Mesiniaga

Mesiniaga

40 YEARS

1982 - 2022

Helping Customers Succeed

REBUILDING THROUGH INNOVATION

ANNUAL REPORT 2021

Mesiniaga

40 YEARS

1982 - 2022

Helping Customers Succeed

1982-2022

DATUK WAN MOHAMED FUSIL
Executive Chairman

Dear Esteemed Shareholders,

WE ENTERED 2021 CAUTIOUSLY OPTIMISTIC. IN 2020, WE ENDURED THE CHALLENGES OF OPERATING WITHIN A STRICT COUNTRY-WIDE LOCKDOWN AS OUR GOVERNMENT GRAPPLED WITH THE RAPID SPREAD OF COVID-19, WHICH BROUGHT MANY ECONOMIC AND HEALTH CONSEQUENCES.

Mesiniaga 40 YEARS
1982 - 2022
Helping Customers Succeed

Mesiniaga

Our 40 YEARS Journey

We started as a company selling IBM office products and have evolved into a multi-platform business solutions provider with a paid-up capital of RM60.4 million. Within the last 40 years, the technology landscape has changed tremendously. New trends have emerged resulting in a sea of change in the way companies do business.

1981

OUR JOURNEY TO HELP BEGAN

Established on December 17, 1981 at a time when the country's IT industry was still in its infancy, Mesiniaga was set up in response to the government's aspiration to increase local participation in the technology industry. The Company commenced official operations in 1982. Since then, Mesiniaga has been in the technology business for four decades.

1992

A STRUCTURAL ICON

Moved from Plaza See Hoy Chan to Menara Mesiniaga. The building is renowned as a "green building" with ecological and architectural aesthetics that have enabled us to minimise our environmental impact and maintain a low carbon footprint.

1996

MILESTONES ACHIEVED

- Formed Network Services Unit (NSU) to offer networking solutions.
- Formed iNet & Workgroup Solutions Team (IWS) to offer collaborative and Web-based business solutions.
- Formed Systems Integration and Project Management Unit (SI/PMU) to provide end-to-end integrated solutions architecture, design and implementation.

1999

A BRAND NEW JOURNEY

Mesiniaga was listed on KLSE main board (now known as Bursa Malaysia) in 1999.

2006

UNLOCKING PEOPLE'S POTENTIAL

- Established Mesiniaga Academy.
- Launched the Business Productivity Centre (BPC) in Menara Mesiniaga. The BPC was a joint venture with Microsoft and was the first Executive Briefing Center for Microsoft Solutions in Asia.
- Launched Mesiniaga's New Website & Solutions Manual.

2012

TAKING A NEW PATH

Formed Customcodes Sdn. Bhd. (now known as Mesiniaga Digital Sdn. Bhd.).

2016

RESILIENT AND BUOYANT

- Formed SOC (Security Operations Center) to provide cybersecurity monitoring services in 2015.
- Formed MBCloud Solutions in 2016.

2022

REBUILDING THROUGH INNOVATION

Mesiniaga celebrates 40 years anniversary.

WHAT'S INSIDE

OVERVIEW

PERFORMANCE

GOVERNANCE

FINANCIAL STATEMENTS

OTHER INFORMATION

Scan this QR Code to download our Annual Report 2021

To contact us, please refer to page 06 for Corporate Information

Facts at a Glance

Headquarters
Subang Jaya

Key Office Locations
Mesiniaga
Pulau Pinang
Mesiniaga
Johor Bahru

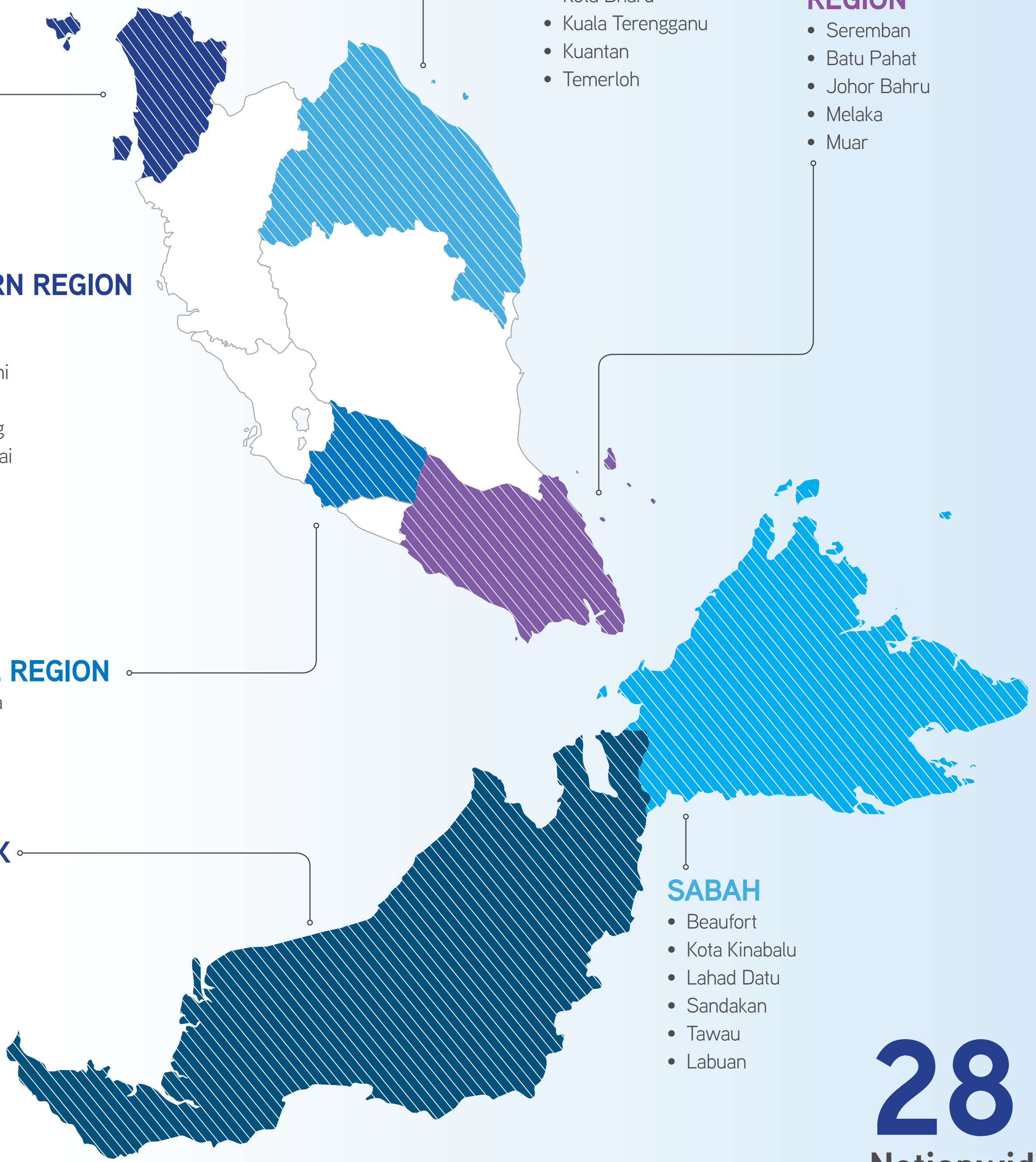
Incorporated on
17 December 1981

Staff Strength of More Than
1,200 employees
as of 31 December 2021

Paid-up Capital of
RM60.4 million

Listed on Bursa Malaysia Securities Berhad (Main Market) on
17 November 1999

Facts at a Glance



EAST COAST
- Kota Bharu
- Kuala Terengganu
- Kuantan
- Temerloh

SOUTHERN REGION
- Seremban
- Batu Pahat
- Johor Bahru
- Melaka
- Muar

NORTHERN REGION
- Perlis
- Alor Setar
- Sungai Petani
- Ipoh
- Pulau Pinang
- Seberang Prai
- Taiping

CENTRAL REGION
- Subang Jaya

SARAWAK
- Bintulu
- Kuching
- Miri
- Sibu
- Sri Aman

SABAH
- Beaufort
- Kota Kinabalu
- Lahad Datu
- Sandakan
- Tawau
- Labuan

28

Nationwide Service Locations

Corporate Profile

Mesiniaga has been in the technology business for more than three decades.
We started as a company selling IBM office products and have evolved into a multi-platform business solutions provider with a paid-up capital of RM60.4 million.

Our Vision

To Be the Malaysian IT Partner of Choice

Our Mission

Helping Customers Succeed

Values

RESPECT
Good conduct towards people, roles, procedures and processes

INTEGRITY
Positive virtues with strong business ethics and professionalism

COMMITMENT
Dedicated to keep our promises to our customers

INNOVATION
Relevant and differentiated products and services in the market

TEAMWORK
Leveraging on our multiple skills and strengths to complement one another as a team

Corporate Profile

LEADING PARTNERSHIP STATUS

Dell EMC Platinum Partner
IBM Gold Partner
Microsoft Gold Partner for Messaging, Application Integration, Data Analytics, Application Development, Collaboration & Content, Datacentre, Cloud Productivity, Microsoft Silver Partner for Small & Midmarket Cloud Solutions, Windows & Devices
Cisco Gold Partner
Broadcom Symantec Partner
Juniper Elite Partner
Trend Micro Bronze Partner
VMWare Advanced Partner (Data Centre)
Oracle Partner
HP Inc. Amplify Partner
HPE Silver Partner
HPE Aruba Silver Partner
Huawei Gold Partner
Commvault Premier Partner
Lenovo PC Gold Partner
Lenovo Infrastructure Solutions Partner Gold
Veritas Silver Partner
Procera Networks Inc. Authorised Partner
Nutanix Authorised Partner
Fortinet MSSP, Advocate
F5 Networks Authorised Partner
Dynatrace Authorised Partner
Red Hat Ready Partner
Veeam Silver Value-Added Reseller
Veeam Silver Cloud & Service Provider

Mesiniaga has been in the technology business for more than three decades. We started as a company selling IBM office products and have evolved into a multi-platform business solutions provider with a paid-up capital of RM60.4 million.

Within the last 40 years, the technology landscape has changed tremendously. New trends have emerged resulting in a sea of change in the way companies do business. Across the board, companies these days are constantly on the lookout for solutions that will give them an edge over their competitors. As such, we are continually striving for ways to provide our customers with an experience that will allow them to achieve their business objectives.

We have made it our Mission to Help Customers Succeed, by delivering technology and business solutions to improve customers' business efficiency, productivity and competitive edge. To fulfil our Mission, it is imperative that we understand their business needs, environment and challenges. This is achieved through close engagement with customers, applying industry best practices and maintaining a business-oriented approach.

Another essential element in enhancing customer experience is through managing customer satisfaction. Hence, we have implemented multiple initiatives to improve service delivery and our understanding of customer needs. Our people are already acknowledged as having superior technical skills, mainly because we encourage them to pursue or upgrade their professional certifications. They also undergo considerable soft skills training sessions to improve their understanding of customer requirements and how best to meet them. The end objective of these initiatives is to give our customers complete confidence to deal with Mesiniaga.

We believe that the strategies implemented to drive customer business performance and enhance customer satisfaction will ultimately improve our business performance. This will allow us to reward our shareholders for their faith in us. We have also committed to improving our productivity yield to fulfil this promise. We are now a group of more than 1,200 employees. We have invested considerably in developing measurements on resource utilisation because our resources must be employed to their optimum potential.

These efforts ensure that Mesiniaga remains a force to be reckoned with in the IT industry.

Corporate Information

BOARD OF DIRECTORS

DATUK WAN MOHAMED FUSIL
Executive Chairman

VOON SENG CHUAN
Independent
Non-Executive Director

FATHIL ISMAIL
Non-Independent
Non-Executive Director

SIM HONG KEE
Independent
Non-Executive Director

DATUK NOOR AZIAN SHAARI
Independent
Non-Executive Director

DATO' DARAWATI HUSSAIN
Non-Independent
Non-Executive Director

ZAIM HUSNI OMAR
Non-Independent
Non-Executive Director
(Appointed on 16 April 2021)

WONG FOOK HON
Independent
Non-Executive Director
(Retired on 15 July 2021)

NOMINATION AND REMUNERATION COMMITTEE

Voon Seng Chuan (Chairperson)

Fathil Ismail

Wong Fook Hon
(Retired on 15 July 2021)

Sim Hong Kee
(Appointed on 1 January 2022)

AUDIT AND RISK MANAGEMENT COMMITTEE

Sim Hong Kee (Chairperson)

Datuk Noor Azian Shaari

Dato' Darawati Hussain

INVESTMENT COMMITTEE

Dato' Darawati Hussain (Chairperson)

Voon Seng Chuan

Fathil Ismail

COMPANY SECRETARY

Jasni Abdul Jalil (MACS 01359)

COMPANY REGISTRATION NUMBER

198101013112 (79244-V)

REGISTERED OFFICE

11th Floor, Menara Mesiniaga
1A, Jalan SS16/1
47500 Subang Jaya
Selangor Darul Ehsan
Tel : 03-5635 8828
Fax : 03-5636 3838

AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF1146)
Level 10, 1 Sentral
Jalan Rakyat, Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Tel : 03-2173 1188
Fax : 03-2173 1288

PRINCIPAL BANKERS

Maybank Islamic Berhad
Standard Chartered Saadiq Berhad
Citibank Berhad
Bank Islam Malaysia Berhad

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7890 4700
Fax : 03-7890 4670

STOCK EXCHANGE LISTING

Listed on Main Market of
Bursa Malaysia Securities Berhad
Listing Date : 17 November 1999
Stock Code : 5011
Stock Name : MSNIAGA
Stock Sector : Technology

Corporate Structure

Mesiniaga

MESINIAGA DIGITAL SDN. BHD.
(Formerly Known As CUSTOMCODES SDN. BHD.)

100%

Provision of design, development and implementation of business solutions and product development

MESINIAGA ALLIANCES SDN. BHD.

100%

Provision of strategic information technology outsourcing services

MESINIAGA MSC SDN. BHD.

100%

Dormant

MESINIAGA SERVICES SDN. BHD.

100%

Dormant

MESINIAGA MOBILITY SDN. BHD.

80%

Enhancement of value by developing, marketing and operating a mobile workforce management system

VA DYNAMICS SDN. BHD.

51%

Sales of networking cables and related products

Management Discussion and Analysis

Dear Esteemed Shareholders,

We entered 2021 cautiously optimistic. In 2020, we endured the challenges of operating within a strict country-wide lockdown as our government grappled with the rapid spread of COVID-19, which brought many economic and health consequences.

A few of our ongoing projects had to be delayed, and a couple of new public sector projects were deferred. However, the vaccination programme, initiated in 2021, brightened the outlook. As we achieved the targeted proportion of vaccinated Malaysians, businesses were allowed to reopen again. The resumption of Malaysia's economic activities and our national vaccination programme's positive progress augurs well for a more hopeful future business outlook.

On this positive note, I am privileged to present the highlights of Mesiniaga's business and its financial performance for 2021.

Datuk Wan Mohamed Fusil
Executive Chairman

Management Discussion and Analysis

OPERATING ENVIRONMENT

The operating environment for the ICT industry was not encouraging in the first half of the year as fewer government and government-linked companies (GLC) tenders were opened for bidding. However, the situation began to improve in the second half of the year. Our professional IT services were also affected, particularly those involving onsite activities resulting in project delays and higher costs.

Fortunately, we were able to rely on annuity-based contracts for hardware and software maintenance and managed services. This increased demand for end-user computing devices and companies desiring to digitalise their businesses helped grow our business leads during the pandemic.

By the 3rd quarter of 2021, with the encouraging increase in vaccination rates and customers returning to their offices, we implemented many delayed projects due to the MCO. Proposals, evaluations, and contract awards held back due to the MCO could recommence at a pace similar to before the pandemic struck.

Despite this return to normal business activities, the IT industry is still plagued by a shortage of semiconductor chips. Driven by the high demand for chips for consumer electronics and the computer industry, the sales of chips grew by 6.5% in 2020, a rapid growth that continued into 2021. The surge in demand caused longer delivery times for many computing and network products, resulting in delays in project implementations and completions.

Group Revenue (RM Million)

240 FYE 2020: 198

Profit Before Tax (RM Million)

6 FYE 2020: (9)

Net Current Assets (RM Million)

76 FYE 2020: 67

OUR BUSINESS

Mesiniaga is an established IT Service Provider offering customised end-to-end IT solutions at a competitive price with superior customer experience. After project implementation, our team of trained and capable engineers, strategically located throughout the country, will provide the required technical support to our customers. For customers that prefer to focus on their core businesses, we offer IT Outsourcing Services ranging from total IT Operations to Cloud Management and Security Services.

Our customers include those in the public, telecommunications, and enterprise sectors. We engage with GLCs and financial services organisations within the enterprise sector. In the telecommunications sector, Mesiniaga is involved in the strategic development and support of core network infrastructure for some of the biggest telecommunication companies in Malaysia, in line with the National Broadband Initiative. Additionally, we provide support systems and last-mile connectivity equipment for fixed and wireless networks to GLCs, private enterprises and the government sector. We are also active in the northern states of Perak, Kedah, and Perlis, with a branch office in Penang, serving the manufacturing, education, and government sectors.

OUR BUSINESS STRATEGY

Our strategy depends on continually enhancing our value creation by developing differentiators in all our products and services and raising the efficiency of our business operations.

The government's recent initiative to successfully transform Malaysia into a digitally-driven, high-income nation and a regional leader in the digital economy via the launching of MyDIGITAL bodes well for our Network System and Telecommunications business. Digital Nasional Berhad (DNB), which was established to accelerate the adoption of a digital economy, will fast track the deployment of the nation's 5G network nationwide. In December 2021, 5G was launched in Putrajaya, Cyberjaya and Kuala Lumpur and would be deployed to five major cities and districts in Selangor, Penang, Johor, Sabah, and Sarawak in 2022.

Management Discussion and Analysis

To reap the benefits of this new digital economy, Mesiniaga is prepared to offer solutions such as Edge Computing (MEC) for Edge Cloud, Network Function Virtual Infrastructure (NFVI) for Core Cloud and Service Orchestration System. These are part of our strategic skills and strengths to support 5G Deployment and Malaysia's Digital Transformation Agenda. Having extensive experience and strong technical capabilities in network and computing platforms, we are actively building up the infrastructure to support 5G service offerings. Furthermore, we are expanding our network engineering team and enhancing our current engineers' skills to serve our Telecommunications Sector customers when they venture into 5G technology.

To further boost our current Security Operations Centre (SOC) offerings, we will be investing in talent development and more resources to offer new services such as threat hunting and emergency response. We are also venturing into the Security Posture Assessment (SPA) business by initiating and developing our presence in the public sector.

OUR PRODUCT INNOVATIONS

MyMOMS

In a strategic collaboration with Universiti Kebangsaan Malaysia, Mesiniaga completed the development of the first version of the Malaysian Obstetric Monitoring System or MyMOMS. This mobile-friendly application serves as a comprehensive antenatal digital logbook to replace the current physical "pink book". Apart from record-keeping, it also identifies risks to reduce morbidity, mortality and any near-miss disasters which may lead to litigation. The application also empowers healthcare practitioners to engage with pregnant patients by facilitating telehealth consultations.

Scan this QR Code to get more information about MyMOMS

MyMOMS is currently in the trial stage at certain hospitals and clinics in the Klang Valley, which will enhance the credibility of our solution. Since we offered the trial programme, several other hospitals and maternity clinics have expressed interest in having a Proof of Concept (POC) for their organisations. We aim to position MyMOMS as the premier digital healthcare companion for pregnant mothers, improving antenatal and postnatal management and monitoring.

LOFT Digital Space

Our Asset Management & Tracking system, LOFT Digital Space, helps organisations reduce costs and streamline business operations by scaling down the workforce required to manually check and update assets' details. LOFT can easily retrieve the usage and whereabouts of assets with a simple click in the system.

Scan this QR Code to get more information about LOFT

FINANCIAL AND OPERATIONAL PERFORMANCE

Despite the challenges in our operating environment due to the pandemic, our revenue in 2021 recorded an increase of 21.5% to RM240.1 million from RM197.7 million in 2020. This turned Mesiniaga's loss-making position into a profit with a net income before tax of RM6.3 million.

Management Discussion and Analysis

We could not have sustained demand for our products and services in 2021 without the trust and confidence of our customers. We secured new significant projects that bolstered our Group revenue from Astro, Maxis, Telekom Malaysia, Tenaga Nasional Berhad, Perkeso, Suruhanjaya Syarikat Malaysia, Lembaga Hasil Dalam Negeri and Lembaga Tabung Haji.

To further strengthen our business performance, we carried out cost reduction exercises throughout the year and improved our overall delivery efficiency.

We did not embark on significant capital expenditure projects during the year. At the end of 2021, we committed to upgrading our existing SAP system, which was facing the end of support, to Cloud-Based SAP S4 Hana to serve our needs for the future. In addition, we allocated around RM2 million a year for ideation, research, and development initiatives.

Our staff productivity levels have remained high despite the COVID-19 pandemic. Our Work from Home policy, which has been in place since 18 March 2020, has continued without any adverse effects.

Under Perkeso's Penjana Kerjaya hiring incentive programme, we received and utilised an incentive fund amounting to RM221,500 for the upskilling or reskilling of newly appointed talents to familiarise them with their new roles and positions.

BUSINESS RISKS AND MITIGATION MEASURES

Strategic - Market and Technology Risks

With the COVID-19 pandemic lingering, market risks remain high due to unstable global and local economic conditions. In a market where many players are aggressively competing, finding multiple bidders competing for one government tender was common. We responded to this by adopting selective bidding. We would only bid for deals in which we had an early engagement with the customer and ensured we had the required skills and support from our partners.

Furthermore, to prepare for any negative impact on the Group's revenue, we implemented the following mitigating measures: bolstering efficiency, investing in innovative technology and services to meet the evolving needs of our customers, as well as strengthening customer loyalty.

We recognise that our current strategy of focusing more on recurring services may reduce business involving the supply of products or equipment from principals. But we believe that by adopting this strategy, we can create opportunities to increase the scope of our IT services to our customers.

Operational - Talent Management and Succession Planning Risks

As recruitment, staff development, training and attrition remain persistent challenges for Mesiniaga, our Human Resource Department is constantly looking for suitable talents to hire and develop through structured employee training programmes.

External - Cyber-Attack Risks

As companies rely more on digital technologies to run their operations, the risk of exposure to cyber-attacks will continue to increase. Recognising this persistent and imminent threat, Mesiniaga enforced various IT Security measures: leveraging our SOC services, adopting Cloud Based services with enhanced security protection and applying an ISMS Framework. We also conducted IT Security awareness and training programmes for our employees. Although there is no one all-encompassing solution and the Company remains potentially vulnerable to this threat, we will continue to reduce cyber-attack risks and cushion their impact on our business.

MOVING FORWARD

Our government's MyDIGITAL initiative to expand network infrastructure and provide Internet access to all Malaysians will be the catalyst for the growth of the IT industry. As an established local IT Service Provider with excellent track records in delivering our projects, we are well-positioned to take advantage of the new digital economy gaining momentum in Malaysia.

With more frequent incidents of cybersecurity attacks worldwide, the demand for security solutions will grow exponentially.

We will increase our skills and capacities in network and security technology to capture the expected increase in demand from the market.

Management Discussion and Analysis

Operating in a competitive environment, we constantly develop differentiation in our solutions and services to stay ahead. We invest in developing our own products and IP to create new markets and new business for Mesiniaga.

We will remain prudent and diligent in overall cost and expenditure management while investing in selected businesses to accelerate growth. Even though we expect the playing field to be competitive and demanding, we believe we have what it takes to thrive and achieve our goals.

ACKNOWLEDGEMENTS

While the future will undoubtedly bring new challenges, we believe new opportunities will inevitably accompany it. We are optimistic that our Company's business outlook for 2022 will be favourable, especially as the pandemic eases with the rapid increase in the vaccination rate of Malaysia's population.

We would not be where we are today without our loyal and determined workforce. Our management team and all our employees have my deepest gratitude for their dedication to achieving our continued growth by leveraging our core values of Respect, Integrity, Commitment, Innovation, and Teamwork. I also wish to extend my heartfelt appreciation to my fellow Board members for their invaluable expertise and advice. I am profoundly grateful to our customers and business partners for their unwavering confidence and support. To our shareholders, we appreciate the faith and trust that you have in us as we move together to embrace fresh opportunities and meet new challenges ahead.

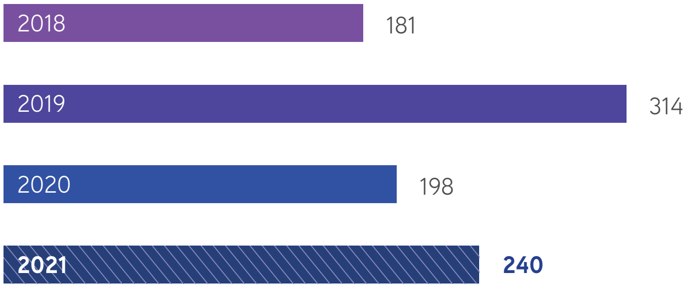
Thank you.

Datuk Wan Mohamed Fusil
Executive Chairman

Five-Year Performance Statistics

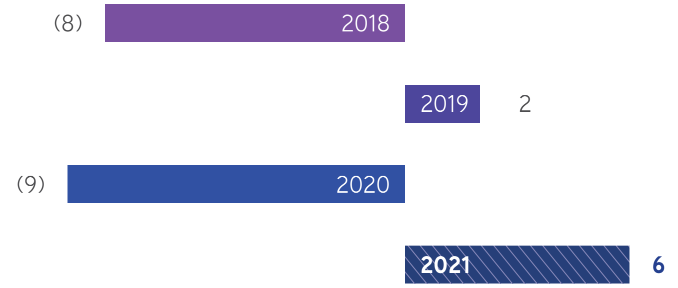
Revenue (RM Million)

RM240



Profit Before Tax (RM Million)

RM6



Net Current Assets (RM Million)

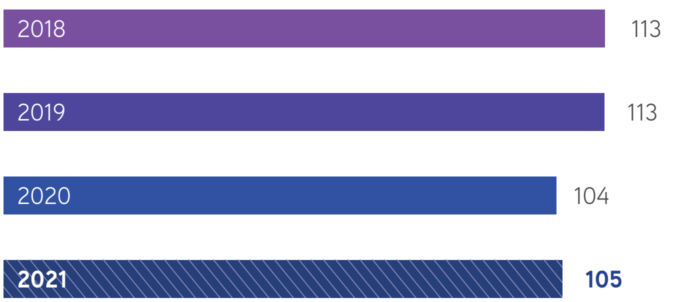
RM76

Fixed Assets (RM Million)

RM37

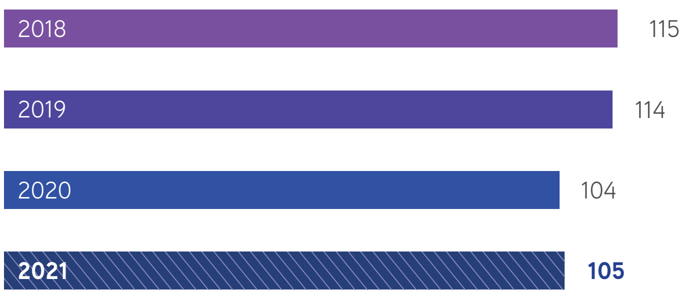
Net Tangible Assets (RM Million)

RM105



Shareholders' Equity (RM Million)

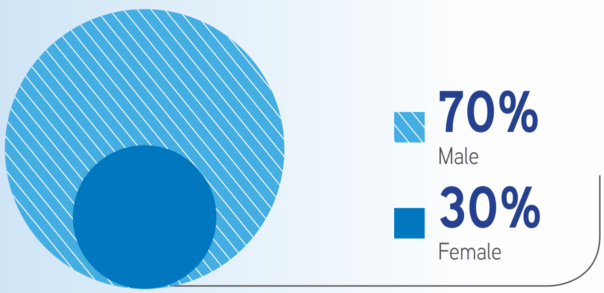
RM105



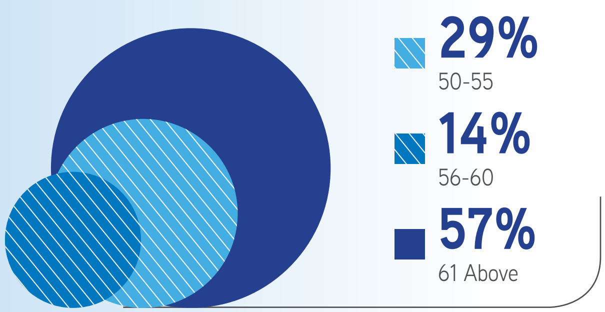
Board of Directors

Boards Statistics

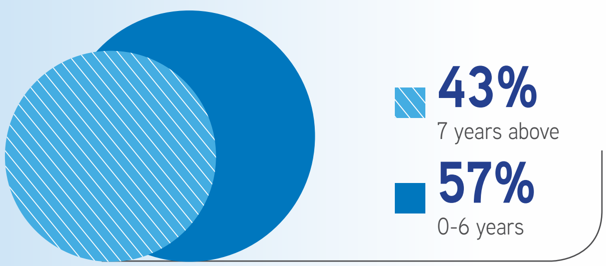
Gender



Age



Tenure



DATUK WAN MOHAMED FUSIL

DMSM

EXECUTIVE CHAIRMAN

Age 71 | Male | Malaysian

Board Committee: NIL

Number of Board Meetings Attended: 6/6

Datuk Wan Mohamed Fusil was appointed to the Board on 17 December 1981 as part of the team who founded the Company. He was elected Chairman of the Board on 14 June 2007. Datuk Wan Mohamed Fusil was reappointed as the Chief Executive Officer of Mesiniaga on 25 February 2016 after retiring from the position in 2007.

Before joining Mesiniaga, Datuk Wan Mohamed Fusil was with IBM Malaysia. During his tenure with IBM Malaysia, he served in various managerial positions. This included serving as Country Manager - Information Products Division.

Datuk Wan Mohamed Fusil is one of the first serving Board Members of Multimedia Development Corporation (MDEC). He is also one of the founding members of the Association of Computer and Multimedia Industry Malaysia (PIKOM). He held several positions in PIKOM, including serving as Deputy Chairman (1989-1991) and Chairman (1991/1992). Datuk Wan Mohamed Fusil graduated with a Diploma in Accountancy from ITM (now known as UiTM).

Board of Directors

VOON SENG CHUAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 63 | Male | Malaysian

Board Committee: Nomination and Remuneration Committee
Investment Committee

Number of Board Meetings Attended: 6/6

Voon Seng Chuan was appointed to the Board as a Non-Independent Non-Executive Director on 24 October 2000. On 1 April 2013, he was re-designated as an Independent Non-Executive Director. He is currently the Chairman of Ambank (M) Berhad and sits on the board of AMMB Holdings Berhad.

Since 1983, Voon had served IBM in various capacities, starting with his first appointment as Marketing Representative. Since then, he held several key local and regional positions such as Country Brand Manager, General Manager for Channels Management, IBM ASEAN/South Asia and Vice President for Business Partners, Sales and Marketing for IBM Asia Pacific. In January 2000, he became Managing Director of IBM Malaysia and Brunei. After which, he was assigned to IBM Asia Pacific headquarters to handle their headquarters organisation restructuring. His last role before retiring in 2010 was as Director for Mid-Market for Asia Pacific.

He was also a Council Member of PIKOM (National ICT Association of Malaysia) in 1994-1995 and 1999-2000. In 2013, Voon was recognised with the "Outsourcing Leader of the Year" award by Outsourcing Malaysia. Voon holds a Bachelor of Science (Honours) degree in Mathematics from Universiti Malaya.

FATHIL ISMAIL

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 57 | Male | Malaysian

Board Committee: Nomination and Remuneration Committee
Investment Committee

Number of Board Meetings Attended: 6/6

Fathil Ismail was appointed to the Board on 1 June 2002. Between 2008 and 2013, he helmed the Company as Managing Director.

Beginning 1 January 2014, he continues to sit on the Board as a Non-Independent Non-Executive Director. An accountant by training, Fathil served with Ernst & Young and subsequently with the Corporate Finance Department of Arab Malaysian Merchant Bank before pursuing private enterprise.

He was a founding partner and the Managing Director of Genesis Healthcare for six years until late 2001. Fathil is an alumnus of Malay College Kuala Kangsar and graduated from the Association of Chartered Certified Accountants (ACCA).

Board of Directors

SIM HONG KEE

C.A. (M), CPA(M), ICDM

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 66 | Male | Malaysian

Board Committee: Audit and Risk Management Committee
Nomination and Remuneration Committee
(since 1 January 2022)

Number of Board Meetings Attended: 6/6

Sim Hong Kee was appointed to the Board as an Independent Non-Executive Director on 1 May 2018. He is also the Chairman of the Audit and Risk Committee as well as a member of the Strategic Council.

He began his career under a 4-year articleship with a public accounting firm during before joining IBM Malaysia where, over a period of about 31 years, he held various senior local and regional leadership positions in the areas of financial planning; pricing; treasury operations; real estate strategy; taxation; legal; business controls; joint venture evaluation and formation; leasing operations; accounting, sales and credit control.

Some of the senior positions he held in IBM include: Executive Assistant of Asia Pacific Chief Financial Officer; Chief Financial Officer; Country Marketing Operations Manager; ASEAN/South Asia Y2K Executive to lead the successful Y2K transition for all customers and IBM operation; Senior Manager for Key Accounts; ASEAN/ South Asia Regional Project Management Office Leader for the divestment of IBM's PC and Printer businesses and Senior Manager of Credit Centre of Excellence for the Asia Pacific, South Korea, Japan and India. He retired from IBM in 2015. In between his time in IBM, he was the Finance and Human Resource Director of Oracle Malaysia from 1995 to 1997.

He is currently the Senior Advisor of Business Process and Internal Audit at a leading private equity company: Creador Sdn. Bhd. He is an Independent Non-Executive Director of Hong Leong Assurance Bhd, Tricor Trustco (Labuan) Ltd and a Corporate Advisor of Tricor Corporate Services Sdn. Bhd. He has attended the Harvard Business School's Senior Management Development Programme and the IBM Asia Pacific Advanced Management School. He completed the Malaysian Institute of Certified Public Accountant examination in 1980 and is a Chartered Accountant and a registered member of the Malaysian Institute of Accountants (MIA); member of the Malaysian Institute of Certified Public Accountants (MICPA) as well as a member of the Institute of Corporate Directors Malaysia.

Board of Directors

DATUK NOOR AZIAN SHAARI

PMW, JSM, KMN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 73 Female Malaysian

Board Committee: Audit and Risk Management Committee

Number of Board Meetings Attended: 5/6

Datuk Noor Azian was appointed to the Board as an Independent Non-Executive Director on 1 July 2019.

Datuk Noor Azian is a Barrister at Law. She was called to the Bar at the Honourable Society of Lincoln's London Inn in July, 1971.

Upon her return to Malaysia she joined the Judicial and Legal Service in November, 1971. Whilst in the said service she held various positions amongst them Magistrate, President Sessions Court, Senior Assistant Registrar High Court Malaya, Registrar High Court Malaya, Treasury Solicitor, Official Assignee Malaysia, Deputy Parliamentary Draftsman, Deputy Head of Civil Division, Chairman of the Special Commissioners for Income Tax and Chairman of Tribunal for Consumer Claims.

In September 2005, Datuk Noor Azian was appointed as a High Court Judge of Malaya. As a High Court Judge she presided over Criminal, Civil and Commercial cases. She retired in July 2014.

As a Director of Mesiniaga, Datuk Noor Azian is a member of the Board Audit and Risk Management Committee.

Since 1 January 2015 Datuk Noor Azian has been an Independent Non-Executive Director of Deleum Berhad where she is a member of the Board Risk Committee and the Board Nomination and Remuneration Committee.

Datuk Noor Azian is also an Independent Non-Executive Director of Affin Hwang Investment Bank Berhad since September 2016. As a Board member of the Bank she is also a member of the Group Board Compliance Committee, Board Audit Committee and Board Risk Committee. Since May 2021 she has been the Interim Chairman of the Bank.

In 1984, Datuk Noor Azian was admitted as an Advocate & Solicitor of the High Court Malaya.

Datuk Noor Azian is also a Registered Arbitrator of the Asian International Arbitration Centre (AIAC) Kuala Lumpur.

Board of Directors

DATO' DARAWATI HUSSAIN

DIMP

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 52 | Female | Malaysian

Board Committee: Audit and Risk Management Committee
Investment Committee

Number of Board Meetings Attended: 6/6

Dato' Darawati Hussain was appointed to the Board as a Non-Independent Non-Executive Director on 11 September 2020.

She also serves as an Independent Board Member of Magna Prima Berhad and Malaysia Venture Capital Management Bhd, an Independent Director of several of RHB Group's Asset Management subsidiaries, a member of the Audit Oversight Board under the purview of the Securities Commission (SC) and other private limited companies.

Dato' Darawati was formerly a Director, Fund and Co-Investor Relations under the Group Strategy and Strategic Investments Division, CIMB Group (Malaysia). She was the former Chairperson of Malaysia Venture Capital and Private Equity Association and committee member of Malaysia Venture Capital Development Corporation under the SC.

She has over 30 years of experience in corporate finance, asset management and private equity. She was a European equities portfolio manager for a UK based fund management company with assets under management worth US$70 billion.

She holds a Bachelor in Economics and Accountancy from Durham University, UK and a Master in Business Administration from the London Business School, UK. She is also a Chartered Financial Analyst.

ZAIM HUSNI OMAR

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 51 | Male | Malaysian

Board Committee: NIL

Number of Board Meetings Attended: 4/4

Zaim Husni Omar was appointed to the Board as a Non-Independent Non-Executive Director on 16 April 2021.

He started his career with Permodalan Nasional Berhad in 1995 where he stayed in service for 13 years. His career expanded across various strategic and corporate planning positions after his tenure with PNB. Among the positions he held were Head of Corporate Strategy and Investment for MARA Incorporated Sdn. Bhd., Head Group Strategic Planning for Bank Pembangunan Malaysia Berhad and Senior General Manager, Strategic Planning and Investment for MTD Capital Berhad. He is currently the Head of Corporate Affairs at Dayang Enterprise Holdings Berhad.

Zaim has acquired 25 years of invaluable working experience in complex business restructuring and re-organisation. These include financial and treasury management, business development, as well as, corporate and project financing initiatives. He has vast experience in supply value chain for numerous business sectors such as asset and fund management, healthcare, construction, and waste management sectors. He holds a Bachelor in Business Administration (Finance) and a Master in Business Administration (MBA) majoring in Finance and Investment from International Islamic University Malaysia. He also holds a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australia and an Executive Diploma in Investment Analysis from MARA University of Technology (UiTM).

Board of Directors

WONG FOOK HON

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 77 | Male | Malaysian

Board Committee: Audit and Risk Management Committee
Nomination and Remuneration Committee

Number of Board Meetings Attended: 4/4

Wong Fook Hoon was appointed to the Board on 1 August 2008.

He started his career in IBM Malaysia as a Systems Engineer in 1970. Throughout his 29-year career in IBM Malaysia, Wong also expanded his work portfolio to include becoming the Director of Management Services and Director of Marketing. His last position in IBM Malaysia before retiring in 1999 was as the Director of Finance. Wong holds a Master of Engineering in Aeronautics.

Wong Fook Hon retired as Independent Non-Executive Director of the Company on 15 July 2021.

None of the Board Members have relationships among each other or with any of the substantial shareholders of the Company except for Fathil Ismail who has a kin relationship with Safiah Ismail, a substantial shareholder of the Company. They also do not have any conflict of interest with the Company as well as were never convicted of anything other than traffic offences within the past 10 years. Other than the Directorship positions held by Voon Seng Chuan, Sim Hong Kee, Datuk Noor Azian Shaari and Dato' Darawati in other public companies as stated in their profiles, all of the Directors do not hold any directorship positions in any public companies other than Mesiniaga Berhad.

JASNI ABDUL JALIL

COMPANY SECRETARY

Age 58 | Male | Malaysian

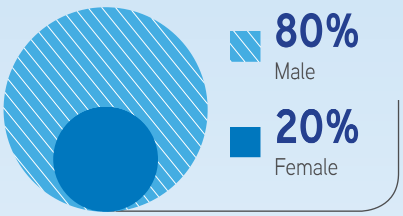
Jasni Abdul Jalil was first appointed as the Company Secretary for Mesiniaga Berhad on 19 February 2001. He graduated with a Bachelor in Corporate Administration (Hons.) (Company Secretary) from University Teknologi MARA. He is a fellow member of Malaysian Association for Company Secretaries and currently serves as its Vice-President.

Senior Leadership Team

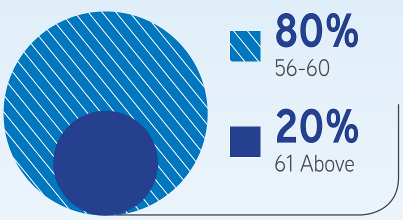
Mesiniaga continues to be led by an active, engaged and experienced Senior Leadership Team. The Company strives to ensure it has an appropriate mix of diversity, skills and experience to discharge its responsibilities effectively.

Our Statistics

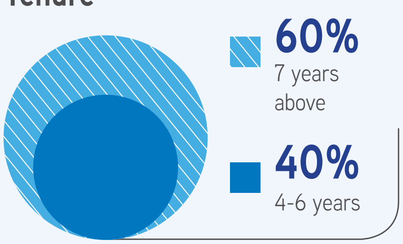
Gender



Age



Tenure



DATUK WAN MOHAMED FUSIL

EXECUTIVE CHAIRMAN

Age 71 | Male | Malaysian

Refer to Board of Director's Profile on page 14.

ARIFFIN ABD MAJID

CHIEF FINANCIAL OFFICER

Age 58 | Male | Malaysian

Ariffin Abd Majid joined the Company in February 2017. As the Chief Financial Officer, he is responsible for the overall Company's corporate and financial affairs. Ariffin worked as an external auditor in Cooper Lancaster Brewers, Chartered Accountants in the UK prior to joining Petronas in 1992. Subsequently, he joined Business Focus Group as the Group Financial Controller and later joined Boustead Group as the Senior General Manager.

His last position before joining Mesiniaga was as the Chief Executive Officer of Dominion Defence Industries Sdn. Bhd., a subsidiary of Boustead. Ariffin is an alumnus of Malay College Kuala Kangsar and graduated from the Association of Chartered Certified Accountants (ACCA).

Senior Leadership Team

NORDIN MAT ISA

DIRECTOR OF PRODUCTS AND SERVICES

Age 56 Male Malaysian

Nordin Mat Isa joined the Company in 2008 as the Head of Public Sector Business and subsequently as Director of Sales, Public Sector and Telco Business after he had successfully led his team to expand the scope of public sector sales. In March 2017, he was further entrusted with a new portfolio as the Director of Products and Services to drive product-to-market strategies, lead initiatives around keeping promises to customers and create differentiation in our product and service offerings.

Prior to joining the Company, he was the Head of Public Sector Sales in Hewlett Packard Malaysia Sdn. Bhd. Nordin has had 20 years of experience in the corporate world and graduated with a Bachelor's Degree in Computer Science, Mathematics and Statistics from Australian National University.

WONG KENG HOE

DIRECTOR OF SALES

Age 56 Male Malaysian

Wong Keng Hoe was appointed as the Director of Sales for Mesiniaga in February 2018. His career began in Mesiniaga in 1990 when he was appointed as Information Systems Trainee. He proved his mettle by rising up the ranks to various managerial positions. He became a Manager for the Network Services Unit in 1996 and was subsequently made Senior Manager in the year 2000. Two years later, Wong took on the post of General Manager for Network Services and Project Management. In February 2008, Wong became Director of Project Management and Solutions Marketing. Wong graduated with a Bachelor in Computer Science from Universiti Sains Malaysia.

PATRICIA CHAN FONG MUI

DIRECTOR OF CORPORATE STRATEGY AND PLANNING

Age 57 Female Malaysian

Patricia joined the Company in 1989 as a Trainee Programmer Analyst after graduated with a Bachelor in Computer Science with 1st Class Honour from Universiti Sains Malaysia. After nine years of serving in the Application Development Division, she took on the post of Application Development Services Manager. From then on, she has held various managerial positions including as a head for a newly formed Solutions Integration Division in 2009. In December 2010, she was promoted to General Manager in charge of an extensive portfolio comprising Solutions Integration, Internal Systems and Application Development.

Beginning from 2016, she assumed the role as the General Manager for Corporate Strategy and Planning. Her responsibilities are designing business models and recommending to the Company's executives on strategic direction and initiatives. In addition, she plans the Company's yearly budget and tracks the implementation of strategic initiatives. In October 2021, she was promoted to Director, Corporate Strategy and Planning, with the promotion, she was appointed as the special assistant to CEO, assisting CEO in business operations.

None of the Senior Leadership Team have relationships among each other or with any of the substantial shareholders of the Company. They also do not have any conflict of interest with the Company as well as were never convicted of anything other than traffic offences within the past 10 years. All of the Senior Leadership Team do not hold any directorship positions in any public listed companies.

Media Appearances

PERKESO WINS

THE EDGE MARKETS
MAKE BETTER DECISIONS

Mesiniaga gets RM31m contract from Socso

Syafiqah Salim / theedgemarkets.com
November 17, 2021 19:16 pm +08

KUALA LUMPUR (Nov 17): IT service management company Mesiniaga Bhd has secured a contract on Wednesday (Nov 17) from the Social Security Organisation (SOCSO) worth RM31.16 million.

The new job involves the supply, installation, commissioning and maintenance of hardware and software for production, staging and development environment, and disaster recovery at SOCSO's Data Centre and Data Recovery Centre.

The contract duration is from Nov 29, 2021 to June 28, 2027, according to Mesiniaga's bourse filing.

Mesiniaga expects the project to contribute positively to its earnings and net assets for the financial year ending Dec 31, 2021 onwards.

Mesiniaga's shares closed unchanged at RM1.48, giving it a market capitalisation of RM89.39 million.

malay mail

HOME / MALAYSIA

Mesiniaga accepts Socso contract worth RM31m

Wednesday, 17 Nov 2021 08:00 PM MYT

A man walks past the Pertubuhan Keselamatan Sosial (Socso) building in Petaling Jaya November 3, 2020. — Picture by Ahmad Zamzahuri

KUALA LUMPUR, Nov 17 — Mesiniaga Bhd announced today that it received and accepted a letter of award from the Social Security Organisation (Socso) for the comprehensive maintenance of hardware and software for the production, staging and development environment, and disaster recovery at the Data Centre (DC) and Disaster Recovery Centre (DRC).

In a filing with Bursa Malaysia, the company said the total value of the contract is RM31.16 million inclusive of sales and service tax (SST) and the contract duration is from November 29, 2021 to June 28, 2027.

The contract has no provision for automatic renewal, the company said.

"The board of directors of the company is of the opinion that the said contract is in the ordinary course of business and is in the best interest of the company.

"The contract will not affect the share capital and substantial shareholders' shareholdings of the company; but is expected to contribute positively to the group's earnings and net assets for the financial year ending December 31, 2021 onwards until the expiry of the contract," it added. — Bernama

ASTRO WINS

THE EDGE MARKETS
MAKE BETTER DECISIONS

Mesiniaga secures two contracts worth at least RM53m from Astro subsidiary

Ahmad Naqib Idris / theedgemarkets.com
October 04, 2021 15:14 pm +08

KUALA LUMPUR (Oct 4): Mesiniaga Bhd has secured two contracts from Astro Malaysia Holdings Bhd's wholly-owned subsidiary Measat Broadcast Network Systems Sdn Bhd worth at least RM53.39 million.

One of the contracts, which is for the supply and commissioning of internet service provider core infrastructure, is valued at RM49.33 million for the duration of Sept 30, 2021 to Feb 28, 2027.

In a filing with the bourse, Mesiniaga said there is no clause in the contract on automatic renewal.

"The contract will not affect the share capital and substantial shareholders' shareholdings of the company, however, it is expected to contribute positively to the group's earnings and net assets for the financial year ending Dec 31, 2021 (FY21) onwards until the expiry of the contract," said the group.

In a separate filing, the group said it has also secured a contract for the supply of residential gateway and MESH Wi-Fi routers.

This contract has a minimum value of RM4.06 million and a maximum contract value of RM114.84 million, subject to purchase orders to be issued by the customer to the company, based on its business requirements.

This contract is effective from Sept 30, 2021 to Sept 29, 2026, with no clause on automatic renewal.

Mesiniaga expects the contract to also contribute positively to its earnings and net assets for FY21 onwards, until the expiry of the contract.

At the noon market break, Mesiniaga was up seven sen or 4.6% to RM1.60, giving a market capitalisation of RM96.64 million.

The Malaysian Reserve

Home / Business / News / Mesiniaga secures RM49.33m worth contract from Astro

Mesiniaga secures RM49.33m worth contract from Astro

Monday, October 4th, 2021 at Business | News

Facebook Twitter WhatsApp Telegram Pinterest

by TMR / pic by TMR FILE

MESINIAGA Bhd has secured a contract worth RM49.33 mil from Measat Broadcast Network Systems Sdn Bhd a wholly owned subsidiary of Astro Malaysia Holdings Bhd for supply and commissioning of Internet Service Provider Core Infrastructure.

In a filing to Bursa Malaysia today the company said the contract duration is from 30 September 2021 to 28 February 2027 with no clause in the Contract on automatic renewal.

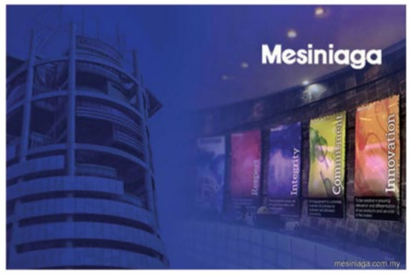
Mesiniaga added the potential risks relate mainly to meeting the terms of the service level commitments and deadlines imposed by the customer. The Company has taken the necessary steps to mitigate the risks.

"The Contract will not affect the share capital and substantial shareholders' shareholdings of the Company; however, it is expected to contribute positively to the Group's earnings and net assets for the financial year ending 31 December 2021 onwards until the expiry of the Contract," said Mesiniaga.

msn money

THE EDGE

Mesiniaga secures two contracts worth at least RM53m from Astro subsidiary



© Provided by The Edge

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TheStar

Trading ideas: Mesiniaga, Silver Ridge Holdings, SC Estate Builder

KUALA LUMPUR: While the market is expected to continue to trend lower today, JF Apex Research noted some potential trading interest in Mesiniaga Bhd, Silver Ridge Holdings Bhd, SC Estate Builder Bhd, Sinmah Capital Bhd and Genting Bhd.

Mesiniaga Bhd secured two contracts from Astro Malaysia Holdings Bhd's wholly-owned subsidiary Measat Broadcast Network Systems Sdn Bhd worth at least RM53.39mil.

Silver Ridge Holdings Bhd has bagged a contract worth RM20.64mil from Telekom Malaysia.

SC Estate Builder Bhd will be suspended on Tuesday morning at the company's request, pending the release of a material announcement.

Sinmah Capital Bhd has proposed a capital reduction exercise, which entails the reduction of RM88mil of its issued share capital.

Genting Bhd via 24.98%-owned associate Landmarks Bhd is selling its Indonesian hospitality asset to Blumont in an estimated S$63.4mil (RM195.1mil) for a 29.34% stake in Blumont.

The FBM KLCI was seen slipping 2.01 points to 1,522.47 yesterday. Following the lacklustre performance, JF Apex expects the index to test the support at 1,520 points.

This would be in line with the sharp retreat in US markets overnight as technology counters led the selldown amid rising bond yields.

Earlier, European stocks dropped amid concerns over inflation, rising interest rates and the US Federal Reserve's tapering.

Sustainability Statement

For a Group to be successful and generate long-term value for shareholders, we believe that a sustainable growth strategy must be developed while actively managing our Economic, Environmental, and Social (EES) obligations.

This Sustainability Statement highlights the key EES initiatives undertaken by the Group during the year under review. We are constantly evaluating and refining our approach to sustainability in order to accomplish our objectives.

This Statement is guided by the amendments to Main Market Listing Requirements, Sustainability Reporting Guide (2nd Edition) and its accompanying toolkits by Bursa Malaysia Securities Berhad (Bursa Malaysia).

Sustainability Scope

This Sustainability Statement covers Mesiniaga Berhad and its subsidiary companies' (the Group) sustainability efforts within Malaysia, from 1 January 2021 to 31 December 2021.

Sustainability Policy

Our Sustainability Policy, which was established in 2021, has played a critical role in guiding the Group's planning and implementation of initiatives. The Sustainability Policy is published in the Group Website www.mesiniaga.com.my.

Our Sustainability Governance Structure

Achieving sustainability requires a top-down approah, with the Chief Executive Officer ("CEO") playing a critical role in steering the Group toward its goals and objectives. We have established a sustainability governance structure to ensure that sustainability initiatives are effectively monitored and implemented.

Our Sustainability Committee ("SC") is chaired by the Director of Corporate Strategy & Planning and is comprised of Functional Heads. The SC is responsible for operationalising Mesiniaga's sustainability agenda.

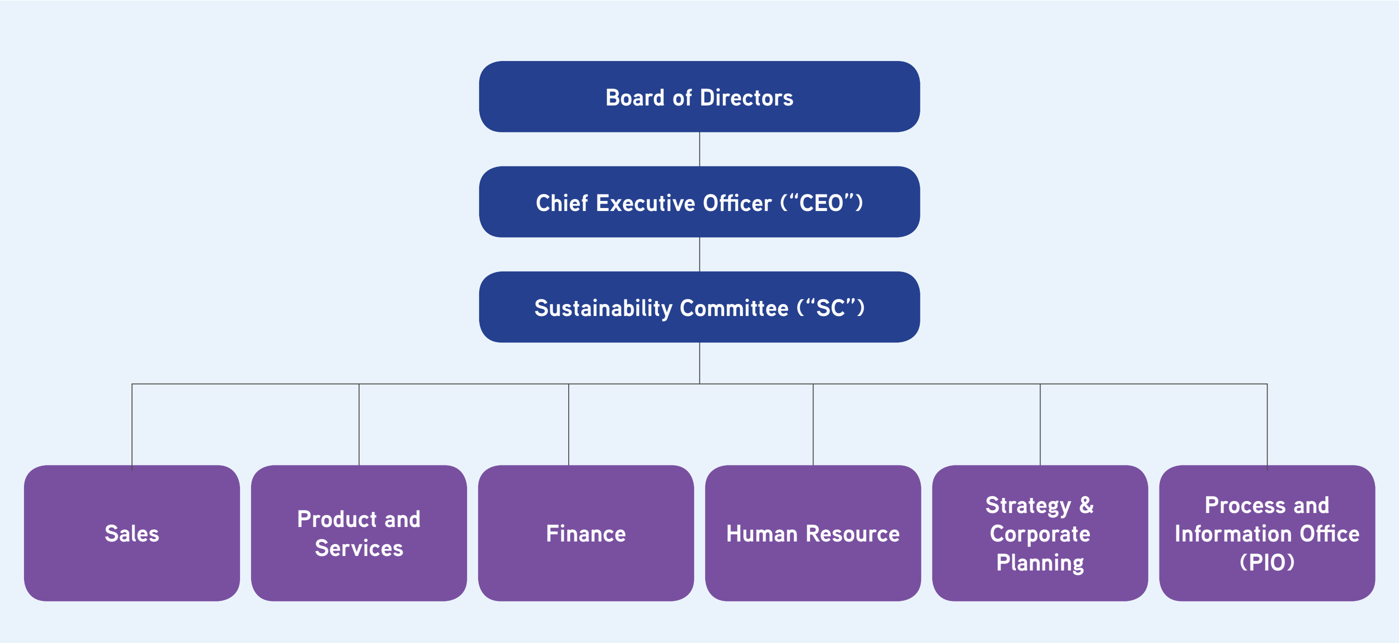


Figure 1: *Sustainability Governance Structure*

Sustainability Statement

The roles and responsibilities of the Board of Directors, CEO and SC illustrated in the table below are:-

Board of Directors	1. Review and approve policies. 2. Ensure the measures/initiatives are implemented in accordance with the policy.
Chief Executive Officer ("CEO")	1. Oversee and ensure the overall strategy and progress in sustainability initiatives are aligned with the Company's overall business strategy and goals.
Sustainability Committee ("SC")	1. Develop the Company's sustainability strategies and initiatives in line with the EES scope. 2. Implement and report all sustainability strategies and initiatives to the CEO. 3. Track progress against pre-defined sustainability strategies, plans and goals. 4. Ensure that sustainability disclosure is in accordance with Bursa Malaysia's Listing Requirements.

Materiality Assessment

Through our annual materiality assessment, we have identified the Economic, Environmental and Social issues affecting our business based on the materiality assessment process outlined in the Sustainability Reporting Guide (2nd Edition) and Toolkit: Materiality Assessment. These issues were assessed and prioritised according to our operational context, corporate strategy and stakeholder expectation.

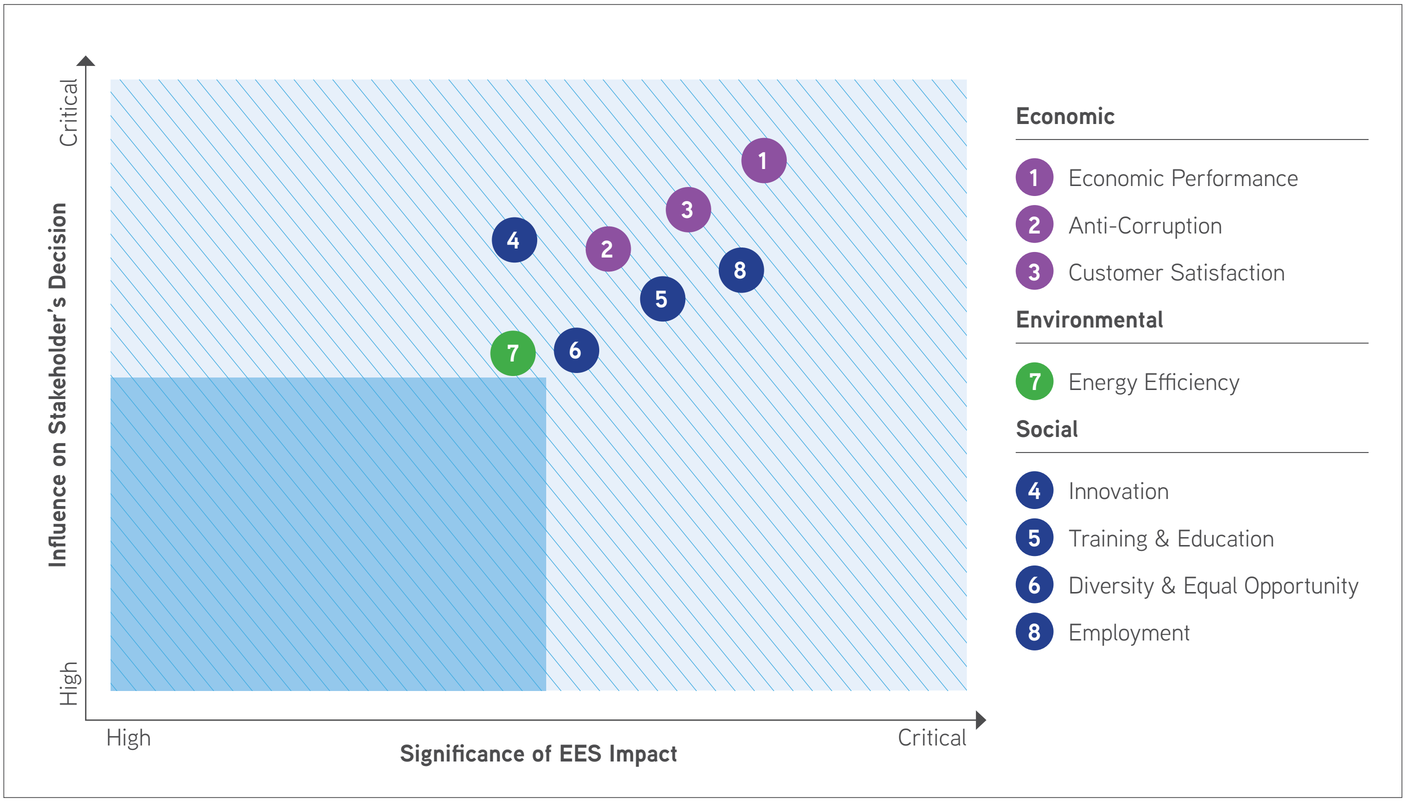


Figure 2: *Mesiniaga Berhad's Materiality Map*

Sustainability Statement

Stakeholder Engagement

The success of our business depends on our ability to develop strong and meaningful relationships with all our stakeholders. As seen below, we have implemented various communication channels to better understand and meet the needs and interests of our stakeholders.

Stakeholder	Key Engagement Areas	Methods of Engagement
Employees	• Training and development • Health and safety • Innovation • Product knowledge • Anti-bribery and corruption	• Annual employee engagement survey • Engagement activities • Events • Internal communications such as newsletters, video recording and updates • Internal workshops • Policies and procedures
Partners/Principal/ Vendors	• Sales performance • Technology updates • Policies and procedures	• Networking events • Industry workshops • Conferences and meetings • Contract bidding and procurement management • Product and technology update • Events
Customers	• Network quality and coverage • Innovative offerings • Security protection • Customers' complaints tools • Social media • Websites	• Customer satisfaction surveys • Focus group discussions • Customer service channels (Mesiniaga website, customer helpline and social media) • Mass media
Government	• Connectivity and access to technology in underserved areas • Quality of service and consumer issues • Development of the IT industry and market	• Regular reports and progress updates • Formal and informal meetings • Participation in government programmes and initiatives
Investors	• Financial performance • Responsible business • Corporate Governance	• Annual General Meeting • Regular updates and communication via Bursa Announcements • Quarterly Results Announcements
Community	• Social and IT development contributions • Socio-environment impact	• Financial and non-financial contributions • CSR activities

Sustainability Statement

Economic

1. Economic Performance

Mesiniaga is dedicated to continuously improve the quality and sustainability of the Group's business operations. We invest in developing standards and benchmarks with the aim of creating sustainable value for our customers and shareholders through:-

- **Continuously upgrading the technical skills of our employees**
- **Adhering to the high standards of good governance**
- **Inculcating integrity and professionalism in procurement and supply chain management**
- **Adhering to the applicable International Standards Organisation (ISO) standards**

2. Customer Satisfaction

Our vision of becoming the Malaysian IT Partner of Choice ties in with our mission of Helping our Customers Succeed at every touchpoint. They are our primary stakeholders – their awareness, purchase, use and repurchase of our services and products are vital to our Group's existence. Our focus is to ensure excellence in service by cultivating strong and enduring relationships with our customers. Besides that, we provide precise and timely resolution of any issues the customer may be experiencing.

Additionally, we monitor our customer loyalty and satisfaction levels by conducting annual surveys. Our Customer Satisfaction Index (CSI) provides valuable feedback to enable us to understand our customers' expectations of Mesiniaga and covers criteria such as the availability and competency of managers and whether Mesiniaga is their preferred IT partner of choice.

Our customers are also encouraged to provide feedback directly to feedback@mesiniaga.com.my as well as complete post-implementation project surveys provided by our Project Management Unit. The Customer Satisfaction Management Department has been established to report directly to the Chief Executive Officer where it has been tasked with obtaining feedback from customers regularly and any reported issues will be escalated and handled thoroughly.

Our constant focus on customer satisfaction has proven effective as evidenced by the improved customer satisfaction index over the years and we will continue to work on enhancing our customers' experience.

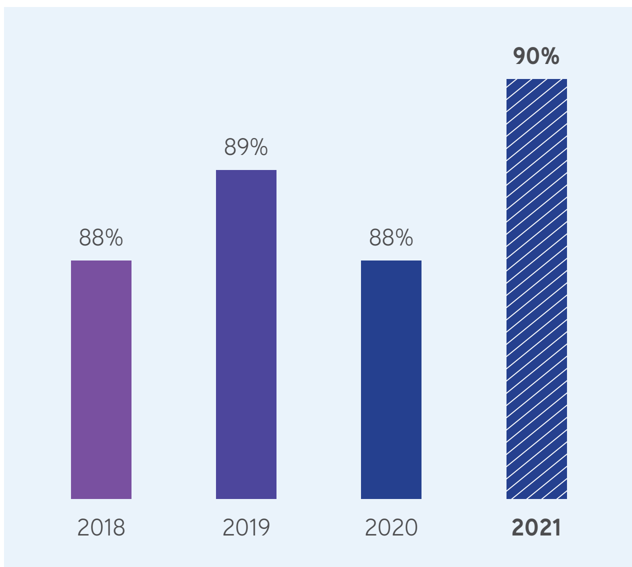


Figure 3: *Mesiniaga's Customer Satisfaction Index*

Sustainability Statement

3. Enterprise Risk Management

The Group Risk Management Committee was established to identify the principal risks affecting the Group's business objectives and to help implement risk management processes in a structured and focused approach. It consists of six (6) levels: the Board of Directors, the Board Audit and Risk Management Committee, the Group Audit and Risk Department, the Group Risk Steering Committee, the Group Risk Working Committee and the Group Risk Owners.

The risk management processes and activities within the Group are guided by the COSO (Committee of Sponsoring Organisation of the Treadway Commission), Enterprise Risk Management (ERM) Framework and ISO 31000 Risk Management Principles & Guidelines.

As part of Mesiniaga's objective to protect and create value for the key stakeholders, the Group is committed, through its risk management process, to meet its strategic goals by optimising the use of resources whilst complying with laws and regulations.

Mesiniaga Berhad's Risk Management Structure

Board of Director (BOD)	• Oversees and maintains sound structure of Group Risk Management and Internal Controls initiatives and practices • Fosters risk intelligent culture through corporate strategy and governance process • Provide reasonable but not absolute assurance against the risk of material errors, losses, fraud or occurrences of unforeseeable circumstances
Audit and Risk Management Committee (ARMC)	• Assists the Board in governing the Group Risk Management and Internal Controls initiatives and practices • Updates the Board on the significant changes that affect the risk profile of the Group
Group Audit and Risk Department	• Secretariat of Group Risk Steering Committee • Proposes and documents Risk Management policy, standard and process • Building risk awareness culture and facilitates risk management meeting and risk assessment in Group
Group Risk Steering Committee	• Consists of all members of Group Senior Management Team and is chaired by the Chief Executive Officer • Drives the risk management framework, strategies and coordinate the decision-making process • Defines risk priorities and regularly assesses the risk profile of the organisation
Group Risk Working Committee	• Consists of all members of Group Managerial Level Team • Consolidates and updates the risk at operational level from Risk Owners • Communicates the recommendations and the decisions made to Risk Owners
Risk Owner	• Discusses and assesses operational risk on a quarterly basis • Formulates unit/department risk management strategies • Assigns risk management responsibilities and accountabilities within their respective units • Reviews and discusses the risk, controls and strategies/action plans

For more information, please refer to the Management Discussion and Analysis and Statement on Risk Management and Internal Control on page 08 and 46 respectively.

Sustainability Statement

4. Anti-Corruption

The Group firmly believes in operating its businesses based on high standards of integrity, transparency, ethics and accountability and is against corruption in all its forms. The Group's Corporate Governance stance observes ethical conduct and practices in compliance with all regulatory requirements. We have a zero-tolerance policy towards any unethical, illegal and corrupt work malpractices and are committed to professionalism, fairness and ethical business dealings.

To ensure all employees, vendors and business partners are committed to complying with this practice; formal communications have been established on policies and processes and these are made available and accessible on the Company's website. Such policies and procedures include:-

- Anti-Bribery and Corruption Policy
- Whistleblowing Policy
- Vendor Code of Conduct
- Business Conduct and Guidelines

Anti-Bribery and Corruption Policy

We align our Anti-Bribery and Corruption (ABC) Policy to the Malaysian Anti-Corruption Commission Act 2009 to govern our ability to mitigate this risk. The ABC Policy is to ensure a sound and robust process is in place to manage and prevent bribery and corruption risk. It involves monitoring, treatment, and reporting in a structured, systematic and consistent manner.

Whistleblowing Policy

The Group has in place a Whistleblowing Policy to deal with the disclosure of improprieties within the Group. It is applicable to all employees of Mesiniaga, external parties who have business relationships with the Group and members of the public. The main objective is to enable concerns to be raised by anyone about unethical and unlawful conduct, malpractice and any other wrongdoings that may occur within the organisation. If necessary, the Board Audit and Risk Management Committee will appoint an investigating team and decide the next course of action. This Policy protects the whistle-blower against any adverse and detrimental actions as a result of whistleblowing including the protection of their identity in accordance with the Whistleblower Protection Act 2010.

Vendor Code of Conduct

Mesiniaga's Vendor Code of Conduct (VCC) sets out the expectations of Mesiniaga on vendors to conduct business with Mesiniaga in a lawful and ethical manner with the highest standard of professional conduct. This Vendor Code of Conduct shall apply to external third-parties appointed by Mesiniaga (Vendors) which includes their principals, employees, agents, suppliers and sub-contractors or any other party with a contractual relationship to deliver the goods and services to Mesiniaga or to any parties on behalf of Mesiniaga.

Mesiniaga is committed to conducting business in a legal, ethical, safe, fair and responsible manner and our approved Vendors are required to adhere to the same standards. All Vendors engaged in providing products and services to Mesiniaga are expected to act in accordance with the VCC, including aligning guidelines, policies and practices, and communicating and enforcing the VCC provisions throughout their organisation and across their supply chain, including to sub-vendors and sub-contractors.

Sustainability Statement

Business Conduct Guidelines

All Mesiniagans (including sub-contractors and their employees) are guided by the Mesiniaga Business Conduct Guidelines. As seen below, the Business Conduct Guidelines provide a code of ethics which covers a broad range of areas that can affect an employee's responsibilities towards the Group.

Issues	Guidelines & Ethics
Recording and reporting information	• Accurately • Honestly
General standards	• Avoid misrepresentation • Avoid reciprocal dealing
Fairness in the field	• No disparaging competitors • No premature disclosure and selling against competitive orders
Multiple relationships with other organisations	• Avoid discussing any proprietary or confidential information • Follow published marketing and services guidelines
Information about others	• Treated with sensitivity and discretion • Limited to the ways that information should be acquired and used
Bribes, gifts and entertainment	• Following the correct receiving and giving etiquette • Being aware of and adhering to the laws and regulations between customers and suppliers • Compliance with policies
Fraudulent Act	• Ensures that policies and procedures are in place to cover the prevention, deterrence and detection of fraud
Conflicts of interest	• Assisting competitors, competing against Mesiniaga, performing outside work that uses Mesiniaga's time and assets and acting as a supplier for Mesiniaga are prohibited
Personal financial interests	• No financial interest in any organisation that does business with Mesiniaga including suppliers, competitors, customers and distributors
Using inside information	• Refrain from using inside or non-public information about Mesiniaga or another company for their own financial benefit
Ethics practice policy	• Whistleblowing process and guidelines

Sustainability Statement

Mesiniaga recognises the potential impact its business activities may have on surrounding communities and the environment. Policies have been implemented to ensure that only the most environmentally-friendly procedures and options are considered in all decision-making processes.

1. Energy Efficiency

Menara Mesiniaga is renowned as a "green building" with ecological and architectural aesthetics that have enabled us to minimise our environmental impact and maintain a low carbon footprint. The bioclimatic design of the building incorporates internal and external features that promote energy conservation while ensuring occupant comfort. Additionally, passive energy-saving features such as solar shading and optimal placement of service cores are incorporated into the design to help reduce energy consumption.

By the middle of 2021, Mesiniaga has adopted a hybrid work environment where nearly half of employees work from home following the government's National Recovery Plan. We have made every effort to minimise our reliance on electricity by maximising the use of natural light and ventilation within our building. We continue to maintain low electrical usage, air conditioning, and all other necessities. Our energy consumption was reduced by RM90,833 for the reporting year which was approximately half of the consumption in 2018.

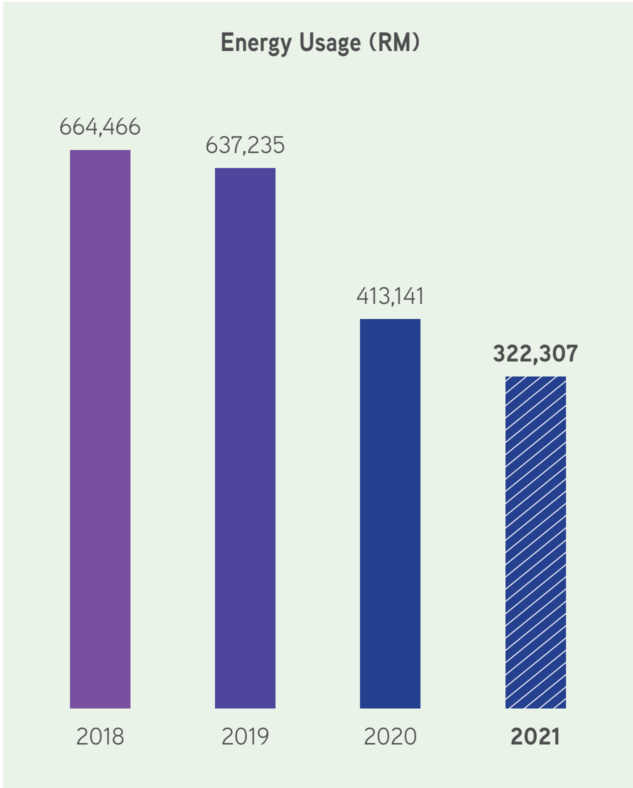


Figure 4: *Mesiniaga's Energy Usage*

2. Prudent Use of Paper Practices

We acknowledge that paper consumption has a significant environmental impact. Wherever possible and appropriate, we seek to avoid unnecessary paper consumption and waste generation. We are constantly looking for ways to reduce our reliance on paper and to promote the use of electronic platforms such as social media, SMS, and email as effective alternative modes of communication with our suppliers and customers, as well as for our day-to-day internal operations, as well as to print on recycled paper whenever possible.

Sustainability Statement

Social

1. **Innovation**

Innovation, which is one of Mesiniaga's core values has been put to test during this tough time. It pushes us to transform the way we organise. This is to support the sustainability of both talent development within the organisation, exploration into new business areas and technology experimentation to ensure we elevate our competitive advantage and remain relevant to the market needs.

We continuously explore and evaluate ideas for new product development and commercialisation as well as explore potential collaboration to invest in products which has a very high potential for success.

MyMOMS

In a strategic collaboration with Universiti Kebangsaan Malaysia, Mesiniaga completed the development of the first version of the Malaysian Obstetric Monitoring System or MyMOMS. This mobile friendly application serves as a comprehensive antenatal digital logbook to replace the current physical "pink book". Apart from record-keeping, it also identifies risks to reduce morbidity, mortality and any near-miss disasters which may lead to litigation. The application also empowers healthcare practitioners to engage with pregnant patients by facilitating telehealth consultations.

MyMOMS is currently in the trial stage at certain hospitals and clinics in the Klang Valley, which will enhance the credibility of our solution. Since we offered the trial programme, several other hospitals and maternity clinics have expressed interest in having a Proof of Concept (POC) for their organisations. We aim to position MyMOMS as the premier digital healthcare companion for pregnant mothers, improving antenatal and postnatal management and monitoring.

LOFT Digital Space

Capitalising on the launch of the government's MyDIGITAL initiative to transform Malaysia into a digitally-driven, high income nation and a regional leader in digital economy, one of the key areas we targeted was procurement efficiencies and inventory optimisations. Our Digital Assets Lifecycle Management, Ownership Tracker and Software Assets Compliance Check system – LOFT Digital Space helps organisations streamlines business operations while reducing the manpower required to manually check and update details of assets. For instance, it helps to provide visibility on asset ownership and whereabouts of assets with a simple click in the system. Future product capabilities include planning of annual budget on devices, allocation of software assets *(licenses)* entitlement effectively, and tracking on the maintenance time spent for the digital assets.

2. **Diversity in Workforce**

We believe that diversity can positively contribute to enriching and creating a thriving working environment. With this in mind, we continue to commit towards providing equal opportunities regardless of race, gender, age or religious beliefs. As of December 2021, female employees make up 49.4% of our total workforce and 21.74% hold managerial position.

Sustainability Statement

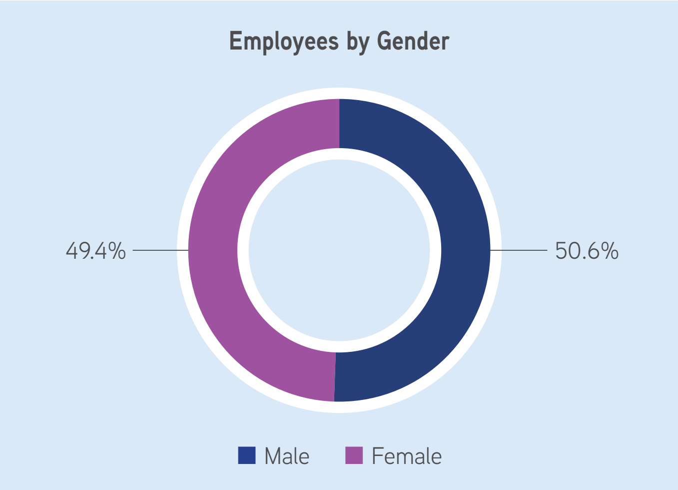


Figure 5: *Employees by Gender*

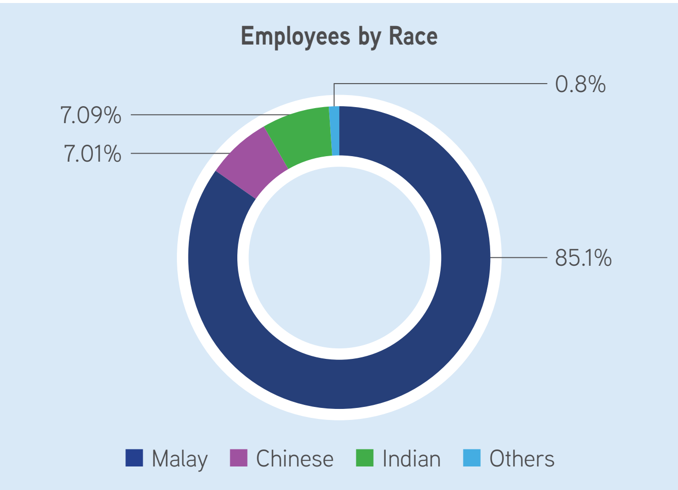


Figure 6: *Employees by Race*

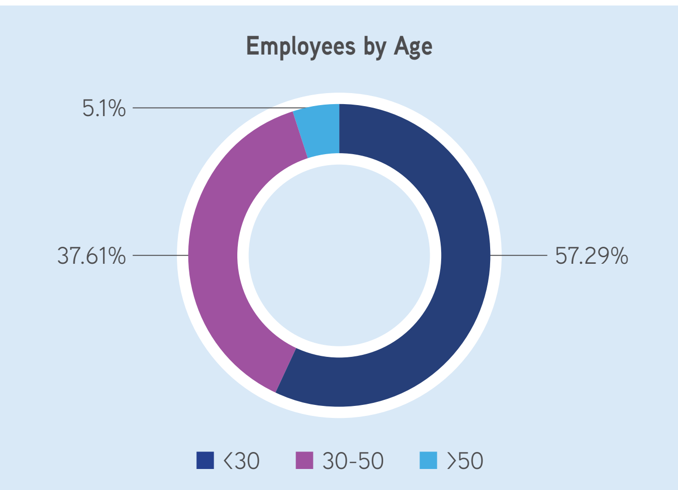


Figure 7: *Employees by Age*

3. Employee Turnover Rate and Top Talent Retention Rate

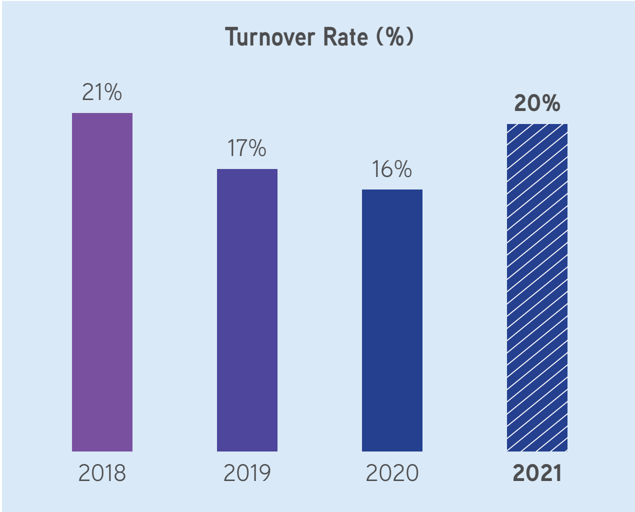


Figure 8: *Turnover Rate (%)*

We experienced a 4% increase in employee turnover in 2021 compared to 2020. As the economy and businesses recovered and re-opened from post Movement Control Order (MCO) sanctions, so did the job-market and industry demand for highly skilled and experienced manpower. Nonetheless, we successfully hired the necessary replacements through our recruitment strategies.

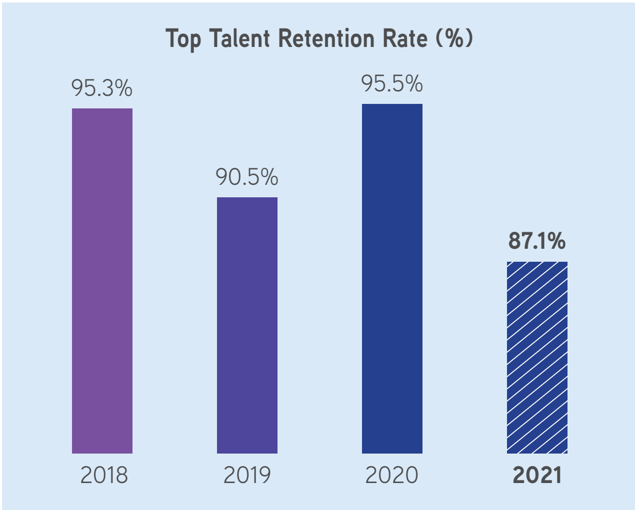


Figure 9: *Top Talent Retention Rate (%)*

The retention rate for our top talent dropped in 2021 versus 2020. The trend of employees moving also affected our top talent pool who were most skilled and experienced. We are addressing this challenge through the review and adjustment of our Top Talent Programme for 2022.

Sustainability Statement

4. Performance Management

In 2014, Mesiniaga launched a Performance Management Programme aligned with the Group's Mission and Vision. The principles of the Programme, later rebranded as My Mesiniaga Commitment (MMC), are listed below:-

Individual Goal/ Target Setting	Monitoring & Feedback	Mid-Year Review	Monitoring & Feedback	Year-End Performance Review	Management Team Approval
Jan Feb Mar	Apr May Jun Jul	Aug	Sep Oct Nov Dec	Jan Feb	Mar

Figure 10: *MMC Yearly Plan Timeline*

To minimise the impact of the COVID-19 pandemic on employees' performance results, Mesiniaga has allowed the employees to work remotely to focus on their safety and flexibility to deliver the tasks.

From 2016 to 2021, about 85% of Mesiniaga's employees received their performance and career evaluations via MMC.

5. Employee Safety and Health During Pandemic

While the work from home arrangement for the Company was initially a result of the lockdown in 2020, the Company had decided to continue the arrangement until the present as it lowers the risk of COVID-19 infections for our employees. As such, the low in-premise occupancy resulted in minimal cases of work-related COVID-19 infections in Mesiniaga premises. We also acknowledge that the work from home arrangement helped our employees lower their monthly work traveling expenses and time incurred to commute to and from work. This further strengthened the Company's resolve to continue the work from home flexibility.

The Company also covered the costs of COVID-19 tests for employees who needed to enter project sites and customer premises for work. Employees can arrange for cashless tests, or pay and claim the costs from Human Resources Department. Lastly, in support of the government's COVID-19 vaccination programme, the Company also gave our employees unrecorded leave to attend their vaccination and booster appointments.

Sustainability Statement

6. Community Programmes and Activities

The Group makes monetary and non-monetary contributions to support community development programmes.

Month	Event	Description
April - May	Online Kuliah during Ramadhan	Programme Ihya' Ramadan is a yearly programme conducted by Kelab Islam dan Amal Mesiniaga (KIAM) during Ramadhan. Since the pandemic, this programme had been conducted online from 12.30-1.30 p.m., Monday–Thursday.
July	Back-to-School Infaq & Sedekah	KIAM used donations from its FriYAY Donation drives for a Back-to-School programme for those in need around Klang Valley. The goal of this initiative was to assist the underprivileged get ready for school when the Ministry of Education announced that schools would re-open. Facemasks were some of the items provided in the programme to ensure students were protected when they returned for face-to-face learning.
July	Packed Food & Grocery	In August 2021, KIAM collaborated with other NGOs and contributed 600 food packs to our frontliners in Hospital Sg Buloh. KIAM also distributed about 200 packs of groceries to the underprivileged in Klang Valley in the same month.
August	Kedah Flood Donation Drive	The donation drive was organised to help employees whose homes and belongings were badly damaged in the flood that hit Kedah in January last year. A total of RM7,000 were collected and distributed to 7 employees.
December	Klang Valley Flood Donation Drive	The donation drive helped more than 26 employees who were badly affected by the flash flood that hit Klang Valley in December. A total of more than RM20,000 were successfully collected and distributed to ease the sufferings of those impacted by the flood.

7. Training and Development

Acknowledging the need to nurture our most important asset, our employees, Mesiniaga and its subsidiary companies are committed to equipping our people with skills and capabilities to advance them in their chosen career paths. By having a competent workforce, we believe that we can create the right avenue towards sustainability.

In 2021, the Group recorded a 58% decrease in training hours compared to 2020. The average training hours per employee was 2.59 hours compared to 6.21 hours in 2020, while the corresponding expenditure increased from RM114,000 to RM227,825.

- When the COVID-19 pandemic hit in 2020, and face-to-face training was not feasible, the Company had to put on hold much of its planned technical training and certifications. Instead, we took advantage of the lockdown by getting employees to turn to self-online learning to gain some segments of knowledge needed to increase their skills. Being at home for most of that year allowed them to go through higher hours of online learning through zero-costs platforms. This included consuming online videos and articles to gain preliminary or introductory knowledge on cybersecurity awareness, employee relations, and desktop productivity applications.

- As permission for work was granted for limited sectors within the MCO, the Company restricted training attendance to those ultimately necessary, such as safety training by the National Institute of Occupational Safety and Health (NIOSH). NIOSH safety passports were a requirement for our employees who performed work on energy and telecommunications sites. NIOSH safety passport courses were minimally costed, and there was a total of 58 employees who attended the full-day safety training between July to December 2020.

These resulted in the higher average training hours per employee, albeit at lower costs in 2020.

- Subsequently, as business sectors re-opened and supply chains resumed gradually towards the end of 2020 and early 2021, the Company began focusing on mobilising its workforce towards completion of projects and deliveries, which almost stood still in 2020. This resulted in lower training attendance by our employees as they returned to work normalcy and focused on delivery assignments.

Sustainability Statement

- However, the Company still needed to ensure specific capabilities and certifications were obtained and renewed for business continuity purposes and to meet the demands of customers in 2021. Hence, as training providers were able to better structure and offer virtual classes, the Company was also able to revive its plans to enrol selected employees into virtual-led training for specialised technical areas. Areas of training included principal-based Data Center specialisation and certifications, ITIL certifications and Networking and Security certifications, which were also higher in costs. The total fees for 5% of the training attended contributed to more than 42% of total training expenses in 2021.

Hence, because of the focus workforce mobilisation towards project completions, and selected investments in specialised training, we recorded lower average training hours per employee but higher training costs in 2021.

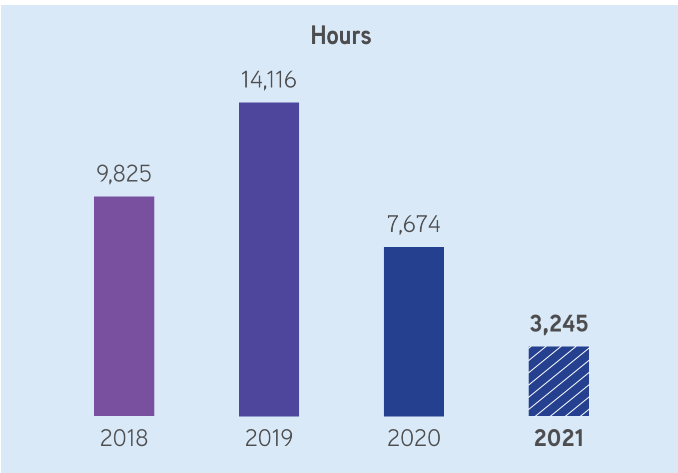


Figure 11: *Hours Spent on Training*

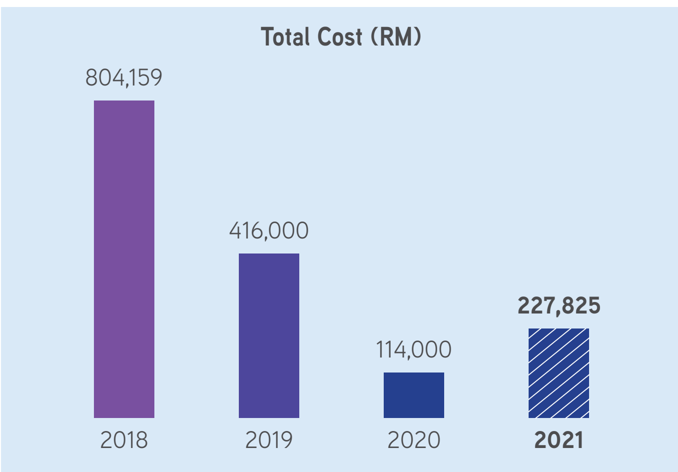


Figure 12: *Total Cost (RM) Spent on Training*

The trainings comprised of a mixture of public and online training courses offered by accredited training agencies as well as in-house trainings. These are available to all levels of employees in Mesiniaga.

Specific training programmes have been organised to achieve the targeted development among our employees and must be completed based on their positions. The Human Resources Department has successfully planned and managed the courses listed below with the support from all departments in Mesiniaga:-

Group	Course(s)
Managerial	• CFO Conference 2021 – Driving Transformation, Accelerating Performance • Essential Managerial Skills for New Managers • Strategic Finance for Decision Makers
Executive	• Sharpening Practical Accounting Skills to Handle Full Set of Accounts • PWC Malaysia Budget 2022 Webinar • ITIL (v4) Foundation • VMWare Cloud Foundation – Plan & Deploy • VMWare 7 vSphere – Install, Configure and Deploy • Cisco Certified Network Associate • Security Operations Centre Analyst • Introduction to Cyber Security • Be the Next Website Designer • NIOSH – TM Safety Passport • NIOSH – TENAGA Safety Passport • CIDB Construction Personnel Green Card • ACSA Aruba OS CX Switching Fundamentals • Microsoft Azure Architecture Technologies • Implementing Cisco Application Centric Infrastructure • Certified Data Centre Professional • Administration Workshop for Linux • Understanding Cisco Collaboration Foundations • Implementation Cisco SDWAN Solutions • Risk Management and Analysis
Non-Executive	• NIOSH – TM Safety Passport • NIOSH – TENAGA Safety Passport • CIDB Construction Personnel Green Card • Red Hat System Administration
All employees	• Anti-Bribery and Corruption

Corporate Governance Overview Statement

The Board of Mesiniaga Berhad (the Group) recognises the importance of adopting high standards of corporate governance in the Group in order to safeguard stakeholders' interest as well as enhancing shareholders' value. Good corporate governance practices are instilled to ensure long-term sustainability.

This Corporate Governance Overview Statement is made pursuant to Paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia) with guidance drawn from Practice Note 9 of the Main Market Listing Requirements and the Corporate Governance Guide (4^{th} edition) issued by Bursa Malaysia.

This Statement is complemented with a Corporate Governance Report, based on a prescribed format as encapsulated in paragraph 15.25(2) of the Main Market Listing Requirements to provide detailed articulation on the application of the Group's corporate governance practices against the Malaysian Code on Corporate Governance (MCCG) (as at 28 April 2021).

The Corporate Governance Report is made available on the Group's website, www.mesiniaga.com.my as well as via announcement on the website of Bursa Malaysia. This Statement should also be read in conjunction with the other statements in the Annual Report (e.g. Directors' Statement on Risk Management and Internal Control, Audit and Risk Management Committee Statement and Sustainability Statement).

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

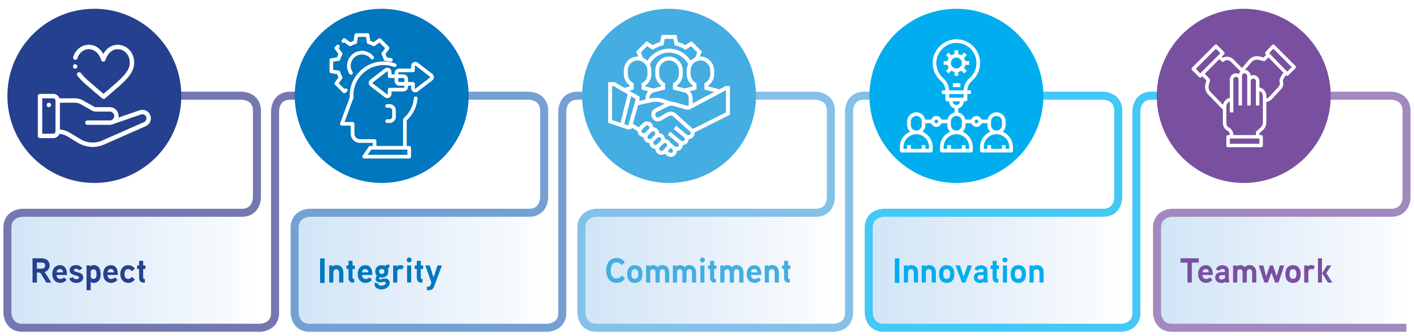
The Group has applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2021, except for the following:-

- Practice 1.3 (The positions of Chairman and CEO to be held by different individuals);
- Practice 5.2 (At least half of the Board comprises Independent Directors);
- Practice 8.1 (Detailed disclosure on a named basis of the remuneration of individual Directors); and
- Practice 8.2 (Remuneration component of the top five Senior Management members).

A summary of the Corporate Governance Report under each Corporate Governance Principles are as follows:-

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Providing Leadership in Meeting the Objectives and Goals of The Group
We are committed to continuing our efforts to be the "Malaysian IT Partner of Choice" by Helping our Customers Succeed. We pledge to strive for the highest level of good governance in the Group, to meet and exceed the expectations of all our stakeholders, particularly our shareholders. The Board of Directors (the Board) firmly believes that adopting and operating in accordance with the highest standards of corporate governance are vital for sustainable performance and economic value creation for all our stakeholders. The values adopted by the Group are:-



Corporate Governance Overview Statement

The Chairman of the Board is Datuk Wan Mohamed Fusil Bin Wan Mahmood who leads the Board in instilling good corporate governance practices, leadership and effectiveness. In particular, the key responsibilities of the Chairman as described in the Board Charter are as follows:-

i. to act as a liaison between Management and the Board;
ii. to keep abreast of the activities of the Group so that sufficient information is provided to enable the Directors to form appropriate judgement;
iii. to approve arrangements for Annual and Extraordinary General Meetings;
iv. to chair Board and General Meetings;
v. to review and sign minutes of Board meetings; and
vi. to call special meetings of the Board when necessary.

The Nomination and Remuneration Committee has conducted the detailed assessment and determined in consultation with the Board that he is the most senior, experienced and suitable member to lead the Board and that the current arrangement has not compromised the objectivity of the Board and the proper governance of the Group.

The Board is assisted by the Group Secretary who is responsible for advising the Board on issues relating to compliance with laws, rules, procedures and regulations affecting the companies within the Group as well as the principles of best practices on corporate governance. The Group Secretary is also responsible for advising the Directors of their obligations and adherence to matters pertaining to disclosure of interest in securities, disclosure of any conflict of interest in a transaction involving the Group, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.

Apart from playing the role as an advisor to the Directors, the duties of the Group Secretary also include, amongst others, attending all Board meetings, ensuring that the proceedings of Board meetings and decisions made thereof are accurately and sufficiently recorded and properly kept for the purposes of meeting statutory obligations, ensuring all appointments and resignations of Directors are in accordance with the relevant legislation, formulation and review of Board Charter periodically, coordinating on dividend payments, and making corporate disclosure announcements. The appointment and removal of the Group Secretary are exclusively within the purview of the Board.

In consultation with the Chairman, the Secretary circulates the notice and agenda of a Board meeting in advance of the meeting to all members of the Board. In accordance with Article 124 of the Group's Article of Association, a resolution in writing signed by all Directors shall be effective for all purposes as a resolution passed at a meeting of the Directors duly convened, held and constituted.

From time to time, the Board invites other persons to attend its meeting to assist the Board in the fulfilment of its duties.

Demarcation of Responsibilities between the Board, Board Committees and Management
The Board Charter which establishes clear functions, roles and responsibilities of the Board of the Group is published in the Group's website www.mesiniaga.com.my. The Board Charter is subject to periodical review.

The Board and its Committees meet regularly to deliberate on matters under their purview. In addition to the scheduled meetings, the Board and Board Committees also convene special meetings when urgent and important deliberations are required or decisions need to be taken between scheduled meetings. During the year, the Board has deliberated on business strategies and critical issues concerning the Group, including business plans, annual budget, financial results as well as key performance indicators. Throughout 2021, the Board of Directors met six (6) times. The attendance of individual Directors for the meetings of the Board and Board Committees are outlined on page 38.

Corporate Governance Overview Statement

Board of Directors' Meeting

Directors	Attendance
Datuk Wan Mohamed Fusil	6/6
Voon Seng Chuan	6/6
Fathil Ismail	6/6
Sim Hong Kee	6/6
Datuk Noor Azian Shaari	5/6[(i)]
Dato' Darawati Hussain	6/6
Zaim Husni Omar	4/4[(ii)]

Former Director	Attendance
Wong Fook Hon	4/4[(iii)]

(i) Absent with apologies
(ii) Appointed on 16 April 2021
(iii) Retired on 15 July 2021

Audit and Risk Management Committee Meeting

Directors	Attendance
Sim Hong Kee	5/5
Datuk Noor Azian Shaari	5/5
Dato' Darawati Hussain	5/5

Former Director	Attendance
Wong Fook Hon	3/3[(i)]

(i) Retired on 15 July 2021

Nomination and Remuneration Committee Meeting

Date	Attendance
Voon Seng Chuan	4/4
Fathil Ismail	4/4

Former Director	Attendance
Wong Fook Hon	3/3[(i)]

(i) Retired on 15 July 2021

Corporate Governance Overview Statement

Investment Committee Meeting

Directors	Attendance
Dato' Darawati Hussain	1/1
Voon Seng Chuan	1/1
Fathil Ismail	1/1

All meetings were held through teleconferencing facilities.

Reflecting the Company's commitment to being a market leader and continue to be innovative in its approach, the Board had agreed to set up a new Board Committee to oversee significant potential investments into both ICT and non-ICT sectors in accordance with the Board of Directors approved Investment Policy and Procedures.

Commitment to The Promotion of Good Business Conduct and Maintenance of a Healthy Corporate Culture

Mesiniaga abides by strict ethical conduct and practices in doing our business and in our dealings with all stakeholders as well as regulatory requirements. An integral part of our Employee e-Handbook is the Mesiniaga Business Conduct Guidelines (BCG) which defines the expected ethical behaviour of our employees. The Guidelines encompass areas of personal conduct, fairness in business, relationship with other organisations, use and dissemination of proprietary and confidential information and fraud prevention. Apart from that, it is also our undertaking to support the utilisation of licensed software and the implementation of good software asset management practices. Our commitment to ethical and best practices is exemplified by our upgraded ISO 9001:2015 accreditation.

Mesiniaga had since 8 October 2019 issued the Anti-Bribery and Corruption Policy, Whistleblowing Policy and Vendor Code of Conduct to complement the BCG in enhancing the Group's culture for having good ethics and fair dealings.

In this respect, it has been the responsibility of the Board and Management to uphold the high reputation of the Group, as well as the responsibility of each employee to behave in the prescribed manner, as required by the BCG and the policies as described above. The policies and procedures as outlined in the BCG and the said policies are based on the principles of the Code on Corporate Governance and the relevant legal provisions under the MACC Act 2009 and Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018. The BCG and the said policies encourage and enable employees to whistle-blow and raise concerns of illegal activities, such as corruption, and other wrongdoings that may occur within the organisation. This BCG and the said policies are available in the Employee e-Handbook for the reference of all employees in the Group's effort to continue promoting accountability, transparency and ethical practices.

Employees' concerns, whistle-blowing or otherwise may be raised via emails, telephone calls, letters and faxes to the attention of the Ethics Committee consisting of the Chairman, a member of the Audit and Risk Management Committee and the Internal Audit and Risk Manager. Employees are assured that confidentiality will be maintained at all times and they will be protected.

Board Decision Making Process

Particular attention is paid to the composition and balance of the Board to ensure that it has wide experience relevant to the IT business sector.

The Board considers that objectivity and integrity, as well as the relevant skills, knowledge, experience, mindset and ability, which will enable the Board in fulfilling its key functions, are the prerequisites for the appointment of new Directors to the Board.

Corporate Governance Overview Statement

The Board also recognises the need to enhance Board diversity, as it is essential to the effective functioning of the Board. The Board has attained diversification in terms of experience, skills, expertise, competencies, ethnicity, gender diversity and age to enable the Group to maximise its business and governance performance. The representation of the members of the Board as of 31 December 2021 is as follows:-

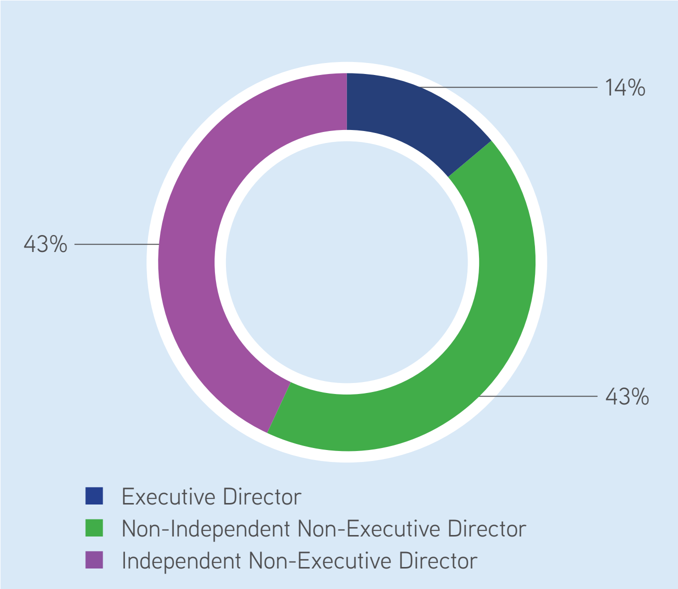


Figure 1: *Composition of Board*

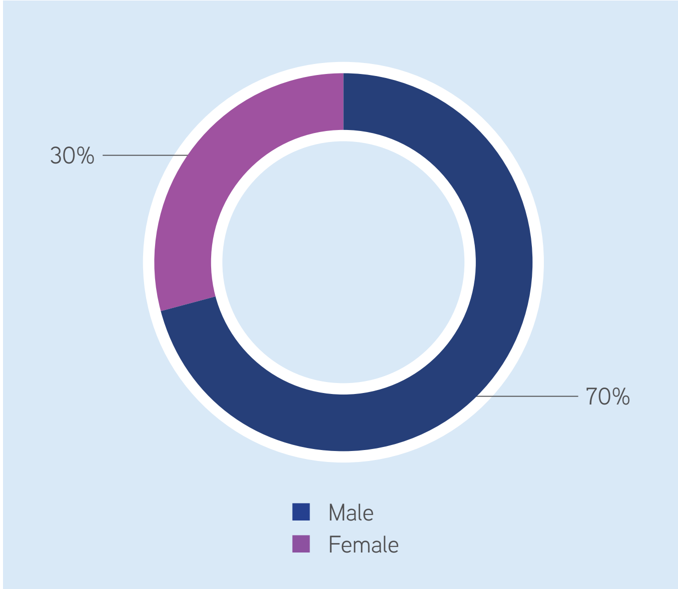


Figure 2: *Directors' Gender Composition*

The composition is in compliance with the Listing Requirements of Bursa Malaysia, which require that at least one-third of the Board should comprise of Independent Directors. However, the composition of Independent Directors of 43% of the Board fell short of the provision as indicated in Practice 5.2 of the Code which stipulates that at least half of the board comprises independent directors.

The Board recognises the MCCG practice on the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Voon Seng Chuan is approaching his 9th year of service as an Independent Director hence his reappointment as an Independent Director will be proposed at the forthcoming Annual General Meeting and subject to shareholders' approval through two-tier voting process.

The Nomination and Remuneration Committee (NRC) is empowered to review and make recommendations for appointment to the Board. A formal and transparent procedure has been established for the appointment of new Directors to the Board. The NRC has the primary responsibility to implement this process. The membership of the NRC comprises of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. This composition ensures that any decisions made are impartial and in the best interest of the Group, without any element of fear or favour.

The NRC is also responsible for the review, evaluation and recommendation of suitable candidates for appointment as Directors based on the criteria set which includes amongst others, skills set, experience, competency, gender, ethnicity and age. The NRC is also responsible for assessing and ensuring, amongst others, that the candidate possesses the necessary technical competencies, a strong sense of professionalism and integrity, organisational and strategic awareness, and the ability to add value, as well as adherence to the Mesiniaga Business Conduct. The potential candidates, upon such review and evaluation, will be recommended to the Board for appointment.

The Board fully embraces gender diversity within the Group. As at 31 December 2021, 49.4% of the Group's employment strength consists of females. Females constitute 20% and 21.74% at Senior Management and total management levels respectively.

Corporate Governance Overview Statement

Though the NRC has been tasked to review and make recommendations for appointment to the Board, the Board does not solely rely on recommendations received from the Committee. The Board is open to considering independent sources to identify suitably qualified candidates.

The NRC is chaired by Voon Seng Chuan who is an Independent Non-Executive Director. In exercising his role, he coordinates the independent assessment of the effectiveness of each Board member.

Level and Composition of Remuneration

The NRC oversees the implementation of the policy and procedure on remuneration including reviewing and recommending matters relating to the remuneration of the Board in general and in particular the remuneration of the Executive Director. Its Terms of Reference is as stated on page 53 of this Annual Report.

Considerations include Director's responsibilities, experience, competencies, commitment, contribution and performance.

The NRC reviews the performance and remuneration of the Executive Director and makes recommendations to the Board on an annual basis. In relation to the remuneration of the Independent Non-Executive Directors, comparison is made with peer companies and recommendations made to the Board for deliberation and endorsement for the approval shareholders at the Annual General Meeting.

Detailed information on named basis regarding the remuneration of each individual Director is not disclosed as the Board considers the information is sensitive and proprietary. Besides, the issue of personal security is also taken into consideration.

The transparency and accountability aspects of corporate governance applicable to the remuneration of the Directors are deemed appropriately served by the disclosure below:-

RM('000)	Executive Director	Non-Executive Director
Fees	-	307
Salaries	761	-
Other emoluments	73	70
Defined contribution plan	30	-

	Executive Director	Non-Executive Director
Below RM50,000	0	2
RM50,001 to RM100,000	0	5
RM100,001 to RM150,000	0	0
RM150,001 to RM200,000	0	0
RM200,001 to RM300,000	0	0
RM400,001 to RM450,000	0	0
RM450,001 to RM500,000	0	0
RM500,001 to RM550,000	0	0
RM550,001 to RM1,000,000	1	0
RM1,000,001 to RM1,500,000	0	0

Corporate Governance Overview Statement

Directors' Training

All Board members have attended the Mandatory Accreditation Programme (MAP) organised by Bursa Malaysia. In addition, Board members have also attended various training programmes and conferences which the Board believes have aided them in discharging their duties as Directors of the Group. Board members are also encouraged to participate in training programmes deemed appropriate for the needs of the respective Directors in discharging their duties to the Group and such attendance would be at the Group's expense. The following is the list of training programmes and conferences attended by the Directors collectively or individually:-

Board Leadership and Corporate Governance	• In Conversation with Jesus Estanisiao - Realising the Value of Corporate Governance in ASEAN • A Boardroom Simulation Live! Corporate Strategy Beyond the Crisis • Launch of the Malaysia Board Diversity Index and Study • Implementing Amendments in the Malaysian Code on Corporate Governance • Section 17A MACC Act and parallels with the UK offence and lessons learnt in the UK • Your biggest "S" in ESG: Sustainable Human Capital Management & Workplace Transformation • ICDM: Demystifying Investors' ESG Expectations: The Do's and Don'ts • ICDM: Becoming a Boardroom Star • Climate Change: Impact on Banks & Role of the Board • The Board's Role and Responsibilities in Crisis Communication • Bursa-FIDE FORUM Dialogue with the CEO of Bursa on Sustainability • Climate Change, Reporting and Sustainability Trends: The Inter-links Towards Addressing Sustainable Development Goals and Climate Change • ESG Awareness Training of Affin Bank Group Berhad • RHB In House Training on "Section 17A and Adequate Procedures" by MACC • FIDE Forum: The Role of Independent Director in Embracing Present & Future Challenges • Asia Business School: Board's Role in The Changing World of Work • Asia Business School: Understanding Board Decision Making Process • FIDE Forum: Shaping the Future of FI Board Leadership • Reimagine Leadership and Governance, Not Capitalism • ICDM: Member's Day 2/2021: ESG • Director Networking: What Corporate Boards Can Learn from Boeings Mistakes? • JC3 Flagship Conference 2021 – Finance for Change • ICDM: Organisation Culture • Updates for the Capital Markets on Conflict of Interest & Insider Trading • Asia Business School: Mentors Preparation: ASB & 30% Club Speed Mentoring
Risk Management/ Internal Audit	• Risk, Strategy and Governance - How Integrated Thinking Can Support Boards in Creating Long-term Value • FIDE Core Programme for Insurance Modules A & B • Governance and Risk Management Practices for the Financial Markets in the 21st Century • Finance for Change - Joint Committee for Climate Change Flagship Conference • Cyber Security and Threat Intelligence Summit 2021 • Risk-Based Capital Framework for Insurers and Takaful Operators • 2022 Post Budget Debate • AML/CFT/TFS Training • Security Commission's Audit Oversight Board Conversation with Audit Committees • Fraud Risk Management • Cyber Security Awareness • UBS Group AG & UBS AG In House Training: Briefing on Defending Your Company & Keeping Up to Date with Key Cybersecurity Risks • KPMG's Asia-Pacific Board Leadership Centre Webinar "Board and Audit Committee Priorities 2021" • FIDE Elective: Risk Management in Technology & Digital Transformation: What they mean for Governance and Strategy of Bank and Insurance Boards • BNM-FIDE Dialogue on RMiT Implementation

Corporate Governance Overview Statement

Nomination and Remuneration	• Asia Business School: Nominating & Remuneration Committee: Beyond Box-Ticking and Enhancing Effectiveness
Technology and Innovation	• Innovate for Exponential Growth • Data and AI Insights: Driving Growth in a Digital World: Malaysia Tech Month • PwC Asia Pacific Risk Symposium: Cloud Transformation and Trust • PwC Asia Pacific Risk Symposium: Responsible AI • Rethinking Our Approach to Cyber Defense in FIs • The Future of Insurance: From Revolution to Evolution • Digital Transformation in Islamic Finance Towards Shariah Compliance • Khazanah Megatrends • Board Technology Day (Learn from Jessica Chan, CEO of Ping An on digital transformation) • Megatrends and Digital Disruption in Banking, Insurance and Stockbroking • The Rise of Govcoins & What's next for Crypto
Finance, Accounting and Taxation	• FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard) Compliance • 2021 MIA Annual Accountants' Conference • Integrated Reporting <IR>: The ASEAN Experience • FIDE Forum- MASB Dialogue on MFRS 17 Insurance Contracts • Mesiniaga In House: MFRS 15 • 2021 Malaysian Banking and Finance Summit • ICDM Post Budget Powertalk • RHB In House Training Briefing on MFRS17: Insurance Contract • Islamic Capital Market Summit 2021 (ICMS2021)
Others	• TRUST ME – A case study on Trusts, in particular why the trusts set up had failed • PowerX: Building the Mindsets of Tomorrow • BNM Annual Report 2020 Dialogue • Empowering Bankers Series • Focus Group Discussion for BNM-FIDE FORUM Dialogue • BNM-FIDE FORUM Dialogue with Governor of BNM • Career and Trading Opportunities in Derivatives Market • The Skills of the Future (Entrepreneurship) • FIMA'S Integrity & Compliance Virtual Summit Series 2021: A Call to Action • WEBINAR "Ask Ata Special - In Conjunction with International Women's Day"

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

The Audit and Risk Management Committee (ARMC) comprises of three (3) members and is headed by Sim Hong Kee. He and Datuk Noor Azian are Independent Non-Executive Directors, while Dato' Darawati is a Non-Independent Non-Executive Director.

None of the members of the ARMC are former audit partner of the Group's external auditors. However, in the event that a former audit partner is to be appointed on to the Committee, the ARMC would ensure that a three years' cooling off period is observed before effecting such appointment.

Sim Hong Kee is a Chartered Accountant and member of the Malaysia Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA) while Dato' Darawati is a Chartered Financial Analyst. The other member though not having financial background, has extensive experience in legal matters hence providing the Committee with legal perspectives in dealing with audit and risk management matters. All members of the ARMC had participated in various continuing professional developments to keep themselves abreast of relevant development in accounting standards, practices and rules.

In relation to the services of the external auditor, the ARMC performs the assessment on the suitability, objectivity and independence of the external auditor annually.

Corporate Governance Overview Statement

Mitigating and Managing Risk
An effective risk management and internal control framework has been established and the features of the framework are as stated in the Statement on Risk Management and Internal Control on page 47 of this Annual Report. A synopsis of the key risk areas as identified and monitored by the ARMC are as stated in the Management Discussion and Analysis on page 11.

The risk management framework adopted by the Group is tailored to the local condition based on an internationally recognised framework. The report on risk management is presented to the Board on a quarterly basis and the Board is of the opinion that the risk management process is adequate considering the complexity and size of the business in place.

Effective Governance, Risk Management and Internal Control Framework
Ensuring that the internal audit function is effective and able to function independently is part of the function and duties of the ARMC.

Internal audit personnels are free from any relationship or conflict of interest which could impair their objectivity and independence. The internal audit unit is headed by the Head of Audit and Risk Department. He holds an MBA (Finance) and Certification in Risk Management Assurance (CRMA) and is a professional member of the Institute of Internal Auditors Malaysia. He is assisted by a team of two internal auditors who have sufficient auditing experience and tertiary academic qualifications.

PRINCIPAL C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders
The Group welcomes all queries from shareholders and these queries could be channelled directly to the Chief Executive Officer or through the Group's website www.mesiniaga.com.my. The Chief Executive Officer provides update on the Group's performance through quarterly results announcements and also responds to analysts and shareholders' queries from time to time.

Though the Group's Articles of Association specifies a notice period of 21 days for the convening of an Annual General Meeting, the Group has been observing a longer notice period of 30 days or more since 2016.

Conduct of General Meeting
At each Annual General Meeting (AGM), the Board presents the Group's business progress and performance and encourages shareholders to participate in the question and answer session. All Directors attend the Annual General Meeting.

An explanatory statement for any proposed resolution, to facilitate full understanding and evaluation of issues involved, will accompany each item of special business included in the notice of the Meeting.

The Company has been holding its Annual General Meeting at its own premise since 1998. For the first time, the Company convened a fully virtual AGM in 2021 where remote shareholders participation was made possible.

Statement of Directors' Responsibilities in Relation to Financial Statements

The Directors are required by the Companies Act, 2016 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year, and the statement of comprehensive income and cash flow of the Group for the financial year.

In preparing the financial statements of the Group for the year ended 31 December 2021, the Directors have:-

- ensured the Group has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement;
- considered all applicable accounting standards have been followed; and
- confirmed the financial statements have been prepared on the going concern basis.

The Directors have responsibility to ensure that the Group maintains adequate accounting records which disclose with reasonable accuracy the financial position of the Group to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 2016.

The Directors also have the overall responsibilities to take such steps to safeguard the assets of the Group and for the establishment, designation, implementation and maintenance of appropriate accounting and internal control systems for the prevention and detection of fraud and other irregularities relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Statement on Risk Management and Internal Control

Introduction
The Malaysian Code on Corporate Governance April 2021 requires the Board to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets.

In compliance with the provision of Bursa Malaysia Securities Berhad (BMSB) Listing Requirements Paragraph 15.26(b) *updated as at June 2020* and Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers (Risk Management and Internal Control Guidance), the Board of Directors (the Board) is pleased to present the Statement on Risk Management and Internal Control (SORMIC), which outlines the risk management framework and scope of the internal control structure of the Group during the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report for the Financial Year ended 31st December 2021.

Board Responsibility
The Board acknowledges its responsibility for the Group's risk management system and internal control framework to safeguard shareholders' interest. To this end, strong focus is placed on adequate financial and operational controls and regulatory compliance.

The Board recognises that in pursuing business objectives, internal control could only provide reasonable but not absolute assurance against the risk of material errors, losses, fraud or occurrences of unforeseeable circumstances. The Group's system of internal control has been designed to place greater emphasis on the control of significance or material items in order to provide reasonable assurance that the effects of these risks are minimised.

Assurance Mechanism
The Audit and Risk Management Committee (ARMC) assists the Board in evaluating the adequacy of risk management and internal control framework as well as in fulfilling its statutory and fiduciary responsibilities. ARMC would review the financial statements and financial reporting process, the system of internal controls, management of enterprise risks, the audit process and the process of monitoring compliance with law and regulations including Bursa Malaysia and Securities Commission requirements and the Group's Code of Conduct.

Internal Audit
The internal audit function of the Group is carried out by the Audit and Risk Department that reports directly to the ARMC. The principal role of the Audit and Risk Department is to provide independent assurance and assessment on the effectiveness and soundness of internal control mechanisms and verify that they are in place.

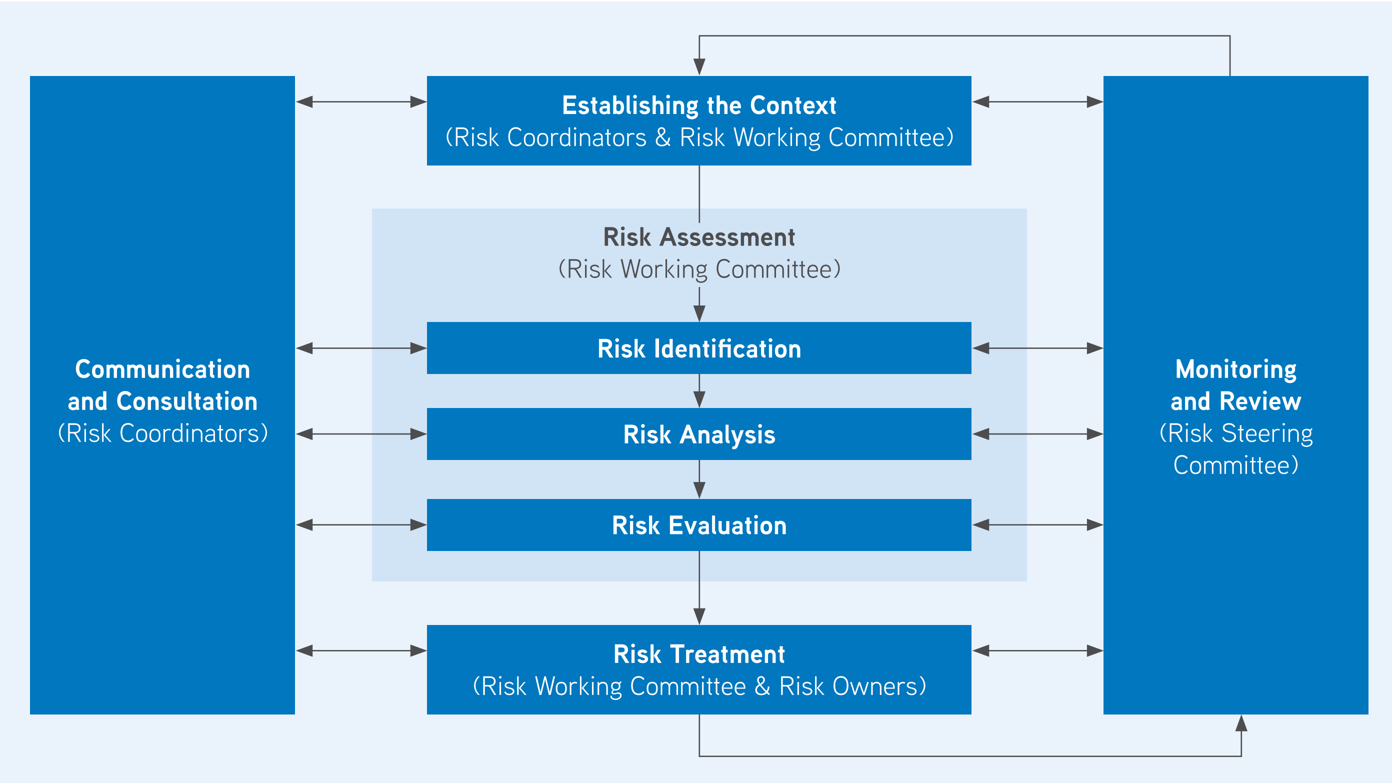
The Audit and Risk Department adopts a risk-based approach in its audit plans and examination. The internal audit function is guided by IPPF (International Professional Practices Framework) issued by the Global Institute of Internal Auditors. Additionally and separately, the Audit and Risk Department performs on-going reviews of processes and activities within the Group in compliance with the ISO 9001:2015 standards. The audit plan, which covered the areas of significant risk exposure to the Group, was approved by the ARMC.

Risk Management
The ARMC was established to monitor the implementation of a risk management programme for the Group and to formalise the identification of principal risks affecting the achievement of the Group's business objectives. It allows for a structured and focused approach to managing the Group's significant business risks.

Guided by the ISO 31000 Risk Management Principles and Guidelines, the Audit and Risk Department provides the Board with assurance of the adequacy and integrity of internal control within the Group with a proactive on-going process involving identification, assessment, control, monitoring and reporting of risk exposures. The risk management programme is subjected to review by the ARMC for and on behalf of the Board.

Statement on Risk Management and Internal Control

The management determines the Group's level of risk tolerance and actively identifies, assesses and monitors key business risks to safeguard shareholders' investments and the Group's assets and the ARMC reviews and where appropriate, challenges if there are gaps. Progress on risk management activities is reported at every ARMC meeting in 2021 by the Head of Audit & Risk Department. The processes of risk management are illustrated as per below:-



Internal Control
The Group's internal control system is incorporated within the organisation structure, policies, procedures and the Mesiniaga Business Conduct Guidelines.

Control environment includes the following:-
- The Group's core values of Respect, Integrity, Commitment, Innovation and Teamwork are embedded within the corporate culture;
- The Code of Business Conduct Guidelines reinforces and provides guidance to all employees on the Group's core value on integrity, to be achieved through adherence to policies, standards, procedures and applicable laws;
- The Audit and Risk Management Committee and Nomination and Remuneration Committee established by the Board of Directors are governed by clearly defined terms of reference and authority for areas within their respective scope; and
- The Group has an organisational structure that is aligned with its business and operational requirements with clearly defined lines of responsibility and authority levels.

All significant findings on internal control recommendation by the internal auditors and external auditors are reported to the ARMC for review and deliberations. The ARMC reviews to ensure that all mitigation plans are implemented by Management to safeguard the interests of the Group and maintain proper governance. Where deficiencies were identified, recommended procedures have been or are being put in place to strengthen controls. The ARMC focusses on the deficiencies reported, understands the root causes and directs Management to take all steps necessary to correct the circumstances and conditions that had caused the compliance deficiencies. This includes specific remediation plans and follow-up actions to ensure deficiencies are addressed.

The internal control system is continuously reviewed, added on or updated in line with the changes in the Group's operating environment.

Statement on Risk Management and Internal Control

Assurance from Management

The Chief Executive Officer and the Chief Financial Officer have provided the Board with assurance that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects.

Taking into consideration the assurance from the management team, the Board is of the view that processes covering risk management and internal control are in place for the year under review and that they remain sound up to date of issuance of the financial statements to safeguard shareholders' investment and the Group's assets.

In addition, the Board remains committed to maintain a sound system of risk management and internal control and therefore, recognises that the systems must be continuously reviewed and revised where appropriate, to support the business and ensure compliance with:-

- Malaysian Code on Corporate Governance (April 2021) – Securities Commission Malaysia
- Bursa Malaysia's Statement on Risk Management and Internal Controls – Guidelines for Directors of Listed Issuers (March 2018) – Bursa Malaysia
- Corporate Governance Guide (4th Edition) December 2021 – Bursa Malaysia

Conclusion

During the year under review, there was no significant control failure or weakness identified that would result in material losses, contingencies or uncertainties requiring disclosure in the annual reports. The Board and Management will continue to review and strengthen the Group's risk management and internal control systems to ensure ongoing adequacy and effectiveness of the system of internal control and risk management practices to meet the changing and challenging future operating environment.

The Board and ARMC ensures that the management has taken and maintained effective measures to mitigate the threat of cyber attack and will remain vigilant as well as take additional steps necessary to minimize the cyber security risks and mitigating the impact to the company operations.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their review, the external auditors have reported to the Board that nothing had come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control of the Group.

This Statement is presented by the ARMC on 17th March 2022 and approved by the Board on 30th March 2022.

BOARD OF DIRECTORS
MESINIAGA BERHAD

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC) assists the Board of Directors (Board) in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting, risk management and internal control.

The ARMC is pleased to present the ARMC report for the financial year ended 31 December 2021 in compliance with paragraph 15.15 of the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities) and the Malaysian Code on Corporate Governance (the Code) April 2021.

COMPOSITION OF THE ARMC

The ARMC comprises the following members:

Sim Hong Kee
Chairman, Independent Non-Executive Director

Datuk Noor Azian Shaari
Member, Independent Non-Executive Director

Dato' Darawati Hussain
Member, Non-Independent Non-Executive Director

Wong Fook Hon
Member, Independent Non-Executive Director
(Retired 15 July 2021)

Syed Jamalludin Syed Osman Jamallulail
Secretary

NUMBER OF ARMC MEETINGS AND DETAILS OF ATTENDANCE

During the financial year ended 31 December 2021, the ARMC held a total of five (5) meetings. The details of the attendance of each ARMC member are as follows:

Directors	Attendance
Sim Hong Kee	5/5
Datuk Noor Azian Shaari	5/5
Dato' Darawati Hussain	5/5

Former Director	Attendance
Wong Fook Hon	3/3[(i)]

(i) Retired on 15 July 2021

Audit and Risk Management Committee

TERMS OF REFERENCE FOR THE AUDIT AND RISK MANAGEMENT COMMITTEE

SIZE AND COMPOSITION

i. The ARMC shall be appointed by the Board of Mesiniaga, based on the recommendation made by the Board Nomination & Remuneration Committee, from amongst their members.
ii. The Committee shall consist of not less than three (3) members, the majority of whom shall be Independent Non-Executive Directors.
iii. The Committee must comprise Directors who possess a wide range of necessary skills, knowledge and experience relevant to the responsibilities of the Committee. Each member should be financially literate, competent and able to understand the matters under the purview of the Committee including the financial reporting process.
iv. At least one member of the Committee:-
    a. must be a member of the Malaysian Institute of Accountants (MIA); or
    b. if he/she is not a member of the MIA, he/she must have at least three years' working experience and;
        i. he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
        ii. he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
    c. fulfils such requirements as prescribed by Bursa Securities.
v. The Chairman of the Committee:-
    a. must not be the Chairman of the Board; and
    b. shall be an Independent Director.
vi. A former audit partner of the Company's external audit firm shall observe a cooling-off period of at least three years before being eligible for consideration to be appointed as a member of the ARMC.

MEETINGS AND QUORUM

i. Meetings shall be held not less than four (4) times a year and as and when required during the financial year.
ii. The quorum for a meeting shall be two-thirds of the members (majority of the members present shall be Independent Non-Executive Directors.
iii. Attendance of other Directors and employees at any particular ARMC Meeting will be at the invitation of the ARMC.
iv. The presence of the External Auditor for a meeting will be requested if required.

SECRETARY

The Secretary of the Committee shall be the Head of Audit and Risk Department of the Company and as a reporting procedure, the minutes shall be circulated to all members of the Board.

AUTHORITY

The ARMC is authorised by the Board to:-
i. Investigate any activity within its terms of reference;
ii. Seek any information it requires from the employees of Mesiniaga Berhad for the purpose of discharging its functions and responsibilities;
iii. Obtain legal or other independent professional advice;
iv. Ensure the attendance of outsiders with relevant experience and expertise if it considers this necessary;
v. Have full and unrestricted access to any information and documents pertaining to Mesiniaga Berhad;
vi. Convene meetings with the Head of Internal Audit and Risk without the presence of the Senior Management staff whenever deemed necessary; and
vii. Meet with the External Auditor at least once (1) a year without the presence of the Senior Management Team and when necessary, without the Internal Audit staff to provide an avenue for the External auditor to express any concerns, including areas related to their ability to perform work without restraint or interference.

Audit and Risk Management Committee

DUTIES AND RESPONSIBILITIES

Audit Functions

Financial Reporting

To review the quarterly and annual financial statements for recommendation to the Board for release to Bursa Securities accordingly, with particular focus on:-

i. Changes in, or implementation of major accounting policies and practices;
ii. Significant adjustments arising from the audit;
iii. Significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
iv. Going concern assumption; and
v. Compliance with accounting standards and other legal requirements.

Internal Audit

i. To review and approve the Internal Audit Charter;
ii. To review and approve the risk-based audit plan and any changes thereof, internal audit budget and resource plan;
iii. To ensure that the internal audit function is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives;
iv. To receive and review any internal audit reports together with Management's responses and ensure that appropriate and prompt remedial actions are taken by Management to address and resolve the significant lapses in controls and procedures that are identified and in a timely manner;
v. To establish a mechanism to assess the performance and effectiveness of the Internal Audit function;
vi. To note the significant disagreements between the Internal Audit and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact, the disagreements may have on the audit process or findings; and
vii. To communicate reports of investigations to the Board, where appropriate.

Appointment of Head of Internal Audit

The ARMC shall oversee the appointment and performance of the Head of Internal Audit. The role includes deliberating and making decisions on recruitment, assessment of the performance and termination of the Head of Audit and Risk Department. All deliberations and decisions made by the ARMC will take into consideration the Company's guidelines and policies on recruitment, performance management and remunerations. The ARMC will be assisted and advised by the Human Resource Department for these duties and responsibilities.

External Audit

i. To review the Audit Planning Memorandum issued by the External Auditor covering the nature and scope of audit planned for the financial year under review;
ii. To review the External Auditor's audit report and the significant audit findings and the adequacy of the Management's response to resolve these findings;
iii. To evaluate the External Auditor's independence and objectivity, as well as their ability to serve the Group in terms of technical competencies and manpower resource sufficiency, including non-audit services to safeguard the quality and reliability of the audited financial statements;
iv. To assess the performance of the External Auditor and make recommendations to the Board on their appointment/re-appointment, remuneration, resignation and removal;
v. To review the reasonableness of the proposed audit fees charged against the size and complexity of the Group;
vi. To review the provision of non-audit services by the External Auditor for recommendation to the Board for approval; and
vii. To review with the external auditors whether the employees of the Company have given appropriate assistance in discharging their duties.

Related Party Transaction

To review related party transactions and any conflict of interest situations arising therefrom including any transaction, procedure or course of conduct that raises questions of management integrity.

Audit and Risk Management Committee

Risk Management

Business Risk

i. To lead the Group's strategic direction in the Management of the Group's business risks;
ii. To set reporting guidelines for management to report to the Committee on the effectiveness of the Group's management of its business risks; and
iii. To ensure adequate infrastructure, resources and systems are in place for effective risk and internal control management.

Risk Management Framework

i. To oversee the establishment, maintenance and implementation of a risk management framework which identifies, assesses, manages and monitors the Group's business risks; and
ii. To review the effectiveness of the risk management framework in identifying and managing risks and internal processes which include, but not limited to ensuring the adequacy of risk management policies and infrastructure to facilitate the implementation of action plans for Risk Management.

Risk Management Policy

i. To oversee and recommend the risk management policies of the Group; and
ii. To review and recommend changes as needed to ensure that the Group has in place at all times risk management policies which address the strategic, operational, financial and compliance risks.

Risk Profiles

i. To review the Group and its subsidiaries' risk profiles and evaluate the effectiveness of the measures taken to mitigate the business risks; and
ii. To review and deliberate on the quarterly risk profile report.

Others

i. To ensure that all governance instruments are reviewed and updated continuously to reflect changes in the operating environment;
ii. To review the Statement on Risk Management and Internal Control (SORMIC) of the Group for inclusion in the Annual Report; and
iii. To be updated on any ISO certification changes and development on Mesiniaga's ISO 9001:2015 Certification.

REPORTING TO THE BOARD

The Committee shall report to the Board following each meeting. The report will cover the matters as set out in the Committee's duties and responsibilities.

REVIEW

The Terms of Reference shall be reviewed on an annual basis to ensure that it reflects current best practice in corporate governance and risk management. Board approval is required for any changes in the Terms of Reference.

AUDIT & RISK MANAGEMENT COST

The total costs incurred by Audit and Risk Management Department in 2021 amounted to RM216,500.00 against RM222,900.00 in 2020 comprising of mainly salaries, training and benefits.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) was established by the Board of Directors (the Board) with the primary objective to assess the effectiveness of the Board on an ongoing basis and to recommend the Board the remuneration of the Executive Directors.

The NRC is pleased to present the NRC report for the financial year ended 31 December 2021 in compliance with paragraph 15.08A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

COMPOSITION OF THE NRC

Voon Seng Chuan
Chairman, Independent Non-Executive Director

Fathil Ismail
Member, Non-Independent Non-Executive Director

Wong Fook Hon
Member, Independent Non-Executive Director
(Retired on 15 July 2021)

Sim Hong Kee
Member, Independent Non-Executive Director
(Appointed on 1 January 2022)

Rosmawati Haron
Secretary

NUMBER OF NRC MEETING AND DETAILS OF ATTENDANCE

Date	Attendance
Voon Seng Chuan	4/4
Fathil Ismail	4/4

Former Director	Attendance
Wong Fook Hon	3/3[(i)]

(i) Retired on 15 July 2021

TERMS OF REFERENCE FOR THE NOMINATION AND REMUNERATION COMMITTEE

Size and Composition

a) The Nomination and Remuneration Committee shall be appointed by the Board of Directors of Mesiniaga from amongst their members;
b) The Committee shall consist of not less than three (3) members, exclusively of Non-Executive Directors, a majority of whom shall be Independent Directors; and
c) The Chairperson of the Committee shall be an Independent Director.

Frequency of Meetings

a) Meetings shall be held at least once a year; and
b) The quorum for a meeting shall be at least two (2) Committee members.

Nomination and Remuneration Committee

Secretary

The Secretary of the Nomination and Remuneration Committee shall be the Head of Human Resources Department. Minutes of meetings shall be recorded.

Purpose of the Committee

The Nomination and Remuneration Committee is established to assist the Board in developing and administrating a fair and transparent procedure for setting policy in remuneration of Directors. It is to ensure that remuneration packages are determined on the basis of the Directors' merit, qualification and competence, having regards to the Group's operating results, individual performance and comparable market statistics.

Functions and Duties

a) To administer the selection and assessment of Directors;
b) To ensure that board composition meets the needs of the Group;
c) To develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors;
d) To assess and recommend to the Board the candidature of Directors, appointment of Directors to Board committees, review of Board's succession plans and training programmes for the Board;
e) To establish formal and transparent remuneration policies and procedures to attract and retain Directors;
f) To review the performance of Executive Directors based on KPIs; and
g) To perform other related duties as directed by the Board of Directors.

Summary of Activities

a) Reviewed the performance of the Chief Executive Officer;
b) Formulated the KPI for the Chief Executive Officer for Year 2021; and
c) Recommended the remuneration package for the Chief Executive Officer.

Other Information Required

By the Listing Requirements of Bursa Securities Malaysia Berhad

UTILISATION OF PROCEEDS

No funds were raised by the Company from any corporate proposal during the financial year.

NON-AUDIT FEES

An amount of RM46,535.85 was paid for tax services provided by PwC Taxation Services Sdn. Bhd.

MATERIAL CONTRACTS

There was no material contract by the Company and its subsidiaries involving Directors or substantial shareholders' interest during the financial year.

CONTRACTS RELATING TO LOAN

There was no contract relating to a loan by the Company during the financial year.

CONFLICT OF INTEREST

Unless otherwise disclosed, the Directors were not aware of any conflict of interest among the Directors with the Company, existing at the end of the financial year 2021.

EMPLOYEES SHARE OPTION SCHEME

The Company did not implement any employee share options scheme in the financial year 2021.

INTERNAL AUDIT EXPENSES

The costs incurred for the internal audit function in respect of FY2021 was RM216,500.00.

FINANCIAL STATEMENTS

Directors' Report

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Datuk Wan Mohamed Fusil bin Wan Mahmood
Voon Seng Chuan
Fathil Sulaiman bin Ismail
Sim Hong Kee
Datuk Noor Azian binti Shaari
Dato' Darawati Hussain
Zaim Husni bin Omar (Appointed on 16 April 2021)
Wong Fook Hon (Retired on 15 July 2021)

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

PRINCIPAL ACTIVITIES

The Group and the Company are principally involved in the sale of information technology products and services. The principal activities of the subsidiaries and joint venture are described in Note 13 and Note 14 to the financial statements respectively. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year attributable to:		
- Owners of the Company	5,469	6,360
- Non-controlling interests	7	0
Net profit for the financial year	5,476	6,360

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by 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 was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report (continued)

INDEMNITY AND INSURANCE

During the financial year, the Group and the Company maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the Directors and Officers Liability Insurance effected for each of the Directors and Officers of the Group was RM30,000,000 at any one claim and under investigation under all insuring agreements combined.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares in the Company or its subsidiaries during the financial year except as follows:

	Number of ordinary shares			
	At 1.1.2021 '000	**Bought '000**	**Sold '000**	**At 31.12.2021 '000**
Datuk Wan Mohamed Fusil bin Wan Mahmood[1]	3,470	0	0	3,470
Fathil Sulaiman bin Ismail	7,748	0	0	7,748
Voon Seng Chuan	309	0	0	309

(1) Including interests held under nominee accounts with CIMB Islamic Trustee Berhad, Citigroup Nominees (Tempatan) Sdn. Bhd., Alliancegroup Nominees (Tempatan) Sdn. Bhd. and CGS-CIMB Nominees (Tempatan) Sdn. Bhd.

DIVIDENDS

No dividend has been paid or declared by the Company since 31 December 2020. The Directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2021.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 6 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

Directors' Report (continued)

OTHER STATUTORY INFORMATION (CONTINUED)

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

(i) which would render the amounts written off for bad debts or the amount of the allowance for impairment losses 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 would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report:

(i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.

(d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.

(e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SUBSIDIARIES

Details of subsidiaries are set out in Note 13 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 7 to the financial statements.

Directors' Report (continued)

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 30 March 2022. Signed on behalf of the Board of Directors:

DATUK WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

SIM HONG KEE
DIRECTOR

Kuala Lumpur

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Datuk Wan Mohamed Fusil bin Wan Mahmood and Sim Hong Kee, two of the Directors of Mesiniaga Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 67 to 133 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and financial performance of the Group and of the Company for the financial year ended 31 December 2021 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 30 March 2022.

DATUK WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

SIM HONG KEE
DIRECTOR

Kuala Lumpur

Statutory Declaration

Pursuant to Section 251(1) of the Companies Act 2016

I, Ariffin bin Abd Majid, the Officer primarily responsible for the financial management of Mesiniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 67 to 133 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.

ARIFFIN BIN ABD MAJID
OFFICER
MIA No. CA 43071

Subscribed and solemnly declared by the above named, Ariffin bin Abd Majid at Kuala Lumpur, Malaysia on 30 March 2022.

Before me:

COMMISSIONER FOR OATHS

Independent Auditors' Report

To The Members Of Mesiniaga Berhad
(Incorporated In Malaysia)
(Registration No. 198101013112 (79244-V))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Mesiniaga Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 133.

Basis for opinion

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

Independence and other ethical responsibilities

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

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia

T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

Independent Auditors' Report

To The Members Of Mesiniaga Berhad (continued)
(Incorporated In Malaysia)
(Registration No. 198101013112 (79244-V))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
During the financial year ended 31 December 2021, the Group and the Company recognised revenues amounting to RM240.2 million and RM234.8 million respectively. (2020: RM197.7 million and RM190.7 million). We focused on this area as there are judgements involved in arriving at the quantum and timing of revenue recognised. Certain contracts with customers with multi element arrangements may include sales of hardware, software, maintenance and support services. Judgement is exercised in determining the number of distinct performance obligations included within these contracts with customers. Judgement is applied in determining the allocation of transaction price to the identified performance obligations based on the standalone selling prices and in determining the appropriate estimation of costs. The timing of revenue recognition may differ from the timing of billing to customers. When the services rendered by the Group and Company exceed the payment, a contract asset is recognised. Judgement is exercised in anticipating the timing between recognition of revenue and billings to the customers which may subsequently change due to specific risks and performance of the actual contract terms. As at 31 December 2021, the Group and Company had recognised contract assets amounting to RM51.4 million (2020: RM34.3 million). As a result of the above conditions, we regard revenue recognition from contracts with customers as a key audit matter for the Group and Company.	We performed the following audit procedures: • We read and understood the key terms and conditions of significant contracts with customers containing multiple performance obligations; • We obtained an understanding of the process surrounding customer acceptance and the acceptance of letters of award; • We tested the operating effectiveness of controls over the approval of customer contracts and budgets including the estimation of cost in determining the standalone selling price and management's assessment of the allocation of transaction price between various performance obligations; • We have also obtained management's assessment of the identification of separate performance obligations over significant customer contracts with bundling arrangements and sighted to customer contracts on a sampling basis; • We tested the amount of allocated transaction price and revenue recognised (services, hardware, MB Cloud and software) to acceptance documents from customers and/or service delivery periods based on contractual terms; • We have obtained management's assessment of expected billings for contract assets and checked against the billing terms in the contract on sampling basis. Held discussions with project managers to corroborate the project milestones used in determining the timing of expected billings against project reports; • We have tested the appropriateness of non-standard manual journal entries made to the revenue accounts by assessing the basis for the journals and reviewing supporting documents; We did not identify any material exceptions from performing the procedures above.

Independent Auditors' Report

To The Members Of Mesiniaga Berhad (continued)
(Incorporated In Malaysia)
(Registration No. 198101013112 (79244-V))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis, Five-Year Performance Statistics, Sustainabililty Statement, Corporate Governance Overview Statement, Statement of Directors' Responsibility in Relation to Financial Statements, Statements on Risk Management and Internal Control, Audit and Risk Management Committee, Nomination and Remuneration Committee, Other Information Required by the Listing Requirement of Bursa Securities, Directors' Report and other sections of the 2021 annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

Independent Auditors' Report

To The Members Of Mesiniaga Berhad (continued)
(Incorporated In Malaysia)
(Registration No. 198101013112 (79244-V))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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

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

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

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SUBATHRA A/P GANESAN
03020/08/2022 J
Chartered Accountant

Kuala Lumpur
30 March 2022

Statements of Comprehensive Income

For The Financial Year Ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue	5	240,189	197,718	234,781	190,707
Changes in inventories of finished goods		4,148	(331)	5,540	(1,095)
Finished goods purchased		(89,952)	(62,801)	(86,532)	(60,849)
Information technology services purchased		(64,949)	(56,203)	(79,299)	(65,936)
Staff cost	6	(72,908)	(74,775)	(58,227)	(60,187)
Depreciation and amortisation		(2,013)	(3,694)	(1,867)	(2,966)
Travelling expenses		(1,130)	(1,257)	(975)	(894)
Administrative expenses		(4,624)	(4,776)	(4,442)	(4,519)
Other operating expenses		(1,038)	(1,592)	(829)	(981)
Write down of inventory		(1,989)	(1,539)	(1,818)	(1,284)
Net reversal/(impairment) losses on financial and contract assets		537	(1,223)	533	(1,474)
Other operating income		6	6	294	804
Other (losses)/gains		(183)	952	(183)	952
Profit/(Loss) from operations		6,094	(9,515)	6,976	(7,722)
Finance cost	8	(377)	(543)	(374)	(539)
Finance income	8	542	1,071	463	922
Share of results of a joint venture company		0	0	0	0
Profit/(Loss) before taxation and zakat	7	6,259	(8,987)	7,065	(7,339)
Taxation and zakat	9	(783)	(10)	(705)	178
Profit/(Loss) for the financial year		5,476	(8,997)	6,360	(7,161)
Other comprehensive income:					
Item that will not be reclassified to profit or loss:					
Actuarial loss on defined benefit plan (net of tax)	23	(3,699)	(1,043)	(3,699)	(1,043)
Total comprehensive income/(loss) for the financial year		1,777	(10,040)	2,661	(8,204)
Profit/(Loss) for the financial year attributable to:					
Equity holders of the Company		5,469	(9,344)	6,360	(7,161)
Non-controlling interests		7	347	0	0
Profit/(Loss) for the financial year		5,476	(8,997)	6,360	(7,161)
Total comprehensive income/(loss) for the financial year attributable to:					
Equity holders of the Company		1,770	(10,387)	2,661	(8,204)
Non-controlling interests		7	347	0	0
Total comprehensive income/(loss) for the financial year		1,777	(10,040)	2,661	(8,204)
Basic/Diluted loss per share (sen)	10	9.05	(15.47)		

The notes on pages 74 to 133 are an integral part of these financial statements.

Statements of Financial Position

As At 31 December 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	36,753	37,923	36,449	37,496
Intangible assets	12	0	0	0	0
Investment in subsidiaries	13	0	0	1,798	1,798
Investment in joint venture	14	0	0	0	0
Finance lease receivables	19	1,106	2,389	1,106	2,389
Trade and other receivables	17	3,629	3,791	3,629	3,791
Contract assets	18	1,009	2,703	1,009	2,703
Deferred tax assets	15	1,322	1,867	1,000	1,584
TOTAL NON-CURRENT ASSETS		43,819	48,673	44,991	49,761
Current assets					
Inventories	16	13,393	9,245	10,864	5,324
Trade and other receivables	17	56,531	37,992	54,853	35,080
Finance lease receivables	19	2,271	2,517	2,271	2,517
Contract assets	18	50,466	31,623	50,466	31,623
Tax recoverable		233	164	0	11
Deposits with licensed financial institutions	20	13,579	32,309	9,091	27,899
Cash and bank balances	20	41,118	19,433	34,859	15,235
TOTAL CURRENT ASSETS		177,591	133,283	162,404	117,689
TOTAL ASSETS		221,410	181,956	207,395	167,450

The notes on pages 74 to 133 are an integral part of these financial statements.

Statements of Financial Position

As At 31 December 2021 (continued)

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	25	64,528	64,528	64,528	64,528
Retained earnings		45,028	39,559	35,736	29,376
Retirement benefit reserves		(4,075)	(376)	(4,075)	(376)
		105,481	103,711	96,189	93,528
Non-controlling interests	13	7,092	7,085	0	0
Total equity		112,573	110,796	96,189	93,528
Non-current liabilities					
Post-employment benefit obligations	23	5,879	1,980	5,879	1,980
Lease liabilities	24	483	1,354	432	1,277
Borrowings	22	908	1,238	908	1,238
TOTAL NON-CURRENT LIABILITIES		7,270	4,572	7,219	4,495
Current liabilities					
Trade and other payables	21	77,722	46,901	80,203	49,766
Lease liabilities	24	1,413	1,536	1,387	1,510
Contract liabilities	18	13,700	13,001	13,665	13,001
Borrowings	22	8,632	5,150	8,632	5,150
Tax payable		100	0	100	0
TOTAL CURRENT LIABILITIES		101,567	66,588	103,987	69,427
TOTAL LIABILITIES		108,837	71,160	111,206	73,922
TOTAL EQUITY AND LIABILITIES		221,410	181,956	207,395	167,450

The notes on pages 74 to 133 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For The Financial Year Ended 31 December 2021

		Attributable to owners of the parent						
		Issued and fully paid ordinary shares						
Group	Note	Number of shares '000	Share capital RM'000	Retirement benefit reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total RM'000
At 1 January 2021		60,402	64,528	(376)	39,559	103,711	7,085	110,796
Income for the financial year		0	0	0	5,469	5,469	7	5,476
Other comprehensive loss for the financial year	23	0	0	(3,699)	0	(3,699)	0	(3,699)
Total other comprehensive (loss)/ income for the financial year		0	0	(3,699)	5,469	1,770	7	1,777
At 31 December 2021		60,402	64,528	(4,075)	45,028	105,481	7,092	112,573
At 1 January 2020		60,402	64,528	667	48,903	114,098	7,228	121,326
(Loss)/Income for the financial year		0	0	0	(9,344)	(9,344)	347	(8,997)
Other comprehensive loss for the financial year	23	0	0	(1,043)	0	(1,043)	0	(1,043)
Total other comprehensive (loss)/ income for the financial year		0	0	(1,043)	(9,344)	(10,387)	347	(10,040)
Transactions with owners:								
Dividend paid to non-controlling interest		0	0	0	0	0	(490)	(490)
At 31 December 2020		60,402	64,528	(376)	39,559	103,711	7,085	110,796

The notes on pages 74 to 133 are an integral part of these financial statements.

Company Statement of Changes in Equity

For The Financial Year Ended 31 December 2021

Company	Note	Issued and fully paid ordinary shares Number of shares '000	Share capital RM'000	Retirement benefit reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2021		60,402	64,528	(376)	29,376	93,528
Income for the financial year		0	0	0	6,360	6,360
Other comprehensive loss for the financial year	23	0	0	(3,699)	0	(3,699)
Total other comprehensive (loss)/income for the financial year		0	0	(3,699)	6,360	2,661
At 31 December 2021		60,402	64,528	(4,075)	35,736	96,189
At 1 January 2020		60,402	64,528	667	36,537	101,732
Loss for the financial year		0	0	0	(7,161)	(7,161)
Other comprehensive loss for the financial year	23	0	0	(1,043)	0	(1,043)
Total other comprehensive loss for the financial year		0	0	(1,043)	(7,161)	(8,204)
At 31 December 2020		60,402	64,528	(376)	29,376	93,528

The notes on pages 74 to 133 are an integral part of these financial statements.

Statements of Cash Flows

For The Financial Year Ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) for the financial year		5,476	(8,997)	6,360	(7,161)
Adjustments for					
Taxation	9	773	0	695	(188)
Zakat	9	10	10	10	10
Depreciation of property, plant and equipment	11	2,013	3,218	1,867	2,966
Amortisation of intangible assets	12	0	476	0	0
Dividend income from subsidiaries		0	0	0	(510)
Interest expense	8	377	543	374	539
Interest income	8	(542)	(1,071)	(463)	(922)
Retirement benefits		200	200	200	200
Write off of intangible assets	12	0	503	0	0
Impairment of investment in subsidiaries		0	0	0	16
Net (reversal)/impairment of losses:					
- trade receivables		(1,126)	253	(1,122)	504
- contract assets		685	926	685	926
- other receivables		0	(105)	0	(105)
- lease receivables		(96)	149	(96)	149
Gain on net investment of sublease		(23)	0	(23)	0
Unrealised foreign exchange loss		422	73	364	407
Loss on written off of property, plant and equipment		0	6	0	3
Write down of inventory		1,989	1,539	1,818	1,284
		10,158	(2,277)	10,669	(1,882)
Changes in working capital:					
Inventories		(6,137)	(1,207)	(7,358)	(188)
Intercompany balances		0	0	(871)	(2,478)
Trade and other receivables		(15,415)	9,938	(16,645)	9,177
Contract assets		(17,836)	(5,735)	(17,835)	(5,735)
Trade and other payables		29,474	(96,088)	30,011	(94,476)
Contract liabilities		699	(6,600)	664	(6,600)
Cash generated from/(used in) operations		943	(101,969)	(1,365)	(102,182)
Tax paid		(197)	(187)	0	0
Zakat paid		(10)	(10)	(10)	(10)
Net cash generated from/(used in) operating activities		736	(102,166)	(1,375)	(102,192)

The notes on pages 74 to 133 are an integral part of these financial statements.

Statements of Cash Flows

For The Financial Year Ended 31 December 2021 (continued)

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	11	(843)	(905)	(820)	(871)
Interest received		355	1,071	275	702
Dividends received from subsidiaries		0	0	0	510
Withdrawal of/(investment) in deposits maturing more than three months		2,855	0	(147)	0
Net cash generated from/(used in) investing activities		2,367	166	(692)	341
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to non-controlling interests in a subsidiary		0	(490)	0	0
Repayment of lease liabilities		(188)	(424)	(162)	(398)
Interest paid on lease liabilities		(16)	(26)	(13)	(23)
Drawdown of borrowings	22	21,502	22,203	21,502	22,203
Repayment of borrowings	22	(18,020)	(19,486)	(18,020)	(19,486)
Interest paid on borrowings	22	(189)	(218)	(189)	(218)
Repayment of term loan	22	(330)	(330)	(330)	(330)
Interest paid on term loan	22	(52)	(73)	(52)	(73)
Interest paid on overdraft		0	(5)	0	(5)
Drawdown in restricted deposits		3,291	183	3,291	182
Net cash generated from financing activities		5,998	1,334	6,027	1,852
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,101	(100,666)	3,960	(99,999)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		44,026	144,692	38,420	138,419
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	20	53,127	44,026	42,380	38,420

The notes on pages 74 to 133 are an integral part of these financial statements.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2021

1 GENERAL INFORMATION

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

The principal activities of the Group and the Company are sale of information technology ("IT") products and services. The principal activities of the subsidiaries and joint venture are described in Note 13 and Note 14 to the financial statements respectively. There have been no significant changes in the nature of these activities during the financial year.

The address of the registered office and the principal place of business of the Company is as follows:

11th Floor, Menara Mesiniaga,
1A, Jalan SS16/1,
47500 Subang Jaya.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in the significant accounting policies below.

The financial statements of the Group and the Company are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The preparation of financial statements of the Group and the Company in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and Company's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(a) Standards, amendments to published standards and interpretations that are effective for the Group's and the Company's financial year beginning on 1 January 2021:

- Amendments to MFRS 16 'COVID-19 – Related Rent Concessions'
- Amendments to MFRS 9, MFRS 139, MFRS 7 and MFRS 16 'Interest Rate Benchmark Reform – Phase 2'

The adoption of the above amendments have no significant impact to the Group and the Company.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective:

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2021. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Company, except the following set out below:

- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

  An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

  The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

  The amendments shall be applied prospectively.

- Amendments to MFRS 116 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

  The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

  The amendments shall be applied retrospectively.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective (continued):

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2021. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Company, except the following set out below (continued):

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date.

  The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date. The assessment of whether an entity has the right to defer settlement of a liability at reporting date is not affected by expectations of the entity or events after the reporting date.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

2.2 CONSOLIDATION

(a) Subsidiaries

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

The Group applies the acquisition method to account for business combinations when the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

Joint ventures

The Group's interests in joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture, and the Group's share of movements in other comprehensive income of the joint venture. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION (CONTINUED)

(b) Joint arrangements (continued)

Joint ventures (continued)

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2.3 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

In the Company's separate financial statements, investments in subsidiaries and joint ventures are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries and joint ventures, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.4 SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, who is responsible for allocating resources and assessing performance of the operating segments. There is only one reportable segment based on the information reviewed by the Chief Executive Officer.

2.5 FOREIGN CURRENCIES

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements of the Group and the Company are presented in Ringgit Malaysia, which is the Group's and the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss. All other foreign exchange gains and losses are presented in profit or loss on a net basis.

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on the straight-line method to allocate the cost or the revalued amounts, to their residual values over their estimated useful lives, at the following annual rates:

Building	2%
Office equipment, furniture and fittings	7% - 33%
Motor vehicle	25%

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.8 on impairment of non-financial assets.

2.7 INTANGIBLE ASSET

Costs associated with maintaining internally developed software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

(i) it is technically feasible to complete the software product so that it will be available for use;
(ii) management intends to complete the software product and use or sell it;
(iii) there is an ability to use or sell the software product;
(iv) it can be demonstrated how the software product will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
(vi) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs.

Other development expenditures that do not meet these criteria are recognised as an expense as and when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Internally developed software development costs recognised as assets are amortised from the point at which the asset is ready for use on a straight-line basis over their estimated useful lives, which does not exceed 5 years.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

2.9 FINANCIAL ASSETS

(a) Classification

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and Company have transferred substantially all the risk and rewards of ownership.

(c) Measurement

Initial recognition

At initial recognition, the Group and Company measures financial assets at their respective fair values, in the case of a financial not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement

Subsequent measurement of financial assets depends on the Group's and Company's business model for managing the financial assets and the cash flow characteristics of the assets. The Group and Company measures its financial assets at amortised cost.

Interest income from financial assets is included in finance income using the effective interest rate method. Any gain or loss is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 FINANCIAL ASSETS (CONTINUED)

(d) Impairment

The Group and Company assess on a forward looking basis, the expected credit losses ('ECL') associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and Company have five types of financial instruments that are subjected to the ECL model:

- Trade and other receivables
- Finance lease receivables
- Loans to subsidiaries and amount due from subsidiaries
- Amount due from a related party
- Contract assets

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of the cash flows the Group and Company expected to receive, over the remaining life of the financial instruments.

The measurement of ECL reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(ii) the time value of money; and
(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade receivables, contract assets and finance lease receivables, the Group and Company apply the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For non-trade receivables which comprise of other receivables, loan to subsidiaries, amount due from subsidiaries and amount due from a related party, at each reporting date the Group and Company measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments have not increased significantly since initial recognition.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

The Group and Company use the three stages approach for non-trade receivables which reflect their credit risk and how the loss allowances are determined for each of those stages. Summary of the assumptions underpinning the Group's and Company's ECL model for non-trade receivables are as follows:

Type of non-trade receivables	Stage 1: Low credit risk (12 month ECL Model)	Stage 2: Significant increase in credit risk (Lifetime ECL Model)	Stage 3: Credit impaired (Lifetime ECL Model)
Loan to subsidiaries, amount due from subsidiaries and amount due from a related party	Subsidiaries and related party have a low risk of default and a strong capacity to meet contractual cash flows where there is positive operating cash flows or in net tangible assets.	Subsidiaries and related party for which there is a significant increase in credit risk where it is in negative operating cash flows or in net tangible liabilities.	There is evidence indicating the asset is credit-impaired where the subsidiaries and related party is dormant and in net tangible liabilities.
Deposits	Active contracts.	Inactive contracts and amounts outstanding less or equal to 6 months.	Inactive contracts and amounts outstanding more than 6 months.
Staff loans/advances	Current employees.	Ex-employees with default in payment less than 360 days.	Ex-employees with default in payment more than 360 days.

Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition taking into consideration reasonable and supportable forward-looking information.

A significant increase in credit risk is determined if a debtor is more than 90 days past due in making a contractual payment, which the Group and the Company determined based on historical repayment trends before risk of default is heightened.

Definition of default and credit-impaired financial assets

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due and the debtor has significant financial difficulties or is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

For certain categories of financial instruments such as trade receivables and contract assets, balances that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics according to the customers' industries and the days past due. The contract assets relate to unbilled revenue mainly from entities in the information, communication, telecommunication and utilities industries, and have substantially the same risk characteristics as the trade receivables. The Group and the Company therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(ii) Individual assessment

Trade receivables, other receivables and deposits, and contract assets, that are in default or credit-impaired are assessed individually. Loans to subsidiaries in the Company's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each loan to subsidiary.

Write off

Financial assets are written off when the Group and the Company have exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

Impairments are presented as net impairment losses within operating profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

2.10 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs, which include purchase price and other incidental charges, are assigned to individual items of inventory on the basis of weighted average cost. Costs of purchased inventory are inclusive of government taxes which are Sales and Service tax (SST). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale. Project inventories are stated at cost plus incidental charges.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value. The restricted cash are held as fixed deposit in the banks. These deposits are subject to term and conditions of the bank borrowings and are not available for general use by the Group and the Company.

Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows. In the statement of financial position, banks overdrafts are shown within borrowings in current liabilities.

2.13 SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity.

(b) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period. Distributions to holders of an equity instrument is recognised directly in equity.

(c) Earnings per share

<u>Basic earnings per share</u>

Basic earnings per share is calculated by dividing:

(i) the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.

(ii) by the weighted average number of ordinary shares outstanding during the financial year.

<u>Diluted earnings per share</u>

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

(i) the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

(ii) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.14 BORROWINGS AND BORROWING COSTS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 BORROWINGS AND BORROWING COSTS (CONTINUED)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowings are classified as current liabilities unless the Group and Company have an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowing costs are recognised in profit or loss in the financial period in which they are incurred.

2.15 CURRENT AND DEFERRED INCOME TAX

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries or joint arrangements, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 EMPLOYEE BENEFITS

(a) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(b) Post-employment pension benefits

The Group has various post-employment pension benefit schemes in accordance with local conditions and practices in the countries in which it operates. These benefits plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Defined contribution plans

The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated once in every three years by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current year. It is recognised in the profit or loss in employee benefit expense, except where included in the cost of an asset.

Actuarial gains and losses arising from adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income in the period in which they arise.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 EMPLOYEE BENEFITS (CONTINUED)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.17 PROVISIONS

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

When the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

2.18 REVENUE RECOGNITION

Revenue which represents income arising in the course of the Group's and Company's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer. Revenue arises mainly from the sales of network hardware and software, maintenance services, extended warranty services, consulting and IT services.

Revenue from contracts with customers

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and Company expect to be entitled in exchange for transferring promised goods or services to a customer, net of estimated returns, discounts, commissions, rebates and taxes. Discounts and rebates are measured using the most likely amount method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Transaction price is allocated to each performance obligation on the basis of the estimated stand-alone selling prices of each distinct goods or services promised in the contract. The stand-alone selling prices are determined based on the observable price. For goods and services with no observable price available, the Group and the Company estimate stand-alone selling prices using cost plus expected margin approach. Depending on the substances of the respective contract with the customer, revenue is recognised when the performance obligation is satisfied, which may be at point in time or over time. Customers are invoiced based on milestones in the contracts. Any amounts remaining unbilled at the end of the reporting period are presented in the statement of financial position as contract assets as the right to consideration in exchange for goods or services that the entity has transferred to a customer is conditional in accordance with the contract terms.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (continued)

Costs that are incremental to obtaining a contract shall be recognised as an asset if the Group expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(a) Sales of hardware and software

Revenue from the sale of hardware shall be recognised when control over the hardware is transferred to the customer at a point in time. For hardware sales, transfer of control is usually deemed to occur upon delivery of products and customer acceptances.

Revenue recognition for software depend on whether the software licenses are perpetual or term based. Perpetual licenses are provided to the customer at a point in time, activated or ready to be activated by the customer at a later stage, therefore revenue is recognised when the customer obtains control of the software.

Term-based software licenses typically include multiple performance obligations where the licenses are recognised upfront upon transfer of control with the associated software maintenance revenue recognised on a straight-line basis over the respective contract period. Where the bundled maintenance services are essential for the continued functionality of the software, they are recognised as a single performance obligation with the license. Revenue is then recognised over time as control transfers over the period.

(b) Rendering of services

Revenue arising from the rendering of services includes support and maintenance services, managed services, extended warranty, and other services.

The Group and Company enter into fixed price support and maintenance services, managed services and extended warranty contracts with its customers for terms between one and five years in length. Revenue for support and maintenance services, and extended warranties are recognised on a straight-line basis over the term of the contract. This method best depicts the transfer of services to the customer as there is no reliable prediction that can be made as to if and when any individual customer will require the service.

Revenue for other services such as consultation services is recognised as the services are delivered. The costs incurred in delivering recurring services are recognised as cost of sales as and when they are incurred.

Some contracts for delivery of hardware and software include multiple deliverables, such as the installation of hardware and/or software. In most cases, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. The revenue for installation services are recognised at a point in time when the customer has accepted the installation of the hardware and/or software. In the rare case when the contract includes integration services, it is accounted for as a separate performance obligation as the level of integration required is not significant and can be performed by another party. In these cases, the transaction price will be allocated to each performance obligation based on stand-alone selling prices. Where these are not directly observable, they are estimated based on cost plus expected margin.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (continued)

(b) Rendering of services (continued)

MB Cloud

The Group and Company enter into fixed price MB Cloud services with its customers for terms of five to ten years in length. MB cloud services constitute a software-as-a-service (SaaS) arrangement and do not include the right for the customer to take possession of the software during the term. Therefore, it is accounted for as a distinct performance obligation to be satisfied over time. Revenue is recognised on a straight-line basis over the term of the contract as this method best depicts the transfer of services to the customer. When the contracts with customers include other identifiable performance obligations, the transaction price will be allocated to each performance obligation based on stand-alone selling price, which are estimated based on cost plus expected margin.

(c) Revenue from other sources

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised as part of other operating income in the profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial assets that are subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Dividend income is recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

2.19 LEASES

(a) Accounting by lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

Notes to the Financial Statements
For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 LEASES (CONTINUED)

(a) Accounting by lessee (continued)

Lease term (continued)

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets are not investment properties and are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar terms, securities and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost during the year in the statement of comprehensive income.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 LEASES (CONTINUED)

(a) Accounting by lessee (continued)

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise photocopy machine, multi-functional printer and water dispenser. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(b) Accounting by lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Finance leases

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment (refer to Note 2.9 on impairment of financial assets). In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

Sublease classification

When the group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lessee, not with reference to the underlying asset.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 LEASES (CONTINUED)

(b) Accounting by lessor (continued)

Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15. A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

2.20 CONTINGENT ASSETS AND LIABILITIES

The Group does not recognise contingent assets and liabilities other than those arising from business combinations but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2.21 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowances. See accounting policy Note 2.9 on impairment of financial assets.

2.22 TRADE PAYABLES

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities if payment is due within 12 months after the reporting period. Otherwise, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties. Trade payables are subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Critical accounting estimates and assumptions

(a) Revenue recognition for contracts with customers

Identification of performance obligation

Certain contracts with customers are bundled packages that may include sales of solution services, hardware, software and maintenance and support services. The Group and the Company account for products and services as separate performance obligations if they are distinct promises of goods and services, i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it separately. The Group and the Company exercise judgement to identify if products and services within the bundled package are distinct performance obligations.

Allocation of transaction price to the identified performance obligations

The Group and the Company use estimates and judgements in determining the amount and timing of revenue recognised, particularly for the allocation of transaction price to the performance obligations identified under the contract by referring to their stand-alone selling prices. Revenue for solutions services are recognised over time based on cost plus expected margin under the input method. This method is dependent on the estimated cost of each performance obligation in the contract. The Group and the Company exercise judgement when determining the appropriate estimation of costs that best reflects the progress of completion and are aligned with key acceptance stages identified within the contracts.

Significant financing component

The timing of revenue recognition may differ from the timing of billing to customers. When the services rendered by the Group and the Company exceed the payment, a contract asset is recognised. In determining the impact of significant financing component for the contract balances, the Group and the Company had used judgement to anticipate the expected timing between revenue recognition and billing. The billings milestones vary between customers based on the contract terms. The actual timing for the billing may differ due to subsequent changes in specific risk and performance of the actual contract terms.

Revenue recognition criteria in accordance with MFRS 15

All required criteria under MFRS 15 must be met before the Group and the Company recognise revenue from contracts with customers. The Group and the Company apply judgements when assessing the timing and certainty of revenue and cash flows from contracts. The assessment is based on the customers' credit standing and other relevant information gathered by management. This assessment may change during the contract execution, and if there is evidence of change in the timing and certainty of revenue and cash flows from contract, then under MFRS 15 no revenue shall be recognised until the recognition criteria is met. Conversely, this assessment may also change favourably over time.

(b) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference and tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting estimates and assumptions (continued)

(b) Deferred tax assets (continued)

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of sales volume, operating costs, capital expenditure and other capital management transactions. Based on the uncertainty of utilisation of available tax losses and capital allowances, the Directors have assessed that deferred tax assets will be recognised up to the extent that there is probable taxable profit of which these deferred tax assets will be utilised.

(c) Measurement of expected credit loss ('ECL') allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and Company use judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of key assumptions and inputs used are disclosed in Note 4 to the financial statements.

4 FINANCIAL RISK MANAGEMENT

4.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management objectives are to ensure that the Group creates value for its shareholders and to ensure that adequate financial resources are available for the development of the Group's businesses. The Group operates within clearly defined guidelines approved by the Board of Directors and seeks to minimise potential adverse effects on the Group's financial performance. Financial risk is managed by the Chief Executive Officer and the respective key management personnel who in turn report to the Board of Directors on any significant risks and the resolution or mitigation of those risks.

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken unless it is appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

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

(a) Market risk

(i) Foreign exchange risk

The Group and Company operate locally but some of its cost is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the US Dollar denominated borrowings and payables to suppliers. The Group's and Company's policy is to minimise the exposure of transaction risk by making payments within credit terms which are short-term in nature.

The table illustrates the impact on the profit for the year, equity and net assets resulting from currency sensitivities as at 31 December 2021, if Ringgit Malaysia had weakened/strengthened by 1% against the US dollar with other variables held constant.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2021 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(Increase)/Decrease on profit for the year				
1 percent increase in US Dollar exchange rate	(22)	(107)	(21)	(101)
1 percent decrease in US Dollar exchange rate	22	107	21	101

(ii) Interest rate risk

The Group's and Company's income and operating cash flows' exposure to changes in interest rate risk relates primarily to the Group's and Company's bank borrowings.

Interest rate risk exposure arises from the Group's and Company's borrowings as they are carried at floating interest rates. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

As at the financial year end, the Group and the Company have no significant exposure to interest rate risk. The Directors believe that a reasonable fluctuation in the interest rate would not cause any material effect to the Group's and Company's profit.

The interest rate profile of the Group's and of the Company's interest bearings financial assets and liabilities based on carrying amount as at the end of the reporting periods are shown in the table below:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial asset				
Fixed rate – deposits with financial institutions	13,579	32,309	9,091	27,899
Financial liabilities				
Floating rate – term loan	1,238	1,568	1,238	1,568
Fixed rate – banker acceptance	8,302	4,820	8,302	4,820
Fixed rate – lease liabilities	1,896	2,890	1,819	2,787

Other financial assets and financial liabilities are non-interest bearing and therefore are not affected by changes in interest rates.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group and the Company. At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amounts of each class of financial assets recognised in the statements of financial position.

As disclosed in Note 2.9, the Group and the Company had applied simplified approach for trade receivables including contract assets and three stages approach for all other non-trade receivables including amounts due from subsidiaries. The summary of the assumptions underpinning the Group's and the Company's ECL model for non-trade receivables are disclosed in Note 2.9 to the financial statements.

Measurement of Expected Credit Loss ("ECL")

(i) Trade receivables, contract assets and lease receivables

The Group's exposure to credit risk is monitored on an ongoing basis. The risk is managed through the application of the Group's credit management procedures which include the application of credit approvals whereby credit evaluations are performed on all customers requiring credit for a certain amount, adherence to credit limits, regular monitoring and follow up procedures.

The Group's customers are mainly significant entities in the information, communication, telecommunication and utilities industries. At the reporting date, the Group has significant concentration of credit risk that may arise from exposure to two (2020: two) major customers which accounted for 32% (2020: 44%) of the trade receivables. The Group considers the risk of material loss in the event of non-performance by these two customers to be unlikely.

The credit quality of trade receivables that are not past due can be assessed by reference to historical information about counterparty default rates. Contract assets represent unbilled value of goods delivered and services rendered to be billed in accordance with respective terms and conditions agreed with customers. Credit risk arising from non-trade receivables is not significant at the Group and Company level.

None of the trade receivables were secured by collateral provided by the counterparties.

The Group and Company apply MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables, contract assets and lease receivables.

To measure the expected credit losses, trade receivables, contract assets and lease receivable have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 2 years before 31 December 2021, and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") (continued)

(i) Trade receivables, contract assets and lease receivables (continued)

On that basis, the loss allowance as at 31 December 2021 was determined as follows for trade receivables, contract assets and lease receivables:

	Current RM'000	1 – 180 days past due RM'000	> 180 days past due RM'000	Total RM'000
Group				
31 December 2021				
Expected loss rate	0%-3%	0%-1%	0%-3%	
Gross carrying amount				
– trade receivables	25,427	15,308	1,947	42,682
– contract assets	52,324	0	1,058	53,382
– lease receivables	2,282	0	1,148	3,430
Loss allowance	(1,949)	(25)	(95)	(2,069)
Carrying amount (net of loss allowance)	78,084	15,283	4,058	97,425

	Current RM'000	1 – 180 days past due RM'000	> 180 days past due RM'000	Total RM'000
Company				
31 December 2021				
Expected loss rate	0%-3%	0%-1%	0%-3%	
Gross carrying amount				
– trade receivables	24,610	15,200	1,944	41,754
– contract assets	52,324	0	1,058	53,382
– lease receivables	2,282	0	1,148	3,430
Loss allowance	(1,946)	(24)	(94)	(2,064)
Carrying amount (net of loss allowance)	77,270	15,176	4,056	96,502

Notes to the Financial Statements
For The Financial Year Ended 31 December 2021 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") (continued)

(i) Trade receivables, contract assets and lease receivables (continued)

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables, contract assets and lease receivables:

	Current RM'000	1 – 180 days past due RM'000	> 180 days past due RM'000	Total RM'000
Group				
31 December 2020				
Expected loss rate	0%-3%	1%-8%	13%-14%	
Gross carrying amount				
– trade receivables	16,914	11,821	760	29,495
– contract assets	35,548	0	0	35,548
– lease receivables	5,055	0	0	5,055
Loss allowance	(1,505)	(648)	(453)	(2,606)
Carrying amount (net of loss allowance)	56,012	11,173	307	67,492

	Current RM'000	1 – 180 days past due RM'000	> 180 days past due RM'000	Total RM'000
Company				
31 December 2020				
Expected loss rate	0%-3%	1%-8%	13%-14%	
Gross carrying amount				
– trade receivables	14,881	11,568	760	27,209
– contract assets	35,548	0	0	35,548
– lease receivables	5,055	0	0	5,055
Loss allowance	(1,499)	(645)	(453)	(2,597)
Carrying amount (net of loss allowance)	53,985	10,923	307	65,215

The creation and release of provision for impairment receivables have been included as a net loss on impairment in the consolidated statements of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") (continued)

(i) Trade receivables, contract assets and lease receivables (continued)

The loss allowances for trade receivables, contract assets and lease receivables as at 31 December reconciled to the opening loss allowances as follows:

	Contract assets RM'000	Trade receivables RM'000	Lease receivables RM'000
Group:			
31 December 2021			
Opening loss allowance	1,222	1,235	149
Increase loss allowance recognised in profit or loss during the year	685	0	0
Receivables written off during the year as uncollectible	0	0	0
Reversal of loss	0	(1,126)	(96)
Closing loss allowance	1,907	109	53
Company:			
31 December 2021			
Opening loss allowance	1,222	1,226	149
Increase loss allowance recognised in profit or loss during the year	685	0	0
Receivables written off during the year as uncollectible	0	0	0
Reversal of loss	0	(1,122)	(96)
Closing loss allowance	1,907	104	53

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") (continued)

(i) Trade receivables, contract assets and lease receivables (continued)

	Contract assets RM'000	Trade receivables RM'000	Lease receivables RM'000
Group:			
31 December 2020			
Opening loss allowance	296	982	0
Increase loss allowance recognised in profit or loss during the year	1,122	505	149
Receivables written off during the year as uncollectible	0	0	0
Reversal of loss	(196)	(252)	0
Closing loss allowance	1,222	1,235	149
Company:			
31 December 2020			
Opening loss allowance	296	722	0
Increase loss allowance recognised in profit or loss during the year	1,122	504	149
Receivables written off during the year as uncollectible	0	0	0
Reversal of loss	(196)	0	0
Closing loss allowance	1,222	1,226	149

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 270 days past due.

(ii) Other receivables and deposits

Credit risk for other receivables and deposits are mainly arising from rental deposits, staff advances, interest receivables from fixed deposits and receivables from government agencies.

Interest receivables from fixed deposits and receivables from government agencies have a low credit risks as these are receivables from credit worthy counterparty. Staff advances are provided to existing staff and credit risk are managed with salary deduction arrangements. Deposits and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes, amongst others, failure of a debtor to engage in a repayment plan with the Company and failure to make contractual payments or refunds. Nevertheless, deposits and other receivables that are written off could still be subject to enforcement activities.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") (continued)

(ii) Other receivables and deposits (continued)

The following table contains an analysis of the credit risk exposure of other receivables and deposits for which an ECL allowance is recognised. The gross carrying amount of other receivables and deposits disclosed below also represents the Group's and the Company's maximum exposure to credit risk on these assets:

	ECL rate	Basis for recognition of ECL provision RM'000	Gross RM'000	Loss allowance RM'000	Net RM'000
31 December 2021					
Group					
Performing	0%	12 months ECL	351	0	351
Not performing	100%	Lifetime ECL	0	0	0
			351	0	351
Company					
Performing	0%	12 months ECL	321	0	321
Not performing	100%	Lifetime ECL	0	0	0
			321	0	321
31 December 2020					
Group					
Performing	0%	12 months ECL	374	0	374
Not performing	100%	Lifetime ECL	15	(15)	0
			389	(15)	374
Company					
Performing	0%	12 months ECL	347	0	347
Not performing	100%	Lifetime ECL	15	(15)	0
			362	(15)	347

(iii) Amounts due from a related party

The Group considers the amounts due from a related party to have low credit risk as the Group is able to determine the timing of payments when they are payable. The Group determines their probability of default individually using internal information available and collection received subsequent to the reporting date.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") (continued)

(iv) Amounts due from subsidiaries

Amounts due from subsidiaries consist of advances and amount due arising from trade activities. The Company monitors the results of the subsidiaries regularly.

The following table contains an analysis of the credit risk exposure of amounts due from subsidiaries for which an ECL allowance is recognised. The gross carrying amount due from subsidiaries below also represents the Company's maximum exposure to credit risk on these assets:

	ECL rate	Basis for recognition of ECL provision RM'000	Gross RM'000	Loss allowance RM'000	Net RM'000
31 December 2021					
Company					
Performing	0%	12 months ECL	0	0	0
Not performing	100%	Lifetime ECL	32,227	(32,227)	0
			32,227	(32,227)	0
31 December 2020					
Company					
Performing	0%	12 months ECL	0	0	0
Not performing	100%	Lifetime ECL	32,227	(32,227)	0
			32,227	(32,227)	0

The closing balance of allowance for amounts due from subsidiaries as at 31 December reconcile to the opening loss allowance as follows:

	Company	
	2021 RM'000	2020 RM'000
Opening loss allowance as at 1 January, as stated	32,227	32,227
Increase in the allowance recognised in profit or loss during the period	0	0
As at 31 December	32,227	32,227

(v) Deposits and bank balances

Deposits and bank balances are with approved financial institutions and reputable banks.

As at the end of the reporting period, the maximum exposure to credit risk arising from deposits and bank balances is represented by the carrying amounts in the statements of financial position.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") (continued)

(v) Deposits and bank balances (continued)

In view of the sound credit rating of counterparties, management does not expect any counterparties to fail to meet their obligations. The credit quality of the financial institutions in respect of deposits and bank balances are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
AAA	47,142	36,707	36,396	28,101
AA	7,543	15,023	7,543	15,023
	54,685	51,730	43,939	43,124

The credit quality of the above deposits and bank balances are assessed by reference to ratings assigned by RAM Ratings Services Berhad.

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company has sufficient cash and bank balances and maintains standby credit lines to ensure availability of funding to meet operational requirements. The Group's borrowings and standby credit lines are provided by financial institutions with sound credit ratings.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2021			
	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Group				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short-term lease	75,621	75,621	0	0
Borrowings	9,540	8,632	908	0
Lease liabilities	1,896	1,413	483	0
Total undiscounted financial liabilities	87,057	85,666	1,391	0

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (continued)

	2021			
	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Company				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short-term lease	73,460	73,460	0	0
Amount due to subsidiaries	3,867	3,867	0	0
Borrowings	9,540	8,632	908	0
Lease liabilities	1,819	1,387	432	0
Total undiscounted financial liabilities	88,686	87,346	1,340	0

	2020			
	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Group				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short-term lease	42,603	42,603	0	0
Borrowings	6,616	5,251	1,365	0
Lease liabilities	3,007	1,622	1,385	0
Total undiscounted financial liabilities	52,226	49,476	2,750	0
Company				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short-term lease	41,201	41,201	0	0
Amount due to subsidiaries	4,730	4,730	0	0
Borrowings	6,616	5,251	1,365	0
Lease liabilities	2,892	1,593	1,299	0
Total undiscounted financial liabilities	55,439	52,775	2,664	0

The Group has undrawn banking facilities amounting to RM140,221,356 (Restate 2020: RM169,136,106) as at 31 December 2021.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(d) Financial instruments by category

	2021 RM'000	2020 RM'000
Group		
Financial assets classified as amortised cost as per statement of financial position		
Trade and other receivables, excluding prepayments	46,500	33,731
Deposits, cash and bank balances	54,697	51,742
	101,197	85,473
Financial liabilities classified as other financial liabilities at amortised cost, as per statement of financial position		
Trade and other payables, excluding statutory liabilities	77,036	44,974
Borrowings	9,540	6,388
	86,576	51,362
Company		
Financial assets classified as amortised cost as per statement of financial position		
Trade and other receivables, excluding prepayments	45,547	31,427
Amounts due from subsidiaries	0	0
Deposits, cash and bank balances	43,950	43,134
	89,497	74,561
Financial liabilities classified as other financial liabilities at amortised cost, as per statement of financial position		
Trade and other payables, excluding statutory liabilities	76,234	42,710
Amounts due to subsidiaries	3,867	4,730
Borrowings	9,540	6,388
	89,641	53,828

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(e) Fair value estimation

Amounts that are measured in the statement of financial position at fair value are disclosed by the following fair value measurement hierarchy:

- Unadjusted quoted prices in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2).
- Inputs for the asset or liability that are not based on observable market data (Level 3).

There were no amounts measured at fair value in the statement of financial position as at 31 December 2021 and 31 December 2020. Other than as disclosed, the carrying amounts of the financial instruments are a reasonable approximation of fair value due to their relatively short-term nature or that they are floating rate instruments.

4.2 CAPITAL MANAGEMENT

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statements of financial position) less deposits, cash and bank balances. Total capital is calculated as 'equity' as shown in the statements of financial position plus net debt.

	2021 RM'000	2020 RM'000
The Group		
Total borrowings (Note 22)	9,540	6,388
Deposits, cash and bank balances (Note 20)	(54,697)	(51,742)
Net debt	0	0
Total equity	112,573	110,796
Total capital	112,573	65,442
Gearing ratio (%)	0	0

There were no externally imposed capital requirements during the financial year.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

5 REVENUE

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Revenue from contracts with customers:				
- services	139,963	115,075	139,963	115,073
- hardware and software	100,226	82,643	94,818	75,634
	240,189	197,718	234,781	190,707

Disaggregation of the Group's and Company's revenue from contracts with customers

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Timing of revenue recognition:				
- over time	139,963	116,052	139,963	116,264
- at point in time	100,226	81,666	94,818	74,443
	240,189	197,718	234,781	190,707

Unsatisfied long-term performance obligations

For contracts that exceeded one year, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the financial year is approximately RM151,888,343 (2020: RM95,698,150) and RM134,258,818 (2020: RM153,017,675) of which the Group and Company expect to recognise as revenue in 2022 and 2023 (2020: 2021 and 2022) respectively.

During the financial year ended 31 December 2021, the Group and Company have recognised revenue from contracts with customers amounting to RM12,147,009 (2020: RM18,724,103) that was included in the contract liability at the beginning of the reporting period.

6 STAFF COST (INCLUDING DIRECTORS' EMOLUMENTS)

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Wages, salaries, bonuses and other employment benefits	65,708	67,399	53,336	55,232
Defined contribution retirement plan	7,000	7,176	4,691	4,755
Defined benefit retirement plan (Note 23)	200	200	200	200
	72,908	74,775	58,227	60,187

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

6 STAFF COST (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

The aggregate amount of emoluments received and receivable by Directors of the Group and the Company during the financial year are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors' remuneration:				
Non-Executive Directors:				
- fees	307	333	307	333
- others	70	46	70	46
Executive Director:				
- salaries	761	768	761	768
- other emoluments	73	203	73	203
- defined contribution plan	30	36	30	36
Total Directors' remuneration	1,241	1,386	1,241	1,386

7 PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging/(crediting):

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Auditors' remuneration:				
- audit	286	246	228	188
- non-audit	47	47	13	13
Depreciation of property, plant and equipment	2,013	3,218	1,867	2,966
Amortisation of intangible assets	0	476	0	0
Dividend income from subsidiaries	0	0	0	(510)
Net realised foreign exchange (gain)/loss	(101)	(334)	5	(152)
Unrealised foreign exchange (gain)/loss	422	(758)	364	(730)
Gain on disposal of property, plant and equipment	0	0	0	(7)
Rental expense	294	324	98	110
Rental income	(178)	(91)	(178)	(91)
Write down of inventory	1,989	1,539	1,818	1,284
Loss on written off property, plant and equipment	0	6	0	5
Net (reversal)/impairment of losses:				
- trade receivables	(1,126)	253	(1,122)	504
- lease receivables	(96)	149	(96)	149
- contract assets	685	926	685	926
- other receivables	0	(105)	0	(105)
Write off of intangible assets	0	503	0	0
Impairment of investment in subsidiaries	0	0	0	16
Gain on net investment of sublease	(23)	0	(23)	0
Management fee	0	0	(294)	(300)

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

8 FINANCE INCOME/(COST)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Finance income				
Interest income on:				
- deposits with licensed banks	355	851	276	701
- lease receivables	187	220	187	221
	542	1,071	463	922
Finance cost				
Finance cost on:				
- bank borrowings	(241)	(291)	(241)	(291)
- lease liabilities	(136)	(166)	(133)	(162)
- bank overdraft	0	(5)	0	(5)
- contract assets	0	(81)	0	(81)
	(377)	(543)	(374)	(539)

9 TAXATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current taxation:				
Current financial year	187	198	111	0
Under/(Over) provision in prior year	41	(210)	0	(188)
	228	(12)	111	(188)
Deferred taxation (Note 15)	545	12	584	0
Tax expense	773	0	695	(188)
Zakat	10	10	10	10
	783	10	705	(178)

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

9 TAXATION (CONTINUED)

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit/(Loss) before taxation and zakat	6,259	(8,987)	7,065	(7,339)
Taxation calculated at the applicable Malaysian tax rate of 24% (2020: 24%)	1,502	(2,157)	1,696	(1,761)
Tax effects of:				
- income not subject to tax	0	(6)	0	(123)
- expenses not deductible for tax purposes	53	233	22	220
- tax losses, capital allowances and temporary differences not recognised	1,706	3,051	1,506	2,575
- previously unrecognised tax losses now recouped to reduce current tax expense	0	(911)	0	(911)
- utilisation of previously unrecognised tax losses	(2,529)	0	(2,529)	0
- under/(over) provision in prior year	41	(210)	0	(188)
- zakat	10	10	10	10
Tax expense and zakat	783	10	705	(178)

The tax charge relating to components of other comprehensive income during the current financial year is as follows:

	Group and Company		
	Before Tax RM'000	Tax Charge RM'000	After Tax RM'000
Actuarial loss on defined benefit plan as at 31 December 2021	(4,867)	1,168	(3,699)
Actuarial loss on defined benefit plan as at 31 December 2020	(1,373)	330	(1,043)

The amount of deductible temporary differences and unutilised tax losses for which no deferred tax assets is recognised in the statements of financial position is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deductible temporary differences	3,279	0	3,105	0
Unutilised tax losses	38,340	48,308	10,412	20,950
Unabsorbed capital allowances	6,342	3,083	6,066	2,894
	47,961	51,391	19,583	23,844

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

9 TAXATION (CONTINUED)

No deferred tax assets are recognised from the above due to uncertainty of their recoverability. The unutilised business losses arising from a year of assessment ("YA") are allowed to only be carried forward for utilisation up to 10 consecutive YAs from that YA. The deductible temporary differences are available indefinitely for offset against future taxable profits of the Group and the Company subject to agreement with the tax authorities. These tax benefits will only be obtained if the Group and Company derive future assessable income of a nature and amount sufficient for the tax benefits to be utilised. Deferred tax assets have not been recognised in respect of tax losses and deductible temporary differences of certain entities within the Group having a history of losses or where future taxable income is not probable and not able to be reliably estimated.

Expiry date of unutilised losses are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Year Assessment 2028	25,455	25,455	0	0
Year Assessment 2029	112	112	0	0
Year Assessment 2030	12,203	22,741	10,412	20,950
Year Assessment 2031	570	0	0	0
	38,340	48,308	10,412	20,950

10 EARNING/(LOSS) PER SHARE

Basic earning/(loss) per share of the Group is calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2021	2020
Profit/(Loss) attributable to equity holders of the Company (RM'000)	5,469	(9,344)
Weighted average number of ordinary shares in issue ('000)	60,402	60,402
Total basic earning/(loss) per share attributable to the ordinary equity holders of the Company (sen)	9.05	(15.47)

Diluted earning/(loss) per share is the same as basic earning/(loss) per share in both financial years.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

11 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Freehold land RM'000	Building RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Cost						
At 1 January 2021	300	19,567	29,771	59,561	145	109,344
Additions	0	0	0	843	0	843
Write off	0	0	0	(691)	(5)	(696)
At 31 December 2021	300	19,567	29,771	59,713	140	109,491
Accumulated depreciation						
At 1 January 2021	16	0	15,084	56,275	46	71,421
Charge for the financial year	6	0	601	1,371	35	2,013
Write off	0	0	0	(691)	(5)	(696)
At 31 December 2021	22	0	15,685	56,955	76	72,738
Net book value						
At 31 December 2021	278	19,567	14,086	2,758	64	36,753

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold land RM'000	Freehold land RM'000	Building RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Cost						
At 1 January 2020	300	19,567	29,771	59,590	145	109,373
Additions	0	0	0	905	0	905
Write off	0	0	0	(934)	0	(934)
At 31 December 2020	300	19,567	29,771	59,561	145	109,344
Accumulated depreciation						
At 1 January 2020	10	0	14,476	54,636	9	69,131
Charge for the financial year	6	0	608	2,567	37	3,218
Write off	0	0	0	(928)	0	(928)
At 31 December 2020	16	0	15,084	56,275	46	71,421
Net book value						
At 31 December 2020	284	19,567	14,687	3,286	99	37,923

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold land RM'000	Freehold land RM'000	Building RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Cost						
At 1 January 2021	300	19,567	29,771	39,638	4	89,280
Additions	0	0	0	820	0	820
Write off	0	0	0	(637)	(4)	(641)
At 31 December 2021	300	19,567	29,771	39,821	0	89,459
Accumulated depreciation						
At 1 January 2021	16	0	15,084	36,680	4	51,784
Charge for the financial year	6	0	601	1,260	0	1,867
Write off	0	0	0	(637)	(4)	(641)
At 31 December 2021	22	0	15,685	37,303	0	53,010
Net book value						
At 31 December 2021	278	19,567	14,086	2,518	0	36,449

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold land RM'000	Freehold land RM'000	Building RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Cost						
At 1 January 2020	300	19,567	29,771	39,476	4	89,118
Additions	0	0	0	871	0	871
Write off	0	0	0	(709)	0	(709)
At 31 December 2020	300	19,567	29,771	39,638	4	89,280
Accumulated depreciation						
At 1 January 2020	10	0	14,476	35,034	4	49,524
Charge for the financial year	6	0	608	2,352	0	2,966
Write off	0	0	0	(706)	0	(706)
At 31 December 2020	16	0	15,084	36,680	4	51,784
Net book value						
At 31 December 2020	284	19,567	14,687	2,958	0	37,496

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of assets RM3,155,144 (2020: RM3,291,583) are secured against borrowings as disclosed in Note 22 to the financial statements.

The Group's and the Company's property, plant and equipment balances disclosed above include the right-of-use of leasehold land and various office equipment as shown below:

	Group and Company		
	Leasehold land RM'000	Office equipment RM'000	Total RM'000
Cost			
At 1 January and 31 December 2021	300	2,115	2,415
Accumulated depreciation			
At 1 January 2021	16	1,356	1,372
Charge for the financial year	6	202	208
At 31 December 2021	22	1,558	1,580
Net book value			
At 31 December 2021	278	557	835

	Group and Company		
	Leasehold land RM'000	Office equipment RM'000	Total RM'000
Cost			
At 1 January and 31 December 2020	300	2,115	2,415
Accumulated depreciation			
At 1 January 2020	10	979	989
Charge for the financial year	6	377	383
At 31 December 2020	16	1,356	1,372
Net book value			
At 31 December 2020	284	759	1,043

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

12 INTANGIBLE ASSETS

	Internally Developed software	
Group	**2021 RM'000**	**2020 RM'000**
Cost		
At 1 January and 31 December	3,030	3,030
Accumulated amortisation		
At 1 January	3,030	2,051
Charge for the financial year	0	476
Write off	0	503
At 31 December	3,030	3,030
Net book value		
At 31 December	0	0

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2021 RM'000	**2020 RM'000**
Unquoted shares, at cost	2,006	2,006
Less: Accumulated impairment losses	(208)	(208)
	1,798	1,798

The shares of all subsidiaries are held directly by the Company.

Details of the subsidiaries, all of which are incorporated and the place of their businesses are in Malaysia, are as follows:

		Group's effective interest	
Name of subsidiaries	**Principal activities**	**2021 %**	**2020 %**
VA Dynamics Sdn. Bhd.	Sales of networking cables and related products	51	51
Mesiniaga Digital Sdn. Bhd. (Formerly Known As CustomCodes Sdn. Bhd.)	Provision of design, development and implementation of business solutions and product development	100	100
Mesiniaga Alliances Sdn. Bhd.	Provision of strategic information technology outsourcing services	100	100
Mesiniaga Services Sdn. Bhd.	Dormant	100	100
Mesiniaga MSC Sdn. Bhd.	Dormant	100	100

All the above subsidiaries are audited by PricewaterhouseCoopers PLT Malaysia.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiary with material non-controlling interests

Set out below are the summarised financial information for the subsidiary, VA Dynamics Sdn. Bhd., that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised statement of financial position

	2021 RM'000	2020 RM'000
Current		
Assets	14,384	14,927
Liabilities	(173)	(686)
Total current net assets	14,211	14,241
Non-current		
Assets	347	303
Net assets	14,558	14,544

Summarised statement of comprehensive income

	For the financial year ended 31 December	
	2021 RM'000	2020 RM'000
Revenue	5,475	7,071
Profit before taxation	92	888
Tax expense	(78)	(180)
Profit for the financial year and total comprehensive income	14	708
Profit and total comprehensive income attributable to non-controlling interest	7	347
Accumulated non-controlling interest	7,092	7,085
Dividends paid to non-controlling interests	0	490

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiary with material non-controlling interests (continued)

Summarised statement of cash flows

	For the financial year ended 31 December	
	2021 RM'000	2020 RM'000
Cash flow from operating activities		
Cash flow generated from operations	2,263	497
Net income tax paid	(196)	(318)
Net cash generated from operating activities	2,067	179
Net cash generated from investing activities	65	3,139
Net cash used in financing activities	0	(1,000)
Net increase in cash and cash equivalents	2,132	2,318
Cash and cash equivalents at beginning of financial year	8,548	6,230
Cash and cash equivalents at end of financial year	10,680	8,548

14 INVESTMENT IN JOINT VENTURE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted shares, at cost	80	80	80	80
Accumulated impairment losses	(80)	(80)	(80)	(80)
Share of post-acquisition reserves	0	0	0	0
	0	0	0	0
Unrecognised share of net assets	288	265	0	0

The shares of the joint venture are held directly by the Company.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2021 (continued)

14 INVESTMENT IN JOINT VENTURE (CONTINUED)

Details of the joint venture, which is incorporated in Malaysia, is as follows:

		Group's effective interest	
		2021	2020
Name of subsidiaries	Principal activities	%	%
Mesiniaga Mobility Sdn. Bhd. ("MMSB")	Develop, market and operate a mobile workforce management system	80	80

The investment is accounted for as a joint venture as there is contractually agreed sharing of control by the Group with the joint venture party, where decisions about relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control.

15 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets:				
	1,322	1,867	1,000	1,584
At 1 January	1,867	1,879	1,584	1,585
Credited/(Charged) to profit or loss: (Note 9)				
- property, plant and equipment	(95)	210	(94)	214
- post-employment benefit obligations	(113)	19	(113)	19
- tax losses	(112)	153	(112)	153
- provisions	(34)	(642)	(74)	(636)
- advance billings	(1,240)	(31)	(1,240)	(30)
- others	0	0	0	0
	(1,594)	(291)	(1,633)	(280)
Credited to other comprehensive income:				
- post-employment benefit obligations	1,049	279	1,049	279
At 31 December	1,322	1,867	1,000	1,584

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

15 DEFERRED TAX ASSETS (CONTINUED)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position: (continued)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Subject to income tax:				
Deferred tax assets (before offsetting):				
- post-employment benefit obligations	1,411	475	1,411	475
- tax losses	250	362	250	362
- provisions	963	997	635	709
- advance billings	656	1,896	656	1,896
	3,280	3,730	2,952	3,442
Offsetting	(1,958)	(1,863)	(1,952)	(1,858)
Deferred tax assets (after offsetting)	1,322	1,867	1,000	1,584
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(4,129)	(1,863)	(1,952)	(1,858)
Offsetting	4,129	1,863	1,952	1,858
Deferred tax liabilities (after offsetting)	0	0	0	0

16 INVENTORIES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At net realisable value:				
Cables	1,346	1,220	0	0
Equipment	0	2,098	0	2,098
Software	0	845	0	845
Spare parts	71	59	71	59
	1,417	4,222	71	3,002
At cost:				
Cables	1,183	2,701	0	0
Equipment	4,031	860	4,031	860
Software for re-sale	6,299	1,203	6,299	1,203
Spare parts	463	259	463	259
	11,976	5,023	10,793	2,322
	13,393	9,245	10,864	5,324

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current				
Trade receivables	42,682	29,495	41,754	27,209
Less: loss allowance	(109)	(1,235)	(104)	(1,226)
	42,573	28,260	41,650	25,983
Other receivables	29	134	9	122
Less: loss allowance	0	(15)	0	(15)
	29	119	9	107
Prepayments	13,408	9,167	12,683	8,559
Deposits	322	255	312	240
Amounts due from subsidiaries	0	0	32,227	32,227
Less: loss allowance	0	0	(32,227)	(32,227)
	0	0	0	0
Amounts due from a related party	199	191	199	191
	56,531	37,992	54,853	35,080
Non-current				
Prepayments	3,629	3,791	3,629	3,791
	60,160	41,783	58,482	38,871

Trade receivables, other receivables and deposits are denominated in Ringgit Malaysia.

Credit terms of trade receivables range from 30 days to 90 days (2020: 30 days to 90 days).

Other receivables and deposits are with creditworthy parties and are neither past due nor impaired.

Details of amounts due from subsidiaries and related party are disclosed in Note 26 to the financial statements.

Prepayments consist of prepaid services which costs are incurred upfront for services to be rendered over a range of 1 to 5 years. (2020: 1 to 5 years).

The Group's and the Company's historical experience in collection of trade receivables fall within the recorded impairment. Due to these factors, the Directors of the Group and Company believe that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and the Company's trade receivables.

As per Note 2.9, the Group and Company applied ECL model to determine the impairment on financial assets that are measured at amortised cost. The disclosure of loss allowances is set out in Note 4 to the financial statements.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

18 CONTRACT ASSETS/(LIABILITIES)

The Group and Company have recognised the following assets and liabilities related to contracts with customers:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current asset				
Contract assets	52,324	32,832	52,324	32,832
Less: loss allowance	(1,858)	(1,209)	(1,858)	(1,209)
	50,466	31,623	50,466	31,623
Non-current assets				
Contract assets	1,058	2,716	1,058	2,716
Less: loss allowance	(49)	(13)	(49)	(13)
	1,009	2,703	1,009	2,703
Current liabilities				
Contract liabilities	(13,700)	(13,001)	(13,665)	(13,001)

The following table shows the movement of contract assets/(liabilities) during the financial year:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Contract assets				
At 1 January	35,628	29,894	35,628	29,894
Increase as a result of performance obligation fulfilled but not yet billed	44,500	28,735	44,500	28,735
Decrease due to billings made during the financial year	(26,746)	(23,001)	(26,746)	(23,001)
	53,382	35,628	53,382	35,628
Less: loss allowance and discounting	(1,907)	(1,302)	(1,907)	(1,302)
At 31 December	51,475	34,326	51,475	34,326
Contract liabilities				
At 1 January	(13,001)	(19,601)	(13,001)	(19,601)
During the financial year that was included in the contract liabilities balance as at 1 January	12,147	18,724	12,147	18,724
Increases due to billing made, excluding amounts recognised as revenue during the financial year	(12,846)	(12,124)	(12,811)	(12,124)
At 31 December	(13,700)	(13,001)	(13,665)	(13,001)

Notes to the Financial Statements
For The Financial Year Ended 31 December 2021 (continued)

19 FINANCE LEASE RECEIVABLES

	Group and Company	
	2021 RM'000	2020 RM'000
Gross receivables	3,544	5,317
Less: unearned finance income	(114)	(262)
Less: loss allowance	(53)	(149)
Present value of finance lease receivables	3,377	4,906

The present value of finance lease receivables may be analysed as follows:

	Group and Company	
	2021 RM'000	2020 RM'000
Receivable within 12 months	2,356	2,683
Receivable after 12 months:		
- between 1 and 2 years	1,047	1,988
- between 2 and 5 years	141	646
	3,544	5,317
Less: unearned finance income	(114)	(262)
Less: loss allowance	(53)	(149)
	3,377	4,906
Current assets		
Finance lease receivable	2,282	2,524
Less: loss allowance	(11)	(7)
	2,271	2,517
Non-Current assets		
Finance lease receivable	1,148	2,531
Less: loss allowance	(42)	(142)
	1,106	2,389

Finance lease receivables are related to lease of laptops and related IT equipment. The weighted average effective interest rate for finance lease receivables is 4.72% (2020: 5.04%) per annum. The finance lease receivables are denominated in Ringgit Malaysia.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2021 (continued)

19 FINANCE LEASE RECEIVABLES (CONTINUED)

The Group's and Company's net movement in finance lease receivables are as below:

	2021 RM'000	2020 RM'000
At 1 January	4,906	5,418
New leases entered into during the financial year	1,138	2,222
Lease payments received during the financial year	(2,614)	(2,585)
Loss allowance	(53)	(149)
At 31 December	3,377	4,906

20 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and bank balances	41,118	19,433	34,859	15,235
Deposits with licensed financial institutions	13,579	32,309	9,091	27,899
Total deposits, cash and bank balances	54,697	51,742	43,950	43,134
Less: restricted cash	(1,423)	(4,714)	(1,423)	(4,714)
Less: deposits maturing more than three (3) months	(147)	(3,002)	(147)	0
Cash and cash equivalents	53,127	44,026	42,380	38,420

Bank balances are deposits held at call with banks and earn no interest.

The Group's and the Company's effective weighted average interest rate of deposits at the end of the financial year is 1.72% (2020: 1.94%) per annum. Deposits, cash and bank balances are denominated in Ringgit Malaysia.

Deposits of the Group and Company have an average maturity period of between 7 to 365 days (2020: 7 to 365 days).

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade payables	70,529	40,902	70,444	40,156
Other payables	2,828	131	2,665	0
Payroll liabilities	3,393	2,887	2,472	2,115
Accruals	972	2,981	755	2,765
Amounts due to subsidiaries	0	0	3,867	4,730
	77,722	46,901	80,203	49,766

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

21 TRADE AND OTHER PAYABLES (CONTINUED)

The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Ringgit Malaysia	70,759	37,955	73,267	41,432
United States Dollar	6,963	8,946	6,936	8,334
	77,722	46,901	80,203	49,766

Credit terms of trade payables range from 7 to 90 days (2020: 7 to 90 days). The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

22 BORROWINGS

	Group and Company	
	2021 RM'000	2020 RM'000
Non-current		
Term financing – Secured	908	1,238
Current		
Banker Acceptance – Unsecured	8,302	4,820
Term financing – Secured	330	330
	8,632	5,150
Total borrowings	9,540	6,388

The average interest rate of short-term bank borrowings is at 3.90% (2020: 3.21%) and term financing is at 5.37% (2020: 5.37%).

The remaining maturities of the borrowing as at 31 December 2021 and 2020 are as follows:

		Group and Company 2021			
	Interest/ profit rate	Total RM'000	< 1 year RM'000	1 - 5 years RM'000	5 years RM'000
31 December 2021					
Banker acceptance	fixed rate	8,302	8,302	0	0
Term financing	floating on COF	1,238	330	908	0
		9,540	8,632	908	0
31 December 2020					
Banker acceptance	fixed rate	4,820	4,820	0	0
Term financing	floating on COF	1,568	330	1,238	0
		6,388	5,150	1,238	0

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

22 BORROWINGS (CONTINUED)

The Group's and Company's net movement in borrowings are analysed as below:

	Group and Company	
	2021 RM'000	2020 RM'000
At 1 January	6,388	3,928
Drawdown of borrowings	21,502	22,203
Repayment of borrowings	(18,350)	(19,816)
Payment of interest	(241)	(291)
Non-cash changes:		
- currency translation difference	0	73
- interest expense	241	291
At 31 December	9,540	6,388

The carrying amounts of the Group's and Company's borrowings are denominated in the following currencies:

	Group and Company	
	2021 RM'000	2020 RM'000
Ringgit Malaysia		
Total borrowings	9,540	6,388
	9,540	6,388

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS

Defined contribution plan

The Company and its subsidiaries, which are all incorporated in Malaysia, contribute to the Employees' Provident Fund, the national defined contribution plan. Once contributions have been paid, the Group has no further payment obligations.

Defined benefit plan

The Company operates a funded defined benefit plan, which is an approved defined benefit plan under Section 150 of the Income Tax Act, 1967. The defined benefit plan is applicable for eligible employees who have completed at least 15 years of service at the time of retirement and are employed prior to 2 July 2002. The assets of the funded plan are held in separate trustee administered funds.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2021 (continued)

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Defined benefit plan (continued)

The latest actuarial valuation of the plan was carried out as at 31 December 2021. The net movement in the present value of defined benefit obligations during the financial year is as follows:

	Group and Company		
2021	**Defined benefit obligation RM'000**	**Fair value of plan assets RM'000**	**Net defined benefit liability RM'000**
At 1 January	(4,329)	2,349	(1,980)
Charged to income statement:			
Service cost	(157)	(59)	(216)
Interest (cost)/income	(216)	232	16
	(373)	173	(200)
Charged to other comprehensive income:			
Actuarial loss	(3,773)	74	(3,699)
Payment made:			
Contribution paid by the employer	0	0	0
Benefits paid	337	(337)	0
At 31 December	(8,138)	2,259	(5,879)

The net movement in the present value of defined benefit obligations during the financial year is as follows:

	Group and Company		
2020	**Defined benefit obligation RM'000**	**Fair value of plan assets RM'000**	**Net defined benefit liability RM'000**
At 1 January	(3,462)	2,725	(737)
Charged to income statement:			
Service cost	(156)	(42)	(198)
Interest (cost)/income	(204)	202	(2)
	(360)	160	(200)
Charged to other comprehensive income:			
Actuarial loss	(1,354)	311	(1,043)
Payment made:			
Contribution paid by the employer	0	0	0
Benefits paid	847	(847)	0
At 31 December	(4,329)	2,349	(1,980)

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Defined benefit plan (continued)

Plan assets comprised the following:

	Group and Company			
	2021		2020	
	RM'000	%	RM'000	%
At 31 December				
Equity instruments	1,038	46	663	28
Government bonds	622	28	1,583	68
Cash and cash equivalents and others	599	26	103	4
Total	2,259	100	2,349	100

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions as follows. Any changes in any of these assumptions would impact the carrying amount of the defined benefit obligations. In determining the appropriate discount rate, the Company considers the interest rates of government deposits, bonds and securities denominated in Ringgit Malaysia, and that have maturity approximating the terms of the related defined benefit liability.

	Group and Company	
	2021	2020
At 31 December		
Discount rate	3.9%	4.93%
Rate of price inflation	2.5%	3.0%
Expected rate of salary increases:		
- up to age 34	6%	7%
- from age 35 to 44	6%	7%
- from age 45 and above	3%	4%
Turnover (per annum):		
- up to age 44	2%	6%
- from age 45 to 54	2%	3%
- from age 54 and above	0%	0%
Retirement age:		
- normal retirement age, 60	50%	50%
- early retirement age, 55	50%	50%

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Significant actuarial assumptions and sensitivity analysis

	Core assumption	Sensitivity analysis	Effect on defined benefit obligation RM'000
Discount rate	3.9%	1.0% decrease	3,366
Mortality	M1115 Life Tables	Age adjusted by + 1 year	584

Method and assumptions used in sensitivity analysis

The sensitivity analysis results above determine their individual impact to the end of financial year defined benefit obligation. In reality, the plan is subject to multiple external experience items which may move the defined benefit obligation in similar or opposite directions, while the plan's sensitivity to such changes can vary over time.

24 LEASE LIABILITIES

This represents future installments under lease agreements, repayable as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Minimum lease payments				
Repayable within 12 months	1,465	1,622	1,435	1,593
Repayable after 12 months:				
- between 1 and 2 years	434	1,176	404	1,147
- between 2 and 5 years	61	209	35	152
	1,960	3,007	1,874	2,892
Future finance charges on leases	(64)	(117)	(55)	(105)
Present value of the lease liability	1,896	2,890	1,819	2,787
Current	1,413	1,536	1,387	1,510
Non-current	483	1,354	432	1,277
	1,896	2,890	1,819	2,787

The lease liabilities are secured as the rights to the leased assets revert to the lessor in the event of default. The weighted average effective interest rate for lease liabilities is 5.12% (2020: 6.21%) per annum.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

24 LEASE LIABILITIES (CONTINUED)

The Group's and Company's net movement in lease liabilities are analysed as below:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January	2,890	3,414	2,787	3,285
Addition	652	921	652	921
Repayment of lease liabilities	(1,782)	(1,614)	(1,753)	(1,584)
Non-cash changes:				
- finance cost on lease	136	169	133	165
At 31 December	1,896	2,890	1,819	2,787

The Company leases office equipment and IT equipment. IT equipment comprise mainly laptops which are subsequently subleased to its customers over a term of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

25 SHARE CAPITAL

	Group and Company			
	2021 Number of shares '000	2021 RM'000	2020 Number of shares '000	2020 RM'000
Ordinary shares issued and fully paid:				
At 1 January and 31 December				
- ordinary shares of RM1.00 each	60,402	64,528	60,402	64,528

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual arrangement of the particular instrument.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2021 (continued)

26 SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

(a) The significant related party transactions are as follows:

	Company	
	2021 RM'000	2020 RM'000
Subsidiary companies		
Purchase of goods	53	51
Purchase of services	14,959	16,997
Sales of goods	11	11
Accounting fees	288	288
Secondment fees	8,422	8,990

(b) Financial year-end balances arising from sales/purchases of goods/services and advances:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Amounts due to subsidiaries	0	0	3,867	4,730
Amounts due from a related party	199	191	199	191

The receivables from related parties and subsidiaries arise mainly from sale transactions and advances and have no fixed term of repayment. The receivables are unsecured in nature and bear no interest.

The payables to subsidiaries arise mainly from purchase transactions and have no fixed term of repayment. The payables are unsecured in nature and bear no interest.

(c) Key management compensation

Key management personnel is defined as "those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity". The key management compensation is disclosed as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Salaries and other short-term employee benefits	2,026	2,238	2,026	2,238
Defined contribution plan	173	188	173	188
	2,199	2,426	2,199	2,426

There are no balances due from or to key management personnel as at the end of the financial year.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2021 (continued)

27 DIVIDEND

No dividend was paid during the financial year.

28 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 30 March 2022.

Properties Owned by the Group

As at 31 December 2021

Address	Description	Usage	Tenure	Terms of Tenant's Leases or Under Leases	Appropriate Age	Net Book Value (RM'000)
Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor	Commercial land comprising of 15-storey office building	Office building	Freehold	Nil	Twenty-eight (28) years	30,776
5-G-9, Persiaran Mahsuri, Bandar Bayan Baru, 11900 Bayan Lepas, Pulau Pinang	4 Storey Shop	Office building	Leasehold	Nil	Nine (9) years	3,155

Shareholding Statistics

Shareholding Structure as at 31 March 2022
Authorised Share Capital : RM100,000,000
Issued and Paid-up Capital : RM60,402,000
Class of Shares : There is only one class of shares, namely Ordinary Shares of RM1.00 each

Analysis of Shareholdings as at 31 March 2022

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	64	2.68	1,624	0.00
100 – 1,000	932	39.06	790,961	1.31
1,001 – 10,000	1,120	46.94	4,814,641	7.97
10,001 – 100,000	229	9.60	6,626,886	10.97
100,001 – 3,020,099 (Less than 5% of issued shares)	36	1.51	19,058,720	31.56
3,020,100 and above (5% and above issued shares)	1	0.04	17,580,701	29.11
Director's Shareholdings	4	0.17	11,528,467	19.08
Total	2,386	100	60,402,000	100.00

Substantial Shareholders as at 31 March 2022

No.	Names	Direct Shareholdings	%
1	Shapadu Capital Sdn Bhd	16,038,700	26.55
2	Fathil Sulaiman Ismail	7,747,927	12.83
3	Safiah Sulaiman Ismail	5,012,041	8.30
4	Datuk Wan Mohamed Fusil Wan Mahmood	3,470,040	5.74

Directors Direct and Deemed Interests as at 31 March 2022

No.	Names	Direct Shareholdings	Deemed Interest	%
1	Datuk Wan Mohamed Fusil Wan Mahmood	2,275,940	1,194,100	5.74
2	Fathil Sulaiman Ismail	7,747,927	-	12.83
3	Voon Seng Chuan	308,500	-	0.51
4	Wong Fook Hon(i)	2,000	-	-
5	Sim Hong Kee	-	-	-
6	Datuk Noor Azian Shaari	-	-	-
7	Dato' Darawati Hussain	-	-	-
8	Zaim Husni Omar(ii)	-	-	-

(i) Retired on 15 July 2021
(ii) Appointed on 16 April 2021

Shareholding Statistics

30 Largest Shareholders as at 31 March 2022

No.	Name	Holdings	(%)
1	Shapadu Capital Sdn Bhd	16,038,700	26.55
2	Fathil Sulaiman Bin Ismail	7,747,927	12.83
3	Safiah Sulaiman Binti Ismail	5,012,041	8.30
4	Wan Mohamed Fusil Bin Wan Mahmood	1,800,000	2.98
5	Hor Yee @ Ho Cheong Fatt	1,728,940	2.86
6	Nor Hafifah Binti Mohd Puzi	1,319,646	2.18
7	Nor Zaliza Binti Mohd Puzi	1,289,648	2.14
8	Sri Susayati Binti Ramlan	1,090,000	1.80
9	CIMB Islamic Trustee Berhad <Wan Mohamed Fusil Bin Wan Mahmood>	1,000,000	1.66
10	Wong Ta Nooy @ Wong Keng Yong	1,000,000	1.66
11	Muhamad Aloysius Heng	947,000	1.57
12	Aimi Khalidah Binti Mohd Puzi	869,646	1.44
13	Lim Poh Tiong	860,000	1.42
14	Ching Heng Zee	610,000	1.01
15	Yee Men Fong	600,000	0.99
16	CGS-CIMB Nominees (Tempatan) Sdn Bhd <Pledged Securities Account for Teh Swee Heng (MM1118)>	577,000	0.96
17	Wan Mohamed Fusil Bin Wan Mahmood	475,940	0.79
18	Lee Kok Hin	458,100	0.76
19	Lim Poh Tiong	450,000	0.75
20	Low Lay Ping	401,500	0.66
21	Toh Ying Choo	396,000	0.66
22	Voon Seng Chuan	308,500	0.51
23	Kenanga Nominees (Tempatan) Sdn Bhd <Pledged Securities Account for Dahlan Bin Mohd Rasaid>	280,000	0.46
24	Nur Aliyah Binti Abdullah	258,800	0.43
25	Khor Keng Saw @ Khaw Ah Soay	257,000	0.43
26	Siew Kim Man	203,500	0.34
27	Lai Yock Ching	202,100	0.33
28	Goh See Wee	200,000	0.33
29	Khalijah @ Khadijah Binti Jamari	200,000	0.33
30	CGS-CIMB Nominees (Tempatan) Sdn Bhd <Pledged Securities Account for Wan Mohamed Fusil Bin Wan Mahmood (MY1107)>	194,100	0.32

Notice of 40th Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Wednesday, 1 June 2022 at 2.30 p.m. for the following purposes:-

Agenda

1. To receive the Audited Financial Statements for the year ended 31 December 2021 together with the Report of Directors and the Independent Auditors Report thereon.

2. To approve the payment of Directors' Remuneration of up to RM390,000.00 to the Non-Executive Directors for the year ending 31 December 2022. **Resolution 1**

3. To re-elect the following Directors, each of whom retires by rotation in accordance with Article 104 of the Company's Articles of Association, and being eligible, offers herself for re-election:-

   a. Datuk Noor Azian Shaari (Independent Non-Executive Director) **Resolution 2**
   b. Dato' Darawati Hussain (Non-Independent Non-Executive Director) **Resolution 3**

4. To retain Voon Seng Chuan who has served the Board for a cumulative term of 9 years as Independent Non-Executive Director. **Resolution 4**

5. To re-appoint Messrs PricewaterhouseCoopers PLT as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 5**

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
28 April 2022

Note:

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Fortieth Annual General Meeting of the Company, the Company shall be requesting the Record of Depositors as at 25 May 2022. Only a depositor whose name appears on the Record of Depositors as at 25 May 2022 shall be entitled to attend and vote at the meeting, as well as for the appointment of proxy(ies) to attend and vote on his/her stead.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
4. All forms of proxy must be deposited at the Company's Share Registrar's Office at Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
5. You are required to read and adhere to the **Administrative Guide** issued in this annual report on page 140 and published on the Company's website at http://www.mesiniaga.com.my/investor-relations/

Statement Accompanying the Notice of the 40th Annual General Meeting

1) **To re-elect the following Directors, who retire by rotation in accordance with Article 104 of the Company's Articles of Association, and being eligible, offer themselves for re-election:-**

a. Datuk Noor Azian Shaari (Independent Non-Executive Director)
b. Dato' Darawati Hussain (Non-Independent Non-Executive Director)

The following are the justifications for their re-election:-

Directors subject to re-election pursuant to Article 104	Statement of Support by the Board
Datuk Noor Azian Shaari	1. Her wealth of experience in the Judicial and Legal Service, including as a High Court Judge, as well as her exposure to other industries through her other board positions, enable her to provide insightful legal perspectives on audit and risk management, governance and industrial relations matters. 2. As an Independent Non-Executive Director, she has demonstrated her independence through her active participation in Board's deliberations and decision-making in an objective manner. 3. She is not involved in any potential conflict of interest that might adversely affect her ability to perform her duties properly.
Dato' Darawati Hussain	1. Her wealth of experience in finance and investments enables her to assist the Company in providing important advice on the business strategies and operations of the Company and to the Board. 2. In addition, her experience through her portfolio in a regulatory agency has enabled her to render invaluable advice on governance, audit and risk management matters. 3. She has demonstrated active participation in the Board's deliberations and decision-making process. 4. She is not involved in any potential conflict of interest that might adversely affect her ability to perform her duties properly.

2) **To retain Voon Seng Chuan who has served the Board for a cumulative term of 9 years as Independent Non-Executive Director.**

The Board of Directors has vide the Nomination Committee conducted an assessment of independence on Voon Seng Chuan who has served as an Independent Non-Executive Director for a cumulative term of nine years.

The proposed Resolution 4 is to seek shareholders' approval and if passed, will enable him to be retained as an Independent Non-Executive Director of the Company in line with Practice 5.3 of the Malaysian Code of Corporate Governance.

The details of justification are as follows:-

a) He has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements and is therefore able to provide independent opinion to the Board;

b) He has contributed sufficient time and exercised due care during his tenure as an Independent Non-Executive Director;

c) He has consistently discharged his professional duties in good faith and also in the best interest of the Company and shareholders;

Statement Accompanying the Notice of the 40th Annual General Meeting

d) He has the calibre, qualifications, experience and personal qualities to challenge management in an effective and constructive manner;

e) He has never compromised on his independent judgement; and

f) He is not involved in any potential conflict of interest that might adversely affect his ability to perform his duties properly.

Details of Voon Seng Chuan are stated in the Company's Annual Report on page 15.

3) On the recommendation of the Remuneration Committee, the Board proposes that the remuneration payable to the Non-Executive Directors for the year ending December 2022 shall not exceed RM390,000.00.

4) The Fortieth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on 1 June 2022 at 2.30 p.m.

5) Details of the Directors standing for re-election are as stated in the Company's Annual Report as follows:-

a) Datuk Noor Azian Shaari (Independent Non-Executive Director) – page 17
b) Dato' Darawati Hussain (Non-Independent Non-Executive Director) – page 18

Both Datuk Noor Azian Shaari and Dato' Darawati Hussain do not hold any securities in the Company.

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
28 April 2022

Administrative Guide

Administrative Guide for the Fortieth Annual General Meeting ("40th AGM") of Mesiniaga Berhad ("Company")

Date : 1 June 2022 (Wednesday)
Time : 2.30 p.m.
Venue : Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1
47500 Subang Jaya, Selangor

(I) PUBLIC HEALTH PRECAUTIONS AND PREVENTIVE MEASURES

The Company takes the well-being of all stakeholders, including employees, shareholders, proxies, customers, suppliers and service providers seriously and precautionary measures will be taken at the 40th AGM in order to minimise the risk of community spread of COVID-19.

If you have been in contact with a COVID-19 affected person or if you are unwell with sore throat, flu, fever, cough, shortness of breath or any symptoms of the COVID-19, please quarantine yourself at home. You are strongly encouraged to appoint a proxy or the Chairman of the meeting to attend and vote at the 40th AGM on your behalf.

In addition, we will be carrying out temperature checks on all attendees upon arrival at the 40th AGM venue. Any person with a body temperature of above 37.5 degrees Celsius or showing symptoms of respiratory illness such as coughing and sneezing, will be denied entry into the meeting venue.

All attendees are advised to keep abreast with the latest news and safety precautions directed by the authorities from time to time. The Company requires all attendees to sanitise their hands before the meeting and to wear a mask as well as adhere to social distancing rules between each attendee throughout the 40th AGM.

Due to the constantly evolving COVID-19 situation in Malaysia, we may have to change the arrangement of our 40th AGM at short notice. Kindly check the Company's website or announcements released to Bursa Malaysia from time to time for the latest updates on the status of the 40th AGM. The Company will continue to observe the directives and guidelines issued by the Malaysian Government, Ministry of Health, Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities and will take all relevant precautionary measures as advised.

(II) REGISTRATION

The registration counter will be opened at 12.30 p.m. on Wednesday, 1 June 2022 at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan.

Attendees are requested to produce/show their original Identity Card or Passport (for non-Malaysian) to the registration staff for verification purposes. Kindly make sure the original Identity Card or Passport is returned to you thereafter. Please take note that no person will be allowed to register on behalf of another person, even with the original Identity Card or Passport of that person.

Upon verification, attendees are required to write their names and sign on the Attendance List placed on the registration table.

Attendees will also be given an identification wristband with personalised passcode for voting purposes. No person will be allowed to enter the meeting hall without the identification wristband. There will be no replacement for the identification wristband in the event that you lost or misplaced it.

Administrative Guide

(III) ELIGIBILITY TO ATTEND BASED ON THE RECORD OF DEPOSITORS

Only shareholder whose name appears on the Record of Depositor as at 25 May 2022 shall be entitled to attend or appoint proxy(ies) to attend and/or vote on his/her behalf.

(IV) APPOINTMENT OF PROXY(IES)

A shareholder who is unable to attend the 40th AGM on 1 June 2022 may appoint proxy and indicate the voting instructions in the proxy form. Please deposit the proxy form with the Share Registrar of the Company, Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor. Alternatively, you have the option of submitting the proxy form electronically via facsimile at 03-7890 4670.

The last date and time for lodging the proxy form is on Monday, **30 May 2022 at 2.30 p.m.**

(V) VOTING PROCEDURES

The voting will be conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. All resolutions set out in the Notice of 40th AGM will be put to vote by way of poll. Boardroom Share Registrars Sdn. Bhd. has been appointed as the Poll Administrator to conduct the polling process. The Independent Scrutineers will verify the results of the poll thereafter.

(VI) NO REFRESHMENT, DOOR GIFT(S) OR FOOD VOUCHERS

To ensure social and physical distancing, there will be no refreshment, door gift(s) or food vouchers provided to shareholders, proxies or invited guests who attend the 40th AGM.

(VII) ENQUIRY

If you have any enquiry prior to the 40th AGM, please contact our Share Registrar during office hours on Mondays to Fridays, from 9.00 a.m. to 5.00 p.m. (except on public holidays):-

Boardroom Share Registrars Sdn. Bhd.
[Registration No. 199601006647 (378993-D)]

Address	:	11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan.
General Line	:	+603-7890 4700
Fax Number	:	+603-7890 4670
Email	:	bsr.helpdesk@boardroomlimited.com

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PROXY FORM

FOR 40TH ANNUAL GENERAL MEETING

MESINIAGA BERHAD
Company's No.: 198101013112 (79244-V)
(Incorporated in Malaysia)

Number of Shares Held																
CDS Account No.				-				-								

I/We,.. NRIC/Company No...
(FULL NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN BLOCK LETTERS)

(Tel No: ....) of ....

....
(FULL ADDRESS)

Being member/members of MESINIAGA BERHAD, hereby appoint the following:-

Proxy 1	
Full Name of Proxy as per NRIC	
NRIC/Passport No.	
Proportion of Shareholdings (%)	

and/or failing him/her;

Proxy 2	
Full Name of Proxy as per NRIC	
NRIC/Passport No.	
Proportion of Shareholdings (%)	

as my/our proxy or failing him/her, the Chairman of the meeting to vote for me/us and on my/our behalf at the Fortieth Annual General Meeting of the Company, to be held at **Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor (Tel: +603-5635 8828) on Wednesday, 1 June 2022 at 2.30 p.m.** and at any adjournment thereof.

The proxy is to vote on the resolutions set out in the Notice of Meeting as indicated, with an "X" in the appropriate space. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

No	Resolution	For	Against
1	Approval of Directors' remuneration for the year ending 31 December 2022		
2	Re-election of Datuk Noor Azian Shaari as Director		
3	Re-election of Dato' Darawati Hussain as Director		
4	Retention of Voon Seng Chuan as Independent Non-Executive Director		
5	Re-appointment of Messrs PricewaterhouseCoopers as Auditors		

Dated this..day of ...., 2022

....
Signature/Common Seal of Shareholders

Note:

For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Fortieth Annual General Meeting of the Company, the Company shall be requesting the Record of Depositors as at 25 May 2022. Only a depositor whose name appears on the Record of Depositors as at 25 May 2022 shall be entitled to attend and vote at the meeting as for appointment of proxy(ies) to attend and vote on his/her stead.

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney. All forms of proxy must be deposited at the Company's Share Registrar's Office at Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

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AFFIX
STAMP

Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan

Fold here

www.mesiniaga.com.my

Mesiniaga Berhad 198101013112 (79244-V)

Menara Mesiniaga 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan
Tel : 03-5635 8828 | **Fax** : 03-5636 3838