



**KANNALTEC BERHAD**  
(635696-V)

LOGISTIC INFORMATICS

SHARED SERVICES AND OUTSOURCING (SSO)

E-GOVERNMENT

ANNUAL REPORT

08





**KANNALTEC BERHAD**  
(635696-V)

## Company's Profile

Kannaltec was incorporated in Malaysia on 2 December 2003 under the Companies Act 1965 as a private limited company under the name of Dwikarya (M) Sdn. Bhd. and subsequently changed its name to Kannaltec Sdn. Bhd. on 14 February 2004. It was converted to a public limited company under the name of Kannaltec Berhad on 4 March 2004. Kannaltec Berhad was successfully listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 4 May 2005.

The principal activity of Kannaltec Berhad is investment holding. It has nine (9) subsidiaries namely Kannal Softech Sdn. Bhd., Kannal Technologies Sdn. Bhd., CDC Control (M) Sdn. Bhd., Kannal Solutions Sdn. Bhd., KTEC Darul Ehsan SSO Centre Sdn. Bhd., Asia ICT Shared Services Centre Sdn. Bhd., Obnet Holdings Sdn. Bhd., Virtualnet Securespeed Sdn. Bhd., and Obnet Sdn. Bhd..

It has a 49% owned associated company in Thailand under the name of Kannal Solutions (Thailand) Co. Ltd..

Kannal Softech Sdn. Bhd. was incorporated in Malaysia on 16 July 2003 and is a MSC Status Company. It is the research and development arm for Kannaltec Group in developing IT solutions and products.

Kannal Technologies Sdn. Bhd. incorporated on 1 October 1987, was principally engaged as an operator of maritime carriage monitoring system.

CDC Control (M) Sdn. Bhd., incorporated on 14 May 1998, was principally engaged in implementing the monitoring and collection of container detention charges. CDC Control (M) Sdn. Bhd. is a wholly-owned subsidiary company of Kannal Technologies Sdn. Bhd. and was certified ISO 9001:2000 by Lloyd's Register of Shipping (M) Bhd. on 3 November 2004.

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## Delivering Change through Technology!

Kannal Solutions Sdn. Bhd. which was incorporated on 15 February 2006 is involved in the shared services and outsourcing business. It received the MSC status on 6 February 2008.

Asia ICT Shared Services Centre Sdn. Bhd. which was incorporated on 24 May 2006 is currently a dormant company and is expected to carry on the business of investment holding and ICT business.

KTEC Darul Ehsan SSO Centre Sdn. Bhd. which was incorporated on 1 June 2006 is currently dormant and is expected to carry on the business of ICT shared services and outsourcing centre.

Obnet Holdings Sdn. Bhd. was incorporated on 24 July 2007. It is currently dormant and is expected to carry on the business of investment holding.

Virtualnet Securespeed Sdn. Bhd., (VNS) was incorporated on 19 June 2006. VNS is currently dormant and is expected to carry on the business of provision of information & Communications Technology ("ICT") and investment holding.

Obnet Sdn. Bhd. was incorporated on 14 March 1997 and is principally engaged in the provision of telecommunication services, consultants, designer and adviser relating to the development and implementation of computer system.

Kannal Solutions (Thailand) Co. Ltd. is incorporated in Thailand on 20 April 2006 to undertake the business of maritime and ICT Services.

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# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of the Company will be held at Crown Hall, Crystal Crown Hotel, Port Klang No: 127, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan on Monday, 22nd September 2008 at 10.30 a.m. for the following purpose:

## AGENDA

### As Ordinary Business

- |   |                              |
|---|------------------------------|
| 1. "THAT, the Directors' Report and the Audited Financial Statements for the financial year ended 31 March 2008 and Auditors Reports thereon be and are hereby received and adopted."   | <b>Ordinary Resolution 1</b> |
| 2. "THAT, the Directors' fees for the financial year ended 31st March 2008 amounting to RM264,100.00 be and is hereby approved."  | <b>Ordinary Resolution 2</b> |
| 3. "THAT, Tuan Haji Azhari Bin Mohamed, the Director who retires in accordance with Article 98 of the Company's Articles of Association, be and hereby re-elected Director of the Company."   | <b>Ordinary Resolution 3</b> |
| 4. "THAT, Puan Sa'edah Binti Jamek, the Director who retires in accordance with Article 98 of the Company's Articles of Association, be and hereby re-elected Director of the Company."   | <b>Ordinary Resolution 4</b> |
| 5. "THAT, YBhg. Dato' Thangarajo A/L A. Subramaniam, the Director who retires in accordance with Article 103 of the Company's Articles of Association, be and hereby re-elected Director of the Company."   | <b>Ordinary Resolution 5</b> |
| 6. "THAT, Messrs Viru, Goona & Associates, who are eligible and have given their consent for re-appointment, be and are hereby re-appointed the Company's Auditors for the period until the conclusion of the next AGM and that the remuneration to be paid to them be fixed by the Board." | <b>Ordinary Resolution 6</b> |

### As Special Business

To consider and if thought fit, pass with or without modifications the following resolution:

- |  |                              |
|--|------------------------------|
| 7. Authority to Allot Shares   |                              |
| <p>"THAT, subject to the Companies Act, 1965, the Articles of Association of the Company and approvals of the relevant governmental and/or regulatory authorities, approval be and is hereby given for the Directors to exercise, pursuant to Section 132D of the Companies Act, 1965, the power to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued capital of the Company and that such approval shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."</p> | <b>Ordinary Resolution 7</b> |
| 8. To transact any other business that may be transacted at an Annual General Meeting for which due notice has been given in accordance with the Companies Act, 1965.  |                              |

### By Order of the Board

**Wan Haslinda Bt Wan Yusoff**  
Company Secretary  
MAICSA 7055478

Port Klang  
Dated : 29 August 2008

## Notice of Annual General Meeting - continued

### NOTES:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint up to two (2) proxies to attend and vote instead of the member. A proxy appointed may but need not be a member of the Company. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.
2. The instrument appointing a proxy shall be signed by the appointor or his attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under its common seal or under the hand of an officer or attorney duly authorized.
3. Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No: 149A, 149B, 151B, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan not less than 48 hours before the time for holding the meeting or any adjournment thereof.

### EXPLANATORY NOTES ON SPECIAL BUSINESS:

#### NOTE 1

Resolution 7

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

The proposed Ordinary Resolution, under item seven (7) if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding 10% of the total issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority unless revoked or varied by the Company at a general meeting will expire at the next annual general meeting.



# Statement Accompanying Notice of Annual General Meeting

## RETIREMENT OF DIRECTORS

Pursuant to Rule 8.36(2) of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, the details of directors who are standing for re-election are set out in their respective profiles which appear in the Board of Directors' Profile on pages 11 to 14 of the Annual Report 2008. The details of their respective interests in the securities of the Company are set out in the Analysis of Shareholdings which appear on pages 54 to 55 of the Annual Report 2008.

1. Names of Directors who are standing for re-election are as follows:
  - a. Directors seeking re-election pursuant to Article 98 of the Company's Articles of Association.
    - Tuan Haji Azhari Bin Mohamed
    - Puan Sa'edah Binti Jamek
  - b. Director seeking re-election pursuant to Article 103 of the Company's Articles of Association.
    - YBhg. Dato' Thangarajo A/L A. Subramaniam
2. Details of General Meetings held in the financial year ended 31 March 2008.

N/A

# Corporate Information

## BOARD OF DIRECTORS

YBhg. Datuk Mohan A/L A Kandasamy  
(Executive Chairman)

Tuan Haji Hedzier Bin Haji Ahmad  
(Executive Deputy Chairman)

Sukunan A/L Kandasamy  
(Executive Director)

Sangar Nallappan  
(Executive Director)

Sa'edah Binti Jamek  
(Non-Executive Director)

YBhg. Dato' Thangarajo A/L A. Subramaniam  
(Independent Non-Executive Director)

Tuan Haji Azhari Bin Mohamed  
(Independent Non-Executive Director)

## BOARD COMMITTEES

### Audit Committee

Tuan Haji Azhari Bin Mohamed (Chairman)

YBhg. Dato' Thangarajo A/L A. Subramaniam

Sa'edah Binti Jamek

### Nomination Committee

YBhg. Dato' Thangarajo A/L A. Subramaniam (Chairman)

Tuan Haji Azhari Bin Mohamed

Sa'edah Binti Jamek

### Remuneration Committee

Tuan Haji Azhari Bin Mohamed (Chairman)

YBhg. Dato' Thangarajo A/L A. Subramaniam

Sa'edah Binti Jamek

## COMPANY SECRETARY

Wan Haslinda Binti Wan Yusoff (MAICSA 7055478)

## CHIEF EXECUTIVE OFFICER

Lim Han Boon

## SHARE REGISTRAR

### Mega-Wan Share Registration Sdn. Bhd.

(Company No: 409016-P)

149A, 149B, 151B,

Persiaran Raja Muda Musa, 42000, Port Klang

Selangor Darul Ehsan

Tel : 03-3167 3830 Fax : 03-3168 3830

## STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia Securities Berhad

## PLACE OF INCORPORATION

Incorporated in Malaysia

## COMPANY NO.

635696-V

## REGISTERED OFFICE

No. 149A, 149B, 151B, Persiaran Raja Muda Musa

42000 Port Klang, Selangor Darul Ehsan

Tel : 03-3167 3830 Fax : 03-3168 3830

## HEADQUARTER

Wisma Kannal, No. 111 Persiaran Pegaga

Bayu Perdana, 41200 Klang, Selangor Darul Ehsan

Tel : 03-3324 8111 Fax : 03-3324 9114

## CORPORATE OFFICE

Unit A805-7, Level 8, West Wing

Wisma Consplant 2, No. 7 Jalan SS16/1

47500 Subang Jaya, Selangor Darul Ehsan

Tel : 03-5621 8000 Fax : 03-5621 8080

## Corporate Information - continued

### AUDITORS

Viru, Goona & Associates (AF 0879)  
No. 43-1, Jalan Thambapillai, Brickfields  
50470 Kuala Lumpur  
Tel : 03-2273 3510

### Sponsor

MIMB Investment Bank Berhad (10209-W)  
Tingkat 21, Menara EON Bank, 288 Jalan Raja Laut  
50350 Kuala Lumpur  
Tel : 03-26910200

### PRINCIPAL BANKER

CIMB Bank Berhad (13491-P)  
No. 1, Lorong Batu Tiga, Off Jalan Lintang 3  
41300 Klang, Selangor Darul Ehsan

### WEBSITE ADDRESS

<http://www.kannaltec.com>

## Subsidiary Directors and Key Management Team

### CDC CONTROL (M) SDN. BHD. (462353-X)

#### DIRECTORS

Sukunan A/L Kandasamy

Lim Han Boon

Kan Lai Fun

Parthiban A/L Muniandy

#### COMPANY SECRETARY

Wan Haslinda Binti Wan Yusoff

#### KEY MANAGEMENT TEAM

Lim Han Boon  
(Chief Executive Officer)

Kan Lai Fun  
(General Manager)

Phang Kah Fatt  
(Financial Controller)

### KANNAL SOLUTIONS SDN. BHD. (723874-V)

#### DIRECTORS

Lim Han Boon

Paul Raymond Raj A/L Davadass

#### COMPANY SECRETARY

Wan Haslinda Bin Wan Yusoff

#### KEY MANAGEMENT TEAM

Lim Han Boon  
(Chief Executive Officer)

Chan Fook Yee  
(General Manager Business Development)

Goh Eng Choon  
(General Manager Operations)

Phang Kah Fatt  
(Financial Controller)

## Subsidiary Directors and Management Team - continued

### OBNET SDN. BHD. (423095-H)

#### DIRECTORS

Sukunan A/L Kandasamy

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Mahendrarajah A/L Selvaraja

---

Nur Akmar Bt Hedzier

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Mohammad Yazid Bin Suria

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#### COMPANY SECRETARY

Maziyah Mohd Zin

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#### KEY MANAGEMENT TEAM

Jonedi Bin Mohamad  
(Chief Executive Officer)

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Mahendrarajah A/L Selvaraja  
(Operations Director)

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Nur Akmar Hj Hedzier  
(General Manager)

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### KANNAL SOFTECH SDN. BHD. (621860-W)

#### DIRECTORS

Sukunan A/L Kandasamy

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Lim Han Boon

---

Kan Lai Fun

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Parthiban A/L Muniandy

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#### COMPANY SECRETARY

Wan Haslinda Binti Wan Yusoff

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#### KEY MANAGEMENT TEAM

Lim Han Boon  
(Chief Executive Officer)

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Kan Lai Fun  
(General Manager)

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Phang Kah Fatt  
(Financial Controller)

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# Chairman's Statement

## Dear Shareholders

**It is my pleasure and privilege once again to present the Annual Report 2008 of Kannaltec Berhad on behalf of the Board of Directors.**

Indeed this has been a challenging year for the shareholders of Kannaltec Berhad amid weak market sentiments and an underperforming equity market. However, we remained disciplined and focused on carrying out the long term growth strategies charted by your Board of Directors to diversify into new businesses and broaden our revenue base to reduce overall business portfolio risk. In fact, the financial year under review has seen Kannaltec Berhad taking an important step forward towards transforming into a managed Information Communications and Technology (ICT) services provider company.

We continue to build on our core competencies in developing logistic solutions for our customers, and have begun to reap the fruits of our labour from investing in the Shared Services and Outsourcing (SSO) business unit. Our E-Government Services business unit successfully completed Phase I of its development plan of the Selangor Broadband Infrastructure (SELNet). We successfully built the SELNet Core Network which now serves as a secured high-speed broadband network infrastructure that connects key Selangor State Government offices.

## FINANCIAL PERFORMANCE

The Group continued to record an impressive growth in revenue of 60.8 percent to RM17.0 million for the financial year ended 31 March 2008. However, the Group's Profit before Taxation decreased to RM3.3million as compare to RM4.2million posted in the previous financial year amid increasing pressure on operating costs.

## LOGISTIC INFORMATICS

During the period under review, we continued to build on our core competencies in providing container monitoring solutions and other logistic solutions for our customers. Our web portal has been enhanced to include the accessibility by the forwarders as well as the consignees. The outport container monitoring solutions have also been enhanced to cater for the combined detention and demurrage charges capabilities.

## SHARED SERVICES AND OUTSOURCING (SSO)

We continue to make significant progress in our SSO business unit. As mentioned in my 2007 Chairman's Statement, your Board of Directors were confident that this business unit would contribute positively to the Group's financial year 2008 results - and indeed we have.

We successfully broadened our revenue base by increasing our customer base and thereby expanded our capacity from 340 seats in 2007 to 470 seats. We expanded our services to provide business process and outsourcing services, which includes the provision of call and contact centre services as well as business continuity and recovery infrastructure and services, to Small and Medium Enterprises (SMEs) and Multi National Companies (MNCs) from various industries including those from the insurance, shipping and logistics, network broadcasting, financial services and banking industries.

In recognition of our supporting role in the development of the SSO industry in Malaysia, our wholly owned subsidiary company, Kannal Solutions Sdn. Bhd., was accorded Multimedia Super Corridor (MSC) status by the Multimedia Development Corporation of Malaysia (MDeC) during the period under review. Notably, along with the MSC status, we have been granted up to ten [10] years pioneer status (100 percent tax exemption).

	2008 RM'000	2007 RM'000	2006 RM'000
Revenue	17,005	10,573	8,585
Profit Before Taxation	3,297	4,195	3,578
Profit After Taxation and Minority Interest	3,599	4,146	3,567
EPS (sen)	2.97	3.42	2.99

## E-GOVERNMENT SERVICES

Our E-Government Services business unit successfully developed the SELNet Core Network which now serves as a secured high-speed broadband network infrastructure that connects key Selangor State Government offices. However the process to connect the many government departments, district offices and municipal authorities to the Core Network under Phase II of our development plan for SELNet had slowed down considerably since the March 2008 change in political landscape in the state of Selangor. We had our performance and the concession agreement to build, operate and maintain a broadband network infrastructure reviewed as the Selangor State Government reassessed its internal long term ICT strategy.

We are presently in the midst of active discussions with the Selangor State Government. Your Board of Directors are confident that this business unit will continue with its development plan for SELNet in the near term and that it will play a significant role in the Selangor State Government's initiative to drive modernization, boost administrative efficiencies and improve public service delivery. This unit is expected to contribute positively to the Group's results in coming years.

## RESEARCH & DEVELOPMENT

We continue to recognise that Research and Development is a critical pillar in the support of the Group's goal to be a leading Managed Information Communications and Technology (ICT) Services Provider company. During the financial year, the Group invested a total of RM20.45million into development activities – primarily for the development of SELNet.

As in the past, we will continue to strive towards achieving the Group's goals by constantly improving and re-inventing our product and service offerings through innovation and continuous enhancement

of our solutions. Towards this end, we remain committed to invest into Research & Development activities based on best and leading practices to achieve a sustainable competitive advantage over our competitors.

## CORPORATE GOVERNANCE, INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATIONS

The Group remains committed to uphold and maintain its good corporate governance track record through timely, objective reporting and constant communication with all its stakeholders.

The Group is committed to maintaining an open and transparent approach to its investor relations and shareholder communications program. We have always valued our shareholders viewpoints and comments through many forums like general meetings and also analysts and fund managers' meeting and conferences.

We have during the year organised programs to ensure that shareholders, analysts and fund managers are given consistent and updated information on the Group. We will continue to pursue these efforts to highlight the Group's good governance, and operational and management capabilities for better market acceptance.

## UTILIZATION OF LISTING PROCEEDS

The listing of Kannaltec Berhad on the MESDAQ market of Bursa Malaysia in May 2005 involved the raising of RM15.8million through rights and public issues of its shares. Since the listing, the Group has utilised all of its listing proceeds.

## THE YEAR AHEAD

The year ahead promises tremendous challenges, against the backdrop of a slowing economy, rising inflation, and the expectation of rising interest rates. The Malaysian economic growth is expected to grow at a slower pace of 4.6 percent in 2008. We anticipate continued pressure on operating costs. Your Board of Directors have charted a strategic plan for the Group to reduce cost, streamline resources, remove redundancies and maximise asset utilisation.

The Malaysian port capacity is expected to grow from 443.3 million tonnes in Year 2005 to 570.0 million tonnes by Year 2010. In addition, global competition, increasingly demanding customers, and the rapidly changing business environment are forcing organisations to seek innovative ways to improve the performance of their supply chain. For instance, we are beginning to see the move by the logistics industry to reduce the ports' free storage period for containers from the current five[5] days to three[3] days. Shipping lines are demanding for faster turnaround time of their containers. Improving supply chain performance has undoubtedly become a major goal of achieving operational excellence in an organisation's pursuit of competitiveness.

We will continue to build on our core competencies in providing container monitoring solutions and other logistic solutions for our customers and seed new opportunities through our market penetration strategies. Our product development strategies will continue to focus on integrating key processes, from original suppliers through to end-users. We believe that the Group is in a unique position - having built a niche in the logistic informatics industry – to continue to develop efficient supply chain management solutions that will strengthen the vital link for the nation, the economy, corporations and individuals, and above all, enabling our customers to reap rich dividends for achieving better integration in their supply chain and thereby increasing their competitiveness.

## Chairman's Statement - continued

Malaysia continues to receive recognition as a preferred destination for SSO globally. The Association of the Computer and Multimedia Industry of Malaysia (PIKOM) has identified SSO as a potential growth factor in 2008 and has estimated the SSO industry in Malaysia to be worth USD2 billion by 2012. Your Board of Directors believe that we are in a fast growing industry with tremendous potential for growth. We believe we have the ability to compete effectively given the expertise we have developed and nurtured. We expect to further invest in expanding our SSO business unit. We will remain committed to continuous improvement of our process management and service quality through talent and knowledge management as well as research and development. We will seek to expand our service provision to provide more domain specific and business process driven solutions and services.

The ICT industry is earmarked as one of the main driving forces to transform Malaysia into knowledge based economy and a developed nation by 2020. According to PIKOM, total technology expenditure in Malaysia is expected to record RM45 billion in 2008. By sector, the government sector remains one of the largest spenders on ICT. In addition, we are further encouraged by the Government of Malaysia's commitment to expanding high-speed broadband use to improve public service delivery.

As previously mentioned, the process to connect the many government offices to the Core Network under Phase II of our development plan for SELNet had slowed down considerably. Nonetheless, your Board of Directors believe we will continue with our development plan for SELNet in the near term. We anticipate that the interruption to our development plan will result in much of the financial year 2009 being spent on building the broadband network infrastructure for the Selangor State Government. This business unit is expected to contribute positively to the Group results in coming years when we begin to operate and maintain the said infrastructure.

Given the above and barring any unforeseen circumstances, your Board of Directors is confident that the overall financial performance of the Group for the financial year ending 31 March 2009 will continue to improve.

### IN CLOSING

The Group's development could not have been possible without the dedication of our people. On behalf of the Board of Directors, I wish to express my sincere appreciation for the valuable support and contribution from all our staff. As we seek to transform into a leading managed ICT services provider company, our commitment must remain to hold steadfast to our core values as we rethink and reinvent ourselves.

We also wish to express our appreciation to our customers, business partners, members of the media and our shareholders who have contributed in various ways towards the success of the Group over the last 12 months. We thank you for your faith and trust in the Group's capabilities, and we hope to continue our mutually beneficial partnership far into the future.

Finally, my personal appreciation to my fellow members of the Board for their untiring effort in charting the strategic direction and corporate values of the Group. I also like to take this opportunity to welcome YBhg. Dato' Thangarajo A/L A. Subramaniam who joined the Board during the period under review.

**YBHG. DATUK MOHAN A/L A KANDASAMY**  
Executive Chairman  
25 July 2008

## Board of Directors' Profile



### **YBhg. Datuk Mohan A/L A Kandasamy**

Executive Chairman  
Aged 48, Malaysian

YBhg. Datuk Mohan A/L A Kandasamy is the Executive Chairman of Kannaltec Bhd.. He was appointed to the Board on 15 February 2005 and assumed the Executive Chairman position on 6 October 2006. He is responsible for the business direction and strategies of Kannaltec Group. He possesses more than 22 years experience in the marine industry. He started his carrier in 1983 as a surveyor in Caleb Bret (M) Sdn. Bhd., principally involved in international marine inspection and testing. He was attached to Jardine Surveying Services (M) Sdn. Bhd. (JSSSB) for 6 years before he took over the Jardine surveying business via an MBO. He specialized in edible oils, crude and refined oil products surveys. He has served as a consultant to insurance companies on marine claims and pre-underwriting risk assessment. He is also well-versed with all aspects of container handling, damage assessment and claims including demurrage. He is responsible for the initiation and implementation of the scheme known as container monitoring scheme. Through a systematic and technology-based system where data is electronically transferred on a real-time basis, the scheme has saved tens millions of Ringgit for the local maritime industry and eradicated malpractices while increasing the efficiency of the container transport system. The participants of the scheme are over 38,000 consignees, 67 shipping lines, 30 container yards, 1,800 forwarders at 8 major ports in Malaysia. The scheme is currently used by international shipping conference and major shipping lines. He holds a professional marine insurance qualification with Australian Insurance Institute (AAIL).

Apart from being a prominent corporate figure he is also extensively involved in public service where he was conferred Datukship in 2005 by DYMM Yang Di Pertuan Agung XII Tuanku Syed Sirajuddin Ibni AL-Marhum Tuanku Syed Putra Jamalullail.

Datuk Mohan is an indirect substantial shareholder of the Company by virtue of his ownership in Middle Entity (M) Sdn. Bhd., Sukunan A/L Kandasamy and Annadurai A/L A. Kandasamy being his brothers' direct interest in Kannaltec Berhad. His shareholding in the Company is disclosed in page 55 of the Annual Report.

Datuk Mohan does not have any personal interest in any business arrangements involving the Company and is not a director of any other public listed company.

He also does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

During the financial year, Datuk Mohan has attended four (4) out of the five (5) meetings of the Board.

### **Tuan Haji Hedzier Bin Haji Ahmad**

Executive Deputy Chairman  
Aged 61, Malaysian.

Tuan Haji Hedzier bin Haji Ahmad has been appointed the Executive Deputy Chairman of the Company on 6 October 2006. He is an automobile engineer. He started his career as a quality Control Executive in Champion Motor Assemblies. In his 30-year career, he has worked with multinational corporations and big corporate bodies including Tractors Malaysia Bhd. Tatab Industries Sdn. Bhd., Scandinavian Motors Sdn. Bhd. and Pembangunan Jentera Sdn. Bhd.. He has vast knowledge in marketing and contacts in different industrial segments. Currently, he is a Director of Gabungan Sinergi Sdn. Bhd.. Prior to that, he was with Inchcape-Timuran Sdn Bhd as Sales Director from 1996 to 2000. He obtained his Diploma/C&G Intermediate in Automobile Engineering from the Institute of MARA in 1967.

Tuan Haji Hedzier has no family relationship with any of the directors. He is an indirect substantial shareholder of the Company by virtue of his interest in Juta Imperium (M) Sdn. Bhd.. His shareholding in the Company is disclosed in page 55 of the Annual Report.

Tuan Haji Hedzier does not have any personal interest in any business arrangements involving the Company and is not a director of any other public listed company.

He also does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

During the financial year, Tuan Haji Hedzier has attended four (4) out of the five (5) meetings of the Board.

## Board of Directors' Profile - continued

### **Sukunan A/L Kandasamy**

Executive Director  
Aged 46, Malaysian

Sukunan A/L Kandasamy was appointed to the Board on 26 September 2005. He was instrumental in the design of the software system for monitoring of containers for major shipping lines, development of solutions for process re-engineering to cater for changing environment and challenges, development of system for online data transmission linking port, shipping lines, depot operators, forwarders and consignees in Malaysia for tracking of container movement. He obtained his Bachelor of Science (Hons) Degree in Computer Science from Universiti Sains Malaysia in 1986. Before joining Kannaltec Group, he was a project manager of Edaran Komputer Sdn. Bhd.. During his tenure from 1989 to 1999 in Edaran Komputer Sdn. Bhd., he successfully directed completion of large-scale projects. He is currently the Chief Technology Officer in Kannaltec Group.

Mr. Sukunan is an indirect substantial shareholder of the Company by virtue of Datuk Mohan A/L A Kandasamy and Annadurai A/L A. Kandasamy being his brothers' direct and indirect interest in Kannaltec Berhad. His shareholding in the Company is disclosed in page 55 of the Annual Report.

Mr. Sukunan does not have any personal interest in any business arrangements involving the Company and is not a director of any other public listed company.

He also does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

During the financial year, Mr. Sukunan has attended all the five (5) meetings of the Board.

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### **Sangar Nallappan**

Executive Director  
Aged 45, Malaysian

Sangar Nallappan was appointed to the Board on 26 September, 2005. He is a Company Secretary, licensed by the Companies Commission of Malaysia. He holds the Professional Diploma in Corporate Administration (ICSA, UK). He has more than 20 years of experience in secretarial and corporate consultancy services. He specializes in corporate consultancy, corporate restructuring and business re-engineering. He is currently the Chairman of Mega-Teo Secretarial Services Sdn. Bhd. and Mega Audit & Corporate Consultants Sdn. Bhd. which provides a wide spectrum of services including secretarial, consultancy and internal audit advisors. He started his career as an Audit Assistant in Kumpulan Naga in 1982.

He is an Associate member of the Malaysian Association of Company Secretaries, Malaysia (MACS). He is currently the Director of Corporate Affairs of Kannaltec Group. Mr. Sangar also serves as a Chairman of the Corporate Social Responsibility Committee established by the Company.

He has no family relationship with any of the directors and/or major shareholders of the Company nor have any shareholding in the Company.

Mr. Sangar does not have any personal interest in any business arrangements involving the Company and is not a director of any other public listed company.

He also does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

During the financial year, Mr. Sangar has attended all the five (5) meetings of the Board.

**Sa'edah Binti Jamek**

Non-Executive Director  
 Aged 47, Malaysian

Sa'edah binti Jamek was appointed to the Board on 26 September, 2005. Her past working experience in maritime work, shipping, company secretarial and corporate services has enriched her knowledge in the business sector. Holder of a certificate in Private Secretarial and Administration, she was part of the team that represented Datuk Mohan in the MBO of JSSSB. She was involved in the area of restructuring and negotiation of the deal and documentation. Her involvement in business is mainly in the maritime and corporate service sector. She began her career as a Secretary and Administrative Executive in Megazain Forwarding & Shipping Co.. Currently, she is the Director in Asia Pacific Marine Superintendents (M) Sdn. Bhd. which is involved in cargo surveying and marine inspection.

Currently Puan Sa'edah serves as member of the Audit, Nomination and Remuneration Committees.

Puan Sa'edah has no family relationship with any of the directors. She is an indirect substantial shareholder of the Company by virtue of her interest in Juta Imperium (M) Sdn. Bhd.. Her shareholding in the Company is disclosed in page 55 of the Annual Report.

Puan Sa'edah does not have any personal interest in any business arrangements involving the Company and is not a director of any other public listed company.

She also does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

During the financial year, Puan Sa'edah has attended four (4) out of the five (5) meetings of the Board.

**YBhg. Dato' Thangarajo A/L A. Subramaniam**

Independent Non-Executive Director  
 Aged 51, Malaysian

YBhg. Dato' Thangarajo A/L A. Subramaniam was appointed to the board on 22 November 2007 as Independent Non-Executive Director. He holds a degree in Business Administration and has more than 20 years experience in the Marketing and Business Development. His focus and strength has been in the development of businesses in the Mechanical and Electrical Engineering field especially with the Power Companies. Since 1996, Dato' has been the Adviser and Business Development Consultant to Melewar Engineering Sdn. Bhd., Waja Group of Companies and Jana Swasta Sdn. Bhd.. Currently, he is the Chairman of a media production company called Asia-Pacific Photo Network Sdn. Bhd.. He was conferred Datukship in July 2007 by DYMM Tuanku Yang DiPertuan Besar Negeri Sembilan Darul Khusus Tuanku Ja'afar Ibni Almarhum Tuanku Abdul Rahman.

Dato' currently serves as the Chairman of the Nomination Committee and is also a member of the Audit and Remuneration Committees in the Company.

Dato' has no family relationship with any of the directors and/or major shareholders of the Company. His shareholding in the Company is disclosed in page 55 of the Annual Report.

Dato' does not have any personal interest in any business arrangements involving the Company and is not a director of any other public listed company.

He also does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

Since joining the Board in November 2007, Dato' Thangarajo A/L A. Subramaniam has attended two (2) out of two (2) meetings of the Board.

## Board of Directors' Profile

### - continued

#### **Tuan Haji Azhari Bin Mohamed**

Independent Non-Executive Director

*Aged 47, Malaysian*

Tuan Haji Azhari bin Mohamed was appointed to the Board on 26 September 2005 as an Independent Non-Executive Director. He graduated with a Bachelor of Commerce in Accounting from the University of Birmingham, United Kingdom in 1984. He is a Chartered and Fellow member of the Institute of Internal Auditors Malaysia (CFIIA) and a Chartered Audit Committee Director (CACD). He is also a past president and a former member of the Board of Governors of the Institute of Internal Auditors Malaysia. From 2000 until 2003, he was attached with the Consultative Group for International Agricultural Research (CGIAR) as an Internal Audit Consultant. CGIAR is headquartered at the World Bank, Washington D.C., USA. He was from 2003 until 2006, the Vice President and Head of Internal Audit Division and a member of the Senior Management Committee of Malaysian National Insurance Bhd (MNI). Prior to joining MNI, he held senior management positions in Melewar Leisure Sdn. Bhd. and Group General Manager of ATH-Niagabena Sdn. Bhd., a company in Brunei Darussalam. From 1998 to 2000, he was the North Pacific District director of the IIA Inc.'s International Board of Directors which is based in Orlando, Florida, USA. He was a member of the Bursa Malaysia Taskforce on Statement on Internal Controls in June 2000 and was a member of the Securities Commission's Industry-led Taskforce on Internal Audit Functions in April 2001.

Tuan Haji Azhari currently serves as the Chairman of the Audit and Remuneration Committees as well as member of the Nomination Committee in the Company.

Tuan Haji Azhari has no family relationship with any of the directors and/or major shareholders of the Company nor have any shareholding in the Company.

Tuan Haji Azhari does not have any personal interest in any business arrangements involving the Company and is not a director of any other public listed company.

He also does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

During the financial year, Tuan Haji Azhari has attended all the five (5) meetings of the Board.

#### **Lim Han Boon**

Chief Executive Officer

*Aged 51, Malaysian*

Mr. Lim Han Boon was appointed as Group Chief Executive Officer on 16 April 2005. He graduated from the Kolej Tunku Abdul Rahman in Kuala Lumpur with a Diploma in Commerce. He is presently a member of the Malaysian Institute of Accountants, the British Institute of Management, fellow of the Chartered Association of Certified Accountants, United Kingdom and Master of Business Administration Degree from the University of South Australia, Australia. He also attended the Harvard Business School Senior Management Development Program in 2002. Prior to joining Kannaltec, he was the General Manager (Corporate Services) of Northport (Malaysia) Bhd, a wholly owned subsidiary of NCB Holdings Bhd., a public company listed on the Main Board of the Bursa Malaysia Securities Berhad. He was also the Group Financial Controller of NCB Holdings Bhd.. He began his career in BDO International, a public accountants firm before joining Kontena Nasional Bhd. as their branch accountant in Port Klang. Subsequently, he joined Northport (Malaysia) Berhad as an Accountant after it was privatized from the Port Klang Authority in 1986. He was later promoted to Assistant General Manager (Finance & Corporate Services) before assuming the position he held before joining Kannaltec.

Mr. Lim also sits on the boards of Kannaltec's various subsidiary companies namely Kannal Solutions Sdn. Bhd., Kannal Softech Sdn. Bhd., Kannal Technologies Sdn. Bhd. and CDC Control (M) Sdn. Bhd..

Mr. Lim has no family relationship with any of the directors and/or major shareholders of the Company nor have any shareholding in the Company.

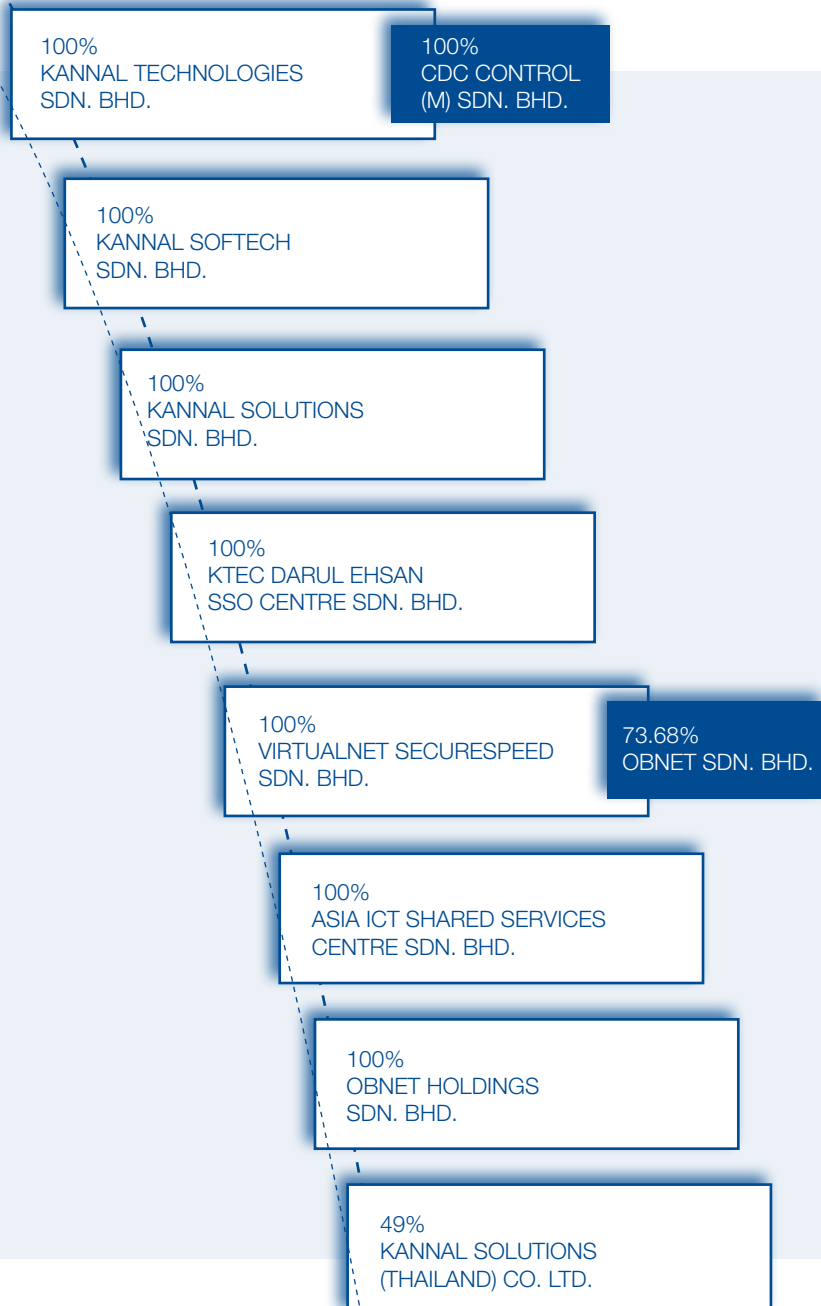
Mr. Lim does not have any personal interest in any business arrangements involving the Company and is not a director of any other public listed company.

He also does not have any conflict of interest with the Company and has had no conviction for any offences within the past 10 years.

# Group Structure



**KANNALTEC BERHAD**  
(635696-V)



# Audit Committee Report

## Members of the Audit Committee

Chairman	Tuan Haji Azhari Bin Mohamed (Independent Non-Executive Director)
Members	YBhg. Dato' Thangarajo A/L A. Subramaniam (Independent Non-Executive Director) Sa'edah Binti Jamek (Non-Executive Director)
	Terms of Reference and Functions of the Audit Committee of the Board of Directors

## Introduction

The Terms of Reference and Functions of the Audit Committee (AC) of the Board of Directors were prepared based on the requirements of the Bursa Malaysia Listing Requirements; and the Malaysian Code on Corporate Governance.

Reference was also made to the publications by the Institute of Internal Auditors (IIA) on the best practices and the effective role of the Audit Committees.

### 1. Composition of the Audit Committee

- 1.1 The Audit Committee (AC), established by the Board shall comprise of not less than three members from amongst the directors; all members of the Committee shall be non-executive directors with majority members being independent non-executive directors.
- 1.2 At least one member of the Committee shall be an accountant registered with Malaysia Institute of Accountant; or a member of one of the associations specified in Part 2 of the 1st Schedule of the Accountants Act 1967.
- 1.3 The Chairman of the Committee shall be an independent non-executive director appointed by the Board.
- 1.4 If the numbers are reduced to below three, the Board must fill the vacancy/vacancies within three months from the date position was vacated.

### 2. Authority

- 2.1 The Committee should have the authority to investigate any matter within its terms of reference and should have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of the Group.
- 2.2 The Committee should be kept regularly updated on audit matters and be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by Management. Fraud and irregularities discovered by Management should be referred to the AC for investigation.
- 2.3 The Committee should have access to copies of audit reports (including interim financial audits) on a timely basis and should be kept regularly informed of corrective actions arising from internal and external audit findings.
- 2.4 The Committee should have adequate resources to perform its duties and discharge its responsibilities and should be authorised to obtain independent professional advice as considered necessary.

### 3. Meetings and Minutes

- 3.1 The meetings shall be held not less than four times a year, although the Chairman may call additional meetings.

During the financial year 2008, the Audit Committee met five (5) times to approve the Quarterly Reports before announcement to the Bursa Malaysia Securities Berhad as well as to discuss and approve internal control procedures and processes in the Group.

### 3. Meetings and Minutes (continued)

3.1 The meetings shall be held not less than four times a year, although the Chairman may call additional meetings.

The record of attendance of the members is as follows: -

Name	No. of meetings	
	Held	Attended
Tuan Haji Azhari bin Mohamed	5	5
Sangar Nallappan (Resigned as Audit Committee member on 22 November 2007)	3	3
Sa'edah Binti Jamek (Appointed as Audit Committee member on 22 November 2007)	2	2
YBhg. Dato' Thangarajo A/L A. Subramaniam (Appointed as Audit Committee member on 22 November 2007)	2	2

3.2 The quorum for an audit committee meeting shall be at least two members who are independent non-executive directors.

3.3 The Secretary to the AC shall be the Company Secretary. The Secretary shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation, to AC members within a reasonable timeframe prior to each meeting. The Secretary shall also be responsible for keeping the minutes of meetings, timely circulation of the minutes to the AC members and following up on outstanding matters in relation to the meetings.

3.4 The Chairman of the Committee shall provide reports to the Board on each deliberations of the AC by presenting a summary of all significant matters (highlighting the risks and implications) and resolutions made by the AC at the Board meetings.

3.5 The Chief Executive Officer shall attend the meetings. Any other officers shall attend upon invitation by the Chairman of the Committee. The presence of the external auditors will be requested if required. Other board members may attend meetings upon the invitation of the Audit Committee. However, at least once a year the Committee shall meet with the external auditors, on separate occasions without executive board members present.

### 4. Primary Purposes of the Committee

The Committee shall:

- 4.1 Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate accounting and reporting practices of the Company and its subsidiaries;
- 4.2 Comply with the requirements of the listing rules of the Bursa Malaysia and the Malaysian Code on Corporate Governance;
- 4.3 Promote/strengthen confidence of the public in the Company's and its subsidiaries reported results;
- 4.4 Maintain, through regularly scheduled meetings, a direct line of communication with the Board and the external auditors; and
- 4.5 Act upon the Board of Directors' request to investigate and report on any issues or concerns in regard to the management of the Company and its subsidiaries.

## Audit Committee Report - continued

### 5. Duties of the Committee

The duties of the Committee shall be:

- 5.1 To consider the appointment of the external auditor, the audit fee and any questions of resignation and/or dismissal;
- 5.2 To discuss with the external auditor and review before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- 5.3 To review the quarterly and year-end financial statements of the Company and its subsidiaries, focusing particularly on:
  - (i) Any changes in accounting policies and practices;
  - (ii) Significant adjustments arising from the audit;
  - (iii) The going concern assumption;
  - (iv) Compliance with accounting standards and other legal requirements.
- 5.4 To discuss problems and reservations arising from the interim and final audits of the Company and its subsidiaries, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- 5.5 To review the external auditor's management letter and management's response;
- 5.6 To review and approve any non-audit services by the external auditor, before the commencement of the service, or whenever there is a significant change in the level of services provided.

Other responsibilities

- 5.7 To review the overall condition, in particular, financial status of the Company, its internal controls and audit programme;
- 5.8 To ensure prompt publication of annual financial statements of the Company and its subsidiaries. The Board is duty bound to ensure that accounts are timely and accurate, with frequent reviews of the adequacy of provisions against contingencies, and bad and doubtful debts;
- 5.9 To prepare a report to be set out in the annual report, in each financial year summarising its composition, term of reference, number of meetings held and the attendance of each member and activities of the Committee to discharge its duty for the year;
- 5.10 To consider any related party transactions that may arise within the Company and its subsidiaries;
- 5.11 To consider the major findings of internal investigations and management's response of the Company and its subsidiaries;
- 5.12 Pending the establishment of the Internal Audit Department, the Committee also reviews the internal control processes and procedures as practiced by the Company and the subsidiaries.
- 5.13 To consider any other duties as defined by the Board.

### 6. Additional Requirements

The terms of references and functions of the Committee shall also include any other relevant regulatory requirements that are required to be adopted by the Committee.

# Statement on Internal Control

## Introduction

The Malaysian Code on Corporate Governance requires the Board of Directors to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following statement on the nature and scope of the Group's internal controls.

## BOARD RESPONSIBILITY

The Board of Directors recognizes its responsibility in maintaining the Group's system of Internal Control and effective risk management practices to safeguard shareholders' value and the Group's assets. The Board affirms its responsibility for reviewing the adequacy and integrity of the internal control system. Due to limitations inherent in any system of internal control, it is important to note that the Group's system of internal control is designed to manage rather than eliminate the risk that may impede the achievement of the Group's business objectives. Therefore, the system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

## SYSTEM OF INTERNAL CONTROL

The key processes of the Group's internal control system include:

- i) The Group has an established organization structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority.
- ii) A comprehensive annual budget which is approved by the Board. The budget is reviewed and updated if appropriate, with performance monitored and explanations sought for significant variances.
- iii) A clear definition of authorization procedure for major operating functions including purchases, payment, capital expenditures and credit control.
- iv) Weekly management meetings to monitor the business development, discusses and resolves key operational and management issues and review the financial performance against the business plan and budget for each operating units within the Group.
- v) The Audit Committee will review the effectiveness of internal financial and operating control environment of the Group.
- vi) The Group at present does not have an internal audit department. Due to the size of the Group, the Board is of the opinion that the current control mechanism, procedures and policies are adequate for the current level of operations.

## CONCLUSION

In the financial period under review, the Board is satisfied that the system of internal control is well in place and there were no material weaknesses that need to be disclosed separately in the Company's Annual Report.

The statement is made in accordance with a resolution of the Board of Directors dated 25 July 2008.

# Statement on Corporate Governance

The Board of Directors of Kannaltec Berhad is committed to ensure the fulfillment of the highest standards of corporate governance within the Group by applying and implementing the principals as set out in the Malaysian Code on Corporate Governance and to the extent of the Group compliance with the Best Practices in Corporate Governance.

The compliance with the Malaysian Code of Corporate Governance by the Board is fundamental in discharging its fiduciary duties and responsibilities to protect and enhance shareholders' value and the financial performance of the Company.

## 1. The Board

### a. Composition and Board Balance

The Board consists of seven (7) members, comprising two (2) Independent Directors one (1) Executive Chairman, one (1) Executive Deputy Chairman and two (2) Executive Directors and one (1) Non-Executive Director.

The Company is led and managed by an experienced Board, with wide mix of knowledge, business acumen, management skills and industry expertise from various background and experience for the stewardship of the Company's direction and operation.

### b. Board Meeting and Attendance

The Board meets at least four (4) times a year. Additional meetings will be convened when urgent and important decisions need to be taken between the scheduled meetings.

During the financial year, five (5) Board Meetings were held. The record of attendance of these meetings by the current Board is as follows:

Directors	Number of Meeting Attended	Percentage
YBhg. Datuk Mohan A/L A Kandasamy	4	( 80%)
Tuan Haji Hedzier Bin Haji Ahmad	4	( 80 %)
Sukunan A/L Kandasamy	5	(100%)
Sangar Nallappan	5	(100%)
Sa'edah Binti Jamek	4	(80%)
Tuan Haji Azhari Bin Mohamed	5	(100%)
YBhg. Dato' Thangarajo A/L A. Subramaniam (Appointed on 22 November 2007)	2	(100%)

### c. Supply of Information

The Chairman ensures that each Director is provided with timely notices for each Board meeting to review the papers and agenda items to be discussed in the meeting.

The Board paper consist of financial information such as operating and financial results and non financial information such as corporate development, customer satisfaction, product and services quality, market share and market reaction.

All the Directors have full access to all information of the Group for the purposes of decision making.

## Statement on Corporate Governance - continued

### 1. The Board (continued)

#### d. Directors' Training

All Directors of the company have attended the necessary seminars and training programmes to keep themselves updated on the relevant regulatory and corporate governance development as well as keeping abreast with global and local economic developments.

#### e. Appointment to the Board

In compliance with the Malaysian Code of Corporate Governance, the Board has set up a Nomination Committee to advise the Board on the nomination of new Board members and assess the existing Directors performance on an ongoing basis.

#### f. Re-election

In accordance with Article 98 of the Company's Articles of Association, at least one third (1/3) of the Directors including the Managing Director if any, shall retire by rotation at least once in every three (3) years and offer themselves for re-election.

### 2. Directors' Remuneration

The Board has set up a Remuneration Committee to review the policy and make recommendation to the Board on the remuneration packages and benefits annually as accorded to the Executive Directors.

The breakdown of remuneration of the directors during the financial year ended 31 March 2008 which falls within the following range and detail aggregation are as follows:

Range of Remuneration RM	Executive	Non-Executive
<50,000	2	3
50,000 to 100,000	1	0
100,001 to 200,000	-	0
200,001 to 500,000	1	0
	4	3

Aggregation	Executive Director RM	Non-Executive Director RM
Salary	302,000	-
Fees	162,100	102,000
Bonus	-	-
Etc	6,460	9,300
Total	470,560	111,300

### 3. Relation with Shareholders and Investors

The Group recognized the importance of accountability to the shareholders and investors on information such as Group's business, corporate development and performance. Such information is disseminated via the Group's annual reports, announcements, quarterly financial results and press release.

The Chief Executive Officer meets up with Fund Managers and Analysts, periodically to update them on the performance of the Group.

## Statement on Corporate Governance - continued

### 4. Board Committees

To ensure its effectiveness, the Board delegates responsibilities to Board's committees which operate within clearly defined terms of reference to carry out these responsibilities to support the role of the Board and to provide assurance and accountability to its shareholders.

These Committees comprising members from the Main Board itself are empowered to deliberate and examine issues delegated to them and report back to the Board on their recommendations and comments.

The following committees were active under the Board for the year 2008:-

#### Audit Committee

The Audit Committee operates under the clearly defined terms of reference stating its roles and responsibilities in ensuring the quality and integrity of the practices of the Group and the Company.

The Audit Committee comprises three (3) Board members. Two (2) of them including the Chairman are independent non-executive directors and one (1) non-executive director.

The formation of the Audit Committee is designed to ensure a balance in the members' roles and responsibilities within the Committee.

The principle objective of the committee is to assist the Board of Directors in ensuring the Group's process of assessing internal controls, corporate governance, and other compliance requirements of the Group.

In accordance with the best practices of corporate governance, the Audit Committee presents its report in pages 16 to 18 of this Annual Report.

#### Nomination Committee

The primary responsibility of the Nomination Committee is to ensure proper Board succession for the Group by considering and recommending eligible candidates for directorship in the Board.

The Nomination Committee is made up of three (3) Board members. Two (2) of them including the Chairman are independent non-executive directors and one (1) non-executive director.

Details of the Committee's duties and other responsibilities include: -

- Making appropriate recommendations to the Board on matters of renewal, extension, retiring and appointment and re-appointment of directors.
- To assess and recommend any candidate for directorship and ensure an appropriate plan for Board succession for the Group.
- To review annually the mix of skills and experiences and the effectiveness of the Board as a whole, the committees of the Board and contributions of each individual director to the effective decision making of the Board. Individual directors do not participate in the discussion of their own remuneration.

During the year under review, the Committee met twice to carry out its responsibilities.

## Statement on Corporate Governance - continued



### 4. Board Committees (continued)

#### Remuneration Committee

The primary responsibility of the Remuneration Committee is to establish and recommend the structure and policy of remuneration of the executive directors. Further, to also review and recommend to the Board on matters relating to employees share option schemes or any amendments to the existing schemes. The Committee also deals with other related matter which are referred to it by the Board.

The Committee consists of three (3) non-executive directors, two (2) of them including the Chairman are independent non-executive directors and one (1) non-executive director.

During the year under review, the Committee met once to carry out its responsibilities.

### 5. Corporate Social Responsibilities (CSR)

The Board has set up a CSR Committee headed by a board member during the year to undertake the CSR activities. The various CSR projects are still under consideration.

### 6. Accountability and Audit

#### a. Financial Reporting

The Board aims to provide a balanced and understandable assessment of the Group's financial position and prospects through the annual report as well as quarterly financial results to its shareholders.

The quarterly financial results were reviewed and approved by the Board before releasing to the Bursa Malaysia Securities Berhad.

#### b. Internal Control

The Board recognised its responsibility for the Group's system of internal control to safeguard shareholders investment and Group's assets.

The statement on internal control is set on page 19 of the annual report and it provides an overview of the internal control of the Group.

#### c. Audit Committee and Relationship with Auditors

The Audit Committee has established a transparent professional relationship with the external auditors towards ensuring the compliance with the Financial Reporting Standards and other related regulatory requirements.

### 7. Statement of Compliance with the Code

The Group is committed towards achieving compliance with the best practices of the good corporate governance and highest level of integrity and ethical standards in all its business dealings.

### 8. Statement of Directors' Responsibilities in Relation to the Financial Statement

The Directors are responsible in the preparation of the financial statement and to ensure that the financial statements of each financial year are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable accounting standards in Malaysia so as to give a true and fair views of the state of affairs of the Group and the Company as at the end of the financial year and the results of the operations and cash flow of the Group and the Company for that period.

## Other Compliance Information

### 1. Share Buy Back

The Company did not carry out any share buy back for the financial period under review.

### 2. Options, Warrants, of Convertible Securities

There were no options, warrants or convertible securities issued during the financial period under review.

### 3. American Depository Receipts (ADR) or Global Depository Receipts (GDR)

The Company did not sponsor any ADR or GDR programme.

### 4. Imposition of Sanction and/or Penalty

There were no sanctions and/or penalty imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial period.

### 5. Non Audit Fees

There was no non-audit fees paid to external auditors by the Company and its subsidiaries for the financial period under review.

### 6. Profit Guarantee

There was no profit guarantee issued by the Company in respect of the financial period.

### 7. Material Contract

During the financial period under review, there were no material contracts entered by the Company and/or its subsidiaries companies which involved Directors' and Major Shareholder's interest.

### 8. Recurrent Related Party Transaction of Revenue Nature

There were no recurrent related party transactions during the year ended 31 March 2008.

### 9. List of Properties

The company and/ or its subsidiaries does not own any landed properties as at the end of the financial year.

### 10. Revaluation Policy on Landed Properties

The Company does not have a revaluation policy as there is no landed properties at the end of the financial year.

# Financial Statements

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# Directors' Report

## DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the year ended 31 March 2008.

## PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 4 to the financial statement. There have been no significant changes in these principal activities during the year.

## FINANCIAL RESULTS

	Group RM	Company RM
Profit / (loss) for the year	3,599,135	(749)

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## RESERVES AND PROVISIONS

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

## DIVIDENDS

No dividends were paid or declared by the Company during the financial year.

## ISSUE OF SHARES AND DEBENTURES

There were no issue of shares and debentures during the financial year.

## DIRECTORS

The directors who served since the date of the last report are :-

YBhg. Datuk Mohan A/L A Kandasamy  
 YBhg. Dato' Thangarajo A/L A. Subramaniam - Appointed on 22.11.2007  
 Tuan Haji Hedzier Bin Haji Ahmad  
 Sukunan A/L Kandasamy  
 Sangar Nallappan  
 Sa'edah Binti Jamek  
 Tuan Haji Azhari Bin Mohamed  
 Tuan Haji Khalid Izhar Bin Dato' Mahmood - Retired on 24.09.2007

Retirement and re-election of the directors at the forthcoming Annual General Meeting will be in accordance with the Articles of Association of the Group and of the Company.

## DIRECTORS' INTEREST

The following directors who held office at the end of the financial year had according to the register required to be kept under Section 134 of the Companies Act 1965, an interest in the shares of the Group and of the Company as stated below :-

Direct Interest	Number of ordinary shares of RM 0.10/- each			
	At 01.04.2007	Bought	Sold	As at 31.03.2008
YBhg. Datuk Mohan A/L A Kandasamy	3,984,598	-	-	<b>3,984,598</b>
Sukunan A/L Kandasamy	3,517,242	-	-	<b>3,517,242</b>
Tuan Haji Hedzier Bin Haji Ahmad	1,000,000	-	-	<b>1,000,000</b>
YBhg. Dato' Thangarajo A/L A. Subramaniam	338,758	-	-	<b>338,758</b>
<b>Indirect Interest</b>				
YBhg. Datuk Mohan A/L A Kandasamy	*	41,076,927	-	<b>41,076,927</b>
Sukunan A/L Kandasamy	**	41,544,283	-	<b>41,544,283</b>
Sa'edah Binti Jamek	***	21,091,663	1,939,500	<b>19,152,163</b>
Tuan Haji Hedzier Bin Haji Ahmad	***	21,091,663	1,939,500	<b>19,152,163</b>

\* Deemed interest by virtue in his interest of Middle Entity (M) Sdn. Bhd., Sukunan A/L Kandasamy and Annadurai A/L A. Kandasamy being his brothers' direct interests in Kannaltec Berhad.

\*\* Deemed interest by virtue of Datuk Mohan A/L A Kandasamy and Annadurai A/L A. Kandasamy being his brothers' direct and indirect interests in Kannaltec Berhad.

\*\*\* Deemed interest by his/her interest in Juta Imperium (M) Sdn. Bhd.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full time employee of the Group) 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.

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

## OTHER FINANCIAL INFORMATION

- (a) Before the income statement and balance sheet of the Group and of the Company were made out, the directors took reasonable steps :-
- (i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts, and have satisfied themselves that all known bad debts have been written off and that adequate allowance has been made for doubtful debts ; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected to realise.

## Directors' Report - continued

### OTHER FINANCIAL INFORMATION (continued)

- (b) At the date of this report, the directors are not aware of any circumstances :-
- (i) which would render the amount written off as bad debts or 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) which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the financial statements of the Group and of the Company misleading or inappropriate ; or
  - (iv) not otherwise dealt with in this report or financial statements of the Group and of the Company, which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist :-
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person ; or
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the directors :-
- (i) no contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of financial year which will or may substantially affect the ability of the Group and of the Company to meet its obligations when they fall due.
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### AUDITORS

The auditors, **Viru, Goona & Associates**, have indicated their willingness to continue in office.

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

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**DATUK MOHAN A/L A KANDASAMY**

Director

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**SANGAR NALLAPPAN**

Director

Port Klang

Dated : 25 July 2008

# Balance Sheet

## As at 31 March 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>PROPERTY, PLANT AND EQUIPMENT</b>	3	<b>8,321,016</b>	6,461,954	<b>368,930</b>	462,482
<b>INVESTMENT IN SUBSIDIARIES</b>	4	<b>-</b>	-	<b>3,268,361</b>	3,008,361
<b>GOODWILL</b>	5	<b>4,838,345</b>	-	<b>-</b>	-
<b>INVESTMENT IN ASSOCIATE</b>	6	<b>17,323</b>	17,323	<b>143,325</b>	143,325
<b>DEVELOPMENT COST</b>	7	<b>24,534,422</b>	5,553,138	<b>-</b>	-
<b>CURRENT ASSETS</b>					
Inventory		-	330,000	-	-
Trade receivables		<b>8,345,670</b>	5,648,831	-	-
Other receivables, deposits and prepayments		<b>1,139,792</b>	4,741,261	<b>631,281</b>	4,380,380
Amount due from Subsidiaries	8	-	-	<b>12,468,624</b>	8,482,261
Amount due from Associate	9	<b>237,430</b>	408,333	-	333,583
Tax recoverable		<b>271,501</b>	245,134	-	-
Cash, bank balances and short term funds		<b>4,757,801</b>	4,522,747	<b>14,787</b>	11,405
Fixed deposit		<b>250,000</b>	-	-	-
		<b>15,002,194</b>	15,896,306	<b>13,114,692</b>	13,207,629
<b>CURRENT LIABILITIES</b>					
Trade payables		<b>6,680,446</b>	-	-	-
Other payables and accruals		<b>5,073,535</b>	472,572	<b>138,808</b>	62,856
Hire purchase payables	10	<b>176,070</b>	137,242	-	-
Taxation		-	46,515	<b>44,823</b>	46,515
Lease payable	11	<b>277,992</b>	-	-	-
Term loan	12	<b>73,860</b>	-	-	-
Bank overdraft	13	<b>864,751</b>	-	-	-
		<b>13,146,654</b>	656,329	<b>183,631</b>	109,371
<b>NET CURRENT ASSETS</b>		<b>1,855,540</b>	15,239,977	<b>12,931,061</b>	13,098,258
		<b>39,566,646</b>	27,272,392	<b>16,711,677</b>	16,712,426

**Balance Sheet**  
**As at 31 March 2008**  
 - continued

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>FINANCED BY :-</b>					
<b>SHARE CAPITAL</b>	14	<b>12,100,000</b>	12,100,000	<b>12,100,000</b>	12,100,000
<b>SHARE PREMIUM</b>	15	<b>4,703,270</b>	4,703,270	<b>4,703,270</b>	4,703,270
<b>MINORITY INTEREST</b>		<b>54,559</b>	-	-	-
<b>RETAINED PROFIT/ (ACCUMULATED LOSSES)</b>		<b>13,807,523</b>	10,208,388	<b>(91,593)</b>	(90,844)
<b>SHAREHOLDERS FUND</b>		<b>30,665,352</b>	27,011,658	<b>16,711,677</b>	16,712,426
<b>LONG TERM LIABILITIES</b>					
Hire purchase payables	10	<b>402,532</b>	260,734	-	-
Lease payable	11	<b>547,314</b>	-	-	-
Term loan	12	<b>7,951,448</b>	-	-	-
		<b>39,566,646</b>	27,272,392	<b>16,711,677</b>	16,712,426

The annexed notes form an integral part of these financial statements

# Income Statement

## For the year ended 31 March 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>REVENUE</b>	16	<b>17,004,595</b>	10,572,799	<b>2,025,168</b>	2,013,775
<b>COST OF SALES</b>		<b>(2,033,952)</b>	(143,643)	-	-
<b>GROSS PROFIT</b>		<b>14,970,643</b>	10,429,156	<b>2,025,168</b>	2,013,775
Other income	17	<b>107,314</b>	96,355	-	-
Operating expenses		<b>(11,688,427)</b>	(6,303,799)	<b>(1,976,065)</b>	(2,009,728)
<b>PROFIT FROM OPERATIONS</b>	18	<b>3,389,530</b>	4,221,712	<b>49,103</b>	4,047
Finance costs	19	<b>(92,681)</b>	(27,124)	-	-
<b>PROFIT BEFORE TAXATION</b>		<b>3,296,849</b>	4,194,588	<b>49,103</b>	4,047
Income tax expense	20	<b>(57,579)</b>	(48,987)	<b>(49,852)</b>	(53,715)
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>3,239,270</b>	4,145,601	<b>(749)</b>	(49,668)
Minority interest		<b>359,865</b>	-	-	-
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>3,599,135</b>	4,145,601	<b>(749)</b>	(49,668)
Basic earnings per share (sen)	21	<b>2.97</b>	3.42	-	-

The annexed notes form an integral part of these financial statements

# Statement of Changes in Equity

## For the year ended 31 March 2008

	Share Capital RM	Share Premium RM	Negative Goodwill RM	Minority Interest RM	Retained Profit RM	Total RM
<b>Group</b>						
As at 1 April 2006	12,100,000	4,703,270	2,145,843	-	3,916,944	22,866,057
Transfer to retained profit (Note 22)	-	-	(2,145,843)	-	2,145,843	-
Profit for the year	-	-	-	-	4,145,601	4,145,601
<b>AS AT 31 MARCH 2007</b>	<b>12,100,000</b>	<b>4,703,270</b>	<b>-</b>	<b>-</b>	<b>10,208,388</b>	<b>27,011,658</b>
As at 1 April 2007	12,100,000	4,703,270	-	-	10,208,388	27,011,658
Profit for the year	-	-	-	-	3,599,135	3,599,135
Minority interest	-	-	-	54,559	-	54,559
<b>AS AT 31 MARCH 2008</b>	<b>12,100,000</b>	<b>4,703,270</b>	<b>-</b>	<b>54,559</b>	<b>13,807,523</b>	<b>30,665,352</b>

	Share Capital RM	Share Premium RM	Negative Goodwill RM	Minority Interest RM	Accumulated Losses RM	Total RM
<b>Company</b>						
As at 1 April 2006	12,100,000	4,703,270	-	-	(41,176)	16,762,094
Loss for the year	-	-	-	-	(49,668)	(49,668)
<b>AS AT 31 MARCH 2007</b>	<b>12,100,000</b>	<b>4,703,270</b>	<b>-</b>	<b>-</b>	<b>(90,844)</b>	<b>16,712,426</b>
As at 1 April 2007	12,100,000	4,703,270	-	-	(90,844)	16,712,426
Loss for the year	-	-	-	-	(749)	(749)
<b>AS AT 31 MARCH 2008</b>	<b>12,100,000</b>	<b>4,703,270</b>	<b>-</b>	<b>-</b>	<b>(91,593)</b>	<b>16,711,677</b>

The annexed notes form an integral part of these financial statements

# Cash Flow Statement

## For the year ended 31 March 2008

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before taxation	<b>3,296,849</b>	4,194,588	<b>49,103</b>	4,047
Adjustment for :-				
Loss on investment in Associate	-	126,002	-	-
Preliminary expenses	-	9,656	-	-
Hire purchase interest	<b>29,939</b>	27,124	-	-
Amortisation of development costs	<b>1,466,230</b>	1,148,661	-	-
Depreciation of property, plant and equipment	<b>1,930,639</b>	822,263	<b>102,190</b>	98,654
Interest revenue	<b>(9,661)</b>	(19,051)	-	-
Interest expenses	<b>62,742</b>	-	-	-
Loss on disposal of property, plant and equipment	<b>638</b>	(48)	-	-
Operating profit before working capital changes	<b>6,777,376</b>	6,309,195	<b>151,293</b>	102,701
Decrease/(increase) in inventory	<b>330,000</b>	(330,000)	-	-
Decrease/(increase) in receivables	<b>1,266,404</b>	(3,442,052)	<b>3,749,099</b>	(4,167,158)
Decrease/(increase) in amount due from Subsidiaries	-	-	<b>(3,986,363)</b>	3,365,473
Decrease/(increase) in amount due from Associate	<b>333,583</b>	(333,583)	<b>333,583</b>	(333,583)
Increase/(decrease) in other payables and accruals	<b>11,367,822</b>	(1,848,931)	<b>75,952</b>	34,139
Income tax paid	<b>(187,287)</b>	(206,699)	<b>(51,544)</b>	(10,200)
Hire purchase interest	<b>(29,939)</b>	(27,124)	-	-
Interest expenses	<b>(62,742)</b>	-	-	-
Net cash generated from/(used in) operating activities	<b>19,795,217</b>	120,806	<b>272,020</b>	(1,008,628)

## Cash Flow Statement

### For the year ended 31 March 2008

- continued

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Net cash outflow from acquisition of Subsidiary companies/Associate company	<b>(4,000,000)</b>	(143,527)	-	(143,527)
Development cost incurred	<b>(20,447,514)</b>	(2,429,324)	-	-
Purchase of investment in subsidiary	-	-	<b>(260,000)</b>	-
Purchase of property, plant and equipment	<b>(3,634,154)</b>	(5,441,601)	<b>(8,638)</b>	(19,586)
Proceeds from disposal of property, plant and equipment	<b>2,082</b>	9,296	-	-
Interest revenue	<b>9,661</b>	19,051	-	-
Advance to related company	-	(74,751)	-	-
Preliminary expenses	-	(9,656)	-	-
Net cash used in investing activities	<b>(28,069,925)</b>	(8,070,512)	<b>(268,638)</b>	(163,113)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Payment of lease payable	<b>(310,923)</b>	-	-	-
Payment of hire purchase payable	<b>(159,374)</b>	(140,088)	-	-
Proceeds from hire purchase payable	<b>340,000</b>	-	-	-
Proceeds from term loan	<b>8,037,484</b>	-	-	-
Term loan repayment	<b>(12,176)</b>	-	-	-
Placement of fixed deposit	<b>(250,000)</b>	-	-	-
Net cash generated from/(used in) financing activities	<b>7,645,011</b>	(140,088)	-	-
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(629,697)</b>	(8,089,794)	<b>3,382</b>	(1,171,741)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>4,522,747</b>	12,612,541	<b>11,405</b>	1,183,146
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 23)</b>	<b>3,893,050</b>	4,522,747	<b>14,787</b>	11,405

The annexed notes form an integral part of these financial statements

# Notes to the Financial Statements

## 31 March 2008

### 1. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 4 to the financial statement.

#### (b) Subsidiaries and Basis of Consolidation

##### (i) **Subsidiaries**

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

##### (ii) **Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

## Notes to the Financial Statements

### 31 March 2008

#### - continued

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Associate

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associate are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associates is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognized its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### (d) Trade and Other Receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

Debts considered to be uncollectable are written off, while allowance is made for debts considered to be doubtful of collection.

### (e) Liabilities

Borrowings and trade and other payables are stated at cost.

### (f) Investment in Subsidiaries

Investments in the subsidiaries are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

### (g) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment cost.

Depreciation is provided on a straight line method in order to write off the cost of each asset over its estimated useful life at the following rate per annum.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, Plant and Equipment (continued)

	<b><u>Rates</u></b>
Furniture and fittings	15%
Computer	15%
Office equipment	15%
Motor vehicle	20%
Renovation	15%

(h) Provisions

Provision are recognised when the Group and the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made.

(i) Development Cost

Expenditure on development is charged to the income statements in the year in which it is incurred except where a clearly defined project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activities. Such development costs are recognized as an intangible asset and amortised on a straight line method over the life of the project from the date of commencement of commercial operation.

(j) Income Taxes

Current tax expense is determined according to the Malaysian tax laws.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for the purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

(k) Employee Benefits

**i) Short Term Benefits**

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

**ii) Defined Contribution Plans**

The Group's contributions to defined contribution plans are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group has no further liabilities in respect of the defined contributions plans.

(l) Revenue Recognition

**i) Sale of Goods**

Revenue from sale of goods is measured at the fair value of consideration receivable and is recognised in the income statement when significant risks and rewards of ownership have been transferred to the buyer.

## Notes to the Financial Statements

### 31 March 2008

#### - continued

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Revenue Recognition (continued)

#### i) **Sale of Goods (continued)**

Revenue from rental of computer software and hardware is recognised as per agreed basis and terms between interested parties.

#### ii) **Services**

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

### (m) Foreign Currency Transaction

Transaction in foreign currency are recorded in Ringgit Malaysia at the rates of exchange ruling at the dates of the transactions. All exchange differences are taken to the income statement.

Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rate ruling at that date. All translated differences arising are taken to the income statement.

The principal closing exchange rates used in translation of foreign currency amounts is as follows:-

Foreign Currency	2008 RM	2007 RM
1 US Dollar	3.189	3.456
10 Thai Baht	1.00	1.00

### (n) Impairment of Assets

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

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

### (o) Financial Instruments

Financial instruments carried on the balance sheet include bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

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

**Notes to the Financial Statements**  
**31 March 2008**  
- continued

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(p) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash at bank net of bank overdraft.

**3. PROPERTY, PLANT AND EQUIPMENT**

	Work-in- Progress RM	Motor Vehicles RM	Computers RM	Furniture, Fittings and Office Equipment RM	Renovation RM	Total RM
<b>Group</b>						
<b>Cost</b>						
As at 01.04.2007	-	1,058,790	5,246,940	1,108,472	633,260	8,047,462
Acquisition of subsidiary	-	-	106,085	46,789	32,312	185,186
Additions	434,533	377,700	1,339,308	857,415	625,198	3,634,154
Disposal/Adjustments	-	-	-	(5,560)	-	(5,560)
At 31.03.2008	<b>434,533</b>	<b>1,436,490</b>	<b>6,692,333</b>	<b>2,007,116</b>	<b>1,290,770</b>	<b>11,861,242</b>
<b>Accumulated Depreciation</b>						
As at 01.04.2007	-	514,008	647,504	248,343	175,653	1,585,508
Acquisition of subsidiary	-	-	19,284	4,368	3,267	26,919
Charge for the year	-	265,136	1,234,499	244,452	186,552	1,930,639
Disposal/Adjustments	-	-	-	(2,840)	-	(2,840)
At 31.03.2008	<b>-</b>	<b>779,144</b>	<b>1,901,287</b>	<b>494,323</b>	<b>365,472</b>	<b>3,540,226</b>
<b>Net Book Value</b>						
At 31.03.2008	434,533	657,346	4,791,046	1,512,793	925,298	8,321,016
At 31.03.2007	-	544,782	4,599,436	860,129	457,607	6,461,954
Depreciation charge for the year ended 31.03.2007	-	210,310	355,918	175,052	80,983	822,263

**Notes to the Financial Statements**  
**31 March 2008**  
 - continued

**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

	Work-in- Progress RM	Motor Vehicles RM	Computers RM	Furniture, Fittings and Office Equipment RM	Renovation RM	Total RM
<b>Company</b>						
<b>Cost</b>						
As at 01.04.2007	-	28,954	52,099	207,437	363,992	652,482
Additions	-	-	8,638	-	-	8,638
Disposal	-	-	-	-	-	-
At 31.03.2008	-	28,954	60,737	207,437	363,992	661,120
<b>Accumulated Depreciation</b>						
As at 01.04.2007	-	7,974	12,972	61,821	107,233	190,000
Charge for the year	-	4,343	12,131	31,116	54,600	102,190
Disposal	-	-	-	-	-	-
At 31.03.2008	-	12,317	25,103	92,937	161,833	292,190
<b>Net Book Value</b>						
At 31.03.2008	-	16,637	35,634	114,500	202,159	368,930
At 31.03.2007	-	20,980	39,127	145,616	256,759	462,482
Depreciation charge for the year ended 31.03.2007	-	4,343	8,596	31,116	54,599	98,654

The motor vehicles with carrying value of RM 435,221 were acquired under hire purchase instalment scheme (Note 10). Motor vehicles amounting to RM 847,326 (2007 : RM 469,627) are registered under the name of the directors.

**Notes to the Financial Statements**  
**31 March 2008**  
- continued

**4. INVESTMENT IN SUBSIDIARIES**

	Company	
	2008 RM	2007 RM
Unquoted shares, at cost	<b>3,268,361</b>	3,008,361
The subsidiary companies are :-		
Name of Company	: Kannal Technologies Sdn. Bhd.	
Company Number	: 164878 - P	
Place of Incorporation	: Malaysia	
Percentage of Equity Held	: 100%	
Principal Activities	: Maritime carriage monitoring system operator	
Name of Company	: Kannal Softech Sdn. Bhd.	
Company Number	: 621860 - W	
Place of Incorporation	: Malaysia	
Percentage of Equity Held	: 100%	
Principal Activities	: Research and development of software applications.	
Name of Company	: Kannal Solutions Sdn. Bhd.	
Company Number	: 723874 - V	
Place of Incorporation	: Malaysia	
Percentage of Equity Held	: 100%	
Principal Activities	: Contact center and information communication and technology (ICT) activities.	
Name of Company	: Virtualnet Securespeed Sdn. Bhd.	
Company Number	: 738165 - D	
Place of Incorporation	: Malaysia	
Percentage of Equity Held	: 100%	
Principal Activities	: Information communication technology (ICT) and investment holding.	
Name of Company	: Asia ICT Shared Services Centre Sdn. Bhd.	
Company Number	: 734916 - T	
Place of Incorporation	: Malaysia	
Percentage of Equity Held	: 100%	
Principal Activities	: Information communication technology (ICT) and investment holding.	
Name of Company	: KTEC Darul Ehsan SSO Centre Sdn. Bhd.	
Company Number	: 736132 - H	
Place of Incorporation	: Malaysia	
Percentage of Equity Held	: 100%	
Principal Activities	: Business of ICT shared services and outsourcing.	
Name of Company	: Obnet Holdings Sdn. Bhd.	
Company Number	: 782125 - T	
Place of Incorporation	: Malaysia	
Percentage of Equity Held	: 100%	
Principal Activities	: Investment holding	

## Notes to the Financial Statements

### 31 March 2008

#### - continued

#### 4. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiary companies are :-

##### Subsidiary through Virtualnet Securespeed Sdn. Bhd.

Name of Company	:	Obnet Sdn. Bhd.
Company Number	:	423095 - H
Place of Incorporation	:	Malaysia
Percentage of Equity Held	:	73.68%
Principal Activities	:	Business of ICT shared services and outsourcing.

##### Subsidiary through Kannal Technologies Sdn. Bhd.

Name of Company	:	CDC Control (M) Sdn. Bhd.
Company Number	:	462353 - X
Place of Incorporation	:	Malaysia
Percentage of Equity Held	:	100%
Principal Activities	:	Implementation of maritime carriage monitoring systems for shipping lines.

CDC Control (M) Sdn. Bhd. is audited by another firm of auditors.

##### Acquisition of Subsidiaries

On 1 April 2007, the Group acquired 3,500,000 ordinary shares in the capital of Obnet Sdn. Bhd. (Obnet) representing 73.68% of its issued and paid-up capital of Obnet and also 1,500,000 preference shares in Obnet, for a total consideration of RM 4,000,000. The principal activities of Obnet are business of ICT shared services and outsourcing.

On 29 August 2007 and 31 December 2007, the Company invested further 250,000 ordinary shares in the capital of Kannal Solutions Sdn. Bhd. for a consideration of RM 250,000.

On 5 October 2007, the Company acquired 10,000 ordinary shares of Obnet Holdings Sdn. Bhd. (OHSB), representing 100% of its equity interest for a total consideration of RM 10,000. The principal activity of OHSB is investment holding.

The fair values of the assets acquired from the acquisition of the subsidiary is as follows :-

	Group	
	2008 RM	2007 RM
Property, plant and equipment	158,267	-
Other receivables and deposit	15,160	-
Cash in hand	1	-
Other payables and accruals	(514,272)	-
Amount due to directors	(2,849)	-
Bank overdrawn	(80,228)	-
	<b>(423,921)</b>	-

**Notes to the Financial Statements**  
**31 March 2008**  
- continued

**4. INVESTMENT IN SUBSIDIARIES (continued)**

	Group	
	2008	2007
	RM	RM
Add : Minority interest	(414,424)	-
	(838,345)	-
Goodwill on consolidation	4,838,345	-
Cost of acquisition	4,000,000	-
Purchase consideration satisfied by cash	4,000,000	-

**5. GOODWILL**

	Group	
	2008	2007
	RM	RM
At 1 April 2007	-	-
Acquisition of subsidiary	4,838,345	-
At 31 March 2008	4,838,345	-

The goodwill arose through the acquisition of Obnet Sdn. Bhd., a company which has a twenty (20) years concession from the Selangor State Government to design, supply, install, operate and maintain a broadband network infrastructure to government offices in Selangor. As at 31 March 2008, there is still a balance of seventeen (17) years for the concession. Goodwill will be tested annually for impairment when circumstances indicate that impairment may exist, by using a fair value approach.

**6. INVESTMENT IN ASSOCIATE**

	Group	Company
	2008	2008
	RM	RM
Unquoted shares at cost	17,323	143,325

Details of the Associate is as follows :-

Name of Associate	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2008	Proportion of Voting Power 2008
Kannal Solutions(Thailand) Co. Ltd.	Thailand	Maritime and ICT Services	48.98%	48.98%

**Notes to the Financial Statements**  
**31 March 2008**  
**- continued**

**6. INVESTMENT IN ASSOCIATE (continued)**

The summarised financial information of the Associate is as follows :-

	2008 RM	2007 RM
<b>Assets and Liabilities</b>		
Current assets	50,201	94,103
Non-current assets	170,777	217,467
Total assets	<u>220,978</u>	<u>311,570</u>
Current liabilities	<u>216,876</u>	260,422
<b>Results</b>		
Revenue	171,913	237,291
Loss for the year	<u>(166,536)</u>	<u>(257,147)</u>

**7. DEVELOPMENT COST**

	Group	
	2008 RM	2007 RM
<b>Cost</b>		
As at 1 April	7,096,249	4,272,475
Addition during the year	20,447,514	2,823,774
As at 31 March	<u>27,543,763</u>	<u>7,096,249</u>
<b>Amortisation</b>		
As at 1 April	1,543,111	394,450
Addition during the year	1,466,230	1,148,661
As at 31 March	<u>3,009,341</u>	<u>1,543,111</u>
As at 31 March	<u>24,534,422</u>	<u>5,553,138</u>

## 7. DEVELOPMENT COST (continued)

Included in development cost are the following :-

	Group	
	2008 RM	2007 RM
Depreciation of property, plant and equipment	81,146	81,146
Rental of premises	34,746	34,746
Directors' remuneration	204,000	204,000
Staff cost	2,319,269	746,422
Interest (share instalment)	168,484	-

## 8. AMOUNT DUE FROM SUBSIDIARIES

### Company

Amount due from subsidiaries is unsecured, interest free and with no fixed term of repayment.

## 9. AMOUNT DUE FROM ASSOCIATE

### Group and Company

Amount due from Associate is unsecured, interest free and with no fixed term of repayment.

## 10. HIRE PURCHASE PAYABLES

	Group	
	2008 RM	2007 RM
Hire purchase payables	657,775	427,349
Less : Unexpired interest	(79,173)	(29,373)
	578,602	397,976
Amount due within 12 months	176,070	137,242
Amount due after 12 months	402,532	260,734
	578,602	397,976

**Notes to the Financial Statements**  
**31 March 2008**  
**- continued**

**11. LEASE PAYABLES**

	Group	
	2008	2007
	RM	RM
Lease payables	879,818	-
Less : Unexpired interest	(54,512)	-
	825,306	-
Amount due within 12 months	277,992	-
Amount due after 12 months	547,314	-
	825,306	-

The finance lease payables have interest rates ranging from 4.2% to 9% per annum and repayable over 36 months.

There is also an operating lease for equipment amounting to RM 242,230 from a leasing company.

**12. TERM LOAN**

	Group	
	2008	2007
	RM	RM
Term loan I	7,737,484	-
Term loan II	287,824	-
	8,025,308	-
Amount due within 12 months	73,860	-
Amount due after 12 months	7,951,448	-
	8,025,308	-

Term Loan I

Islamic financing from a financial institution for a facility up to RM 24 million.

This facility is secured by a corporate guarantee of RM 24 million by Kannaltec Berhad and a debenture over the assets of Obnet Sdn. Bhd.

Term Loan II

A facility from a local bank for RM 300,000 and guaranteed by Credit Guarantee Corporation Malaysia (CGC) under New Principal Guarantee Scheme (NPGS).

The interest rate is at Base Lending Rate (BLR) plus 1.75% per annum and is secured jointly and severally by the directors of the subsidiary company.

**Notes to the Financial Statements**  
**31 March 2008**  
**- continued**

**13. BANK OVERDRAFT**

The bank overdraft was obtained by a subsidiary and secured by way of a memorandum of fixed deposit, a corporate guarantee by Kannaltec Berhad, a CGC guarantee and jointly and severally guarantee by the directors.

The bank overdraft bear interest at base lending rate + 2% per annum.

**14. SHARE CAPITAL**

	Company	
	2008	2007
	RM	RM
<b>Authorised :-</b>		
Ordinary shares of RM 0.10/- each	25,000,000	25,000,000
<b>Issued and fully paid :-</b>		
Ordinary shares of RM 0.10/- each		
As at 1 April	12,100,000	12,100,000
Issued during the year	-	-
As at 31 March	12,100,000	12,100,000

**15. SHARE PREMIUM**

The share premium account consist of accumulated share premiums arising from the public and rights issues amounting to RM 4,703,270 (2007 : RM 4,703,270).

**16. REVENUE**

Revenue of the Company is recognised as services are rendered and interest is incurred.

Revenue of the Subsidiaries represents maritime logistic monitoring system rental, contact centre ICT services and fee earned during the financial year.

**17. OTHER INCOME**

Included in other income is interest income amounting to RM 9,661 (2007 : RM 96,355).

**Notes to the Financial Statements**  
**31 March 2008**  
**- continued**

**18. PROFIT / (LOSS) FROM OPERATIONS**

The following have been charged in arriving at profit / (loss) from operations :-

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Amortization of development expenditure	<b>1,466,230</b>	1,148,661	-	-
Audit fees - Current year	<b>53,950</b>	40,000	<b>14,000</b>	11,000
Depreciation of property, plant and equipment	<b>1,930,639</b>	822,263	<b>102,190</b>	98,654
Director's fee	<b>264,100</b>	234,300	<b>264,100</b>	234,300
Director's allowance	<b>15,760</b>	3,000	<b>15,760</b>	3,000
Director's remuneration	<b>302,000</b>	473,616	<b>302,000</b>	473,616
Hire of motor vehicles	-	3,000	-	-
Rental of equipment	<b>94,159</b>	60,487	<b>16,453</b>	10,560
Rental of premises *	<b>578,928</b>	347,521	<b>144,768</b>	144,768
Staff cost	<b>2,228,780</b>	1,151,797	<b>579,848</b>	373,122
Lease rental	<b>62,431</b>	-	-	-

\* Rental includes a sum of RM 108,600 paid to a company in which certain directors have interests.

**19. FINANCE COST**

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Bank overdraft interest	<b>10,746</b>	-	-	-
Lease interest	<b>45,707</b>	-	-	-
Term loan interest	<b>6,289</b>	-	-	-
Hire purchase interest	<b>29,939</b>	27,124	-	-
	<b>92,681</b>	27,124	-	-

**20. INCOME TAX EXPENSE**

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Current year's provision	<b>62,168</b>	65,013	<b>54,441</b>	53,715
Deferred taxation	-	(16,026)	-	-
Overprovision for prior year	<b>(4,589)</b>	-	<b>(4,589)</b>	-
	<b>57,579</b>	48,987	<b>49,852</b>	53,715

**Notes to the Financial Statements**  
**31 March 2008**  
- continued

**20. INCOME TAX EXPENSE (continued)**

Reconciliation of Effective Tax Expense.

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Profit before taxation	<b>3,296,849</b>	4,194,588	<b>49,103</b>	4,047
Tax at the applicable tax rate of 26% / 27%	<b>857,181</b>	1,132,539	<b>12,767</b>	1,093
Non taxable income *	<b>(1,740,367)</b>	(1,343,026)	-	-
Non allowable expenses	<b>945,354</b>	275,500	<b>41,674</b>	52,622
Deferred taxation	-	(16,026)	-	-
Overprovision for prior year	<b>(4,589)</b>	-	<b>(4,589)</b>	-
<b>Tax Expense</b>	<b>57,579</b>	48,987	<b>49,852</b>	53,715

\* Non taxable income is made up of a subsidiary company being granted Multimedia Super Corridor (MSC) status. By virtue of this status, the Company has been granted pioneer status on its business income which were exempted from tax.

**21. EARNINGS PER SHARE**

The basic earnings per share of the Group has been calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the year.

	Group	
	2008	2007
Net profit for the year (RM)	<b>3,599,135</b>	4,145,601
Weighted average number of shares in issue	<b>121,000,000</b>	121,000,000
Basic earnings per share (sen)	<b>2.97</b>	3.42

**22. NEGATIVE GOODWILL**

The negative goodwill arising from the acquisition by the Company of its subsidiaries represents the excess of the fair value of the net asset acquired over the fair value of the purchase consideration.

In accordance with FRS 3, negative goodwill was derecognised with a corresponding increase in retained earnings.

## Notes to the Financial Statements

### 31 March 2008

- continued

#### 23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts :-

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash and bank balances	4,757,801	4,522,747	14,787	11,405
Bank overdraft	(864,751)	-	-	-
	<b>3,893,050</b>	4,522,747	<b>14,787</b>	11,405

#### 24. FINANCIAL RISK MANAGEMENT

The Company's financial risk management policy is to ensure adequate financial resources are available for the development of the Company's business whilst managing its risk.

The main areas of risk faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows :-

∞ Credit Risk

The Group's exposure to credit risks arises mainly from receivables. The maximum credit risks exposure is best represented by the total carrying amount of these financial assets in the balance sheet. The Group manages its exposure to credit risk by assessing counter parties financial standings on an ongoing basis, monitoring credit limits and terms. At the balance sheet date, there was no significant concentrations of credit risk in the Group and the Company.

∞ Interest Rate Risk

The borrowings of the Group and of the Company are a mix of short term and long term borrowings for working capital and thus the exposure to interest rate risk is minimal.

∞ Liquidity and Cash Flow Risks

The Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities. The Group practices prudent liquidity risk management by maintaining sufficient funds at all times.

#### 25. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair values is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments :-

(a) Bank Balance and Short Term Receivables

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

(b) Short Term Borrowings and Other Current Liabilities

The carrying amounts approximated their fair values because of the short period to maturity of these instruments.

**Notes to the Financial Statements**  
**31 March 2008**  
- continued

**26. EMPLOYEES**

The number of employees excluding directors and contract employees for the Group as at 31 March 2008 are 66 people (2007 : 51).

**27. SIGNIFICANT RELATED COMPANY TRANSACTIONS**

	Company	
	2008 RM	2007 RM
Management fee received from a subsidiary	<b>2,025,168</b>	1,816,099

**28. CONTINGENT LIABILITIES**

The Company provided :-

- a) Corporate guarantee to the shareholders (minority) of Obnet Sdn. Bhd., not exceeding RM 4 million, the amount which they would otherwise have been entitled to recover from Virtualnet Securespeed Sdn. Bhd.
- b) Corporate guarantee to Kannal Solutions Sdn. Bhd., fully owned subsidiary, for the following :-
  - ∞ Leasing facilities not exceeding RM 2,548,444.
  - ∞ Fixed loan and overdraft facility not exceeding RM 1,350,000.
- c) Corporate guarantee of RM 24 million in favour of a bank for banking facilities granted to Obnet Sdn. Bhd.

**29. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 25 July 2008.



## Statement by Directors

We, **DATUK MOHAN A/L A KANDASAMY** and **SANGAR NALLAPPAN**, being the directors of **KANNALTEC BERHAD** do hereby state that, in the opinion of the directors, the financial statements of the Group and of the Company as set out on pages 29 to 51 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2008 and of its results and cash flows for the year ended on that date.

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**DATUK MOHAN A/L A KANDASAMY**

Director

Port Klang

Dated : 25 July 2008

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**SANGAR NALLAPPAN**

Director

## Statutory Declaration

I, **PHANG KAH FATT**, being the financial controller primarily responsible for the financial management of **KANNALTEC BERHAD** do solemnly and sincerely declare that the financial statements as set out on pages 29 to 51 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed  
**PHANG KAH FATT** at Klang on 25 July 2008

)  
)  
)

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**PHANG KAH FATT**

Before me,

**N. SARASVATHY**

Commissioner for Oaths

# Report of the Auditors To the Members of Kannaltec Berhad

We have audited the financial statements of the Group and of the Company as set out on pages 29 to 51 of KANNALTEC BERHAD comprising the balance sheet of the Group and of the Company and the notes to the financial statements as at 31 March 2008 and the income statement, the statement of changes in equity and the cash flow statement of the Group and of the Company for the financial year ended on that date.

These financial statements are the responsibility of the Group and of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion :-

- (a) the financial statements which have been prepared under the historical cost convention, are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company ; and
  - (ii) the state of affairs of the Group and of the Company as at 31 March 2008 and of the results of the operations and the cash flow of the Group and of the Company for the year ended on that date ;

and

- (b) the accounting and other records and the register required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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

The audit reports on the financial statements of the subsidiaries were not subject to any qualification or any adverse comment made under Section 174 (3) of the Act.

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**VIRU, GOONA & ASSOCIATES**

AF : 0879

Chartered Accountants

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**VIRUTHASALAM PILLAI A/L MANIAM**

1570 / 11 / 08 (J)

Partner

Kuala Lumpur

Dated : 25 July 2008

# Analysis of Shareholdings as at 31 July 2008

Authorized Share Capital	:	RM 25,000,000.00
Issued and Paid-up Capital	:	RM 12,100,000.00
Class of Shares	:	Ordinary Shares of RM 0.10 each
Voting Rights	:	One vote per share

## SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares
Less Than 100	2	0.25	100	0.00
100 - 1,000	206	26.21	115,300	0.10
1,001 - 10,000	314	39.95	1,798,200	1.48
10,001 - 100,000	203	25.83	8,006,361	6.62
100,001 to less than 5% of issued shares	57	7.25	48,527,737	40.10
5% and above of issued shares	4	0.51	62,552,302	51.70
Total	786	100.00	121,000,000	100.00

## THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	% of Shares
1.	MIDDLE ENTITY (M) SDN. BHD.	30,250,139	25.00
2.	JUTA IMPERIUM (M) SDN. BHD.	19,152,163	15.83
3.	HSBC NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : HSBC (MALAYSIA) TRUSTEE BERHAD FOR AMANAH SAHAM KEDAH	7,050,000	5.83
4.	TASEC NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : TA FIRST CREDIT SDN. BHD. FOR MIDDLE ENTITY (M) SDN. BHD.	6,100,000	5.04
5.	CARTABAN NOMINEES (ASING) SDN. BHD. BENEFICIARY : SSBT FUND RNQU FOR DUBAI INVESTMENT GROUP LIMITED	5,727,500	4.73
6.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LOW MEI LOON	4,289,900	3.55
7.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR SUKUNAN A/L KANDASAMY	3,517,242	2.91
8.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : CIMB FOR RASHPAL SINGH A/L JESWANT SINGH (PB)	3,000,000	2.48
9.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : CIMB BANK FOR RASHPAL SINGH A/L JESWANT SINGH (MY0358)	2,977,000	2.46
10.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : CIMB BANK FOR MOHAN A/L A KANDASAMY	2,531,000	2.09
11.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : CIMB BANK FOR FONG WAI LEONG	2,468,500	2.04
12.	BHLB TRUSTEE BERHAD BENEFICIARY : TA SMALL CAP FUND	2,051,200	1.70
13.	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR FONG WAI LEONG	1,721,700	1.42
14.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR MOHAN A/L A KANDASAMY	1,453,598	1.20
15.	A.A. ANTHONY NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR KALAVATHY A/P M GANAPATHY	1,370,500	1.13

## Analysis of Shareholdings as at 31 July 2008 - continued

### THIRTY (30) LARGEST SHAREHOLDERS (continued)

No.	Name of Shareholders	No. of Shares Held	% of Shares
16.	ANNADURAI A/L A. KANDASAMY	1,209,546	1.00
17.	VIGNESWARAN A/L K NAGA LINGAM	1,164,600	0.96
18.	LIM CHIN HENG	1,008,500	0.83
19.	HEDZIER BIN AHMAD	1,000,000	0.83
20.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LYE EK SEANG	1,000,000	0.83
21.	CHUNG TACK SOON	910,000	0.75
22.	ABDUL LATIF BIN MD RASAD	682,000	0.56
23.	NG CHEE KEONG	650,000	0.54
24.	A.A. ANTHONY NOMINEES(TEMPATAN) SDN. BHD. BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR SHARMALA DEVI A/P PHANDIYAN	602,400	0.50
25.	HOOI TUNG YUEN	580,000	0.48
26.	MAK WENG KIT	550,000	0.45
27.	PAKIRISAMY BASKARAN A/L P THANGAVELU	481,800	0.40
28.	LEE CHEW HWA	450,000	0.37
29.	CH'NG TONG KHENG	349,600	0.29
30.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR THANGARAJA A/L A. SUBRAMANIAM	338,758	0.28

### SUBSTANTIAL SHAREHOLDINGS AS AT 31 JULY 2008

No.	Shareholder	No. of Shares	%
1.	MIDDLE ENTITY (M) SDN. BHD.	36,350,139	30.04
2.	JUTA IMPERIUM (M) SDN. BHD.	19,152,163	15.83
3.	AMANAH SAHAM KEDAH	7,050,000	5.83

### DIRECTORS' SHAREHOLDINGS AS AT 31 JULY 2008

Name	Direct	%	Indirect	%
1. DATUK MOHAN A/L A KANDASAMY	3,984,598	3.29	*41,076,927	33.95
2. TUAN HAJI HEDZIER BIN HAJI AHMAD	1,000,000	0.83	***19,152,163	15.83
3. SUKUNAN A/L KANDASAMY	3,517,242	2.91	**41,544,283	34.33
4. SANGAR NALLAPPAN	NIL	-	NIL	-
5. SA'EDAH BINTI JAMEK	NIL	-	***19,152,163	15.83
6. DATO THANGARAJA A/L A. SUBRAMANIAM	338,758	0.28	NIL	-
7. TUAN HAJI AZHARI BIN MOHAMED	NIL	-	NIL	-

\* Deemed interest by virtue of his interest in Middle Entity (M) Sdn. Bhd., Sukunan A/L Kandasamy and Annadurai A/L A. Kandasamy being his brothers' direct interest in Kannaltec Berhad

\*\* Deemed interest by virtue of Datuk Mohan A/L A Kandasamy and Annadurai A/L A. Kandasamy being his brothers' direct and indirect interest in Kannaltec Berhad

\*\*\* Deemed interest by his/her interest in Juta Imperium (M) Sdn. Bhd.

# PROXY FORM



**KANNALTEC BERHAD**  
(635696-V)

I/We \_\_\_\_\_ NRIC/Company No: \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_

being a member/ members of KANNALTEC BERHAD hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him / her\*, the Chairman of the meeting as my / our\* proxy to vote for me/us\* on my/ our\* behalf at the Fifth Annual General Meeting of the Company to be held on Monday, 22<sup>nd</sup> September 2008 at Crown Hall, Crystal Crown Hotel, No: 127, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan at 10.30 am and at any adjournments thereof, on the following resolutions referred to in the notice of the Annual General Meeting :-

I/We indicate with an "X" in the spaces provided below on how I/We wish my/our votes to be cast. (Unless otherwise instructed, the proxy may vote as he thinks fit)

RESOLUTION	ORDINARY BUSINESS	FOR	AGAINST
1	To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 March 2008 and Auditors Reports thereon		
2	To approve the payment of Directors' fees the financial year ended 31 <sup>st</sup> March 2008 amounting to RM264,100		
3	<b>Re-election of Director under Article 98 of the Company's Articles of Association</b> Tuan Haji Azhari Bin Mohamed		
4	<b>Re-election of Director under Article 98 of the Company's Articles of Association</b> Puan Sa'edah Binti Jamek		
5	<b>Re-election of Director under Article 103 of the Company's Articles of Association</b> YBhg. Dato' Thangarajo A/L A. Subramaniam		
6	Re-appointment of Messrs. Viru, Goona & Associates as Auditors of the Company and to authorize the directors to fix their remuneration		

RESOLUTION	SPECIAL BUSINESS	FOR	AGAINST
7	Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965.		

Number of Shares Held

Date: \_\_\_\_\_ Signature of Member / Seal : \_\_\_\_\_

## NOTES:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint up to two (2) proxies to attend and vote instead of the member. A proxy appointed may but need not be a member of the Company. Where a member appoints two proxies, the appointment shall be invalid unless the member specifies the proportion of his / her shareholding to be represented by each proxy.
2. The instrument appointing a proxy shall be signed by the appointor or his attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under its common seal or under the hand of an officer or attorney duly authorized.
3. Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No: 149A, 149B, 151B, Persiaran Raja Muda Musa, 42000 Port Klang, Selangor Darul Ehsan not less than 48 hours before the time for holding the meeting or any adjournment thereof.



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**Company Secretary**

**KANNALTEC BERHAD**

No: 149A, 149B, 151B, Persiaran Raja Muda Musa  
42000 Port Klang, Selangor Darul Ehsan.  
Tel No: 603-3167 3830 ; Fax No: 603-3168 3830

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[WWW.KANNALTEC.COM](http://WWW.KANNALTEC.COM)