ NRIC No. ____________
of ____________________

as my/our proxy to vote for me/us on my/our behalf at the Twenty Seventh Annual General Meeting of Edaran Berhad to be held on Wednesday, 27 November 2019 at No. 2 Jalan 4/76C, Desa Pandan, 55100 Kuala Lumpur at 10.00 a.m. and at any adjournment thereof.

My / Our proxy is to vote as indicated below :

	RESOLUTIONS	FOR	AGAINST
RESOLUTION 1	To re-elect a Director retiring under Article 101 of the Company's Articles of Association: • **Dato' Abdul Malek Ahmad Shazili**		
RESOLUTION 2	To re-elect a Director retiring under Article 101 of the Company's Articles of Association: • **Encik Ahmad Yasri Mohd Hashim @ Mohd Hassan**		
RESOLUTION 3	To approve the payment of the Directors' fee for the financial year ended 30 June 2019.		
RESOLUTION 4	To re-appoint Messrs. Jamal, Amin & Partners as Auditors of the Company and to authorise the Directors to fix their remuneration.		
RESOLUTION 5	To give authority to the Directors to issue shares under Sections 75 and 76 of the Companies Act, 2016.		
RESOLUTION 6	To give an approval to a Director who has 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: • **Dato' Abdul Halim Abdullah**		
RESOLUTION 7	To give an approval to a Director who has 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: • **Datuk Emam Mohd Haniff Emam Mohd Hussain**		
RESOLUTION 8	To give an approval to a Director who has 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: • **Dato' Hj Abdul Hamid Mustapha**		
RESOLUTION 9	To give an approval to a Director who has 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: • **Dato' Abdul Malek Ahmad Shazili**		

(Please indicate with an "X" in the spaces provided how you wish to cast your votes. If you do not do so, the Proxy will vote or abstain from voting at his/her discretion.)

Signed this ____________ day of ____________ 2019

____
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 20 November 2019 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.

Fold this flap for sealing

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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, Jalan 4/76C
Desa Pandan
55100 Kuala Lumpur

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

www.edaran.com

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

Tel : (6) 03-9206 7383
Fax : (6) 03-9283 0192