Mesiniaga

ANNUAL REPORT 2013

OUR MISSION

HELPING CUSTOMERS

SUCCEED

32nd ANNUAL GENERAL MEETING

VENUE
AUDITORIUM ISMAIL SULAIMAN
MENARA MESINIAGA
1A, JALAN SS16/1
47500 SUBANG JAYA

TIME
WEDNESDAY,
18 JUNE 2014
2.30PM

OUR MISSION
HELPING CUSTOMERS
SUCCEED

In 2013, we made a pledge to help customers succeed. We remain committed to this mission, aiming to have a profound impact to customer business by improving their efficiency and increasing business potential.

In every challenge, we recognise an opportunity to learn and grow. This, too, applies to our approach in addressing customer business difficulties. By turning challenges into opportunities, we make the best of all situations for a successful business outcome – both for us and our customers.

OUR VISION

TO BE THE MALAYSIAN IT PARTNER OF CHOICE

OUR MISSION

HELPING CUSTOMERS SUCCEED

DELIVERING CUSTOMER SUCCESS

Accelerating customer business performance to maximise potential


Mesiniaga

CORPORATE PROFILE

Leading Partnership Status

- IBM Premier Partner
- Microsoft Gold Partner
- Cisco Gold Partner
- Symantec Platinum Partner
- Juniper Elite Partner
- Trend Micro Affinity Platinum Partner
- VMware Premier Partner
- Oracle Gold Partner
- HP Gold Partner
- APC (Schneider Electric) Elite Partner
- Hitachi Data Systems Gold Partner

MESINIAGA has been in the technology business for the past three decades. We started out as a company selling IBM office products and have now evolved into a multi-platform business solutions provider with a paid-up capital of RM60.4 million. Within the last 30 over 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 competition. As such, we are constantly striving for ways to provide our customers with an experience that will allow them to achieve their business objectives.

Incorporated on
17 December 1981

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

Paid up capital of
RM60.4
million

Staff strength of more than
900
employees

Headquarters
SUBANG JAYA

Key Office Locations

- **Mesiniaga Alliances, Bangsar South**
- **Mesiniaga Warehouse, USJ, Subang Jaya**
- **Mutiara Mesiniaga, Pulau Pinang**
- **Mesiniaga Johor Bahru**

This is why we have made it our Mission to Help Customers Succeed, by delivering technology and business solutions to improve customer's business efficiency, productivity and competitive edge, as well as to create new business opportunities for them. In order 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 important element in enhancing customer experience is in the management of customer satisfaction. To this effect, we have implemented multiple initiatives that are aimed at improving service delivery and our understanding of customer needs. Our people are already acknowledged as having superior technical skills, mainly because we actively encourage them to pursue or upgrade their professional certifications. They also undergo numerous soft skills training sessions in order to improve their understanding of customer requirements and how best to meet them. The end objective of these initiatives is to give our customers the least possible worry in their dealings with the company.

We believe that the strategies implemented for driving customer business performance and enhancing customer satisfaction will ultimately translate into improving our own business performance. This will allow us to reward our shareholders for their faith in us. In order to fulfil this promise, we have also made a commitment to improve our productivity yield. We are now a company of more than 900 employees. We have invested significantly in developing measurements over our resource utilisation because it is imperative that all our resources are employed to their most optimum potential.

All of these efforts are undertaken to ensure that Mesiniaga remains a force to be reckoned with in the IT industry.

MESINIAGA SOLUTIONS MAP

BUILD

We build reliable and scalable ICT systems for any businesses. Regardless of the requirements, we deliver the building blocks needed for a solid ICT infratructure.

MANAGE

We provide solutions that allow businesses to measure system performance. The solutions monitor and align system processes to resources thereby ensuring optimum performance and availability of ICT infrastructure.

PROTECT

We safeguard businesses from both external and internal ICT threats thereby ensuring system security for smooth business flow and peace of mind.

ACCELERATE

We offer a suite of cutting-edge solutions to provide businesses with a competitive edge that will maximise business potential.

ADVISE

We provide strategic consultation and conceptualisation throughout the ICT architecture ensuring that systems achieve the best fit with organisational requirements.

SUPPORT

We extend continuous technical assistance, maintenance and coverage throughout the entire ICT architecture.

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nationwide service locations

Northen Region

- Alor Setar
- Langkawi
- Kangar
- Pulau Pinang
- Butterworth
- Seberang Jaya
- Kulim
- Sungai Petani
- Taiping
- Ipoh
- Teluk Intan

Central Region

- Subang Jaya
- Kuala Lumpur
- Petaling Jaya
- Shah Alam
- Putrajaya
- Bangi
- Klang

Southern Region

- Seremban
- Melaka
- Muar
- Batu Pahat
- Segamat
- Johor Bahru

East Coast

- Kota Bharu
- Kuala Terengganu
- Kerteh
- Kuantan
- Raub
- Temerloh

East Malaysia

- Kuching
- Sibu
- Miri
- Limbang
- Sri Aman
- Bintulu
- Kota Kinabalu
- Sandakan
- Lahad Datu
- Labuan
- Tawau

CORPORATE INFORMATION

BOARD OF DIRECTORS

- DATUK WAN MOHAMED FUSIL
  (Chairman and Executive Director)
- FATHIL ISMAIL
  (Managing Director – Until 31 December 2013)
- MOHAMED FITRI ABDULLAH
  (Managing Director – From 1 January 2014)
- MOHD PUZI AHAMAD
- VOON SENG CHUAN
- ABDUL TALIB BABA
- WONG FOOK HON
- DATO' AB RASHID MAT ADAM
- IR. DR. MUHAMAD FUAD ABDULLAH

NOMINATION AND REMUNERATION COMMITTEE
VOON SENG CHUAN *(Chairperson)*
WONG FOOK HON
IR. DR. MUHAMAD FUAD ABDULLAH

AUDIT AND RISK MANAGEMENT COMMITTEE
ABDUL TALIB BABA *(Chairperson)*
WONG FOOK HON
DATO' AB RASHID MAT ADAM

INVESTMENT COMMITTEE
VOON SENG CHUAN *(Chairperson)*
MOHD PUZI AHAMAD
WONG FOOK HON
FATHIL ISMAIL

COMPANY SECRETARY
JASNI ABDUL JALIL *(MACS 01359)*

COMPANY REGISTRATION NUMBER
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
Level 10, 1 Sentral
Jalan Travers, Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Tel : 03-2173 1188
Fax : 03-2173 1288

PRINCIPAL BANKERS
CITIBANK BERHAD
STANDARD CHARTERED SAADIQ BERHAD
MAYBANK BERHAD
HSBC AMANAH MALAYSIA BERHAD

SHARE REGISTRAR
SYMPHONY SHARE REGISTRARS SDN. BHD.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7841 8000
Fax : 03-7841 8008

STOCK EXCHANGE LISTING
Main Market of BURSA SECURITIES

CORPORATE STRUCTURE

Mesiniaga

100% — **MESINIAGA SERVICES SDN. BHD.**
Provision of maintenance and managed services.

100% — **MESINIAGA ALLIANCES SDN. BHD.**
Provision of strategic IT outsourcing services.

100% — **MESINIAGA MSC SDN. BHD.**
Provision of solution services and technology, research and development.

100% — **CUSTOMCODES SDN. BHD.**
Provision of design, development and implementation of business solutions related to business intelligence, business analytics, customised applications and software products.

100% — **MESINIAGA SSO SDN. BHD.**
Under members' voluntary winding-up.

100% — **MESINIAGA TECHNIQUES SDN. BHD.**
Under members' voluntary winding-up.

51% — **VA DYNAMICS SDN. BHD.**
Sales of networking cables and related products.

ENHANCING OUR CAPABILITIES

Providing best-of-class products, skills and services

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS,

For the financial year ending 31 December 2013, the Group incurred a net before tax (NBT) loss of RM3 million against revenue of RM281 million, whereas in the previous year, the group achieved a profit before tax of RM16 million against revenue of RM326 million. The Group's financial position remained stable with a net cash position of RM18 million as at 31 December 2013.

<< **DATUK WAN MOHAMED FUSIL**
Chairman

BUSINESS ENVIRONMENT AND GROUP FINANCIAL OVERVIEW

In 2013, we operated in an environment fraught with uncertainties. As a maturing market, Malaysia was affected by the economic slowdown in China and the Eurozone, as well as volatility following uncertainties over monetary policy adjustments in advanced economies. This had caused the Ringgit to ease against most major and regional currencies. Domestic uncertainties during the run-up to the 13th General Election (GE13) also affected the Ringgit's performance. Apart from affecting our costs, the weakened Ringgit caused us to experience a year-on-year opportunity loss of RM5 million.

Malaysia registered a GDP growth of 4.7% for 2013, a deceleration from 5.6% in 2012. This growth of 4.7% was mainly driven by private investment and consumption. Public consumption moderated as the Malaysian government consolidated its fiscal position. Federal government expenditure was an estimated RM45.1 billion in 2013 compared to RM46.9 billion in 2012 – its lowest since 2008*.

The private sector was also cautious in their spending in the face of global uncertainties. This had an effect on the local enterprise IT market growth. Although it increased 6.8% to about RM17 billion in 2013**, the rate of increase was slower when compared to overall growth. IT services sales was the fastest growing segment in enterprise spending that rose to RM5.3 billion in 2013**.

The Group's loss was mainly the result of significantly lower revenue from public sector sales. This was apparent from our quarterly results where we experienced a year-on-year drop of 23% and 24% for the third quarter (Q3) and fourth quarter (Q4) of 2013 respectively. This phenomenon was anomalous when compared to trends from previous financial years where the third and final quarters made up 60% of our annual revenue. As an organisation with substantial fixed costs, such a decline in revenue had a significant impact on the Group's profit.

OPERATIONS OVERVIEW

In 2013, we increased efforts to strengthen operational efficiency. One measure was the creation of a Chief Operating Officer (COO) position in order to enhance organisational capacity and productivity. As our new COO, Goh See Wee employed his considerable experience in IT operations management to revamp our delivery organisation structure and completed this exercise in December 2013. Along with this reorganisation, the Group's senior leadership was further strengthened by the infusion of new talents to head several divisions.

* MOF 2013/2014 Economic Report-Public Sector Finance

** Business Monitor International Malaysia Information Technology Report Q1 2014

We chose to enhance our organisational capacity by going through the Capability Maturity Model Integration (CMMI) assessment and we are happy to report that our compliance was at Level 3 – the highest being Level 5. CMMI is a model which demonstrates an organisation's commitment to best practices in software development. We also persevered in our efforts to boost service delivery. Productivity tools such as Workforce+, and IT service management solutions such as ServiceNow® will ensure that our deliverables to customers are not compromised and at the same time allow us to manage costs better. We also plan to offer these solutions to our customers. To this effect, we have recently entered into a strategic partnership with ServiceNow, Inc. to become one of their resellers and implementers in Malaysia.

In 2012, we embarked on several exercises to contain our costs. One of which was to implement a partial hiring freeze. This carried on last year and headcount numbers dropped by nearly 15% from January to December 2013. While we wanted to trim excess resources, we also recognised the value of talent retention. As such, we maintained various development programmes for employees such as the Management; and Technical Leadership Development Programmes.

We furthered our attempts in advancing human capital development by engaging Suhaimi Sulong in March 2014 as our new Director of Human Resources, whose focus would be to strengthen employee performance management and engagement. We are confident that his extensive experience will ensure that we have the right talents to help accelerate our business performance.

"Productivity tools such as Workforce+, and IT service management solutions such as ServiceNow® will ensure that our deliverables to customers are not compromised and at the same time allow us to manage costs better."

CORPORATE GOVERNANCE AND RESPONSIBILITY

The Group remained dedicated in our adherance to new laws and regulatory measures to improve governance such as the Competition Act 2010, enforced in 2012; and the Personal Data Protection Act 2010, enforced in 2013. As such, we formulated the necessary policies and included them in our Business Conduct Guidelines and Employee eHandbook.

As with previous years, we continued all practices we had committed to under the Mesiniaga CARE framework. In areas of community relations, we maintained our collaboration with the Ministry of Higher Education by providing work-based-learning courses to Advanced Diploma in Network students from Politeknik Ungku Omar. As part of our community service, our social club, Kelab Islah dan Amal Mesiniaga, initiated various programmes such as visits and donations to the rural poor in Trong, Perak, and feeding the homeless in Jalan Melaka, Kuala Lumpur.

FUTURE OUTLOOK AND PROSPECTS

While Malaysia is expected to maintain its growth rate in 2014, this will be mainly supported by domestic demand as emerging economies will still be vulnerable to stimulus measures by the US. The Ringgit is not expected to have a strong upside this year and there is also an expectation that Bank Negara Malaysia may increase the Overnight Policy Rate (OPR) if the situation warrants it.

The Malaysian government will also continue to consolidate its fiscal position in order to reduce its GDP deficit. Nevertheless, the government's fiscal reform will not be at the expense of measures to accelerate the effectiveness and efficiency of public service delivery. Measures relating to improving productivity, increasing automation and adoption of new technologies will be on-going and we see IT playing a strong role in this.

As such, the Group expects to recover and deliver a profitable 2014. However, our outlook remains conservative considering the global economic uncertainties that are still present. As mentioned above, we have taken the necessary steps to enhance our operational efficiency. More steps will be taken as we move forward into the year. We will also be focusing on improving our order book by securing business that was deferred in 2013.

DIVIDENDS

Despite registering unfavourable results on our 2013 profitability, we improved our cashflow and borrowings position. As such, the Board is pleased to propose a first and final single tier dividend payment of 10 sen per share, subject to shareholders' approval at the upcoming 32nd Annual General Meeting.

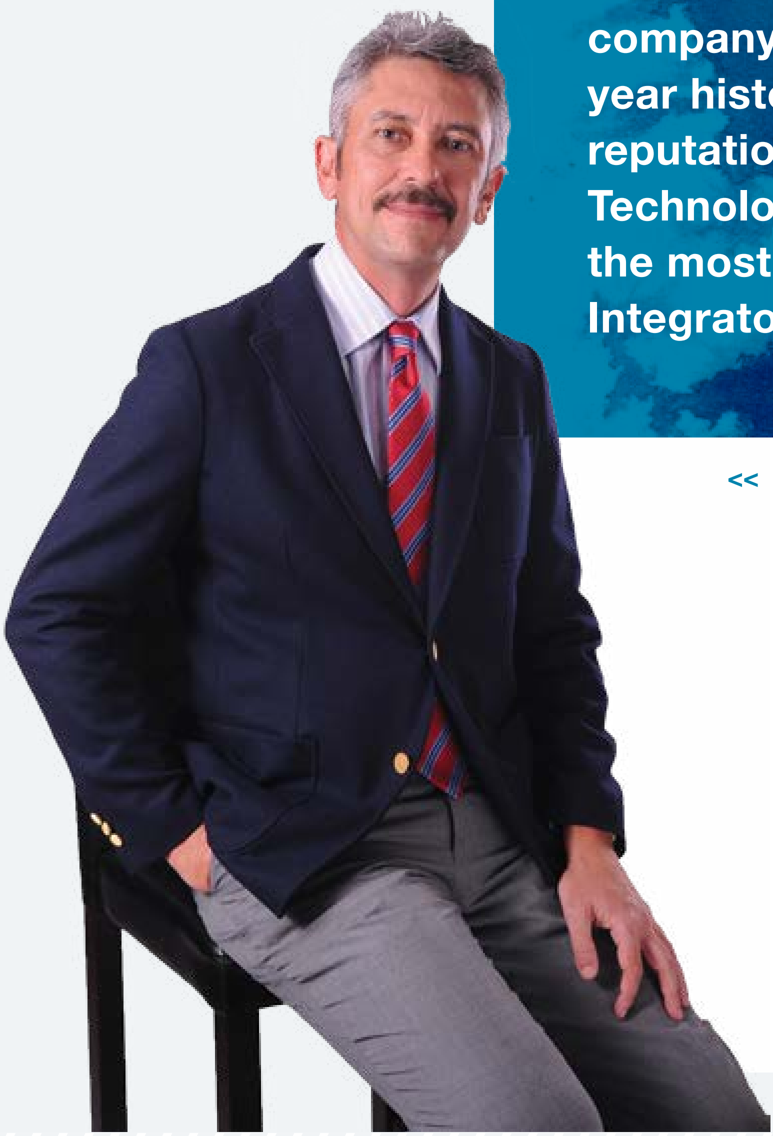
ACKNOWLEDGEMENTS

I take this opportunity to thank my fellow directors for their invaluable service and advice, especially to Fathil Ismail who stepped down as Managing Director on 31 December 2013. The Group is indebted to Fathil for his contribution during his tenure as Managing Director, and we would like to express our appreciation of his continued presence on the Board. I am also pleased to welcome Fitri Abdullah on the Board as our new Managing Director in January 2014. With more than two decades of experience in the ICT industry in both local and international settings, as well as proven track record while holding senior positions in several well-known organisations; I am confident that Fitri will be able to steer Mesiniaga into achieving our mission of Helping Customers Succeed.

On behalf of the Board, I wish to thank all employees and the management of the company and its various subsidiaries for their support. Finally, our appreciation goes to our shareholders, customers and business associates for their unremitting faith.

DATUK WAN MOHAMED FUSIL
CHAIRMAN

MANAGING **DIRECTOR'S REPORT**



DEAR VALUED MESINIAGA SHAREHOLDERS,

It is indeed a great honour for me to lead Mesiniaga – a company with a long thirty-two year history of success, a strong reputation in the Information Technology industry, and one of the most established Systems Integrators (SI) in Malaysia today.

<< **MOHAMED FITRI ABDULLAH**
Managing Director

Having been on board for several months, my ambition is for Mesiniaga to be the leading IT company in Malaysia with a high performance culture, where teamwork, collaboration and innovation are at the heart of our business and all employees are aligned towards delivering success to our customers on a consistent basis.

Our 2013 financial results were not favourable and it reflected a very challenging and competitive business climate in Malaysia. It also exposed some capability gaps within Mesiniaga which arose from the expansion of our SI capabilities beyond infrastructure integration (IT and networking) services into areas such as application development, mobility, and IT managed services. My appointment as the new Managing Director comes with the challenging task of delivering better financial results for 2014 as an immediate focus while setting the foundation for the company to ensure future success. Having been on board for several months, my ambition is for Mesiniaga to be the leading IT company in Malaysia with a high performance culture, where teamwork, collaboration and innovation are at the heart of our business and all employees are aligned towards delivering success to our customers on a consistent basis. This will take some time as we introduce new processes and systems, as well as add new capabilities within Mesiniaga.

As we go further into 2014, lower sales in the second-half of last year; coupled with on-going recovery of some troubled projects; as well as a very competitive market landscape will put some short-term strain on our financial performance for this year. Following this, the key focus of our efforts will be in addressing capability gaps and strengthening our overall business fundamentals. These include reinforcing our project management capabilities, stronger customer engagement; improving people productivity measures; enhancing our bid management process; expanding our order book; as well as augmenting our products and services portfolio. These initiatives are calculated to help us strengthen business operations by minimising potential leakages and enhancing overall customer satisfaction, which in turn, will help improve our overall cost management as a company.

OUR BALANCED SCORECARD, DEVELOPED TO BE A STRATEGY PERFORMANCE MANAGEMENT TOOL

We have also developed a deeper understanding of our company objectives and incorporated them into a company-wide balanced scorecard. This will serve as our strategy performance management tool which will help sharpen our focus on overall company performance. The balanced scorecard will be a significant fixture and will be used to reinforce, implement and drive the execution of our corporate strategy by our employees. This is to ensure that we maintain a balanced focus with regards to customers, employees, operations, and capabilities as we demonstrate strong authentic leadership and teamwork, as well as a high performance culture to deliver our financial targets consistently.

Our plans include moving up the value chain in terms of offering solutions beyond infrastructure integration services in order to differentiate Mesiniaga from the market. Apart from building up new solutions within Mesiniaga such as the development of new intellectual property (IP), we will also be focusing on vertical solutions in the telecommunications and financial services industries which will bring us the added bonus of higher margins. One such initiative that we have invested heavily previously is the Smart Developments solution, aimed at escalating the success of property developers by enabling them to offer a more enriching experience to their residents. It is encouraging to note that

Smart Developments has seen strong interest in the market place. Besides current deployment for a property development, we are currently in discussions with several other developers on implementing this solution as well.

As mentioned above, a key focus area for us will be to strengthen project management skills, and to develop technical capabilities for new technology trends which include cloud, mobility, big data and application development. We will continue to invest in the capability of our Concept Proposal Unit which we had established previously with the aim of ensuring a business-oriented engagement approach with our customers. This capability will now be complemented by industry experts to ensure that we are able to provide our customers with leading edge solutions. Apart from acquiring highly qualified and experienced talents, we will also be making significant investments in enhancing current talents within the company. This is where our new Director of Human Resources (HR) will play a key role in supporting this very important business initiative. Among others, HR will be concentrating on strengthening leadership, talent management, enhancing employee engagement and driving a high performance culture.

I am optimistic that our business performance for 2014 will improve over that of the previous year. Consequently, I see 2014 as a transition year for us as we proceed to implement many business initiatives to improve our overall business fundamentals, capabilities and competitiveness in the market. If we are able to execute well in 2014, we would have built a strong foundation for Mesiniaga for the future and live up to our mission of *Helping Customers Succeed* by delivering technology and business solutions to improve their business efficiency,

“I see 2014 as a transition year for us as we proceed to implement many business initiatives to improve our overall business fundamentals, capabilities and competitiveness in the market.”

productivity and competitive edge, as well as to create new business opportunities.

I wish to express my appreciation to our customers, business partners, employees, and fellow board members for their loyalty and continued support through these challenging times, and I thank our shareholders for your patience and loyal support as we build a strong roadmap for success in Mesiniaga.

Mohamed Fitri Abdullah
MANAGING DIRECTOR

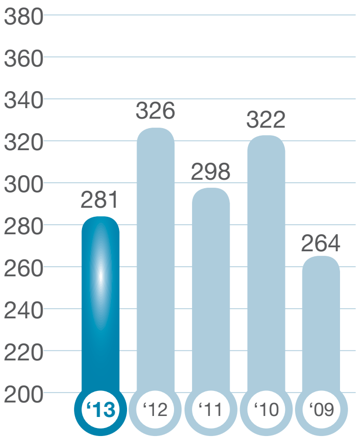
BUSINESS REVIEW

NURTURING GROWTH WITHIN THE ORGANISATION

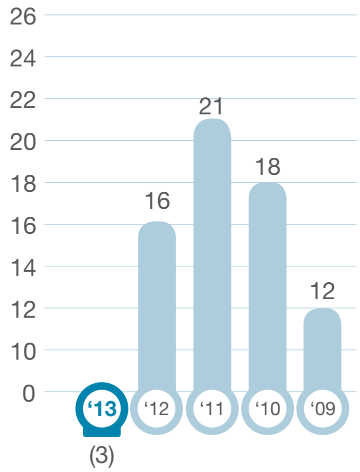
Encouraging employee development and enrichment

FIVE-YEAR PERFORMANCE STATISTICS

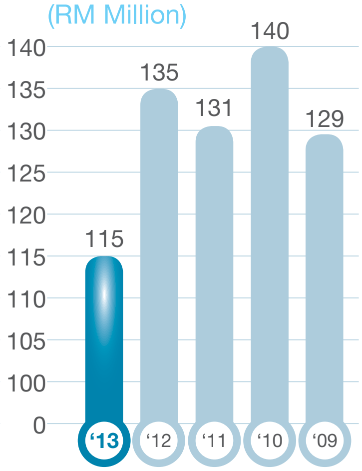
Revenue
(RM Million)



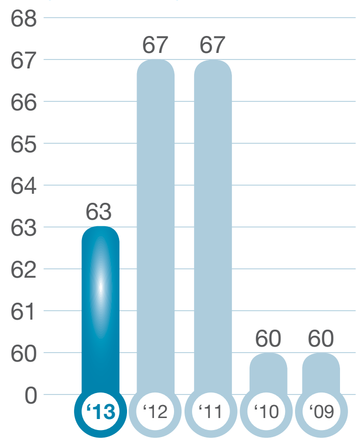
Profit Before Tax
(RM Million)



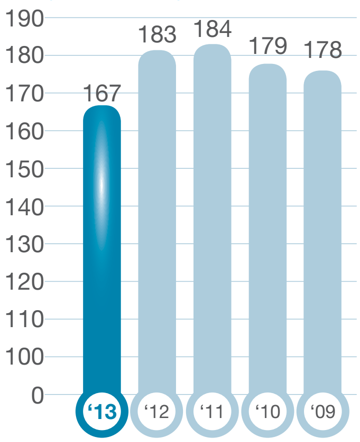
Net Current Assets
(RM Million)



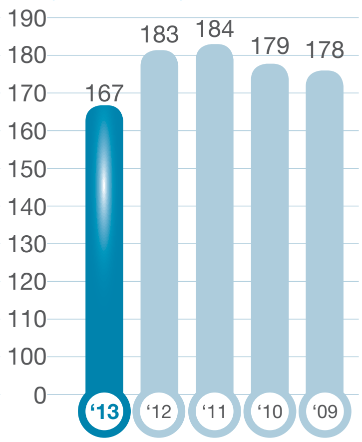
Fixed Assets
(RM Million)



Net Tangible Assets
(RM Million)

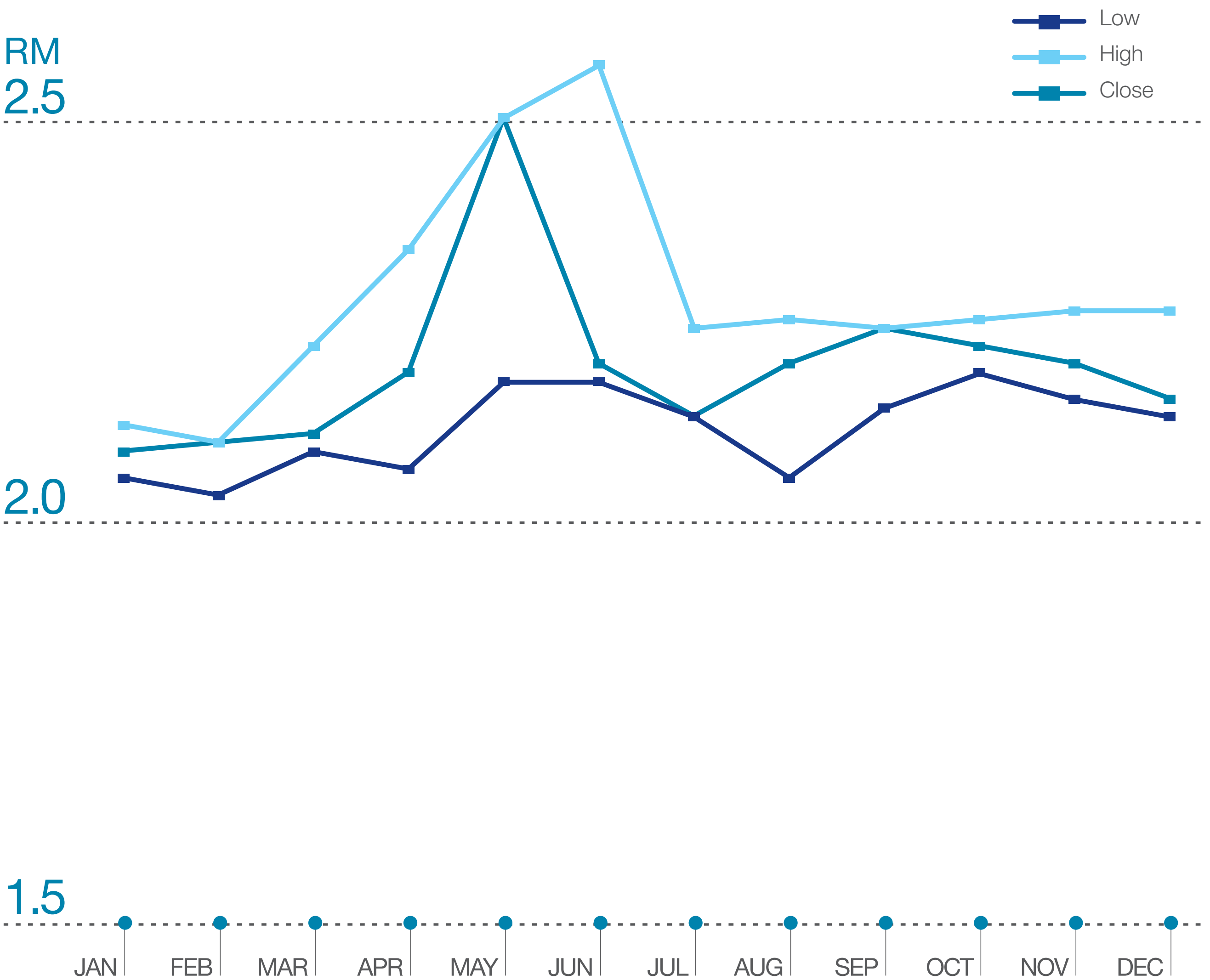


Shareholders' Equity
(RM Million)



2013 SHARE PERFORMANCE STATISTICS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Low	2.05	2.03	2.08	2.06	2.16	2.16	2.12	2.05	2.13	2.17	2.14	2.12
High	2.11	2.09	2.20	2.31	2.46	2.52	2.22	2.23	2.22	2.23	2.24	2.24
Close	2.08	2.09	2.10	2.17	2.46	2.18	2.12	2.18	2.22	2.20	2.18	2.14



COMPANY HAPPENINGS

2013 Year-Start and Mid-Year Kick Off Meetings

We held Kick Off meetings in Klang Valley and Penang at the beginning and midpoint of the year to update employees on company performance and direction for the year. The events were held at Menara Mesiniaga and Mutiara Mesiniaga for Klang Valley and Penang respectively. We gave recognition to our long-service employees and high performers who received awards in appreciation of their contributions to the company.

Mesiniaga 31st Annual General Meeting (AGM)

Our 31st AGM was held on 19 June 2013 at the Auditorium Ismail Sulaiman, Menara Mesiniaga. It was attended by all members of the Board and more than 100 shareholders and proxies.

Celebrating Outstanding Performance

We organised lunch and dinner events in recognition of employees who delivered outstanding work performance. The STAR Award recognised staff members for accomplishments in their individual roles while the HPC Award was given to employees who achieved their quota. We also gave recognition to team members of successful projects by treating them to appreciation lunches.

Enhancing Employee Engagement

In an effort to enhance employee engagement, we organised a series of Comms2U sessions which provided company and divisional updates to employees. We also conducted Town Hall meetings which served as a platform for two-way communication between employees and the senior management. These events were held at the Auditorium Ismail Sulaiman, Menara Mesiniaga.

Achievement of CMMI Level 3 Compliance

We were proud to have been assessed to be compliant with Level 3 of the Capability Maturity Model Integration (CMMI). By achieving this classification, it demonstrated our commitment to use established best practices in our overall software development practices.

Mesiniaga Trophy Futsal Challenge

As a way of promoting healthy lifestyle and spirit of teamwork, a futsal tournament was held on 8 June 2013 at Subang Grand Sports Planet arena. Twelve teams competed to win the Mesiniaga Trophy, and the Mendung CF (A) team emerged as the champion.

BUSINESS REVIEW

Mesiniaga Academy New Intake

We welcomed a new batch of Mesiniaga Academy students on 17 June 2013. These Politeknik Ungku Omar students went through a work-based learning programme in various IT areas. This programme was part of our corporate responsibility initiative in providing practical training to youths, while at the same time contributing to the nation's human capital development.

Optimise Your Performance in a Virtual Infrastructure Seminar

We organised a seminar to showcase the importance of shifting towards virtualisation and cloud computing for business performance enhancement. The event was held on 30 January 2013 at the Business Productivity Centre, Menara Mesiniaga.

ISMS Compliance: Act Now Seminar

We held a seminar to enhance awareness on Information Security Management System and the importance of ensuring adequate and proportionate security controls. The event was held on 21 February 2013 at Pullman Putrajaya Lakeside Hotel.

A Way to Empower, Simplify, Manage and Secure Your End-User Computing Seminar

Together with Trend Micro, VMware and ECS, we organised a seminar aimed at providing knowledge on how desktop virtualisation can benefit end-user computing. The event was held on 3 April 2013 at Sime Darby Convention Centre.

Get Serious with Mobility Seminar

We partnered with Symantec and Samsung to organise a seminar showcasing how mobility solutions can add value to an organisation's business by increasing productivity and profitability. The event was held on 5 June 2013 at Aloft Kuala Lumpur Sentral Hotel.

Solutions Open Day in Penang

We organised a Solutions Open Day on 25 June 2013 at the Eastern & Oriental Hotel Penang. The event was themed "Moving Ahead with Mobility" and demonstrated the capabilities of mobility solutions in enhancing customer business productivity.

Virtualising Business Critical Apps Seminar

We partnered with VMware to organise a seminar which showcased the tremendous benefits of virtualising SAP, Oracle, SQL Exchange and other important business applications. The event was held on 31 October 2013 at The Gardens Hotel & Residences.

IBM Knowledge Management Seminar

We organised a seminar to demonstrate how customers can create, share and use the collective knowledge of its products, processes and people to increase workplace productivity. The event was held on 5 December 2013 at the Business Productivity Centre, Menara Mesiniaga.

MEDIA APPEARANCES IN 2013

THE evolving requirements of the technology and systems integration business have led Mesiniaga Bhd to change its approach – and ultimately change the way it relates to its clients.

Declining margins, stiff competition and becoming prey to the effects of commoditisation have all cut deeply into the company's profits; but Mesiniaga managing director Fathil Sulaiman Ismail sees this as a sign that change is necessary to remaining relevant.

"All systems integrators have experienced declining margins over recent years and Mesiniaga is no exception. For the most part, we are experiencing the effects of commoditisation. We need to recreate our uniqueness," Fathil tells *FocusM*.

Rising costs have also contributed to a drop in profits, and Fathil says Mesiniaga is in the midst of rationalising its operations to ensure cost effectiveness.

For its second quarter ended June 30, 2013, Mesiniaga's net profit fell to RM240,000, from RM2.5 mil the year before and revenue was lower at RM63.1 mil against the previous RM77.6 mil, as a result of the company's competing in an increasingly cramped industry.

Mesiniaga, established in 1981 with a staff of 30 from IBM, has always been seen as resistant to change, a reputation which has cost the company. The company has come up with a new business model, which Fathil is certain will help shed that reputation and move the company forward.

Fathil says the company has opted for a more long-term approach, as opposed to merely keeping pace with changes in technology.

"A direct approach would be to adopt technologies that command better margins. The problem is that technology spaces congest very rapidly and margins will shrink. The answer lies elsewhere," he says.

Taking a long-term stance, Mesiniaga will move from just taking technology and implementing it to meet the needs of its clients, to seeing how the technology can be applied in new ways that will benefit all parties in the chain, from Mesiniaga to the client to the client's customers.

The technology, instead of being useful only to the client's customers, can also grow to have a more general application, widening its market. This, says Fathil, changes the business relationship for the better.

"In the early days, the ability to meet the requirements of the customer was already fulfilling the promise; but now we have to go beyond that. As a systems integrator, our role was the successful implementation of technology and meeting the expectations of the chief information officer (CIO). We are now fixated on the successful application of technology, and to do this one must relate to the CIO's customers, not just the CIO. We are evolving into a company with ambition for its customers' success. We are wagering this is what will keep us relevant," he explains.

Looking for business partners

A road some businesses take when times get tough is to diversify outside the industry to maintain a steady stream of income; but Mesiniaga is confident this will not be necessary.

"We did consider diversifying outside maybe six or seven years ago, but we decided we should focus on what we understand. With new businesses there are new risks, so it is best to concentrate our resources on what we are good at," says Fathil.

MAXIMISING CUSTOMER BUSINESS THROUGH IT

Mesiniaga has come a long way from its early days as an IBM sole agent and dealer back in the 80s when the country's IT industry was still in the nascent stages. Goh See Wee, Mesiniaga Director of Operations offers an interesting insight into what Mesiniaga is doing to remain relevant to their customers.

As one of the more established systems integrator (SI) in Malaysia, the 32-year old Mesiniaga with about 1,000 employees has managed to stay in the game by promising reliability and delivering on its promises.

However, in today's ultra-competitive business world, reliability counts for little with customers if not coupled with solutions or services that are game-changing. At the very least, the solutions and services on offer must allow companies to differentiate significantly from their competitors.

REMAINING RELEVANT

Five years ago, they came up with a strategy, one that would be a proponent of customer success. They reasoned that only by being so would customers perceive them as relevant. Success in an organisation would usually be measured in terms of business growth or productivity. Therefore, it should have no hesitation in employing a company that is able to offer a chance of improving these two success factors through the means of IT solutions. IT in this case, would merely act as an enabler.

According to Goh, SIs these days can no longer operate as of old – merely offering to integrate IT infrastructure and building a

Friday, February 21, 2014, 11:36 AM

NEW STRAITS TIMES

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LATEST NEWS

15 December 2013 | last updated at 01:22PM Email Print

Mesiniaga appoints new MD

KUALA LUMPUR: Mesiniaga Bhd, an ICT solutions provider and integrator, today announced the appointment of Mohamed Abdullah as Managing Director effective Jan 1, 2014.

Board of Directors of Mesiniaga Bhd has approved the appointment ... Mohamed Fitri succeeds Fathil Ismail, who will remain on the board

We did consider diversifying outside maybe six or seven years ago, but we decided we should focus on what we understand, says Fathil

Mesiniaga changing to stay relevant

Declining margins, stiff competition and commoditisation have cut into company profits — a sign change is necessary

Menara Mesiniaga in Subang Jaya, Selangor

is never easy and not everyone will initially agree with Mesiniaga's new

tract will be based on the successes its clients achieve, and this will encourage

to our customers," says Fathil.

With future profits in mind, Mesiniaga has invested in technology geared towards business analytics and mobility, two areas which can be expanded to create more value. The company has also invested in technology that will tie in with upcoming property developments.

"We have crafted an experience for the resident through technology called 'Smarter Communities', directed at real estate developments. The technology is about creating a total living experience, and will change the way people perceive homes. We develop the core technology on our own but have partnered with developers for the implementation," says Fathil. The technology is in use in several property developments in the Klang Valley and is expected to contribute up to 10% income over the next few years.

Looking for business partners

A road some businesses take when times get tough is to diversify outside the industry to maintain a steady stream of income; but Mesiniaga is confident this will not be necessary.

"We did consider diversifying outside maybe six or seven years ago, but we decided we should focus on what we understand. With new businesses there are new risks, so it is best to concentrate our resources on what we are good at," says Fathil.

The company plans to venture

Mesiniaga *alliances*

IN THE last 30 years, the technology landscape has changed tremendously. New trends have emerged resulting in a sea of change in the way companies around the world do business. Across the board, companies today are constantly on the lookout for solutions that will give them an edge over their global competition.

*General manager of Mesiniaga Alliances Sdn Bhd (MASB) **WILLIAM CHAU** shares a conversation with Outsourcing magazine's **SIMON VELLA** on how his company is constantly striving for ways to provide its customers with an experience that will allow them to achieve their business objectives.*

MASB was incorporated in 2010 as a fully-owned subsidiary of Mesiniaga Berhad, a systems integrator company. Mesiniaga Berhad's long-standing reputation of reliability serves as a powerful backbone to MASB in deploying its outsourcing services. MASB was developed behind 20 years of providing post project support services and 10 years of maintenance services experience with a core focus on "IT Outsourcing Excellence".

CORPORATE RESPONSIBILITY

We view Corporate Responsibility (CR) activities as strategic tasks that will integrate our business and employees with the surrounding community and environment, while creating sustainable value for the company and all our stakeholders. This is in line with the Mesiniaga CARE framework which is reflective of our long-term commitment to sustainable development.

Promoting comradeship and spirit of togetherness at the Fusil Cup golf tournament

PROMOTING BUSINESS ETHICS AND BEST PRACTICES

We are committed to ethical conduct and our statement on Corporate Governance also makes clear our commitment in complying with all other regulatory requirements. The Mesiniaga Business Conduct Guidelines – a stated policy in the Employee e-Handbook, defines our expectations for our employees' ethical behaviour. The guidelines cover areas of personal conduct, fairness in business, relationship with other organisations, use and dissemination of proprietary and confidential information; and fraud. We continue to maintain our ISO 9001:2008 accreditation and we remain committed in supporting the use of genuine software by instituting good software asset management practices. We strived towards adhering to any new measures such as the Competition Act 2010, enforced in 2012, and the Personal Data Protection Act 2010, enforced in 2013. We also improved our internal policies on ethics practice and sexual harassment by enhancing the reporting process flows.

ENSURING WORK-LIFE BALANCE

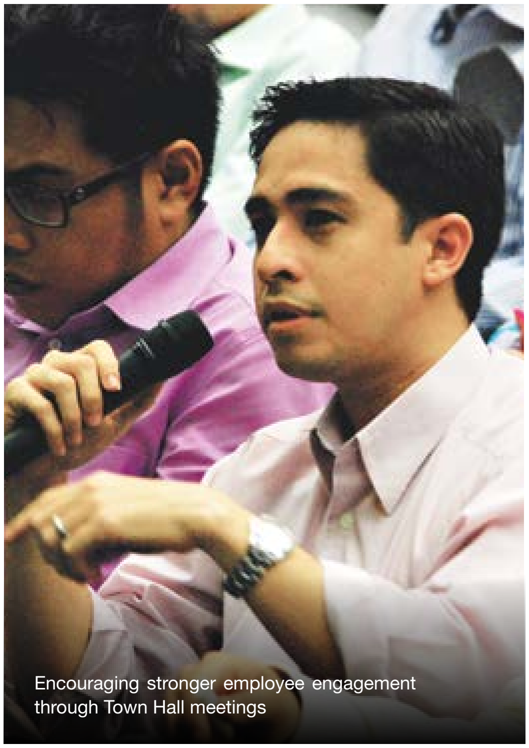
We strive to create an employee-friendly workplace and are committed to promoting work life balance. Our office premises are equipped with facilities such as a swimming pool, a recreational room and a nursing room. Employees can play miniature golf, pool, video games and darts in the Chill8 recreational area. We subsidise a portion of our employees' aerobics classes and external gym membership. Table tennis, futsal and badminton matches are held weekly and also funded by the company.

The Mesiniaga Sports and Recreational Club (MSRC) and the Penang Recreational Club (PRC) are on hand to organise a range of fun social activities from futsal matches to golf and badminton tournaments. We also promote health awareness and good financial practices with our yearly Mesiniaga Health Week and Finance Week events.

CREATING A HEALTHY AND SAFE WORKING ENVIRONMENT

Workplace health and safety are of the utmost importance to us. We identify, implement, monitor and reinforce a healthy and safe environment through company policies, compliance with laws and regulations, commitment from top management and organised activities. Examples of safety-related policies include the Health and Safety Policy, Fire Safety Policy, Smoking Policy, First Aid Policy and Infectious Diseases Outbreak Policy. The Human Resources Department works together with our Emergency Management Team (EMT) to monitor the enforcement of these policies.

We will continue to execute various health and safety-related activities as a follow-through from these policies to ensure a continued safe and healthy working environment.



Encouraging stronger employee engagement through Town Hall meetings

FOSTERING INNOVATION, CELEBRATING DIVERSITY

Communication is at the heart of how we do business. We also foster an environment that celebrates diversity and innovation. With our diverse backgrounds, new and exciting ideas are constantly formed towards improving and growing the company.

There are many avenues for formal communication to ensure proper and consistent dissemination of information to employees. The Year-Start and Mid-Year Kick Off events, MesiniagaComms2U sessions and Town Hall meetings are some of the formal communication avenues that allow our senior leadership team to impart important information on company goals and direction. These sessions provide an excellent platform for open dialogue with employees on their feedback and concerns.

We hold coffee sessions and roundtable sessions with the senior leadership team to enhance engagement with employees, as they involve a small group of employees at a time. It is also an excellent way to ensure employees get adequate face time with the senior leadership team.

Our other practices include an open door policy, as well as an ideas submission programme for employees to contribute suggestions on how to improve the workplace.

We believe that employee development is an investment towards our future. A highly skilled workforce is imperative if we are to sustain our success. We formulate programmes for employee development and provide them with the opportunity to explore new areas through internal transfers. Furthermore, employees enjoy partial tuition fees reimbursement when they enrol for courses in tertiary institutions. In 2013, we invested up to 1.8% of our total staff cost for training and skills development purposes.

High achievers and top talents are chosen and enlisted in the Accelerated Development Programme which not only aims at enhancing employee development, but also acts as an added assurance of a succession of dynamic future leaders.

We believe that workplace diversity can contribute positively towards creating a thriving working environment. With this, we remain committed to providing equal opportunities regardless of race, gender or religious background. As of December 2013, we have more than 900 employees, out of which 77% are Malays, 16% are Chinese, 5% are Indians and 2% are from other ethnic groups. 34% of our employees are female.

Apart from workplace diversity, we also provide both defined contribution and benefits plans. Defined contributions plan are EPF contributions for all employees and defined benefit plans are retirement plans that apply to 18% of permanent employees. In 2013, the provision for this retirement plan amounted to RM700,000. Other fringe benefits include health, accident and life insurance; medical, dental and maternity expenses; as well as car and housing loan interest subsidies. On top of this, deserving employees are regularly given due recognition through various ways such as Appreciation Lunches and Merit Awards. A total of 0.3% of staff cost was spent for employee recognition programmes.

ENHANCING CUSTOMER EXPERIENCE

We have made it our mission to help customers succeed. Our Customer Service Improvement (CSI) Executive works with various internal groups and customers to ensure prompt resolution of issues as well as facilitates the changes needed to improve our customer satisfaction level. We regularly measure customer satisfaction and loyalty through a variety of surveys and measurements. Our annual Mesiniaga Experience Survey helps provide an insight into how customers view us. For 2013, we received a score of 63%. We will continue to provide value driven solutions that address customer business needs as we believe this strategy will improve our overall score and ultimately, is the key to helping us achieve sustainable competitive advantage.

Showing appreciation towards outstanding employees with a lunch treat

BUSINESS REVIEW

Orphans from Rumah Amal Siraman Kasih during our Majlis Berbuka Puasa event

CARING FOR THE COMMUNITY

We maintain our objective to help address graduate unemployment in Malaysia. Our successful Mesiniaga Academy programme is currently in its seventh year. As of December 2013,94 students from various Polytechnic Colleges around Malaysia have been part of this programme, the majority of whom have graduated and found employment. This is a testament to the programme's effectiveness in equipping the students with marketable and relevant work experiences.

Last year, we gave our support to the Pantai Timur Flood donation drive. We also helped the less fortunate by feeding the homeless in Jalan Melaka, Kuala Lumpur. In addition to that, we played host to orphans from Rumah Amal Siraman Kasih, Rawang during our Majlis Berbuka Puasa event last year.

Our dedication in helping the poor families in Kampung Trong, Perak continues. We brought cheer to kindergarten children in Kampung Trong when their school was transformed with a new coat of paint, and equipped with furniture, toys and other necessities. We continue to donate food and other essentials to the poor families there.

Apart from our other various ad-hoc contributions to the community, we also continue our commitment to P. S. The Children, an NGO that educates adults and children on the prevention of child sexual abuse.

CARING FOR THE ENVIRONMENT

On 29 March 2014, we supported the global Earth Hour movement for the sixth time by switching the lights off for one hour. Our office buildings, Menara Mesiniaga and Mutiara Mesiniaga are renowned for their green features as both buildings are bioclimatic in design so as to minimise their impact on the environment. Additionally, we continue to practise other green initiatives, especially with regards to our internal IT systems. Recently, we improved our energy efficiency by adopting cloud-based solutions.

We believe that IT can further improve living standards and pave the way for sustainable living. As such, we remain committed and continue our collaboration with property developers to build sustainable cities.

We have also embraced other green concepts which included the virtualisation of our servers and switching to energy efficient light bulbs, further displaying our commitment in reducing energy consumption.

We continue our practice of recycling items such as non-confidential documents, newspapers, peripherals, cardboards and unused or old computer equipment.

ENSURING OPERATIONAL EXCELLENCE

Constantly improving efficiency in all operational aspects


Mesiniaga

BOARD OF DIRECTORS

DATUK WAN MOHAMED FUSIL, DMSM, 63
CHAIRMAN AND EXECUTIVE DIRECTOR

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 Fusil was the Chief Executive Officer of Mesiniaga until 31 December 2007. Prior to joining Mesiniaga, Datuk Wan 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 Fusil is one of the first serving Board Members of Multimedia Development Corporation (MDeC) and is also one of the founding members of the Association of Computer and Multimedia Industry Malaysia (PIKOM). He has held several positions in PIKOM including serving as Councillor (1987), Deputy Chairman (1989-1991) and Chairman (1991/92). Datuk Wan Fusil graduated with a Diploma in Accountancy from ITM (now known as UiTM).

MOHAMED FITRI ABDULLAH, 50
MANAGING DIRECTOR
From 1 January 2014

Mohamed Fitri Abdullah was appointed to the Board on 1 January 2014 when he joined the company as Managing Director. He has over 25 years of experience in the ICT industry in both local and international settings. Within the past 12 years of his career, he held various senior leadership positions in several companies such as Maxis Berhad and Hewlett-Packard. His last position before joining Mesiniaga was with Maxis as Senior Vice President and Head of Maxis Business Services where he was responsible for the Corporate, Government, SME and wholesale business for Maxis. Fitri has a Bachelor of Science degree in Computer Science from Indiana State University, a Master of Science degree in Computer Science from Arizona State University and attended the Advanced Management Program from Harvard Business School in 2011.

MOHD PUZI AHAMAD, RA (M), FCCA, 61
CHIEF FINANCIAL OFFICER
AND EXECUTIVE DIRECTOR

Mohd Puzi Ahamad was appointed to the Board on 17 December 1981 as part of the team who founded the company. Prior to joining the company, he served with IBM Malaysia in various capacities over a seven-year period from 1974-1981. His last position with IBM Malaysia was Sales and Administration Manager. A trained accountant who graduated from ITM (now known as UiTM), Mohd Puzi is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) and a member of the Malaysian Institute of Accountants (MIA).

VOON SENG CHUAN, 55
INDEPENDENT NON-EXECUTIVE DIRECTOR

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. Since 1983, Voon has served with IBM Malaysia 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 and Strategy for Asia Pacific. Voon holds a Bachelor of Science degree in Mathematics from Universiti Malaya.

FATHIL ISMAIL, 50
MANAGING DIRECTOR
Until 31 December 2013
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
From 1 January 2014

Fathil Ismail was appointed to the Board on 1 June 2002. Between 2008 and 2013, he helmed the company as Managing Director. From 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 (now known as ING Employee Benefits) 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).

ABDUL TALIB BABA, RA (M), FCCA, 68
INDEPENDENT NON-EXECUTIVE DIRECTOR

Abdul Talib bin Baba was appointed to the Board on 21 August 2007. Abdul Talib is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) and is a registered member of Malaysian Institute of Accountants (MIA). He started his career with the Ministry of Defence in 1965 before joining the Department of Civil Aviation (DCA) in 1973. Abdul Talib left DCA to join Petronas Berhad as a Senior Internal Auditor in 1980 and subsequently served in Petronas Penapisan Sdn. Bhd. and Petronas Mitco Sdn. Bhd. He retired from Petronas in October 1999. Currently Abdul Talib is also sitting on the board of PFCE Berhad and Emas Kiara Industries Berhad.

WONG FOOK HON, 70
INDEPENDENT NON-EXECUTIVE DIRECTOR

Wong Fook Hoon was appointed to the Board on 1 August 2008. Wong 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 Masters in Engineering in Aeronautics.

DATO' AB RASHID MAT ADAM, DIMP, 64
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Ab Rashid Mat Adam was appointed to the Board on 30 December 2008. Dato' Ab Rashid began his career in 1974 as a Principal Assistant Director in the Malaysian Public Services Department (PSD). After a 10-year stint in PSD, he served in various capacities in several government ministries and agencies such as the Malaysian Highway Authority, Ministry of Finance and Ministry of National Unity and Social Development. He was appointed as the Deputy Director General of the National Anti Dadah Agency in 1996. His last posting before retiring was as the Deputy Secretary General 1 in the Ministry of Home Affairs. Dato' Ab Rashid holds a Bachelor of Arts in International Relations from Universiti Malaya and a Masters in Public Administration from University of Southern California.

IR. DR. MUHAMAD FUAD ABDULLAH, 61
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Ir. Dr. Muhamad Fuad Abdullah was appointed to the Board on 16 July 2010. He began his career in 1977 as an Electrical Engineer in the Malaysian Public Works Department. After spending six years in the technical area, he took on the position of Engineering Logistics Manager in Uniphone Sdn. Bhd. He then served as a tutor in Universiti Kebangsaan Malaysia (UKM) in 1992 and thereafter became the Vice President in Kolej UNITI in 1996. He was also the Managing Director of Five-H Associates Sdn Bhd. and CEO of Kausar Corporation Sdn Bhd. He is now the owner of Muhamad Fuad Consulting and a Director in MIDF Berhad, MIDF Property Berhad, Institut Kefahaman Islam Malaysia, Sime Darby Berhad and Sime Darby Property Berhad. He is a Fellow of the Institution of Engineers Malaysia and an Accredited Mediator for the Construction Industry Development Board (CIDB) Malaysia. Ir. Dr. Muhamad Fuad holds a Bachelor of Science in Electrical Engineering and an M.Phil in Electrical Engineering from University of Southampton. He also holds a Bachelor of Arts (Jayyid) in Syariah from Jordan University and a Ph.D in Muslim Civilisation from University of Aberdeen.

All Board Members are Malaysian citizens. All Board Members have no other relationship among themselves or with any of the substantial shareholders of the Company except for Fathil Ismail who has a kin relationship with Safiah Sulaiman Ismail, a substantial shareholder of the Company. All Board Members 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 Abdul Talib Baba and Ir. Dr. Muhamad Fuad Abdullah 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.

Details of the Directors' membership in the Board Committees are listed in the Corporate Information on page 8.

SENIOR
MANAGEMENT TEAM

GOVERNANCE

1. DATUK WAN MOHAMED FUSIL
EXECUTIVE CHAIRMAN

Refer to profile on Board of Directors page.

2. MOHAMED FITRI ABDULLAH
MANAGING DIRECTOR

Refer to profile on Board of Directors page.

3. MOHD PUZI AHAMAD, RA (M), FCCA
CHIEF FINANCIAL OFFICER

Refer to profile on Board of Directors page.

4. GOH SEE WEE
CHIEF OPERATING OFFICER

Goh See Wee joined the company in 2013 as the Director of Operations. He became the Chief Operating Officer in 2014. He is responsible for driving operational excellence and effectiveness for our delivery, implementation and support divisions. He brings with him many years of ICT management and leadership experience with several multi-national banks. He was the global head of the development centre for Standard Chartered Bank in Malaysia before joining UOB Bank in Singapore as the technology head for their wholesale bank, treasury, asset management and risk functions. He graduated with a diploma from the Malaysian Institute of Management and holds an MBA from University of Bath.

5. SUHAIMI SULONG
DIRECTOR OF HUMAN RESOURCES

Suhaimi Sulong joined the company in 2014 as Director of Human Resources. He brings with him over 15 years of experience in the HR industry which included successful development and implementation of strategic HR programmes on both local and international levels at Maxis, Proton Holdings Berhad and IBM. As the Head of Government Affairs at Maxis, he led government engagement initiatives in Maxis, while at Proton, he served as the Director of Group Human Resources and was responsible for driving the Human Resource Transformation framework which supported the company's initiatives towards becoming the leading Asian automotive company. Suhaimi graduated with a Diploma in Mechanical Engineering from ITM (now known as UiTM).

6. YEOW DAW SWEE
DIRECTOR OF PROCESS AND INFORMATION OFFICE

Yeow Daw Swee started his career with the company in 1982 as a Product Support Representative. After spending five years in the technical support area, he was promoted to Advisory Systems Engineer in 1988. In 1989, he was promoted to Technical Support Manager and subsequently to Country Support Manager in 1993. He was appointed General Manager for Services in 1997, responsible for the Technical Support and Services Business unit. He was then appointed Director of Marketing Services on 1 October 2000 where he was responsible for the solution units that eventually evolved into the Enterprise Solutions Division. Through several subsequent organisational restructuring his portfolio included Technology Research and Innovation; Solutions, Services and Technology; and Northern Region Sales. Yeow is now the Director of Process and Information Office.

7. NORDIN MAT ISA
DIRECTOR OF SALES, TELCO AND PUBLIC SECTOR BUSINESS

Nordin Mat Isa joined the company in 2008 as Head of Public Sector Business. Within two years, he successfully led his team to expand the scope of public sector sales and increase its revenue. He was subsequently further entrusted with the Infrastructure Services Sales portfolio and in December 2010, he became the Director of Sales for Public Sector and Infrastructure Business. 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 in Computer Science, Mathematics and Statistics from Australian National University.

8. SAFARUDDIN JAIS, CA (M), ACMA
GENERAL MANAGER, FINANCE AND CORPORATE SERVICES

Safaruddin Jais has had a long-standing career with the company starting with his first job as Accounts Assistant Trainee in 1985. Within the space of ten years, he climbed up the ranks to become Accounting Services Manager. After four years in this position, his scope of responsibility was increased and he was appointed as the General Manager for Finance and Corporate Services responsible for the organisation's entire financial operations. He is an Associate Member of the Chartered Institute of Management Accountant (CIMA) and a member of the Malaysian Institute of Accountants (MIA). Safaruddin graduated with a Diploma in Accountancy from ITM (now known as UiTM).

9. PATRICIA CHAN
GENERAL MANAGER, ARCHITECTING

Patricia has been with the company since 1989 when she first became a Trainee Programmer Analyst. After nine years of serving as a programmer analyst and subsequently a systems analyst, she took on the post of Development Services Manager in 1998. From then on, she has held various managerial positions including for Sales Support, Implementation Services, Systems Integration and Solutions Integration. In December 2010, she was promoted to General Manager in charge of an extensive portfolio comprising Solutions Integration, Internal Systems and Application Development. She is now the General Manager for Architecting, taking on the responsibility of ensuring that the design and quality of our proposed solutions best fit customer business requirements. Patricia graduated with a Bachelor in Computer Science from Universiti Sains Malaysia.

10. NUR HARYATI HISHAM
GENERAL MANAGER, CUSTOMER ENGAGEMENT AND RETENTION BUSINESS

Nur Haryati first joined the company in 1997 as a Graduate Trainee in the company's Entry Level Trainee (ELT) program. After which, she served as an Application Engineer for seven years. In 2004, she became one of the company's youngest managers when she was promoted to Information Systems Manager. Three years later, she took up a new challenge as the Human Resource Manager responsible for aligning the company's human capital requirements to its business strategy. In 2013, she was made the General Manager of Maintenance and Managed Services responsible for managing customer support operations. Starting January 2014, she became the General Manager of Customer Engagement and Retention Business where she will be driving customer engagement and retention. Nur Haryati graduated with a Bachelor in Business and Management Studies from the University of Salford and holds an MBA from Universiti Malaya.

11. MASTURA MAJID
GENERAL MANAGER, PROJECT MANAGEMENT

Mastura Majid began her career in the company in 1985 as a systems engineer. After eight years of serving as a systems engineer and subsequently an office systems specialist, she took on the position of Customer Support Manager in 1993. From then on, she held various managerial positions including for SAP Technical team; SAP Business unit; Systems Infrastructure Management Solutions unit; Strategic Plan Implementation; and Project Management unit. In 2012, she was promoted to General Manager for Project Management unit. She now heads the Project Management division. Mastura graduated with a Bachelor's degree in Mathematical Engineering from Aston University, Birmingham.

12. MOHD AZMAN MD ARIS

GENERAL MANAGER, SYSTEMS ENGINEERING

Mohd Azman Md Aris joined the company in 2011 as the General Manager for Service Delivery Operations, where he was responsible for driving productivity and efficiency of the post-sales teams. In January 2014, he became the General Manager of Systems Engineering and his portfolio expanded to include management of pre-sales teams. His past employers included Ericsson and DHL, where he worked as the Head of Corporate Network and Head of Telecom Solution respectively. He graduated with a Master's degree in Computer Science from Binghamton University, New York. He is also a Certified PRINCE2 Practitioner.

13. WAN YUSSMAN WAN YUSOF

GENERAL MANAGER, SOFTWARE ENGINEERING

Wan Yussman Wan Yusof joined the company in 2014 as the General Manager of Software Engineering. With over 15 years of experience in the IT industry, he specialises in leveraging technology and developing talent to drive organisational growth as well as to expand intellectual property capital. He also brings to the company his experience of working in diverse environments of start-up, high-growth and outsourcing companies with exposure in logistics, oil and gas, FMCG and ecommerce industries. Yussman's previous roles included Senior Director of Software Engineering for Monster Technologies; and Global Build Manager, Marketing IT for British American Tobacco. He graduated with a Bachelor of Science, Information and Decision Systems from Carnegie Mellon University.

AWARDS AND
PARTNERSHIP STATUS

WE RECEIVED A NUMBER OF SIGNIFICANT AWARDS AND PARTNERSHIP STATUS THROUGHOUT 2013. THESE ACCOLADES REFLECT OUR CREDIBLE BUSINESS PERFORMANCE AND LOYALTY TO OUR BUSINESS PARTNERS.

1. Avnet CommVault Rising Star Award 2013
2. Symantec FY13 Top Performance Partner (Enterprise) Award
3. HP Million Dollar Award 2013
4. IBM Authorised Software Value Plus Partner 2014
5. IBM Top Performer for Rational IBM Software Group 2013
6. i-Sprint Preferred Partner 2013/2014
7. ACA Pacific Top Achiever Enterprise Security & Networking Solutions 2013

STATEMENT OF
CORPORATE GOVERNANCE

CODE

The Board, in its pursuit of discharging their roles and responsibilities to protect and enhance shareholder value and the financial performance of the Company, recognises, and commits to adhering to, the requirements and guidelines of the Malaysian Code on Corporate Governance 2012 ("the Code").

The Board of Directors is of the view that it has satisfied the major recommendations in the Code. A key outstanding recommendation is with regards to Recommendation 3.5, which requires the board to comprise a majority of independent directors where the chairman of the board is not an independent director.

Another outstanding recommendation is pertaining to Recommendation 1.7 on the disclosure of its Board Charter to the public. The Board Charter incorporating all relevant provisions derived from its Articles of Association; Main Market Listing Requirements; Malaysian Code on Corporate Governance 2012; Corporate Governance Guide; and Code of Ethics for Directors as issued by the Companies Commission is currently being formalised and should be made available to the public by mid-year 2014.

The company will continue to strengthen its governance practices to safeguard the best interest of its shareholders and other stakeholders.

The following is a summary of the Company's practice of the Code on Corporate Governance:

THE BOARD OF DIRECTORS

The Board is entrusted with leading and overseeing the business of the Group. The Board is responsible for the Group's progress and for ensuring that the Group is well managed. It also sets the group's strategic direction and objectives. The Board is also responsible for approving performance targets, monitoring the Management's achievements, providing overall policy guidance and ensuring that policies and procedures for internal control systems are in place.

Throughout 2013, the Board of Directors met four times. Details of the meetings are as follows:

	9 APR 2013	19 JUN 2013	10 OCT 2013	5 DEC 2013
DATUK WAN MOHAMED FUSIL WAN MAHMOOD	Y	Y	Y	Y
MOHD PUZI AHAMAD	Y	Y	Y	Y
VOON SENG CHUAN	Y	Y	Y	Y
FATHIL SULAIMAN ISMAIL	Y	Y	Y	Y
ABD TALIB BABA	Y	Y	Y	Y
WONG FOOK HON	Y	Y	Y	Y
DATO' AB RASHID MAT ADAM	Y	Y	Y	Y
IR. DR. MUHAMAD FUAD ABDULLAH	Y	Y	Y	X

Key: Y - Attended X - Absent with Aplogies

All meetings were held at the Conference Room, 11th Floor, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan. The Directors exercised independent judgements to bear on all issues presented at the Directors' meetings which among others incorporate issues on strategies, performance and resources.

Board Balance

From 1 April 2013 and throughout the rest of the year in 2013, the Board consists of three (3) Executive Directors and five (5) Non-Executive Directors; four (4) of whom are Independent Non-Executive Directors.

The representation of the members of the Board is as follows:

		%
Executive Directors	3	37.5
Non-Independent Non-Executive Directors	1	12.5
Independent Non-Executive Directors	4	50.0

The composition, though compliant with the listing requirements of Bursa Securities, which requires that at least one third of the Board should comprise independent directors, does not satisfy Recommendation 3.5 of the Code which stipulates that the Board must comprise a majority of independent directors where the chairman of the Board is not an Independent Director. The Independent Non-Executive Directors as a group however forms the largest group of directors on the Board.

The existing Directors bring a wide range of business, commercial and financial experience relevant to the Company. A brief description on the background of each Director is presented in the Directors Profile column on pages 38 t0 42.

Supply of Information

The Board is provided with written reports and supporting information ahead of meetings of the Board and in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be sufficiently well-informed before the meeting.

At each Directors meeting, a special briefing on the Company's operations by the Company's senior managers was also presented. The special briefings by the senior managers were to allow the Directors to actively and effectively participate in determining the Company's direction.

All Directors have access to the service of the Company Secretary and if so required, could also engage independent professional advice at the Company's expense.

Re-election

In accordance with the Company's Articles of Association, all Directors are to retire from office at least once every three years but shall be eligible for re-elections.

Directors' Training

All Board members have attended the Mandatory Accreditation Programme (MAP) orgnanised by Bursa Securities. In addition, Board members have also attended various training programmes which the Board believes have aided them in discharging their duties as Directors of the Company.

COMMITMENT OF DIRECTORS

All Board members commit to attend all Board meetings. This was evidenced by the full attendance of all Board members at Board meetings held in year 2013, with the exception of a meeting held on 5 December when a Director was absent with apologies.

DIRECTORS' REMUNERATION

The Executive Directors remuneration is determined by the Remuneration Committee, which is headed by Voon Seng Chuan. Considerations such as Director's responsibilities, experience and market rates are taken into account when deciding remuneration.

Details of the remuneration for the Directors are as follows:

	Basic Salary RM	Fees RM	Bonus RM	Benefits -in-kind RM	Pension RM	Others RM	Total RM
Executive Directors	1,430,120	0	24,300	0	157,436	281,257	1,893,113
Non-Executive Directors	0	211,000	0	0	0	28,000	239,000

Directors' Remuneration in Bands

	No. of Executive Directors	No. of Non-Executive Directors
Below RM50,000	0	3
Below RM100,00	0	2
RM500,000 to RM550,000	1	0
RM600,000 to RM650,000	1	0
RM700,000 to RM750,000	1	0

BOARD COMMITTEES

The main Board has delegated specific responsibilities to Board committees which operate within clearly-defined terms of reference. The committees are empowered to deliberate and examine issues delegated to them and report back to the Board with their recommendation and comments.

The various Board Committees and their composition are as listed on page 8. The chairmanship of the various Board committees is in compliance with the Code.

SHAREHOLDERS

Dialogue between the Company and Investors

The Managing Director provides updates on Company performance to analysts from time to time, especially after the announcement of the Company's quarterly financial results. The Company's web site www.mesiniaga.com.my is also accessible for further information.

The Annual General Meeting

At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. All Directors attend the Annual General Meeting.

An explanatory statement for the 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.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the Directors aim to present a balanced and easily understandable assessment of the Company's position and prospects. The Audit and Risk Management Committee assists the Board in ensuring accuracy and adequacy of information by reviewing the information for disclosure.

The Statement of Directors Responsibility pursuant to Section 169 of the Companies Act, 1965 is set out on page 53 of this Annual Report. The signed statement by Mohamed Fitri Abdullah and Mohd Puzi Ahamad is duly incorporated into the Company's audited financial statements for the year ending on 31 December 2013 as set out on page 65 of this Annual Report.

Internal Control

The Directors acknowledge their responsibility for the Company's system of internal controls which covers financial, operational and compliance controls, as well as risk management. The internal control system is designed and maintained to ensure that the risks faced by the business in pursuit of its objectives are identified and managed at known acceptable levels.

The Internal Audit department undertakes the internal audit functions in the Company while the Audit and Risk Management Committee coordinates the implementation of a group-wide risk management programme. The Company will continually review the adequacy and integrity of its system of internal control. Among others, input and recommendations from the external auditors would form as basis for any improvement to be made on its adequacy and integrity of its system of internal control.

RELATIONSHIP WITH AUDITORS

The role of the Audit and Risk Management committee is as stated on pages 56 to 58. Through the Audit and Risk Management committee of the Board, the Company has established transparent and appropriate relationships with the Company's auditors, both internal and external. When required, the external auditors attend the meetings of the committee.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Company as at the end of the financial year, and the statement of comprehensive income and cash flow of the Company for the financial year.

In preparing the financial statements of the Company for the year ended 31 December 2013, the Directors have ensured that the Company has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors have also considered that all applicable accounting standards have been followed and confirmed that the financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility to ensure that the Company maintains adequate accounting records which disclose with reasonable accuracy the financial position of the Company to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 1965.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the Company's system of internal control, which includes the establishment of an appropriate risk management system and internal control framework, involving financial, organisational and operational aspects of the Company.

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

The Company's internal control system encompasses the policies, procedures, processes, tasks and other aspects of the company and is reflected in the control environment which encompasses the organisation structure, governance activities including policies, procedures and the code of conduct. While risk management is a proactive on-going process involving identification, assessment, control, monitoring and reporting of risk exposures. The existence of an Audit and Risk Management department provides the Board with assurance regarding the adequacy and integrity of internal controls within the Company.

A Risk Management Committee was established on 15 August 2011. Its function was to coordinate 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 more structured and focused approach in managing the Group's significant business risks.

Risk management is an on-going process to ensure a more coordinated and consistent approach in managing the Group's risk exposures. The risk management programme would be subjected for review by the Audit and Risk Management committee (ARMC) for and on behalf of the Board. On 5 December 2013 the ARMC had presented to the Board, the Company's risk profile as at 30 September 2013 for the Board's attention.

Additionally and separately, the Audit and Risk Management Department performs on-going reviews of processes and activities within the Company in accordance to an internal audit plan. This audit plan was approved by the ARMC on the 22 November 2012 and was based on the areas of significant risk exposure to the company. The internal audit reports provide independent assurance and assessment on the effectiveness and soundness of internal controls mechanisms and ensure that they are in place. All findings are reported to the ARMC and recommended actions are placed upon the respective management for implementation. Such process had been in place for the financial year ended 31 December 2013 and it is an on-going process for the Company.

As assured by the Managing Director and the Chief Financial Officer during the ARMC meeting and Board meeting dated 31st March 2014, based on the risk management and internal control system adopted by the Company, the Board is of the view that the established policies and procedures are adequate and effective. The Board remains committed in ensuring a sound system of risk management and internal control and therefore recognises that the systems must continuously evolve to support growth and will take any appropriate action plans, when necessary, to further enhance the Company's system of risk management and internal control.

The Company strives to ensure that proper processes are in place and will further enhance these practices based on the recommendations of Malaysian Code on Corporate Governance and the Guidelines for Directors of Listed Issuers to comply with the Statement on Risk Management and Internal Controls ("Guidelines"). In view of the Guidelines, the Board performed reviews on the current systems within the Company, including the assurance process to strengthen the internal controls and risk management in the Company.

BOARD OF DIRECTORS
MESINIAGA BERHAD

AUDIT AND RISK MANAGEMENT COMMITTEE

CHAIRPERSON

ABD TALIB BABA
Independent Non-Executive Director

MEMBERS

WONG FOOK HON
Independent Non-Executive Director

DATO' AB RASHID MAT ADAM
Independent Non-Executive Director

SECRETARY

SYED JAMALLUDIN SYED OSMAN JAMALLULAIL
Audit & Risk Manager
Head of Audit & Risk Department

TERMS OF REFERENCE FOR THE AUDIT AND RISK MANAGEMENT COMMITTEE

Size and Composition

The Committee shall be appointed by the Board of Directors of Mesiniaga from amongst their members and shall consist of not less than three members, the majority of whom shall be Independent Directors.

At least one member of the Committee:

a. must be a member of the Malaysian Institute of Accountants; or

b. if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three years' working experience and;

c. he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

d. 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

e. fulfils such requirements as prescribed by Bursa Securities.

The Chairperson of the Committee shall be an Independent Director.

Frequency of Meetings
Meetings shall be held not less than four times a year and as and when required during the financial year. The quorum for a meeting shall be at least two Directors.

Secretary
The Secretary of the Audit and Risk Management committee shall be the Head of Audit and Risk Department of the Company. Minutes of meetings shall be recorded.

Purpose of the Committee
The primary objective of the Audit and Risk Management committee is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting, risk management and internal control.

Functions and Duties
The functions and duties of the Audit and Risk Management Committee are:

1. To consider the appointment of the external auditor, the audit fee and any questions of their resignation or dismissal.
2. To review the scope, functions and resources of the internal audit and risk management functions.
3. To review the internal audit programme and monitor its implementation.
4. To review the internal audit reports and follow-up on the action taken to implement the recommendations of the internal auditor.
5. To review the year-end financial statements, prior to the approval by the Board of Directors.
6. To review and approve the release of the quarterly results.
7. To review the related party transactions and conflict of interest situations within the company or group.
8. To review risk management reports.
9. To perform other related duties as directed by the Board of Directors.

Meetings Held

	27 FEB 2013	9 APR 2013	29 MAY 2013	5 AUG 2013	21 NOV 2013
ABD TALIB BABA	Y	Y	Y	Y	Y
WONG FOOK HON	Y	Y	Y	Y	Y
DATO AB RASHID MAT ADAM	Y	Y	Y	Y	Y

Key: Y - Attended

Summary of Activities

1. Review and approve financial results announcement to Bursa Securities.
2. Review and adopt quarterly financial results.
3. Review yearly financial statements and recommend to the Board of Directors for adoption of yearly financial results.
4. Review related party transactions.
5. Review internal audit plan, functions and resources.
6. Review internal audit reports and risk management reports
7. Participate in training programmes in related areas.
8. Review with the external auditor, the audit plan, evaluation of the system of internal controls, audit report and assistance given by the company's officers to the auditors.
9. Attend independent meetings with external auditor.

Summary of Audit and Risk Management Functions:

1. Prepare annual audit plan.
2. Perform field audit and assessment to comply with policies and procedures, and operating effectiveness and controls.
3. Present reports on audits assignment.
4. Present reports on risk profile status and movements.
5. Maintain effective audit programmes.
6. Maintain up-to-date Company's risk profile.
7. Follow-up on mitigation controls for all risks
8. Prepare Audit and Risk Management Committee (ARMC) meeting minutes for review.
9. Perform secretarial functions to the ARMC.
10. Plan and coordinatie ISO Quality audit
11. Provide full cooperation to the external auditors in carrying out their audit.
12. Perform any other functions as instructed by the ARMC and the Board of Directors.

OTHER INFORMATION REQUIRED **BY THE LISTING REQUIREMENT OF BURSA SECURITIES**

UTILISATION OF PROCEEDS

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

SHARE BUYBACK

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options issued and exercised throughout the year 2012 and the Company did not implement any other options, warrants or convertible securities.

AMERICAN DEPOSITORY RECEIPT (ADR) / GLOBAL DEPOSITORY RECEIPT (GDR)

During the financial year, the Company did not enter into any ADR/GDR transactions.

SANCTIONS AND/OR PENALTIES

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

NON-AUDIT FEES

An amount of RM58,000 was paid for tax services provided by PwC Taxation Services Sdn. Bhd.

VARIATION IN RESULTS

There was no significant difference between the audited and unaudited results.

PROFIT GUARANTEE

The Company has never provided any profit guarantee.

MATERIAL CONTRACTS

There were no material contracts by the Company and its subsidiaries involving directors or substantial shareholders' interest during the financial year.

CONTRACTS RELATING TO LOAN

There were no contracts 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 2012.

EMPLOYEE SHARE OPTION SCHEME

The Company did not implement any employee share options scheme in the Financial Year 2013.

DIRECTORS' **REPORT**

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is principally involved in the sale of information technology products and related services. The principal activities of the subsidiaries are described in Note 15 to the financial statements.

There have been no significant changes in the principal activities of the Group and the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Loss for the year attributable to:		
Equity holders of the Company	7,644	4,730
Non-controlling interests	(1,659)	0
Loss for the financial year	5,985	4,730

DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since 31 December 2012 are as follows:

	RM'000
In respect of the financial year ended 31 December 2012 as shown in the Directors' report of that financial year:	
- final gross dividend of 21sen per share, less income tax of 25%, paid on 5 July 2013	9,513

The Directors now recommend the payment of a single tier dividend of 10sen per share of RM1.00 each, amounting to RM6,040,200 subject to the approval of the members at the forthcoming Annual General Meeting

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Mohamed Fitri Abdullah (Appointed 1 January 2014)
Datuk Wan Mohamed Fusil bin Wan Mahmood
Mohd Puzi bin Ahamad
Voon Seng Chuan
Fathil Sulaiman Ismail
Abdul Talib Baba
Wong Fook Hon
Dato' Ab Rashid bin Mat Adam
Ir. Dr. Muhamad Fuad bin Abdullah

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being an arrangement with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the Directors' remuneration disclosed in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company are as follows:

	Number of ordinary shares of RM1.00 each			
	At 01.01.2013 '000	**Bought '000**	**Sold '000**	**At 31.12.2013 '000**
Datuk Wan Mohamed Fusil bin Wan Mahmood(1)	3,726	0	0	3,726
Mohd Puzi bin Ahamad(2)	3,919	0	0	3,919
Fathil Sulaiman Ismail	6,598	0	200	6,398
Wong Fook Hon	1	0	0	1
Voon Seng Chuan	260	0	0	260

(1) Including interests held under nominee accounts with CIMB Trustee Berhad, Citicorp Nominees (Tempatan) Sdn. Bhd., Alliancegroup Nominees (Tempatan) Sdn. Bhd. and Cimsec Nominees (Tempatan) Sdn. Bhd.

(2) Including interests held under nominee accounts with CIMB Trustee Berhad and Citicorp Nominees (Tempatan) Sdn. Bhd.

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Other than those disclosed above, according to the Register of Directors' Shareholdings, none of the other Directors in office at the end of the financial year held any interest in shares, options over shares and debentures of the Company and its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

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

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

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or

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

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group or the Company misleading or inappropriate.

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

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

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 which would render any amount stated in the financial statements misleading.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

In the opinion of the Directors:

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

(b) 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 or the Company for the financial year in which this report is made.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 March 2014.

MOHAMED FITRI ABDULLAH
DIRECTOR

MOHD PUZI BIN AHAMAD
DIRECTOR

STATEMENT **BY DIRECTORS**

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

We, Mohamed Fitri Abdullah and Mohd Puzi bin Ahamad, two of the Directors of Mesiniaga Berhad, state that, in the opinion of the Directors, the financial statements on pages 69 to 127 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2013 and of their financial performance and the cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

The supplementary information set out in Note 32 on page 128 have been prepared in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 March 2014.

MOHAMED FITRI ABDULLAH
DIRECTOR

MOHD PUZI BIN AHAMAD
DIRECTOR

STATUTORY **DECLARATION**

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

I, Mohd Puzi bin Ahamad, the Director primarily responsible for the financial management of Mesiniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 69 to 127 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MOHD PUZI BIN AHAMAD
DIRECTOR

Subscribed and solemnly declared by the abovenamed, Mohd Puzi bin Ahamad, at Subang Jaya in Malaysia on 31 March 2014 before me.

COMMISSIONER FOR OATHS

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF MESINIAGA BERHAD (Incorporated In Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Mesiniaga Berhad, on pages 69 to 127, which comprise the statements of financial position as at 31 December 2013 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 a summary of significant accounting policies and other explanatory information, as set out on Notes 1 to 31.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MalaysianFinancial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, 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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

(c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information on Note 32 to the financial statements on page 128 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

IRVIN GEORGE LUIS MENEZES
(No. 2932/06/14 (J))
Chartered Accountant

Kuala Lumpur
31 March 2014

STATEMENTS OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue	5	281,007	326,350	262,268	307,178
Changes in inventories of finished goods		9,788	(10,426)	7,575	(5,315)
Finished goods purchased		(166,502)	(148,718)	(134,400)	(146,536)
IT services purchased		(26,524)	(43,548)	(100,316)	(96,364)
Staff cost	6	(79,838)	(83,777)	(42,027)	(48,699)
Depreciation and amortisation		(7,381)	(6,816)	(2,288)	(2,413)
Travelling expenses		(3,706)	(5,146)	(601)	(986)
Office administrative expenses		(6,913)	(7,719)	(6,299)	(6,409)
Other operating expenses		(2,315)	(4,787)	(7,252)	(4,045)
Other operating income		770	1,253	18,951	15,947
(Loss)/profit from operations	7	(1,614)	16,666	(4,389)	12,358
Finance cost	8	(1,216)	(1,060)	(1,216)	(1,060)
(Loss)/profit before taxation		(2,830)	15,606	(5,605)	11,298
Taxation and Zakat	9	(3,155)	(4,167)	875	(751)
(Loss)/profit for the financial year		(5,985)	11,439	(4,730)	10,547
Item not reclassified to profit and loss					
Actuarial gain on defined benefit plan		415	0	415	0
Total comprehensive (loss)/income for the financial year		(5,570)	11,439	(4,315)	10,547
(Loss)/profit for the financial year attributable to:					
Equity holder of the Company		(7,644)	9,738	(4,730)	10,547
Non-controlling interests		1,659	1,701	0	0
(Loss)/profit for the financial year		(5,985)	11,439	(4,730)	10,547
Total comprehensive (loss)/income for the financial year attributable to:					
Equity holders of the Company		(7,229)	9,738	(4,315)	10,547
Non-controlling interests		1,659	1,701	0	0
Total comprehensive (loss)/income for the financial year		(5,570)	11,439	(4,315)	10,547
(Loss)/earnings per share (sen)	10	(12.66)	16.12		

STATEMENTS OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	Group 2013 RM'000	Group 2012 (restated) RM'000	Company 2013 RM'000	Company 2012 (restated) RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	62,595	66,710	53,609	54,456
Intangible assets	13	1,217	0	0	0
Investment property	14	1,394	1,418	1,394	1,418
Investment in subsidiaries	15	0	0	1,985	1,235
Finance lease receivables	19	612	1,141	612	1,141
Deferred tax assets	16	1,781	360	1,458	0
		67,599	69,629	59,058	58,250
Current assets					
Inventories	17	15,814	25,602	2,112	9,687
Trade and other receivables	18	121,914	218,889	134,422	222,266
Tax recoverable		517	4,319	490	4,319
Deposits with licensed financial institutions	20	24,947	6,191	16,603	103
Cash and bank balances	20	6,109	5,323	1,638	2,851
		169,301	260,324	155,265	239,226
TOTAL ASSETS		236,900	329,953	214,323	297,476
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the company					
Share capital	25	60,402	60,402	60,402	60,402
Share premium	27	4,126	4,126	4,126	4,126
Retained earnings	26	102,000	118,742	77,976	91,804
		166,528	183,270	142,504	156,332
Non-controlling interests		10,697	10,030	0	0
TOTAL EQUITY		177,225	193,300	142,504	156,332
Non-current liabilities					
Post-employment benefits					
Obligations	23	2,871	3,426	2,871	3,426
Finance lease liabilities	24	571	4,586	571	4,586
Deferred tax liabilities	16	1,846	3,027	0	282
		5,288	11,039	3,442	8,294
Current liabilities					
Trade and other payables	21	39,760	71,122	55,737	79,534
Borrowings	22	12,640	52,903	12,640	52,903
Taxation		1,987	1,589	0	413
		54,387	125,614	68,377	132,850
		59,675	136,653	71,819	141,144
TOTAL EQUITY AND LIABILITIES		236,900	329,953	214,323	297,476

CONSOLIDATED STATEMENT **OF CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Group	Note	Issued and fully paid ordinary shares of RM1.00 each: Number of shares RM'000	Issued and fully paid ordinary shares of RM1.00 each: Nominal value RM'000	Share premium (Note 26) RM'000	Distributable: Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2012								
- as previously stated		60,402	60,402	4,126	119,837	184,365	9,247	193,612
Effect of adoption of MFRS 119	30	0	0	0	(1,320)	(1,320)	0	(1,320)
At 1 January 2012 - as restated		60,402	60,402	4,126	118,517	183,045	9,247	192,292
Transactions with owners:								
Final dividends:								
- 31 December 2011	11	0	0	0	(9,513)	(9,513)	(918)	(10,431)
		60,402	60,402	4,126	109,004	173,532	8,329	181,861
Total comprehensive income for the financial year		0	0	0	9,738	9,738	1,701	11,439
At 31 December 2012		60,402	60,402	4,126	118,742	183,270	10,030	193,300
At 1 January 2013								
- as previously stated		60,402	60,402	4,126	120,062	184,590	10,030	194,620
Effect of adoption of MFRS 119	30	0	0	0	(1,320)	(1,320)	0	(1,320)
At 1 January 2013 – as restated		60,402	60,402	4,126	118,742	183,270	10,030	193,300
Transactions with owners:								
Final dividends:								
- 31 December 2012	11	0	0	0	(9,513)	(9,513)	(992)	(10,505)
		60,402	60,402	4,126	109,229	173,757	9,038	182,795
Total comprehensive loss for the financial year		0	0	0	(7,644)	(7,644)	1,659	(5,985)
Items not reclassified to profit and loss								
Actuarial gain on defined benefit plan		0	0	0	415	415	0	415
At 31 December 2013		60,402	60,402	4,126	102,000	166,528	10,697	177,225

COMPANY STATEMENT
OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Company	Note	Issued and fully paid ordinary shares of RM1.00 each Number of shares RM'000	Nominal value RM'000	Share premium (Note 26) RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2012 - as previously stated		60,402	60,402	4,126	92,090	156,618
Effect of adoption of MFRS 119	30	0	0	0	(1,320)	(1,320)
At 1 January 2012 - as restated		60,402	60,402	4,126	90,770	155,298
Transactions with owners:						
Final dividends:						
- 31 December 2011	11	0	0	0	(9,513)	(9,513)
		60,402	60,402	4,126	81,257	145,785
Total comprehensive income for the financial year		0	0	0	10,547	10,547
At 31 December 2012		60,402	60,402	4,126	91,804	156,332
At 1 January 2013 – as previously stated		60,402	60,402	4,126	93,124	157,652
Effect of adoption of MFRS 119	30	0	0	0	(1,320)	(1,320)
At 1 January 2013 – as restated		60,402	60,402	4,126	91,804	156,332
Transactions with owners:						
Final dividends:						
- 31 December 2012	11	0	0	0	(9,513)	(9,513)
		60,402	60,402	4,126	82,291	146,819
Total comprehensive loss for the financial year		0	0	0	(4,730)	(4,730)
Items not reclassified to profit and loss						
Actuarial gain on defined benefit plan		0	0	0	415	415
At 31 December 2013		60,402	60,402	4,126	77,976	142,504

STATEMENTS OF
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit after taxation		(5,985)	11,439	(4,730)	10,547
Adjustments for:					
Taxation		3,155	4,167	(875)	751
Amortisation of intangible assets		41	0	0	0
Depreciation:					
- property, plant and equipment		7,316	6,791	2,264	2,388
- investment property		24	25	24	25
Write-off of property, plant and equipment		14	0	6	0
Gross dividend income from subsidiaries		0	0	(14,033)	(12,275)
Interest expense		1,216	1,060	1,216	1,060
Interest income:					
- finance lease		(102)	(312)	(102)	(312)
- others		(482)	(407)	(241)	(143)
Retirement benefits		560	514	560	514
Write off of bad debts		224	2,323	224	2,323
Reversal of impairment of investment in subsidiaries		0	0	(750)	0
(Reversal)/impairment of amount due from subsidiaries		0	0	5,449	0
(Reversal)/impairment of receivables		(341)	336	317	(281)
Unrealised foreign exchange gain		(116)	(141)	(116)	(138)
		5,524	25,795	(11,421)	5,021
Changes in working capital:					
Inventories		9,788	(10,426)	7,575	(5,315)
Subsidiaries		0	0	(9,246)	6,568
Receivables		97,441	(57,179)	91,149	(53,630)
Payables		(26,123)	7,667	(24,093)	3,678
Cash generated from/(used in) operations		86,630	(34,143)	53,964	(43,678)
Interest paid		(1,216)	(1,060)	(1,216)	(1,060)
Retirement benefits paid		(700)	(350)	(700)	(350)
Tax paid		(4,483)	(5,040)	(402)	(1,719)
Tax refunded		3,106	1,586	3,019	0
Net cash generated from/(used in) operating activities		83,337	(39,007)	54,665	(46,807)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions on intangible assets		(1,005)	0	0	0
Purchase of property, plant and equipment		(3,468)	(6,265)	(1,430)	(1,331)
Interest received		584	371	343	107
Net dividends received from subsidiaries		0	0	14,033	11,956
Payments from/(advances to) subsidiaries		0	0	6,590	(8,634)
Net cash generated from/(used in) investing activities		(3,889)	(5,894)	19,536	2,098
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to shareholders of the company		(9,513)	(9,513)	(9,513)	(9,513)
Dividends paid to non-controlling interests		(992)	(918)	0	0
Proceeds from finance lease liabilities		874	11,780	874	11,780
Repayment of finance lease liabilities		(10,012)	(6,923)	(10,012)	(6,923)
Drawdown of borrowings		0	114,389	0	114,389
Repayment of borrowings		(40,263)	(71,406)	(40,263)	(71,406)
Net cash (used in)/generated from financing activities		(59,906)	37,409	(58,914)	38,327
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		19,542	(7,492)	15,287	(6,382)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		11,514	19,006	2,954	9,336
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	20	31,056	11,514	18,241	2,954

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

1 GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and the Company's shares are publicly traded on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally involved in the sale of information technology products and related services. The principal activities of the subsidiaries are described in Note 15 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company 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.

These financial statements were authorised for issue by the Board of Directors in accordance with their resolution on 31 March 2014.

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, 1965 in Malaysia.

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

The preparation of financial statements 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 judgment in the process of applying the Group's and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are effective

The following standards have been adopted by the Group and Company for the first time for the financial year beginning on or after 1 January 2013 and have an impact on the Group and/or Company:

- Amendment to MFRS 101 'Presentation of items of other comprehensive income' requires entities to separate items presented in 'other comprehensive income' (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future.

- Amendment to MFRS 119, 'Employee benefits' which results in the following changes on the Group's accounting policies:
  - to immediately recognise all past service cost in profit and loss
  - to recognise actuarial gains and losses in other comprehensive income in the period in which they arise
  - to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset)

Please refer to Note 30 for the effect to the financial statements.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

(i) Effective from financial year beginning on/after 1 January 2014

- The amendments to MFRS 136 'Impairment of assets' removed certain disclosures of the recoverable amount of CGUs which had been included in MFRS 136 by the issuance of MFRS 13.

- Amendment to MFRS 132, 'Financial Instruments: Presentation' (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counter parties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

- Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective from 1 January 2014) introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.

- IC Interpretation 21, 'Levies' (effective from 1 January 2014) sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liability to pay a levy is recognised when the obligating event occurs. Obligating event is the event identified by the legislation that triggers the payment of the levy

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)

(ii) Effective date yet to be determined by Malaysian Accounting Standards Board

MFRS 9, 'Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities' replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess MFRS 9's full impact. The Group will also consider the impact of the remaining phases of MFRS 9 when completed by the IASB Board.

The effects of the above standards are currently being assessed by the Directors.

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 over 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. 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 acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquire 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

Acquisition-related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

The excess of the consideration transferred, the amount of any any-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

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

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 INVESTMENTS IN SUBSIDIARIES

In the Company's separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, 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 operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Managing Director. Management has determined there is only one reportable segment based on the information reviewed by the Managing Director.

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 are presented in Ringgit Malaysia, which is 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 re-measured. 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, except when deferred in other comprehensive income as qualifying cash flows hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other (losses)/gains - net'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 FOREIGN CURRENCIES (CONTINUED)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position;
- income and expenses for each statement of comprehensive income or separate income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit and loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation on capital work-in-progress commences when the asset is ready for its intended use.

Depreciation of other property, plant and equipment is calculated on a straight-line basis to write off the cost of each asset to its residual value over their expected useful lives, at the following annual rates:

Building	2%
Machines	14% - 33%
Office equipment, furniture and fittings	7% - 33%
Motor vehicle	25%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. See accounting policy on impairment of non-financial assets.

The residual values, useful lives and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

All items of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds if any, and the net carrying amount is recognised in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 INVESTMENT PROPERTY

Investment property is property which is held to earn rental yields or for capital appreciation or for both and is not occupied by the Group. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided for on a straight line basis over the estimated useful life. Leasehold land is amortised over its remaining lease period of 96 years. The principal annual rates used for building is 2% per annum.

Investment property is de-recognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the financial year of retirement or disposal.

Transfer is made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.6 up to the date of change in use.

2.8 INTANGIBLE ASSET

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

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

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

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding four years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 INTANGIBLE ASSET (CONTINUED)

Depreciation on capital work-in-progress commences when the asset is ready for its intended use.

Intangible asset is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds if any, and the net carrying amount is recognised in the profit or loss.

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

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 to sell 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 (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.

The impairment loss or reversal is charged to the profit or loss in the financial year that the event occurs.

2.10 FINANCIAL ASSETS

(a) Classification

The Group classifies its financial assets in the following category: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statements of financial position.

<u>Available-for-sale financial assets</u>

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL ASSETS (CONTINUED)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(c) Subsequent measurement - Gains and losses

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses.

(d) Subsequent measurement - Impairment of financial assets

<u>Assets carried at amortised cost</u>

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor; or
- A breach of contract, such as a default or delinquency in interest or principal payments; or
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement - Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(e) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not de-recognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(f) 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.

2.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of inventories includes purchase price and incidental charges. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, demand deposits, short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and bank overdraft. In the statements of financial position, banks overdrafts are shown within borrowings in current liabilities.

2.13 SHARE CAPITAL

(a) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against share premium account.

(c) Dividend distribution

Distributions to holders of an equity instrument are debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the financial period in which the dividends are approved.

2.14 FINANCIAL LIABILITIES

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

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method except for derivatives which are measured at fair value.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 FINANCIAL LIABILITIES (CONTINUED)

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the financial period in which they are incurred.

A financial liability is de-recognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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.

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.

2.15 CURRENT AND DEFERRED INCOME TAX

The tax expense for the financial period comprises current and deferred tax. 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 in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Deferred tax is recognised, 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 accounted for 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

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 is recognised on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

2.16 EMPLOYEE BENEFITS

(a) Short-term employee benefits

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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

(b) 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.

(c) Defined benefit plans

The defined benefit liability recognised in the statements of financial position is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets, together with adjustments for actuarial gains/losses and unrecognised past service cost. The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 EMPLOYEE BENEFITS (CONTINUED)

(c) Defined benefit plans (continued)

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, by discounting the estimated future cash outflows using market yields at the end of the reporting period on high quality corporate bonds which have currency and terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in profit or loss, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

2.17 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and 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. Provisions are not recognised for future operating losses.

When the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value 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 comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of all taxes, returns, rebates and discounts and after eliminating sales within the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 REVENUE RECOGNITION (CONTINUED)

Revenue arising from the sale of hardware and software is recognised upon delivery of goods/services or when significant risk and rewards of ownership of goods are transferred to the customers. Revenue arising from the rendering of services is recognised in the period the services are rendered. Accrued unbilled revenue represents unbilled value of goods delivered and services rendered to be billed in accordance with respective terms and conditions agreed with customers.

Interest income on cash and bank balances is recognised using the effective interest method. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Dividend income is recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

2.19 LEASES

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.

(a) Accounting as a lessee

<u>Finance leases</u>

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of 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 property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 LEASES (CONTINUED)

(a) Accounting as a lessee (continued)

Operating leases

Finance lease of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period. Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

(b) Accounting as lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Finance 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.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market 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 objectives and seeks to minimise potential adverse effects on its financial performance. Financial risk is managed by the Managing Director 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 that risks.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

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

Market risk refers to the risk that changes in market prices such as foreign exchange rates, interest rates and prices that will affect the Group's financial position and cash flows.

(i) Foreign exchange risk

The Group is exposed to risks arising from various currency exposures primarily with respect to the United States Dollar denominated borrowings and payables to suppliers. The Group's policy is to minimise the exposure of transaction risk by making payments within credit terms which are short-term.

The table illustrates the impact on the profit for the year, equity and net assets resulting from currency sensitivities.

	2013 RM'000	2012 RM'000
Increase/(decrease) on profit for the year, equity and net assets		
1 percent increase in US Dollar exchange rate	(222)	(445)
1 percent decrease in US Dollar exchange rate	222	445

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in interest rates. Interest rate exposure arises from the Group's borrowings and deposits, and is managed through the use of fixed rate borrowings and deposits with short-term tenure.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial asset				
Fixed rate - deposits with financial institutions	24,947	6,191	16,603	103
Financial liability				
Fixed rate - borrowings	12,640	52,903	12,640	52,903

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

(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.

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.

(i) 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 customers requiring credit over a certain amount and period, adherence to credit limits and regular monitoring.

The Group's customers are mainly significant entities in the information, communication and telecommunication industry. At the reporting date, the Group has significant concentration of credit risk that may arise from exposure to five (2012: seven) major customers which accounted for 51% (2012: 55%) of the trade receivables and accrued unbilled revenue balances. The Group considers the risk of material loss in the event of non-performance by a customer to be unlikely.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

(i) Receivables (continued)

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. Accrued unbilled revenue represents 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.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Counterparties without external credit rating:				
- Existing customers with no defaults in the past	114,788	213,642	104,911	197,227

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

(ii) Intercompany balances

Intercompany balances with subsidiaries are largely trade in nature. The Company monitors the results of the subsidiaries regularly. As at 31 December 2013, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position as shown in Note 18.

Management has taken reasonable steps to ensure that intercompany receivables are stated at realisable values. As at 31 December 2013, an amount of RM7,379,592 (2012: RM1,930,396) was provided for as the amount due from a subsidiary was assessed to be impaired.

(iii) Bank balances and deposits with licensed financial institutions

Bank balances and deposits with licensed financial institutions are with approved financial institutions and reputable banks.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

(iii) Bank balances and deposits with licensed financial institutions (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 above balances is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
AAA	14,521	11,363	1,705	2,803
A	16,520	151	16,520	151
BBB	15	0	15	0

The credit quality of the above bank balances and deposits with licensed financial institutions are assessed by reference to RAM Ratings Services Berhad and Moody's.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(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 or 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 liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2013			
	On demand or within one year RM'000	One to two years RM'000	Two to five years RM'000	Total RM'000
Group				
Financial Liabilities				
Payables	34,951	0	0	34,951
Borrowings	12,640	0	0	12,640
Total undiscounted financial liabilities	47,591	0	0	47,591
Company				
Financial Liabilities				
Payables	50,928	0	0	50,928
Borrowings	12,640	0	0	12,640
Total undiscounted financial liabilities	63,568	0	0	63,568

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (continued)

	2012			
	On demand or within one year RM'000	One to two years RM'000	Two to five years RM'000	Total RM'000
Group				
Financial Liabilities				
Payables	61,190	0	0	61,190
Borrowings	52,903	0	0	52,903
Total undiscounted financial liabilities	114,093	0	0	114,093
Company				
Financial Liabilities				
Payables	69,602	0	0	69,602
Borrowings	52,903	0	0	52,903
Total undiscounted financial liabilities	122,505	0	0	122,505

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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 cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statements of financial position plus net debt.

	2013 RM'000	2012 RM'000
Group		
Total borrowings (Note 22)	12,640	52,903
Less: Cash and cash equivalents (Note 20)	(31,056)	(11,514)
Net debt	0	41,389
Total equity	177,225	193,300
Total capital	177,225	234,689
Gearing ratio	0%	18%

The decrease in the gearing ratio during 2013 resulted primarily from the decrease of borrowings during the financial year. There were no externally imposed capital requirements during the financial year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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.

(a) Impairment of Property, Plant and Equipment, Investment Property, Intangible Assets (other than goodwill) and Investment in Subsidiaries

The Group assesses impairment of the assets mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate.

Projected future cash flows are based on the Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

During the financial year, a reversal of impairment of investments in Mesiniaga MSC Sdn. Bhd. and Mesiniaga Services Sdn. Bhd. amounting to RM750,000 were recognised due to improvements in the financial performance of these companies.

(b) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the 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.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

During the current financial year, the Group and Company have recognised deferred tax assets arising from unutilised tax losses amounting to RM1,739,000 and RM1,790,000 respectively as disclosed in Note 16 to the financial statements.

(c) Intangible assets

Intangible assets represent capitalised software development costs intended for sale in the property market. The estimates of future economic benefits is based on market studies and industry competitors. The software work-in-progress was tested for impairment in the current financial year based on expected revenues and gross margins and as a result thereof, no impairment was recorded.

5 REVENUE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue from:				
- hardware	120,220	116,354	101,027	108,227
- software	43,762	56,627	43,762	56,627
- services	117,025	153,369	117,479	142,324
	281,007	326,350	262,268	307,178

6 STAFF COST (INCLUDING DIRECTORS' EMOLUMENTS)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Wages, salaries, bonuses and other employment benefits	71,040	74,911	39,597	45,977
Defined contribution retirement plan	8,238	8,352	1.870	2,208
Defined benefit retirement plan (Note 23)	560	514	560	514
	79,838	83,777	42,027	48,699

Details of the defined contribution and defined benefit plans of the Group and the Company are set out in Note 23 to the financial statements.

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-executive Directors				
- fees	211	187	211	187
- others	28	8	28	8
Executive Directors				
- salaries and bonuses	1,454	1,973	1,454	1,841
- other emoluments	281	279	281	279
- defined contribution plan	157	237	157	221
	2,131	2,684	2,131	2,536

7 PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting):

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Auditors' remuneration:				
- Audit	205	190	107	96
- Non-audit	58	43	29	12
Depreciation:				
- property, plant and and equipment	7,316	6,791	2,264	2,388
- investment property	24	25	24	25
Amortisation of intangible assets	41	0	0	0
Gross dividend income from subsidiaries	0	0	(14,033)	(12,275)
Interest income:				
- finance lease	(102)	(312)	(102)	(312)
- others	(482)	(407)	(241)	(143)
Net realised foreign exchange gain	(616)	(5,267)	(615)	(4,485)
Unrealised foreign exchange gain	(116)	(141)	(116)	(138)
Property, plant and equipment written off	14	0	6	0
Reversal of impairment of investments in subsidiaries	0	0	(750)	0
Rental income	(115)	(120)	(355)	(360)
Rental expense	419	327	19	19
Bad debts written off	224	2,323	224	2,323
(Reversal)/impairment of receivables	(341)	336	(317)	281
Impairment of amount due from subsidiaries	0	0	5,449	0

8 FINANCE COST

	Group and Company	
	2013 RM'000	2012 RM'000
Interest expense on:		
- bank overdraft	0	7
- borrowings	809	714
- finance leases	407	339
	1,216	1,060

9 TAXATION AND ZAKAT

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Current tax:				
Current financial year	4,827	3,930	0	506
Under-provision in prior year	781	0	800	0
Deferred tax:				
Reversal and origination of temporary differences (Note 16)	(2,448)	57	(1,639)	65
Over provision in prior year	(185)	0	(36)	0
Tax expense	2,975	3,987	(875)	571
Zakat	180	180	0	180
	3,155	4,167	(875)	751

The reconciliation of income tax expense applicable to (loss)/profit before tax 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	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
(Loss)/Profit before tax after zakat	(2,830)	15,606	(5,605)	11,298
Tax calculated at tax rate of 25% (2012: 25%)	(707)	3,902	(1,401)	2,824
Tax effects of:				
- zakat	180	180	0	180
- income not subject to tax	(1,116)	(438)	(4,276)	(2,750)
- expenses not deductible for tax purposes	369	391	1,683	497
- effect of deferred tax assets not recognised	3,784	132	2,355	0
- under provision in prior year (net)	596	0	764	0
Tax expense	3,155	4,167	(875)	751

9 TAXATION AND ZAKAT (CONTINUED)

The amount of unutilised tax losses and unabsorbed capital allowances for which no deferred tax assets is recognised in the statements of financial position is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unutilised tax losses	17,278	2,846	7,902	0
Deductible temporary differences	1,923	405	1,518	0
	19,201	3,251	9,420	0

The deductible temporary differences and unutilised tax losses 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 derives 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.

10 (LOSS)/EARNINGS PER SHARE

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

	Group	
	2013	2012
Net (loss)/profit attributable to ordinary equity holders of the Company (RM'000)	(7,644)	9,738
Weighted average number of ordinary shares in issue ('000)	60,402	60,402
(Loss)/earnings per share (sen)	(12.66)	16.12

Diluted EPS is the same as basic EPS in both financial years.

11 DIVIDENDS

Dividends paid during the financial year are as follows:

	Group and Company	
	2013 **RM'000**	**2012** **RM'000**
Final dividends in respect of financial year 2012/2011:		
21 sen per share, less income tax at 25% (2012: 21 sen per share, less income tax at 25%)	9,513	9,513

The Directors have recommended the payment of a final single tier dividend of 10 sen per share, amounting to RM6,040,200 subject to the approval of the members at the forthcoming Annual General Meeting.

The financial statements do not reflect the proposed final dividends for the financial year ended 31 December 2013, which will only be accrued as a liability in the financial year ending 31 December 2014, after approval by the shareholders.

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Building RM'000	Machines RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Group						
31.12.2013						
Cost						
At 1 January 2013	26,262	35,836	5,629	52,135	283	120,145
Transfer to intangible asset	0	0	0	(253)	0	(253)
Additions	0	0	0	3,468	0	3,468
Assets written off	0	0	(4,460)	(1,998)	0	(6,458)
At 31 December 2013	26,262	35,836	1,169	53,352	283	116,902
Accumulated depreciation						
At 1 January 2013	0	12,039	5,629	35,625	142	53,435
Charge for the financial year	0	718	0	6,542	56	7,316
Transfer to subsidiary	0	0	0	(34)	0	(34)
Assets written off	0	0	(4,460)	(1,982)	0	(6,444)
At 31 December 2013	0	12,757	1,169	25,104	198	54,307
Net book value						
At 31 December 2013	26,262	23,079	0	4,183	85	53,609

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Building RM'000	Machines RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Group						
31.12.2012						
Cost						
At 1 January 2012	26,262	35,836	5,629	46,198	155	114,080
Additions	0	0	0	6,137	128	6,265
Assets written off	0	0	0	(200)	0	(200)
At 31 December 2012	26,262	35,836	5,629	52,135	283	120,145
Accumulated depreciation						
At 1 January 2012	0	11,322	5,629	29,802	91	46,844
Charge for the financial year	0	717	0	6,023	51	6,791
Assets written off	0	0	0	(200)	0	(200)
At 31 December 2012	0	12,039	5,629	35,625	142	53,435
Net book value						
At 31 December 2012	26,262	23,797	0	16,510	141	66,710

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Building RM'000	Machines RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Company						
31.12.2013						
Cost						
At 1 January 2013	26,262	35,836	5,629	29,886	283	97,896
Additions	0	0	0	1,430	0	1,430
Transfer to subsidiary	0	0	0	(41)	0	(41)
Assets written off	0	0	(4,460)	(1,988)	0	(6,448)
At 31 December 2013	26,262	35,836	1,169	29,287	283	92,837
Accumulated depreciation						
At 1 January 2013	0	12,039	5,629	25,630	142	43,440
Charge for the financial year	0	718	0	1,490	56	2,264
Transfer to subsidiary	0	0	0	(34)	0	(34)
Assets written off	0	0	(4,460)	(1,982)	0	(6,442)
At 31 December 2013	0	12,757	1,169	25,104	198	39,228
Net book value						
At 31 December 2013	26,262	23,079	0	4,183	85	53,609

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Building RM'000	Machines RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Company						
31.12.2012						
Cost						
At 1 January 2012	26,262	35,836	5,629	29,428	155	97,310
Additions	0	0	0	1,203	128	1,331
Transfer to subsidiary	0	0	0	(550)	0	(550)
Assets written off	0	0	0	(195)	0	(195)
At 31 December 2012	26,262	35,836	5,629	29,886	283	97,896
Accumulated depreciation						
At 1 January 2012	0	11,322	5,629	24,572	91	41,614
Charge for the financial year	0	717	0	1,620	51	2,388
Transfer to subsidiary	0	0	0	(367)	0	(367)
Assets written off	0	0	0	(195)	0	(195)
At 31 December 2012	0	12,039	5,629	25,630	142	43,440
Net book value						
At 31 December 2012	26,262	23,797	0	4,256	141	54,456

13 INTANGIBLE ASSETS

	Internally developed software RM'000	Work in-progress RM'000	Total RM'000
Group			
Cost			
At 1 January 2013	0	0	0
Additions	0	1,005	1,005
Transfer from property, plant and equipment	253	0	253
Reclassification	387	(387)	0
At 31 December 2013	640	618	1,258
Accumulated depreciation			
At 1 January 2013	0	0	0
Charge for the financial year	41	0	41
At 31 December 2013	41	0	41
Net book value			
At 31 December 2013	599	618	1,217

The useful life of the internally developed software is four years. The amount of staff cost capitalised in current financial year is RM1,005,000.

14 INVESTMENT PROPERTY

	Group and Company	
	2013 RM'000	2012 RM'000
At 1 January	1,418	1,443
Depreciation for the financial year	(24)	(25)
At 31 December	1,394	1,418

14 INVESTMENT PROPERTY (CONTINUED)

Investment property rental income and direct operating expenses for the financial year are as follows:

	Group and Company	
	2013	**2012**
	RM'000	**RM'000**
Rental income	39	45
Direct operating expenses	4	3

The fair value of the investment property is approximately RM2,900,000 as at the end of the reporting period. The fair value of the investment property was estimated by Directors using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

15 INVESTMENT IN SUBSIDIARIES

	Company	
	2013	**2012**
	RM'000	**RM'000**
Unquoted shares, at cost	2,006	2,006
Accumulated impairment losses	(21)	(771)
	1,985	1,235

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

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries, all of which are incorporated in Malaysia, unless otherwise stated, are as follows:

Names of companies	Principal activities	Group's effective interest 2013 %	Group's effective interest 2012 %
Mesiniaga Services Sdn. Bhd.	Provision of maintenanceand managed services	100	100
VA Dynamics Sdn. Bhd.	Sales of networking cables and related products	51	51
CustomCodes Sdn. Bhd.	Provision of design, development and implementation of business solutions related to business intelligence, business analytics, customised applications and software products	100	100
Mesiniaga MSC Sdn. Bhd.	Provision of solution services and technology research and development	100	100
Mesiniaga Alliances Sdn. Bhd.	Provision of strategic information technology outsourcing services	100	100
Mesiniaga Techniques Sdn. Bhd.	Under members voluntary winding up	100	100
Mesiniaga SSO Sdn. Bhd.	Under members voluntary winding up	100	100

All the above subsidiaries, other than those under members voluntary winding up, are audited by PricewaterhouseCoopers, Malaysia.

16 DEFERRED TAX ASSETS/LIABILITIES

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	
	2013 RM'000	2012 (restated) RM'000	2013 RM'000	2012 (restated) RM'000
Deferred tax assets	1,781	360	1,458	0
Deferred tax liabilities:	(1,846)	(3,027)	0	(282)
At 1 January – as previously stated	(3,037)	(2,980)	(652)	(587)
Effect of adoption of MFRS 119 (Note 30)	370	370	370	370
At 1 January - as stated	(2,667)	(2,610)	(282)	(217)
Credited/(charged) to statements of comprehensive income (Note 9):				
- property, plant and equipment	291	157	(594)	263
- accruals	246	(316)	182	(432)
- post-employment benefit obligations	(90)	110	(90)	109
- receivables	(296)	(15)	(14)	26
- tax losses	1,739	0	1,790	0
- others	284	(31)	0	(31)
- provisions	466	0	466	0
- unabsorbed capital allowances	(38)	38	0	0
	2,602	(57)	1,740	(65)
At 31 December	(65)	(2,667)	1,458	(282)
Subject to income tax:				
Deferred tax assets(before offsetting):				
- post-employment benefit obligations	713	803	713	803
- receivables	167	463	158	172
- accruals	213	177	0	0
- tax losses	1,739	0	1,790	0
- unabsorbed capital allowance	0	38	0	0
- provisions	466	0	466	0
- others	311	0	0	0
	3,609	1,481	3,127	975
Offsetting	(1,828)	(1,121)	(1,669)	(975)
Deferred tax assets (after offsetting)	1,781	360	1,458	0

16 DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(3,645)	(3,936)	(1,641)	(1,047)
- accruals	0	(210)	(28)	(210)
- others	(29)	(2)	0	0
	(3,674)	(4,148)	(1,669)	(1,257)
Offsetting	1,828	1,121	1,669	975
Deferred tax liabilities (after offsetting)	(1,846)	(3,027)	0	(282)

17 INVENTORIES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Equipment	3,139	10,843	2,098	9,674
Spare parts	4,236	7,102	0	1
Supplies	13	14	13	11
Cables	8,426	7,643	1	1
	15,814	25,602	2,112	9,687

18 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade receivables	67,726	83,781	59,990	75,246
Less: Impairment of receivables	(552)	(893)	(521)	(838)
	67,174	82,888	59,469	74,408
Accrued unbilled revenue	47,614	130,754	45,442	122,819
Finance lease receivables (Note 19)	845	1,804	845	1,804
Other receivables	5,041	2,396	3,669	1,178
Deposits and prepayments	1,240	1,047	1,099	908
Amounts due from subsidiaries	0	0	31,277	23,079
Impairment of amounts due from subsidiaries	0	0	(7,379)	(1,930)
	0	0	23,898	21,149
	121,914	218,889	134,422	222,266

The amounts due from subsidiaries consists of trade receivables amounting to RM21,201,000 (2012: RM11,955,000) and non-trade receivables amounting to RM2,697,000 (2012: RM9,194,000).

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

Credit terms of trade receivables range from 30 days to 90 days (2012: 30 days to 90 days).

Other receivables and deposits are neither past due nor impaired.

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 believe that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and the Company's trade receivables.

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Aging analysis of trade receivables and accrued unbilled revenue

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Neither past due nor impaired	91,681	194,491	85,375	181,090
1 to 30 days past due and not impaired	18,459	17,506	16,359	15,208
31 to 90 days past due and not impaired	1,865	1,212	1,210	591
More than 91 days past due and not impaired	2,783	433	1,967	338
More than 91 days past due and impaired	552	893	521	838
	115,340	214,535	105,432	198,065
Less: Impairment of receivables	(552)	(893)	(521)	(838)
	114,788	213,642	104,911	197,227

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment history. A significant number of these debtors are significant entities within the information, communication and technology industry. None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

As at 31 December 2013, the Group and the Company have trade receivables amounting to RM23,107,000 (2012: RM19,151,000) and RM19,536,000 (2012: RM16,137,000) respectively that are past due at the reporting date but not impaired.

Trade receivables that were past due but not impaired relate to customers that have a track record with the Group and the Company. Based on past experience and no adverse information to date, the Directors of the Group and Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables that are impaired

The Group's and the Company's trade receivables that are impaired as at 31 December 2013 and the movement of the allowance accounts to record the impairment are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade receivables - nominal amounts	552	893	521	838
Less: Impairment of receivables	(552)	(893)	(521)	(838)
	0	0	0	0

These primarily relate to a few industrial customers who are in financial difficulties.

Movement in impairment of receivables:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	893	557	838	557
(Reversal)/impairment of receivables	(341)	336	(317)	281
At 31 December	552	893	521	838

Amounts due from subsidiaries that are impaired

Movement in impairment of amounts due from subsidiaries:

	Company	
	2013 RM'000	2012 RM'000
At 1 January	1,930	1,930
Impairment of receivables	5,449	0
At 31 December	7,379	1,930

19 FINANCE LEASE RECEIVABLES

	Group and Company	
	2013 RM'000	2012 RM'000
Gross receivables	1,626	3,135
Less: Unearned finance income	(169)	(190)
Present value of lease receivables	1,457	2,945

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

	Group and Company	
	2013 RM'000	2012 RM'000
Receivable within 12 months	845	1,804
Receivable after 12 months:		
- between 1 and 2 years	631	1,331
- between 2 and 5 years	150	0
	1,626	3,135
Less: Unearned finance income	(169)	(190)
	1,457	2,945
Current (Note 18)	845	1,804
Non-current	612	1,141
	1,457	2,945

The weighted average effective interest rates for finance lease receivables are 5% (2012: 5%) per annum. The finance lease receivables are denominated in Ringgit Malaysia.

20 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and bank balances	6,109	5,323	1,638	2,851
Deposits with licensed financial institutions	24,947	6,191	16,603	103
	31,056	11,514	18,241	2,954

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 3% (2012: 3%) per annum.

Deposits of the Group and the Company as at 31 December 2013 are time deposits, which have an average maturity period of 92 days (2012: 90 days).

Cash and cash equivalents are denominated in Ringgit Malaysia.

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade payables	26,892	53,054	25,934	49,493
Payroll liabilities	4,978	6,354	2,740	3,287
Accruals	3,081	1,782	882	985
Finance lease liabilities (Note 24)	4,809	9,932	4,809	9,932
Amounts due to subsidiaries	0	0	21,372	15,837
	39,760	71,122	55,737	79,534

The currency exposure profile of trade payables is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Ringgit Malaysia	16,222	45,449	18,442	41,981
United States Dollar	10,670	7,605	7,492	7,512
	26,892	53,054	25,934	49,493

21 TRADE AND OTHER PAYABLES (CONTINUED)

All other liabilities are denominated in Ringgit Malaysia.

Credit terms of trade payables range from 7 days to 90 days (2012: 7 days to 90 days).

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

22 BORROWING (UNSECURED AND INTEREST BEARING)

	Group and Company	
	2013 RM'000	2012 RM'000
Short-term bank borrowings	12,640	52,903

The interest rate of the short-term bank borrowing is as follows:

	Group and Company	
	2013 %	2012 %
Short-term bank borrowings	2.82	2.25

The carrying amount of the Company's borrowings are denominated in the following currencies:

	Group and Company	
	2013 RM'000	2012 RM'000
Ringgit Malaysia	2,853	18,867
United States Dollar	9,787	34,036

23 POST-EMPLOYMENT BENEFITS OBLIGATIONS

(a) 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.

(b) 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.

The latest actuarial valuation of the plan was carried out as at 31 December 2013.

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

	Group and Company	
	2013 RM'000	2012 RM'000
At 1 January	6,460	6,566
Service cost	321	281
Interest cost	420	389
Actuarial losses	(400)	0
Benefits paid from plan assets	(509)	(776)
At 31 December	6,292	6,460

The movement in the fair value of plan assets during the financial year is as follows:

	Group and Company	
	2013 RM'000	2012 RM'000
At 1 January	3,034	3,260
Interest income on plan assets	220	200
Return on plan assets greater than discount rate	15	0
Employer contributions	700	350
Administrative expenses paid	(39)	0
Benefits paid from plan assets	(509)	(776)
At 31 December	3,421	3,034

23 POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)

(b) Defined benefit plan (continued)

Retirement benefit charge was recognised within staff cost in the statements of comprehensive income. The amounts recognised in the statements of financial position may be analysed as follows:

	Group and Company	
	2013 RM'000	2012 RM'000
At 31 December		
Present value of funded obligations	6,292	6,460
Fair value of plan assets	(3,421)	(3,034)
Net liability	2,871	3,426

Plan assets are comprised as follows:

	Group and Company			
	2013 RM'000	2012 %	2013 RM'000	2012 %
At 31 December				
Equity instruments	1,704	49	1,722	57
Government bonds	813	24	816	27
Cash and fixed deposit	202	6	425	14
Others	722	21	71	2
Total	3,441	100	3,034	100

The reconciliation of net statement of financial position may be analysed as follows:

	Group and Company	
	2013 RM'000	2012 RM'000
Net defined benefit liability - as previously stated	1,736	1,572
Effect of adoption of MFRS 119 (Note 30)	1690	1,690
Net defined benefit liability - as restated	3,426	3,262
Service cost recognised in profit or loss	360	281
Net interest on net defined benefit asset recognised in profit or loss	200	233
Re-measurement gain recognised in other comprehensive income	(415)	-
Employer contributions	(700)	(350)
Net defined benefit at 31 December 2013	2,871	3,426

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23 POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)

(b) Defined benefit plan (continued)

The expense recognised in the statements of comprehensive income may be analysed as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Service cost	360	281	360	281
Interest cost	420	389	420	389
Net interest income on plan assets	(220)	(177)	(220)	(177)
Actuarial gain recognised during the financial year	0	21	0	21
Total defined benefit retirement plan	560	514	560	514
Defined contribution retirement plan	8,238	8,352	1,870	2,208
Total included in staff cost (Note 6)	8,798	8,866	2,430	2,722

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	
	2013 %	2012 %
Discount rates	5.7	6.0
Rate of price inflation	3.5	3.5
Expected rate of salary increases		
- up to age 34	7	7
- from age 35 to 44	7	6
- from age 45 and above	5	4
Turnover (per annum):		
- up to age 44	6	10
- from age 45 to 54	3	0
Retirement age:		
- normal retirement age, 60	50	50
- early retirement age, 55	50	50
Expected return on plan assets	220	177

23 POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)

(b) Defined benefit plan (continued)

The expected return on plan assets is determined by weighting the expected long-term return for each asset class by target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

24 FINANCE LEASE LIABILITIES

This represents future instalments under finance lease agreements, repayable as follows:

	Group and Company	
	2013 %	2012 %
Minimum lease payments:		
Repayable within 12 months	4,994	10,435
Repayable after 12 months:		
- between 1 and 2 years	466	4,727
- between 2 and 5 years	157	0
	5,617	15,162
Future finance charges on finance leases	(237)	(644)
Present value of the finance lease liability	5,380	14,518
Current (Note 21)	4,809	9,932
Non-current	571	4,586
	5,380	14,518

The finance lease liabilities are secured as the rights to the leased assets revert to the lessor in the event of default.

25 SHARE CAPITAL

	Group and Company	
	2013 RM'000	2012 RM'000
Ordinary shares of RM1.00 each:		
Authorised:		
At 1 January and 31 December	100,000	100,000
Issued and fully paid:		
At 1 January and 31 December	60,402	60,402

26 RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system.

The Company did not elect for the irrevocable option to disregard the Section 108 balance during the transition periods.

Following the expiration of transition period on 31 December 2013, the Company will be able to distribute dividends out of its entire retained earnings under the single-tier system

In addition, the Company has tax exempt income as at 31 December 2013 arising from the Income Tax (Amendment) Act, 1999, relating to tax on income earned in 1999 being waived and first tier exempt dividend income amounting to approximately RM1,016,520 and RM832,500 (2012: RM1,016,520 and RM832,500) respectively available for distribution as tax exempt dividends to shareholders. This tax exempt income is subject to agreement by the tax authorities.

27 SHARE PREMIUM (NON-DISTRIBUTABLE)

Share premium is in respect of the Company's equity, the consideration received more than par value of the share, is credited into the share premium account.

Share premium is not distributable as cash dividends.

28 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.

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

	Group and Company	
	2013 RM'000	**2012 RM'000**
Related party		
Subsidiary companies		
Purchase of goods	803	292
Purchase of services	100,661	63,815
Sales of goods	142	13,596
Management fees	3,416	2,448
Secondment fees	18,470	25,458

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

	Company	
	2013 RM'000	**2012 RM'000**
Receivables from related parties (Note 18):		
- Subsidiaries	23,898	21,149
Payables to related parties (Note 21):		
- Subsidiaries	21,372	15,837

The receivables from related parties arise mainly from sale transactions and are due two months after the date of sales. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties.

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

28 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management compensation

Key management are categorised as Directors and above within the Group. The key management compensation (excluding Directors' remuneration) is disclosed as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Salaries and other short-term employees benefits	2,442	2,414	1,435	1,202
Defined contribution plan	286	286	168	143
Defined benefit plan	39	33	0	33
	2,767	2,733	1,603	1,378

There are no significant balances from or to key management personnel as at the end of the financial year. Refer to Note 6 to the financial statements for details of Directors' remuneration.

29 SEGMENT REPORTING

The Group is primarily engaged in one operating segment, namely the sales and service of information technology products in Malaysia. Accordingly, there are no differing risks and returns in the sales of products and provision of services by its operating segment.

The reports provided and reviewed by the Managing Director ('MD') that are used for allocating resources and assessing performance of the operating segments are from the overall Group's perspective and represents its only reporting segment.

All non-current assets of Group and Company are located in Malaysia.

30 CHANGE IN ACCOUNTING POLICY

During the financial year, the Group and Company adopted MFRS 119 “Employee Benefits”. The effects of the adoption is as follows:

	Retained earnings RM’000	Deferred tax assets/ liabilities RM’000	Post-employment benefits obligations RM’000
Group			
At 31 December 2012			
- as previously reported	120,062	3,397	1,736
Adoption of MFRS 119	(1,320)	(370)	1,690
At 31 December 2012 – as restated	118,742	3,027	3,426
At 1 January 2012			
- as previously reported	119,837	3,005	1,572
Adoption of MFRS 119	(1,320)	(370)	1,690
At 1 January 2012 – as restated	118,517	2,635	3,264
Company			
At 31 December 2012			
- as previously reported	93,124	652	1,736
Adoption of MFRS 119	(1,320)	(370)	1,690
At 31 December 2012 – as restated	91,804	282	3,426
At 1 January 2012			
- as previously reported	92,090	587	1,572
Adoption of MFRS 119	(1,320)	(370)	1,690
At 1 January 2012 – as restated	90,770	217	3,262

31 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 31 March 2014.

SUPPLEMENTARY
INFORMATION

32 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The breakdown of retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraph 2.03 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2013	2012 restated	2013	2012 restated
	RM'000	RM'000	RM'000	RM'000
Realised	86,647	105,966	61,100	76,646
Unrealised	15,353	12,776	16,876	15,158
	102,000	118,742	77,976	91,804

The determination of realised and unrealised profits is based on the *Guidance of Special Matter No 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20 December 2010.

PROPERTIES OWNED **BY THE GROUP**

as at 31 December 2013

Address	Description	Usage	Tenure	Terms of Tenant's Leases or Under Leases	Approximate Age	Net Book Value (RM'000)
HS(D) 65056, PT 12204, Mukim of Damansara, District of Petaling, Selangor (Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor)	Commercial land comprising a 15-storey office building	Office building	Freehold	Nil	Twenty (20) years	34,840
Lot 1047, Sek. 13, District of Timur Laut, Georgetown, Pulau Pinang (Mutiara Mesiniaga, No. 56, Jalan Larut, 10050 Georgetown, Pulau Pinang)	Commercial land comprising a 4-storey office building	Office building	Freehold	Nil	Thirteen (13) years	8,838
Lot PT 277, Mukim of Damansara, District of Petaling, Selangor (No. 3, Jalan TP 6, Taman Perindustrian UEP Subang Jaya, 47600 Subang Jaya, Selangor	Industrial premises	Office building and store	Freehold	Nil	Six (6) years	5,663
No. A-07-01, A-07-02, A-07-03, Worldwide @7, Jalan Lazuardi 7/29, Seksyen 7, 40000 Shah Alam, Selangor	Commercial land comprising a 3 1/2-storey commercial building	Commercial building	Leasehold	99 years	Ten (10) years	1,394

SHAREHOLDING **STATISTICS**

Shareholding Structure as at 15 April 2014

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 15 April 2014

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	45	1.44	1,449	0.00
100 – 1,000	1,154	37.00	1,054,998	1.75
1,001 – 10,000	1,571	50.37	6,756,216	11.19
10,001 – 100,000	307	9.84	8,549,000	14.15
100,001 – 3,020,100 (Less than 5% of issued shares)	39	1.25	22,645,096	37.49
3,020,101 and above (5% and above of issued shares)	3	0.10	21,395,241	35.42
Total	**3,119**	**100.00**	**60,402,000**	**100.00**

Substantial Shareholders (Excluding Bare Trustees and Deemed Interests) as at 15 April 2014

No.	Names	Direct Shareholdings	%
1	AMANAHRAYA TRUSTEES BERHAD <SKIM AMANAH SAHAM BUMIPUTERA>	11,335,249	18.77
2	FATHIL SULAIMAN ISMAIL	6,397,939	10.59
3	SAFIAH SULAIMAN ISMAIL	3,662,053	6.06

Directors Direct and Deemed Interests as at 15 April 2014

No.	Names	Direct Shareholdings	Deemed Interest	%
1	DATUK WAN MOHAMED FUSIL WAN MAHMOOD	1,675,940	2,050,000[1]	6.17
2	MOHAMED FITRI ABDULLAH	0	0	0.00
3	MOHD PUZI AHAMAD	1,918,940	2,000,000[2]	6.49
4	FATHIL SULAIMAN ISMAIL	6,397,939	0	10.59
5	VOON SENG CHUAN	300,500	0	0.50
6	ABD TALIB BABA	0	0	0.00
7	WONG FOOK HON	1,000	0	0.00
8	DATO' AB RASHID MAT ADAM	0	0	0.00
8	IR. DR. MUHAMAD FUAD ABDULLAH	0	0	0.00

[1] Interest held under his nominee accounts with Citigroup Nominees (Tempatan) Sdn. Bhd., CIMB Islamic Trustee Berhad, Alliance group Nominees (Tempatan) Sdn. Bhd. and Cimsec Nominees (Tempatan) Sdn. Bhd.

[2] Interest held under his nominee accounts with CIMB Islamic Trustee Berhad.

30 Largest Shareholders as at 15 April 2014

No	Name	Holdings	(%)
1	AMANAHRAYA TRUSTEES BERHAD <SKIM AMANAH SAHAM BUMIPUTERA>	11,335,249	18.77
2	FATHIL SULAIMAN ISMAIL	6,397,939	10.59
3	SAFIAH SULAIMAN ISMAIL	3,662,053	6.06
4	HOR YEE @ HO CHEONG FATT	2,828,940	4.68
5	PHARIDA SULAIMAN @ PHILOMENA SULAIMAN	2,699,976	4.47
6	CIMB ISLAMIC TRUSTEE BERHAD <MOHD PUZI AHAMAD>	2,000,000	3.31
7	MOHD PUZI AHAMAD	1,918,940	3.18
8	WAN MOHAMED FUSIL WAN MAHMOOD	1,675,940	2.77
9	DB (MALAYSIA) NOMINEE (ASING) SDN BHD <DEUTSCHE BANK AG SINGAPORE FOR BRITISH AND MALAYAN TRUSTEES LIMITED (YEOMAN 3-RIGHTS)>	1,450,000	2.40
10	WONG TA NOOY @ WONG KENG YONG	1,175,000	1.95
11	CIMB ISLAMIC TRUSTEE BERHAD <WAN MOHAMED FUSIL WAN MAHMOOD>	1,000,000	1.66
12	CITIGROUP NOMINEES (ASING) SDN BHD <UBS AG FOR NEON LIBERTY WEI JI MASTER FUND LP>	654,000	1.08
13	SRI SUSAYATI RAMLAN	620,000	1.03
14	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL WAN MAHMOOD>	550,000	0.91
15	CHOY CHOONG YEEN	481,500	0.80
16	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL WAN MAHMOOD (473685)>	400,000	0.66
17	TOH KAM CHOY	396,000	0.66
18	LIM POH TIONG	360,000	0.60
19	NEOH CHOO EE & COMPANY SDN BHD	354,100	0.59
20	LIM POH TIONG	340,000	0.56
21	VOON SENG CHUAN	300,500	0.50
22	NOR HASLINA MD. DAHARI	267,600	0.44
23	DB (MALAYSIA) NOMINEE (TEMPATAN) SDN BHD <DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG ASIA-PACIFIC DIVIDEND FUND>	242,300	0.40
24	HDM NOMINEES (ASING) SDN BHD <DBS VICKERS SECS (S) PTE LTD FOR LIM MEE HWA>	235,000	0.39

30 Largest Shareholders as at 15 April 2014 (Continued)

No	Name	Holdings	(%)
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WONG PHOOI YIN (E-TAI)>	225,000	0.37
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD <CIMB BANK FOR GAN NYAP LIOU @ GAN NYAP LIOW (MY0747)>	215,000	0.36
27	GOH SEE WEE	200,000	0.33
28	LIM SENG GWEE	200,000	0.33
29	PROCRAFT SDN BHD	194,100	0.32
30	AFFIN NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR LOO SWEE LIN>	183,600	0.30

NOTICE OF 32ND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Second Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Wednesday, 18 June 2014 at 2.30pm for the following purposes:

Agenda

1. To receive the Independent Audited Financial Statements for the year ended 31 December 2013 together with the Reports of Directors and Auditors Report thereon.
2. To approve a First and Final Single Tier Dividend of 10 sen for the year ended 31 December 2013. **Resolution 1**
3. To approve Directors' Fees for the year ended 31 December 2013. **Resolution 2**
4. To re-elect Ir. Dr. Muhamad Fuad Abdullah, retiring pursuant to Article 104 of the Company's Articles of Association. **Resolution 3**
5. To re-elect Mohamed Fitri Abdullah, retiring pursuant to Article 108 of the Company's Articles of Association. **Resolution 4**
6. To re-appoint Messrs Pricewaterhouse Coopers 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
19 May 2014

Note:

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-Second Annual General Meeting of the Company, the Company shall be requesting the Record of Depositors as at 11 June 2014. Only a depositor whose name appears on the Record of Depositors as at 11 June 2014 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 Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

ADDITIONAL **STATEMENTS**

1. As stated in the Notice of Annual General Meeting on page 133 of this Annual Report, the Directors standing for re-election pursuant to Article 104 and Article 108 are:

   Pursuant to Article 104 of the Company's Articles of Association:
   Ir. Dr. Muhamad Fuad Abdullah

   Pursuant to Article 108 of the Company's Articles of Association:
   Mohamed Fitri Abdullah

2. Details of Board Meetings and the attendance of Directors at those meetings are as stated on page 49.

3. The Thirty-Second Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Wednesday, 18 June 2014 at 2.30pm.

4. Details of the Directors standing for re-election are as stated in the Directors' profile column on pages 38 to 42. Their securities holdings in the Company are as stated on page 130.

NOTICE OF DIVIDEND **ENTITLEMENT**

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the forthcoming Annual General Meeting, a first and final single tier dividend of 10 sen will be paid on 9 July 2014 to shareholders whose names appear in the Record of Depositors on 23 June 2014.

A Depositor shall qualify for entitlement to the dividend only in respect of:

a. Securities transferred into the Depositor's securities account before 4.00pm on 23 June 2014 in respect of transfers; and
b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
19 May 2014

PROXY **FORM**

Mesiniaga

I/We____of______________________________________

being a member of the abovementioned Company, hereby appoint ____________________of______________________ or failing

him ____of ______________________________as my/our

proxy to vote for me/us and on my/our behalf at the Thirty-Second Annual General Meeting of the Company, to be held on Wednesday, 18 June 2014 at 2.30pm 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.

Resolution	For	Against
To approve a First and Final Single Tier Dividend of 10 sen for the year ended 31 December 2013.		
To approve Directors' Fees for the year ended 31 December 2013.		
To re-elect Ir. Dr. Muhamad Fuad Abdullah, retiring pursuant to Article 104 of the Company's Articles of Association.		
To re-elect Mohamed Fitri Abdullah, retiring pursuant to Article 108 of the Company's Articles of Association.		
To re-appoint Messrs Pricewaterhouse Coopers as the Company's Auditors and to authorise the Directors to fix their remuneration.		

____

Signature of Shareholder

Number of shares held	

Note:

For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-Second Annual General Meeting of the Company, the Company shall be requesting the Record of Depositors as at 11 June 2014. Only a depositor whose name appears on the Record of Depositors as at 11 June 2014 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.

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. 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 Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 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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STAMP

SYMPHONY SHARE REGISTRARS SDN. BHD.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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MESINIAGA BERHAD (79244-V)

Menara Mesiniaga, 1A, Jalan SS16/1
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