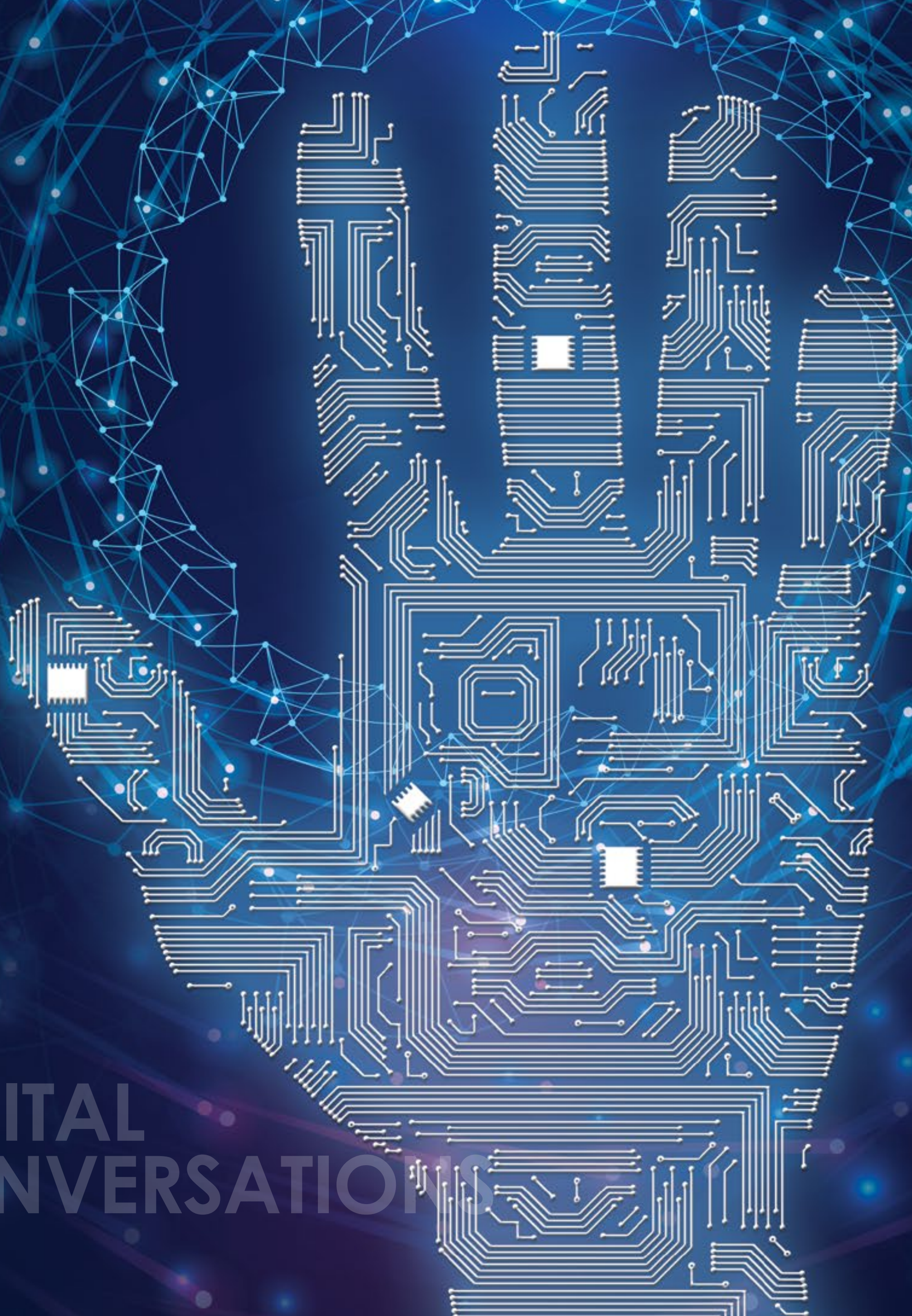
Mesiniaga

HUMANISING
Digital Transformation

ANNUAL REPORT 2019



Evolution of PERSONALISATION

Transparency and RESPECT

DIGITAL CONVERSATIONS

Mesiniaga has been in the technology business for more than 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 39 years, the technology landscape has changed tremendously. New trends have emerged resulting in a sea of change in the way companies do business.

INSIDE THIS REPORT

FACTS AT A **GLANCE**

Incorporated on

17 December 1981

Headquarters

Subang Jaya

Key Office Locations

Mesiniaga
Pulau Pinang

Mesiniaga
Johor Bahru

Nationwide Service Locations

25

Staff strength of more than

1,000 employees

as of 31 December 2019

Paid-up Capital of

RM60.4 million

Listed on Bursa Malaysia Securities Berhad (Main Market) on

17 November 1999


NORTHERN REGION
• Alor Setar
• Ipoh
• Pulau Pinang
• Seberang Prai
• Taiping
EAST COAST
• Kota Bharu
• Kuala Terengganu
• Kuantan
• Temerloh
CENTRAL REGION
• Subang Jaya
SOUTHERN REGION
• Batu Pahat
• Johor Bahru
• Melaka
• Muar [IP Core]
SABAH
• Beaufort
• Kota Kinabalu
• Lahad Datu
• Sandakan
• Tawau
• Labuan
SARAWAK
• Bintulu
• Kuching
• Miri
• Sibu
• Sri Aman

CORPORATE **PROFILE**

LEADING PARTNERSHIP STATUS:

- Dell EMC Authorised Partner
- IBM Silver Partner
- Microsoft Gold Partner for Messaging, Datacenter & Cloud Productivity
- Cisco Gold Partner
- Symantec Platinum Partner
- Juniper Elite Partner
- Trend Micro Gold Partner
- VMWare Enterprise Partner
- Oracle Gold Partner
- HP Inc. Authorised Partner
- HP Authorised Partner
- Hitachi Authorised Reseller
- Huawei Gold Partner
- Commvault Authorised Partner
- Lenovo PCG – Authorised Silver Business Partner
- Lenovo DCG – Gold Partner
- Veritas Registered Partner
- Procera Networks Inc. Authorised Partner
- Nutanix Authorised Partner
- Fortinet Authorised Partner
- F5 Networks Authorised Partner
- TrustSphere Authorised Partner
- Alcatel Lucent Authorised Partner
- Blackberry Gold Partner

Mesiniaga has been in the technology business for more than 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.

RESPECT
Good conduct towards people, roles, procedures and processes

INTEGRITY
Positive virtues with strong business ethics and professionalism

COMMITMENT
Dedicated to keep our promises to our customers

INNOVATION
Relevant and differentiated products and services in the market

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

Within the last 39 years, the technology landscape has changed tremendously. New trends have emerged resulting in a sea of change in the way companies do business. Across the board, companies these days are constantly on the lookout for solutions that will give them an edge over their competitors. As such, we are constantly striving for ways to provide our customers with an experience that will allow them to achieve their business objectives.

This is the reason we have made it our Mission to Help Customers Succeed, by delivering technology and business solutions to improve customers' business efficiency, productivity and competitive edge, 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 through managing customer satisfaction. Hence, 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 full confidence to deal with Mesiniaga.

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 group of more than 1,000 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.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

DATUK WAN MOHAMED FUSIL
Chairman and
Chief Executive Officer

ABD TALIB BABA
Independent
Non-Executive Director

VOON SENG CHUAN
Independent
Non-Executive Director

FATHIL ISMAIL
Non-Independent
Non-Executive Director

WONG FOOK HON
Independent
Non-Executive Director

SIM HONG KEE
Independent
Non-Executive Director

IR. DR. MUHAMAD FUAD ABDULLAH
Non-Independent
Non-Executive Director

DATO' AB RASHID MAT ADAM
Independent
Non-Executive Director

DATUK NOOR AZIAN SHAARI
Independent
Non-Executive Director
(Appointed on 1 July 2019)

NOMINATION AND REMUNERATION COMMITTEE

Voon Seng Chuan (Chairperson)
Wong Fook Hon
Ir. Dr. Muhamad Fuad Abdullah

AUDIT AND RISK MANAGEMENT COMMITTEE

Sim Hong Kee (Chairperson)
(Appointed as the Chairperson on 1 June 2019)
Abd Talib Baba
Wong Fook Hon
Dato' Ab Rashid Mat Adam

COMPANY SECRETARY

Jasni Abdul Jalil (MACS 01359)

COMPANY REGISTRATION NUMBER

198101013112 (79244-V)

REGISTERED OFFICE

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

AUDITORS

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

PRINCIPAL BANKERS

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

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING

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

CORPORATE **STRUCTURE**

Mesiniaga

100%

Provision of design, development and implementation of business solutions related to business intelligence, business analytics, customised applications and software products

CUSTOMCODES SDN. BHD.

100%

Development of mobile e-commerce application and online platform to facilitate ordering and transaction of food and beverages, pre-packed fresh food, groceries and other related items

MESINIAGA MSC SDN. BHD.

100%

Provision of strategic information technology outsourcing services

MESINIAGA ALLIANCES SDN. BHD.

MESINIAGA SERVICES SDN. BHD.

Dormant

100%

MESINIAGA MOBILITY SDN. BHD.

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

80%

VA DYNAMICS SDN. BHD.

Sales of networking cables and related products

51%

MANAGEMENT DISCUSSION **AND ANALYSIS**

It is my pleasure to share with you the Management Discussion and Analysis (MD&A) of Mesiniaga's business for the financial year ended 31 December 2019. 2019 was a challenging year for many companies due to the global economic uncertainty arising from rising trade barriers and the state of local politics but I am proud to share that Mesiniaga made a turnaround in the last quarter of the year (Q4).

This achievement is due to the dedication and diligence of the management and employees of Mesiniaga and we look forward to building upon this recovery in 2020. I am pleased to present the highlights of our financial results in 2019.

OPERATING ENVIRONMENT

As a result of the ongoing conflict and continuous negotiation on trade barriers between the world's two largest economies, the US and China, many countries are still affected by economic uncertainties. Malaysia has also had its own challenges with a new government seeking to find its footing in the one and a half years it was governing the country. A new coalition has since taken over the government and it is too early to tell the direction it will be taking. The implementation of various economic reforms by the previous government culminated in the delays of mega projects due to the renegotiation of contracts while lackluster palm oil prices further dampened the local economic sentiments and foreign investments. Additionally, stricter procurement policies and procedures for GLCs have delayed the decisions on some IT projects on which Mesiniaga was bidding.

OUR BUSINESS

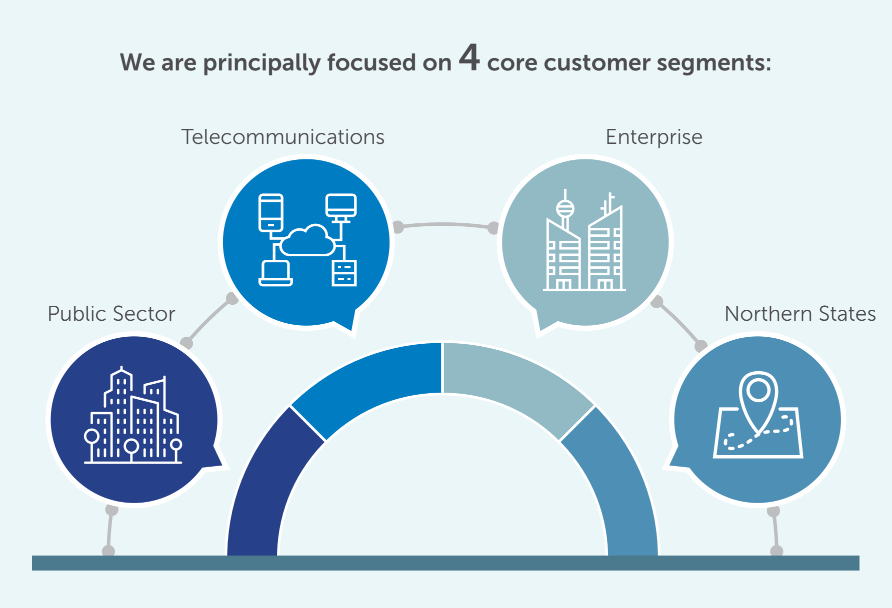
Mesiniaga is an enterprise solutions integrator specialising in complex IT solutions and project management for our customers. We provide post-implementation services and nationwide technical support to our customers who have branch operations in Malaysia. Other key offerings include IT Outsourcing Services ranging from total IT operations to cloud management and security services.

We are focused primarily on the public, telecommunications and enterprise sectors. Within enterprise, we engage with government-linked companies, the financial services industry and universities. We also have a presence in the northern states with a branch office in Penang serving manufacturing, education, and government-related accounts in the states of Perak, Kedah, Penang and Perlis.

OUR BUSINESS STRATEGY

In 2016, we created the Product Differentiation Initiative to design unique propositions for each of our products along with the necessary back-end support to deliver the products with robust go-to-market and sales strategies. It was implemented using the Four Disciplines of Execution Framework (4DX) which incorporates focus, engagement and accountability. 2019 was the last year of this three-year strategic plan and I am pleased to report that we have seen success in growing our recurring business by offering an 'as-a-service' model to our customers. Furthermore, we were able to reshape our delivery expenses to stay competitive while offering differentiated services.

We have identified three main products as the core contributors to our goals: security, network infrastructure and IT managed services. Due to the increased frequency and ever-changing nature of the security threats to organisations worldwide, security has become a critical investment area globally. In Malaysia, International Data Corporation (IDC) forecasts that the security services market will grow from RM1 billion in 2016 to RM2.5 billion by 2021 at a CAGR (compound annual growth rate) of 21.1%.



In recent years, security vendors and service providers have faced a challenging market as Chief Information Officers (CIOs) and Chief Information Security Officers (CISOs) found it difficult to rationalise the cost of IT security against the cost of business until a cyber-attack occurs. However, we believe that organisations are now more aware of the high cost of an attack to their businesses and therefore are able to justify investing in strengthening their security measures to counter these risks.

In terms of network infrastructure, Malaysia is aligned with the worldwide adoption and implementation of 5G networks with MCMC announcing the rollout of 5G demonstration projects in six states for six months from October 2019 to March 2020. As 5G is a heterogeneous high speed network with advanced features, provisioning of these features is quite complex and the control of network operations is considered a gigantic task during production rollouts. Mesiniaga is one of a few local network system integrators who is ready to address this by building a team of network specialists in Software Defined Networking (SDN) technology which is an integral part of the proposed 5G networks.

With our Managed Security and Network Monitoring offerings, our customers can choose to outsource the operations of their complex systems, network and security to Mesiniaga. This continuous monitoring of their systems will enable them to direct their resources to tactical and strategic activities, which we believe will increase their business performance.

OVERVIEW
PERFORMANCE
GOVERNANCE
FINANCIAL STATEMENTS
OTHER INFORMATION

FINANCIAL AND OPERATIONAL PERFORMANCE

I am pleased to announce that the Group recorded a revenue of RM314.0 million for the year ended 31 December 2019, an increase of 73.5% compared to the revenue of RM180.9 million in 2018. The Group's revenue was significantly bolstered by the Jabatan Akauntan Negara Technology Refresh project. Additionally, Mesiniaga has added revenue from new projects with Universiti Pendidikan Sultan Idris and the Malaysian Investment Development Authority (MIDA) as well as contract renewals from the Companies Commission of Malaysia (CCM), Perbadanan Putrajaya (PPJ) and EDOTCO.

The Group posted a Profit Before Tax of RM2.2 million in 2019 compared to a Loss Before Tax of RM7.9 million in the previous year.

As an IT System Integrator, we adopt an asset light strategy. Our company is not a Capex driven company. Our forecast for capital investments for 2020 is RM1.5 million which are mainly made up of human capital resources required for product development activities. We do not plan to do any capital raising exercise that may result in changes in our capital structure. All the funding required for our capital investment will be sourced internally.

BUSINESS RISKS

We are highlighting the key anticipated risks that Mesiniaga is exposed to that may affect its operations, performance, financial situation, and liquidity as well as strategies to mitigate these risks.

Pandemic - Covid-19
The Covid-19 pandemic is an uncertain event. We do not know how long it will last or the full extent of its impact on human health. It is anticipated that the economic impact of the Covid-19 pandemic on governments, corporations and people will be severe. The Malaysian Institute of Economics and Research (MIER) projected that Malaysia will experience -2.9 real GDP growth in 2020 relative to 2019. The IMF concluded that recession in 2020 is inevitable. We are monitoring the situation closely and we will continue to assess the impact on the expected credit loss, customers' buying capacity, potential projects deferment and earnings.

Strategic - Market and technology risks
The current and future economic conditions remain challenging thereby impacting the Group's revenue. It is critical that the Group takes the necessary measures to strengthen efficiency and drive innovations through investments in new technologies and services. These measures will ensure that we meet evolving customer needs and maintain their loyalties. To this end, we are continuously assessing the development of new technologies and the required components while simultaneously upgrading our staff's knowledge and skills.

Operational - Talent management and succession planning risks
As recruitment, staff development, training and attrition remain perennial challenges for the Group, the Human Resources Department is constantly focussed on talent sourcing, development and structured employee training programmes.

Financial and External - Foreign exchange transaction risks
Mesiniaga recognises that the uncertainty of the global economy and the volatile US Dollar exchange rate against the Malaysian Ringgit can affect our financial performance. To minimise the foreign exchange risk, we carry out partial hedging on our US Dollar exposures. Uncertainty in the timing of US Dollar purchases precludes full hedging of forex risk.

GROUP REVENUE (RM Million)	PROFIT BEFORE TAX (RM Million)	NET CURRENT ASSESTS (RM Million)
314	2	76
FYE 2018: 181	FYE 2018: (8)	FYE 2018: 75

External - Cyber-attack risks
As more companies rely heavily on digital technology, the threat of cyber-attacks continues to increase. Although there is no one all-encompassing solution and the Group remains potentially vulnerable to this threat, we have taken firm measures to mitigate these risks and will continue to do so.

MOVING FORWARD

The bleak outlook of global and Malaysian economy caused by Covid-19 pandemic warrants Mesiniaga to critically assess the new challenges and opportunities ahead, as well as its current operational and fixed overhead. Bank Negara Malaysia at its recent 4th quarter briefing stated that it expects the Malaysian economy to remain supported by private sector activity but there are now concerns on the impact of the Covid-19. The severe drop in oil price and the IMF forecast of world recession in 2020 further dampens the government's capacity to resuscitate our economy. Implications on the Malaysian economy will be highly dependent on the duration and severity of the pandemic as well as policy responses by authorities.

The Malaysian Government's effort in transforming our economy towards a digital economy is evident with the launching of the 5-year National Fiberisation and Connectivity Plan (NFCP) as well as the pilot implementation of 5G networks which will be commercially available in Q3. Moreover, the 2020 budget allocation of RM50 million to develop a 5G ecosystem and a promotional one-time RM30 e-wallet for eligible persons will provide the stimulus and propel the adoption of cashless transactions and enable Malaysia to become a cashless society. To support the success of these initiatives, network infrastructures coupled with appropriate security to protect the transmitted data are critical components. Accordingly, we believe that our three-year strategy is aligned with the market trends and uniquely positions us as a strong local IT system integrator in this new digital economy.

We aspire to be our customers' "Partner of Choice" by Helping Our Customers Succeed in their digital transformation journey. We will continue to be prudent in overall cost and expenditure management while also investing in selected businesses to accelerate growth. Even though we expect the playing field to be competitive and demanding, the management team believes that we have what it takes to thrive and achieve our goals.

ACKNOWLEDGEMENTS

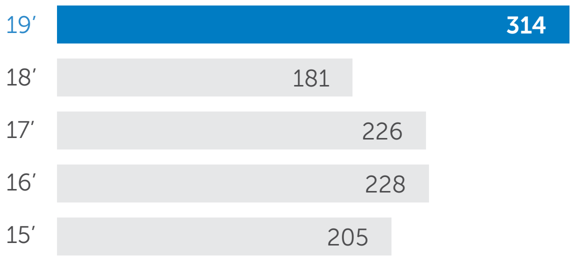
I wish to extend my heartfelt appreciation to my fellow members of the Board as well as our customers and business partners for their confidence and support. To all our loyal employees, I thank you for your sacrifices and enduring commitment to excellence. My deep appreciation also goes to our shareholders for your continuing faith and trust in us. As we venture forth to embrace new opportunities and face challenges, we call upon all our stakeholders to continue lending us their unwavering support. Thank you.

Datuk Wan Mohamed Fusil
Chairman

FIVE-YEAR
PERFORMANCE STATISTICS

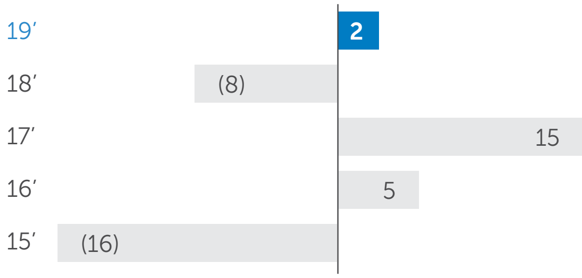
REVENUE (RM Million)

314 +73%



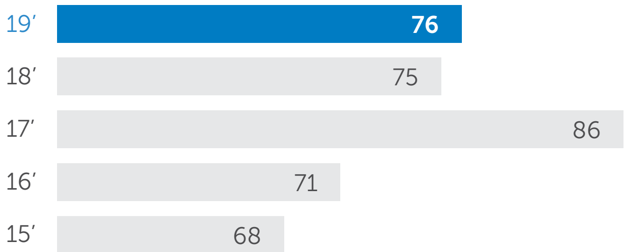
PROFIT/(LOSS) BEFORE TAX (RM Million)

2 +125%



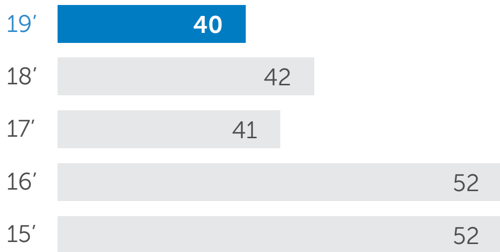
NET CURRENT ASSETS (RM Million)

76 +1%



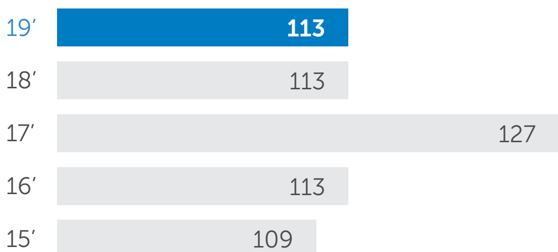
FIXED ASSETS (RM Million)

40 -5%



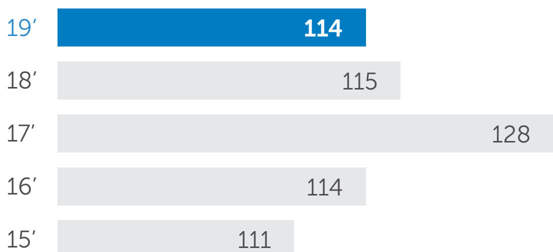
NET TANGIBLE ASSETS (RM Million)

113 +0%



SHAREHOLDERS' EQUITY (RM Million)

114 -1%



BOARD OF **DIRECTORS**

DATUK WAN MOHAMED FUSIL, DMSM

Chairman and Chief Executive Officer

Nationality
Malaysian

Gender
Male

Age
69

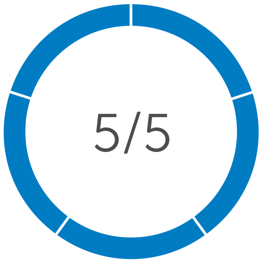
Board Committee
Nil

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 appointed as the Chief Executive Officer of Mesiniaga on 25 February 2016.

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 (1991-1992). Datuk Wan Fusil graduated with a Diploma in Accountancy from ITM (now known as UiTM).

Number of Board Meetings Attended



VOON SENG CHUAN

Independent Non-Executive Director

Nationality
Malaysian

Gender
Male

Age
61

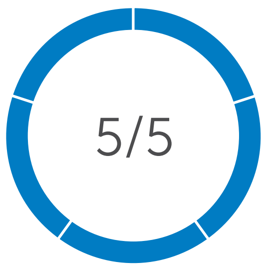
Board Committee
Nomination and Remuneration Committee

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

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

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

Number of Board Meetings Attended



FATHIL ISMAIL

Non-Independent
Non-Executive Director

Nationality
Malaysian

Gender
Male

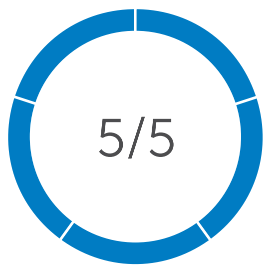
Age
55

Board Committee
Nil

Fathil Ismail was appointed to the Board on 1 June 2002. Between 2008 and 2013, he helmed the Company as Managing Director. Beginning 1 January 2014, he continues to sit on the Board as a Non-Independent Non-Executive Director.

An accountant by training, Fathil served with Ernst & Young and subsequently with the Corporate Finance Department of Arab Malaysian Merchant Bank before pursuing private enterprise. He was a founding partner and the Managing Director of Genesis Healthcare for six years until late 2001. Fathil is an alumnus of Malay College Kuala Kangsar and graduated from the Association of Chartered Certified Accountants (ACCA).

Number of Board Meetings Attended



ABD TALIB BABA, RA (M), FCCA

Independent Non-Executive Director

Nationality
Malaysian

Gender
Male

Age
74

Board Committee
Audit and Risk Management Committee

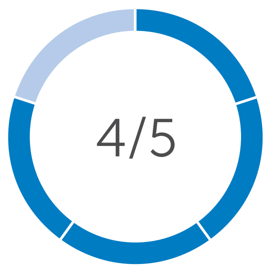
Abd Talib Baba was appointed to the Board on 21 August 2007. Abd Talib is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) and is a registered member of Malaysian Institute of Accountants (MIA).

He started his career with the Ministry of Defence in 1965 before joining the Department of Civil Aviation (DCA) in 1973.

Abd Talib left DCA to join Petronas Berhad as a Senior Internal Auditor in 1980 and subsequently served Petronas Penapisan Sdn. Bhd. and Petronas Mitco Sdn. Bhd. He retired from Petronas in October 1999.

Abd Talib will be retiring at the next Annual General Meeting.

Number of Board Meetings Attended



WONG FOOK HON

Independent Non-Executive Director

Nationality
Malaysian

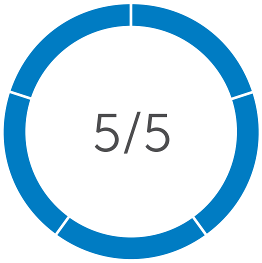
Gender
Male

Age
75

Board Committee
Audit and Risk Management Committee
Nomination and Remuneration Committee

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 Master of Engineering in Aeronautics.

Number of Board Meetings Attended



DATO' AB RASHID MAT ADAM, DIMP

Independent Non-Executive Director

Nationality
Malaysian

Gender
Male

Age
69

Board Committee
Audit and Risk Management Committee

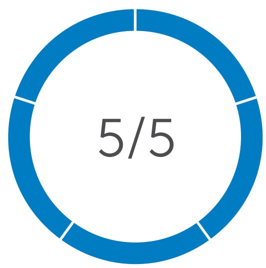
Dato' Ab Rashid Mat Adam was appointed to the Board on 30 December 2008. Dato' Ab Rashid began his career in 1974 as a Principal Assistant Director in the Malaysian Public Services Department (PSD).

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-Drugs 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 Master's Degree in Public Administration from University of Southern California.

Dato' Ab Rashid will be retiring at the next Annual General Meeting.

Number of Board Meetings Attended



IR. DR. MUHAMAD FUAD ABDULLAH

Non-Independent Non-Executive Director

Nationality
Malaysian

Gender
Male

Age
66

Board Committee
Nomination and Remuneration Committee

Ir. Dr. Muhamad Fuad Abdullah was appointed to the Board on 16 July 2010. He began his career in 1977 as an Electrical Engineer with the Malaysian Public Works Department.

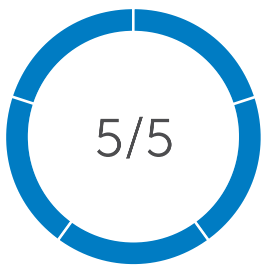
After spending six years in the technical area, he took on the position of Engineering Logistics Manager in Uniphone Sdn. Bhd. He then served as a tutor in Universiti Kebangsaan Malaysia (UKM) in 1992 and thereafter became the Vice President of Kolej UNITI in 1996. He was also CEO of Kausar Corporation Sdn. Bhd. and later the Managing Director of Five-H Associates Sdn. Bhd.

He is currently a Board member of Universiti Sains Islam Malaysia (USIM), USIM Tijarah Holdings Sdn. Bhd., PNB Commercial Sdn. Bhd., Gagasan Nadi Cergas Berhad and Universiti Tun Abdul Razak Sdn. Bhd.

He is a member of the Institute of Corporate Directors Malaysia (ICDM), a professional engineer with Practising Certificate (PEPC), a Fellow of the Institution of Engineers Malaysia (FIEM), an ASEAN Chartered Professional Engineer (ACPE), an APEC Engineer (APEC Eng.) and an International Professional Engineer [IntPE(MY)].

Ir. Dr. Muhamad Fuad holds a Bachelor of Science 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 the Aberdeen University.

Number of Board Meetings Attended



SIM HONG KEE, C.A. (M), ICDM (M)

Independent Non-Executive Director

Nationality
Malaysian

Gender
Male

Age
64

Board Committee
Audit and Risk Management Committee

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

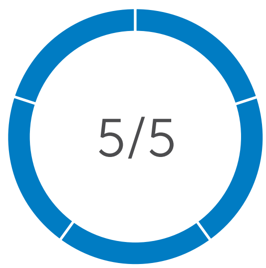
He began his career under a 4-year articleship with a public accounting firm before joining IBM Malaysia where, over a period of about 31 years, he held various senior local and regional leadership positions in the areas of financial planning; pricing; treasury operations; real estate strategy; taxation;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

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

Since May 2016, he has been the Senior Advisor of Business Process and Internal Audit on a part time basis at a prominent local private equity company: Creador Sdn. Bhd.

He has attended the Harvard Business School's Senior Management Development Program and the IBM Asia Pacific Advanced Management School. He completed the Malaysian Institute of Certified Public Accountant examination in 1980 and is a Chartered Accountant and a registered member of the Malaysian Institute of Accountants (MIA) as well as a member of the Institute of Corporate Directors Malaysia.

Number of Board Meetings Attended



DATUK NOOR AZIAN SHAARI, PMW, JSM, KMN

Independent Non-Executive Director

Nationality
Malaysian

Gender
Female

Age
71

Board Committee
Nil

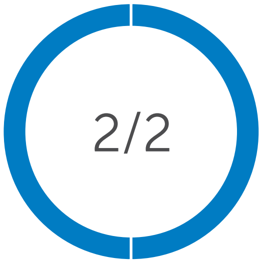
Datuk Noor Azian was appointed to the Board as an Independent Non-Executive Director on 1 July 2019. She also sits on the Board of Deleum Berhad and Affin Hwang Investment Berhad.

Upon being called to the Bar of the Honourable Society of Lincoln's Inn, London in 1971, Datuk Noor Azian joined the Malaysian Judicial and Legal Service and served for 34 years until her retirement in July 2004. During her tenure with the said service, she held various positions, amongst them being Deputy Parliamentary Draftsman, Official Assignee Malaysia, Treasury Solicitor, Sessions Court Judge, Deputy Head of Civil Division, Chairman of the Special Commissioners for Income Tax and Chairman of Tribunal for Consumer Claims.

After her retirement from the Malaysian Judicial and Legal Service, she was appointed as a Judge of the High Court of Malaya where she presided over cases in the Commercial, Civil and Criminal Divisions. She retired from her position as High Court Judge of Malaya in July 2014.

Datuk Noor Azian is a Registered Arbitrator with the Asian International Arbitration Centre (AIAC). She was admitted to the High Court of Malaya as advocates and solicitors in 1984.

Number of Board Meetings Attended



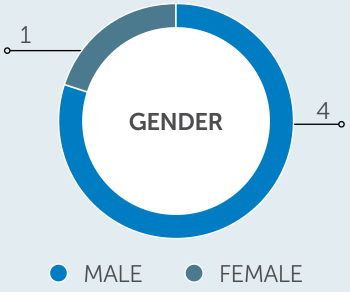
(effective from 1 July 2019)

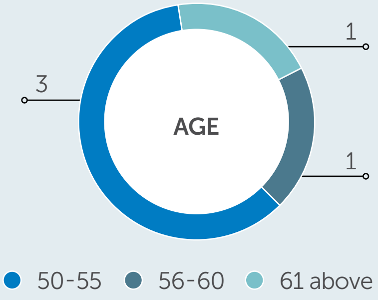
None of the Board Members have relationships among each other or with any of the substantial shareholder of the Company except for Fathil Ismail who has a kin relationship with Safiah Ismail, a substantial shareholder of the Company. They also do not have any conflict of interest with the Company as well as were never convicted of anything other than traffic offences within the past 10 years. Other than the Directorship positions held by Voon Seng Chuan, Ir. Dr. Muhamad Fuad Abdullah and Datuk Noor Azian Shaari 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.

SENIOR
LEADERSHIP TEAM

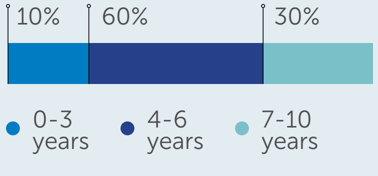
Mesiniaga continues to be led by an active, engaged and experienced Senior Leadership Team. The Company strives to ensure it has an appropriate mix of diversity, skills and experience to discharge its responsibilities effectively.

Our Statistics





Tenure of Our People



DATUK WAN MOHAMED FUSIL

Chairman and Chief Executive Officer

Malaysian | Male | 69

Refer to Board of Director's Profile on page 13.

ARIFFIN ABD MAJID

Chief Financial Officer

Malaysian | Male | 56

Ariffin Abd Majid joined the Company in February 2017. As the Chief Financial Officer, he is responsible for the overall Company's corporate and financial affairs. Ariffin worked as an external auditor in Cooper Lancaster Brewers, Chartered Accountants in the UK prior to joining Petronas in 1992. Subsequently, he joined Business Focus Group as the Group Financial Controller and later joined Boustead Group as the Senior General Manager. His last position before joining Mesiniaga was as the Chief Executive Officer of Dominion Defence Industries Sdn. Bhd., a subsidiary of Boustead. Ariffin is an alumnus of Malay College Kuala Kangsar and graduated from the Association of Chartered Certified Accountants (ACCA).

NORDIN MAT ISA

Director of Products and Services

Malaysian | Male | 54

Nordin Mat Isa joined the Company in 2008 as the Head of Public Sector Business and subsequently as Director of Sales, Public Sector and Telco Business after he had successfully led his team to expand the scope of public sector sales. In March 2017, he was further entrusted with a new portfolio as the Director of Products and Services to drive product-to-market strategies, lead initiatives around keeping promises to customers and create differentiation in our product and service offerings. Prior to joining the Company, he was the Head of Public Sector Sales in Hewlett Packard Malaysia Sdn. Bhd. Nordin has had 20 years of experience in the corporate world and graduated with a Bachelor's Degree in Computer Science, Mathematics and Statistics from Australian National University.

WONG KENG HOE

Director of Sales

Malaysian | Male | 54

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

PATRICIA CHAN FONG MUI

General Manager, Corporate Strategy and Planning

Malaysian | Female | 55

Patricia joined the Company in 1989 as Trainee Programmer Analyst after graduated with a Bachelor in Computer Science from Universiti Sains Malaysia. After nine years of serving in Application Development Division, she took on the post of Application Development Services Manager. From then on, she has held various managerial positions including as a head for a newly formed Solutions Integration Division in 2009. In December 2010, she was promoted to General Manager in charge of an extensive portfolio comprising Solutions Integration, Internal Systems and Application Development. She is now the General Manager for Corporate Strategy and Planning. Her responsibilities are designing business models and recommending to the Company's executives on strategic direction and initiatives. In addition, she plans the Company's yearly budget and tracks the implementation of strategic initiatives.

COMPANY HAPPENINGS

15 February Year Start Kick Off Meeting 2019

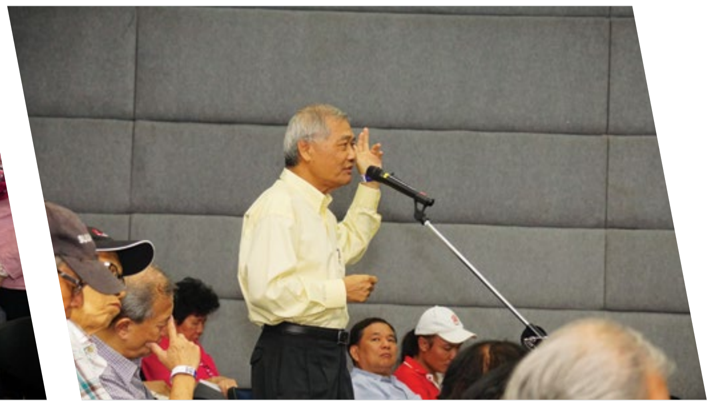
15 February Mesiniaga Chinese New Year Celebration

20 March Fire Awareness & Safety Talk

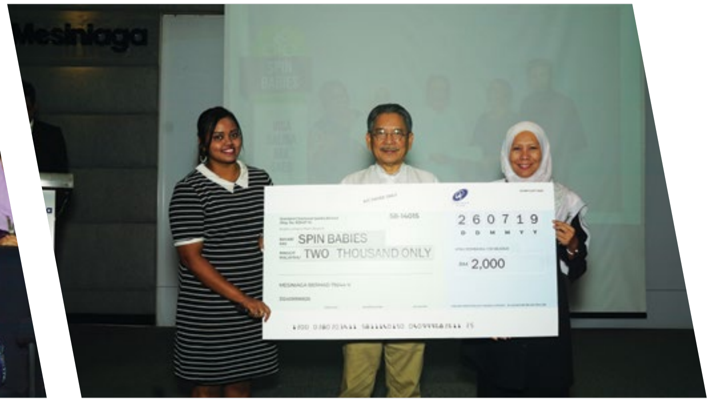
20 April **Mesiniaga Penang: Plogging at Bukit Bendera**

16 May **Majlis Iftar Mesiniaga**

30 May **37th Annual General Meeting**



26 July | 2019 Mid-Year Kick Off Meeting



1-2 November | Mesiniaga Penang: Off-Site Team Building

26 November | MACC Briefing on Corporate Liability and Signing the Corruption Free Pledge

MEDIA APPEARANCES

31 October

NEW STRAITS TIMES ESTABLISHED 1845

Mesiniaga clinches RM261.26mil contract from MoF

By NST Business - October 31, 2019 @ 8:10pm

KUALA LUMPUR: Mesiniaga Bhd has clinched a RM261.26 million contract from the Ministry of Finance (MoF) to build new infrastructure for the Accountant General's Department.

In an exchange filing today, the company said the contract involves the plan, design, supply and deliver, install, configure, test and commission, implement, monitor and maintain the infrastructure hardware and software as well as to carry out the installation, migration testing and commissioning of the integrated financial and accounting management system of the government.

The contract kicks off tomorrow and is expected to complete by April 30, 2025.

"The contract will have a positive effect on our earnings per share. However, it is not likely to have an effect on the dividend policy, gearing, share capital and the substantial shareholders' shareholdings of the company for the financial year ending December 31, 2019," Mesiniaga said.

01 November

Mesiniaga bags RM261m contract from MoF

BY TAN XUE YING

KUALA LUMPUR: Mesiniaga Bhd has bagged a RM261.26 million job to build new infrastructure for the Accountant General's Department of Malaysia (AGD) from the ministry of finance (MoF).

The contract will start today and to be completed by end-April 2025, Mesiniaga said in a bourse filing yesterday.

Under the contract, Mesiniaga will design, supply, commission, and maintain the infrastructure hardware and software and carry out the installation, migration testing and commissioning of the integrated Government Financial & Management System and the support system at the AGD's new infrastructure.

MESINIAGA BAGS RM261M MOF PROJECT

PETALING JAYA: Mesiniaga Bhd has received a letter of award from the Finance Ministry worth RM261.26 million. The group told Bursa Malaysia it is required to plan, design, supply, deliver, install, configure, test and commission, implement, monitor and maintain the infrastructure hardware and software of the integrated financial and accounting management system of the Federal Government and the support system at the new infrastructure of the Accountant General's Department of Malaysia. The group will also be responsible for the installation, migration testing and commissioning of the systems. The contract commences today and is expected to be completed on April 30, 2025. "The supply and implementation period will take 10 months from Nov 1, 2019 to Aug 31, 2020, while the hardware warranty period will be from May 1, 2020 until April 30, 2025," Mesiniaga said.

THE EDGE MARKETS™ MAKE BETTER DECISIONS

Mesiniaga rises to two-month high after RM262m contract win

Ahmad Naqib Idris / theedgemarkets.com
November 01, 2019 12:08 pm +08

KUALA LUMPUR (Nov 1): Mesiniaga Bhd, a hardy stock usually, gained 6.6% to touch a two high after the group yesterday announced a RM261.56 million contract awarded by the Mi of Finance (MoF) to build new infrastructure for the Accountant General's Department of Malaysia (AGD).

At 10.46am, the counter went up eight sen to RM1.30, translating to market capitalisation o RM78.53 million. A total of 281,500 shares were exchanged, more than five times its 200-d average trading volume of 51,261.5.

According to Mesiniaga's exchange filing, the contract commences today and will be com by end-April 2025.

03 December

MESINIAGA SUPPORTS THE FIGHT AGAINST CORRUPTION BY SIGNING THE CORRUPTION FREE PLEDGE

Tuesday 03/12/2019

The signing of corruption free pledge at Menara Mesiniaga led by Datuk Wan Fusil, CEO of Mesiniaga Berhad and witnessed by Dato' Haji Alias Salim, Director of Selangor

SUBANG JAYA, Dec 3 (Bernama) -- Mesiniaga Berhad signed and pledged to the Corruption-Free Pledge on 26 November in response to MACC's call to stand together in fighting corruption and abuse of power.

The pledge reading was led by Datuk Wan Mohamed Fusil Wan Mahmood, Chief Executive Officer of Mesiniaga Berhad and witnessed by Dato' Haji Alias Bin Salim, Director of the MACC Selangor State.

SUSTAINABILITY STATEMENT

For a Group to succeed and create long term value for its shareholders, we believe that a sustainable growth strategy must be developed while actively managing our commitment to the Economic, Environmental and Social (EES) obligations. This Sustainability Statement highlights the key EES initiatives undertaken by the Group during the year under review. We continue to evaluate and refine our approach to sustainability, in order to achieve our goals.

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

SUSTAINABILITY SCOPE

This Sustainability Statement covers Mesiniaga Berhad (the Group) and its subsidiary companies' sustainability efforts within Malaysia, from 1 January 2019 to 31 December 2019. The Statement does not include the Group's joint ventures and its business outsourcing operations. We will however consider extending the scope to these areas in the future.

SUSTAINABILITY GOVERNANCE

The responsibility to promote and embed sustainability in the Group lies with the Board of Directors (the Board), and managed under the Chief Executive Officer's Department, assisted by the Sustainability Steering Committee and the Department Heads. The CEO is responsible to oversee the following:-

- Stakeholder engagement
- Materiality assessment and identification of sustainability risks and opportunities
- Management of material sustainability risks and opportunities

MATERIALITY ASSESSMENT

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

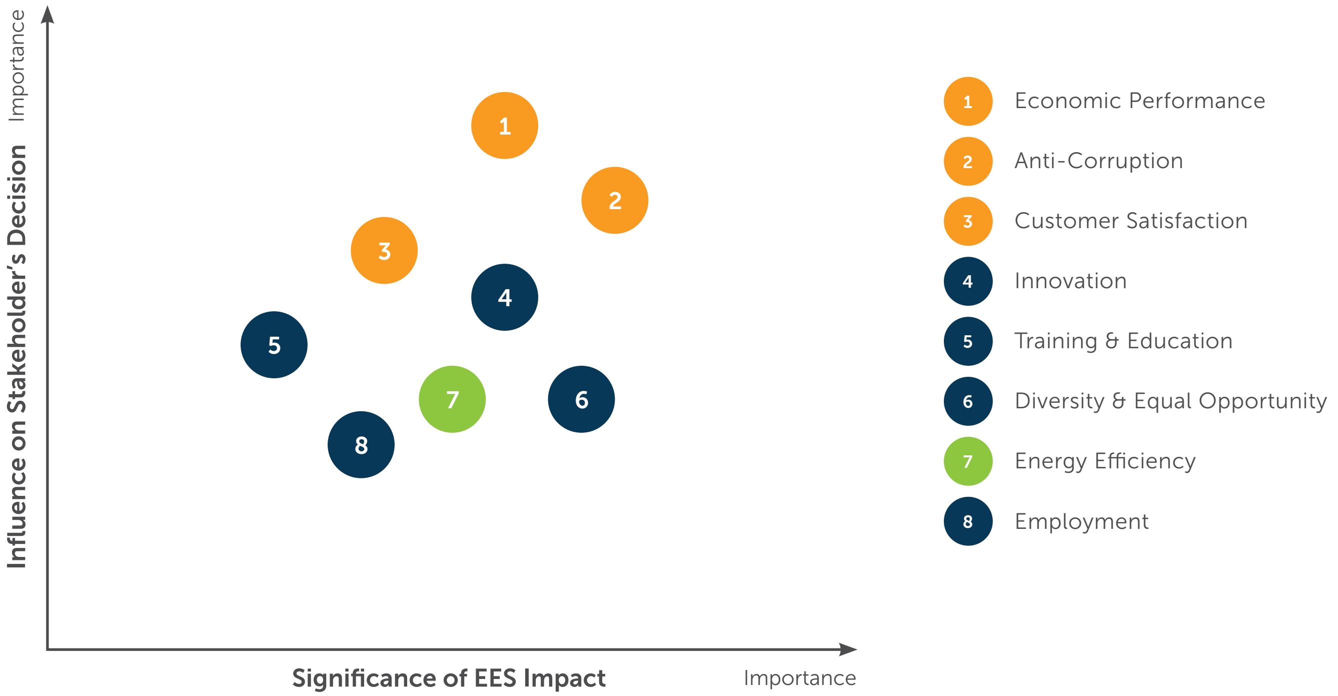


Figure 1: *Mesiniaga Berhad's Materiality Map*

STAKEHOLDER ENGAGEMENT

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

Stakeholder	Key Engagement Areas	Methods of Engagement
CUSTOMERS	• Network quality and coverage • Innovative offerings • Security protection • Customers' complaints tools • Social media • Websites	• Customer satisfaction surveys • Focus group discussions • Customer service channels (Mesiniaga website, customer helpline and social media) • Mass media
GOVERNMENT	• Connectivity and access to technology in underserved areas • Quality of service and consumer issues • Development of the IT industry and market	• Regular reports and progress updates • Formal and informal meetings • Participation in government programs and initiatives
INVESTORS	• Profits and development • Responsible business • Corporate Governance	• Annual General Meeting • Results announcement meeting • Regular updates and communication
EMPLOYEES	• Training and development • Health and safety • Innovation • Product knowledge	• Annual employee engagement survey • Team building • Engagement activities • Events and functions • Internal communications such as newsletters, intranet and updates • Internal workshop
PARTNERS/PRINCIPAL	• Sales performance • Technology updates	• Networking events • Industry workshops • Conferences and meetings
VENDORS	• Third-party suppliers and vendors	• Contract bidding and procurement management • Events
COMMUNITY	• Social and IT development contributions • Socio-environment impact	• Financial and non-financial contributions • CSR activities

ECONOMIC

ECONOMIC PERFORMANCE

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

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

CUSTOMER SATISFACTION

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

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

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

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

MESINIAGA'S CUSTOMER SATISFACTION INDEX SCORE

89%

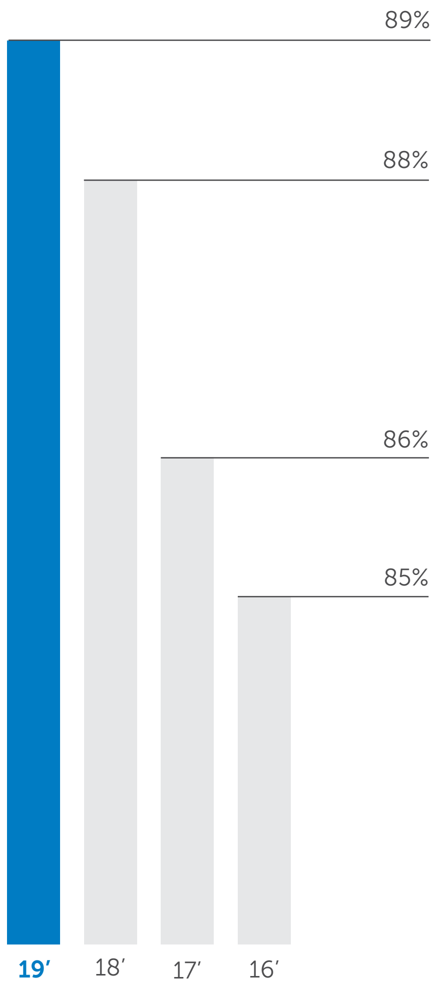


Figure 2: *Mesiniaga's Customer Satisfaction Index*

ECONOMIC

ENTERPRISE RISK MANAGEMENT

The Group Risk Management Committee was established to identify the principal risks affecting the Group's business objectives and to help implement risk management processes in a structured and focused approach. It consists of six (6) levels of committee members: the Board of Directors, the Board of Audit and Risk Management Committee, the Group Risk Steering Committee, the Group Audit and Risk Department, the Group Risk Working Committee and the Group Risk Owners. The risk management processes and activities within the Group are guided by the COSO (Committee of Sponsoring Organisation of the Treadway Commission), Enterprise Risk Management (ERM) Framework and ISO 31000 Risk Management Principles & Guidelines.

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

Overview of Mesiniaga Berhad's Risk Performance

Our risk management process is heavily influenced by the Four Disciplines of Execution Framework (4DX) which the Group has implemented to increase performance through focused objectivity. As of FY2019, the Group has achieved a reduction of 13% on Average Total Risk Rating compared to FY2018. By continuing to execute this adopted 4DX Framework, the Group is targeting to maintain at least a 15% reduction of its Average Total Risk Rating in FY2020.

Mesiniaga Berhad's Risk Management Structure

Board of Director (BOD)	• Oversees and maintains sound structure of Group Risk Management and Internal Controls initiatives and practices • Fosters risk intelligent culture through corporate strategy and governance process • Defines and approves the risk management framework and policy and sets risk apetite
Audit and Risk Management Committee (ARMC)	• Assists the Board in governing the Group Risk Management and Internal Controls initiatives and practices • Updates the Board on the significant changes that affect the risk profile of the Group
Group Risk Steering Committee	• Consists of all members of Group Senior Management Team and chaired by the Chief Executive Officer • Drives the risk management framework, strategies and coordinates the decision-making process • Defines risk priorities and regularly assesses the risk profile of the organisation
Group Audit and Risk Department	• Secretariat of Group Risk Steering Committee • Proposes and documents Risk Management policy, standard and process • Building risk awareness culture and facilitates risk management meeting and risk assessment in Group

ECONOMIC

Group Risk Working Committee	• Consists of all members of Group Managerial Level Team • Consolidates and updates the risk at operational level from Risk Owners • Communicates the recommendations and the decisions made to Risk Owners
Risk Owner	• Discusses and assesses operational risk on a quarterly basis • Formulates unit/department risk management strategies • Assigns risk management responsibilities and accountabilities within their respective units • Reviews and discusses the risk, controls and strategies/action plans

For more information, please refer to the Management Discussion and Analysis and Statement of Risk Management and Internal Controls on page 8 and 51 respectively.

ANTI-CORRUPTION

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

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

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

Anti-Bribery and Corruption Policy

We enhanced our Anti-Bribery and Corruption Policy (ABC Policy), which aligns with the Malaysian Anti-Corruption Commission Act 2009 to govern our ability to mitigate this risk. The purpose of the ABC Policy is to ensure a sound bribery and corruption risk management and prevention process which involve monitoring, treatment, and reporting in a structured, systematic and consistent manner.

Whistleblowing Policy

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

ECONOMIC

Vendor Code of Conduct

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

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

Business Conduct Guidelines

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

Issues	Guidelines and Ethics
Recording and reporting information	• Accurately • Honestly
General standards	• Avoid misrepresentation • Avoid reciprocal dealing
Fairness in the field	• No disparaging of competitors • No premature disclosure and selling against competitive orders
Multiple relationships with other organisations	• Avoid discussing any proprietary or confidential information • Follow published marketing and services guidelines
Information about others	• Treated with sensitivity and discretion • Limited to the ways that information should be acquired and used
Bribes, gifts and entertainment	• Following the correct receiving and giving etiquette • Being aware of and adhering to the laws and regulations between customers and suppliers

OVERVIEW
PERFORMANCE
GOVERNANCE
FINANCIAL STATEMENTS
OTHER INFORMATION

ECONOMIC

Issues	Guidelines and Ethics
Fraudulent act	• Ensures that policies and procedures are in place to cover the prevention, deterrence and detection of fraud
Conflicts of interest	• Assisting competitors, competing against Mesiniaga, performing outside work that uses Mesiniaga's time and assets and acting as a supplier for Mesiniaga are prohibited
Personal financial interests	• No financial interest in any organisation that does business with Mesiniaga including suppliers, competitors, customers and distributors
Using inside information	• Refrain from using inside or non-public information about Mesiniaga or another company for their own financial benefit
Ethics practice policy	• Whistleblowing process and guidelines

Corruption-Free Pledge

Mesiniaga Berhad signed and undertook the Corruption-Free Pledge on 26 November 2019 in response to MACC's call to stand together in fighting corruption and abuse of power. The pledge reading was led by Datuk Wan Mohamed Fusil bin Wan Mahmood, Chief Executive Officer of Mesiniaga Berhad and witnessed by Dato' Haji Alias bin Salim, Director of the MACC Selangor State.

Participants were also given a talk on 'Integrity and Corporate Liability' delivered by Tuan Azuan bin Adzhar, Assistant Commissioner of MACC Selangor State. Datuk Wan Mohamed Fusil also expressed his hope that with the implementation of this Corruption Free Pledge, Mesiniaga Berhad's employees and business partners would be committed to suppressing and preventing corruption while also instilling high values of integrity in themselves.

The ceremony was attended by all the employees and the Senior Management team of Mesiniaga Berhad, their strategic partners and the Selangor State MACC officers.

ENVIRONMENTAL

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

ENERGY EFFICIENCY

Menara Mesiniaga is renowned for being a "green building", with ecological and architectural aesthetics that have allowed us to minimise our impact on the environment and maintain a relatively low carbon footprint. The bioclimatic designs of the building have internal and external features that uphold energy-saving practices while ensuring the comfort of their occupants. The design also incorporates passive energy saving features such as solar shading and the optimum positioning of service cores to reduce energy consumption.

Cutting down on air conditioning is significant for us. We have made every effort to reduce electricity usage by making the most of natural daylight and natural ventilation within our building. We have saved more than RM200,000 since this initiative was in place. We continue to save another RM27,231.63 for the reporting year.

- 50% — More than 50% of lighting is off during lunch time and after office hours
- For those who come early, lights are switched ON only in areas that require it
- Electronic devices are turned off before leaving the office
- The temperature of the small and big chillers are monitored daily to determine usage

MESINIAGA'S ENERGY USAGE

12% ↓

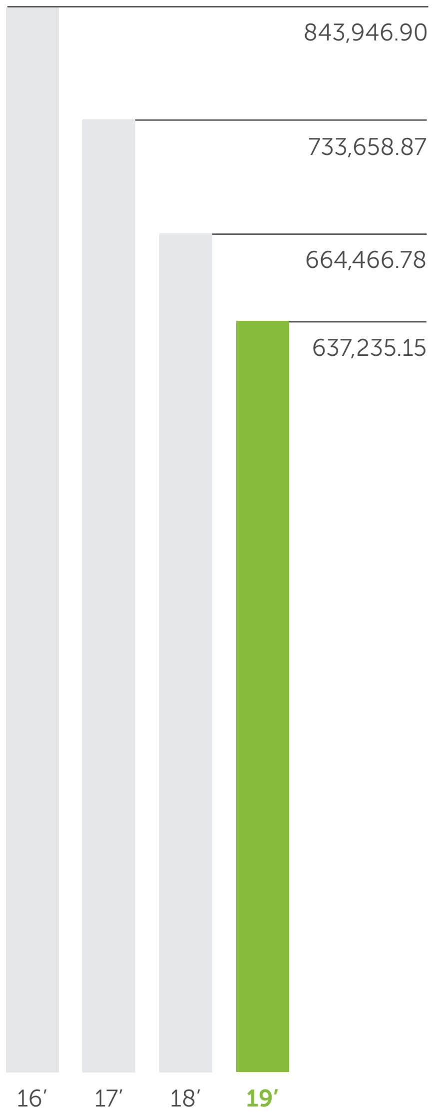


Figure 3: *Mesiniaga's Energy Usage*

SOCIAL

INNOVATION

With the increasing importance of digital technology throughout corporate innovation activities, Mesiniaga needs to transform the way it organises for innovation. Our research points to three factors that are determinants of success: the right innovation architecture, the ability to manage multiple sources of innovation, and alignment of the right capabilities to ensure proper implementation.

We are only in the early phases of the digital revolution and, as general-purpose technologies such as IOT and AI continue to roll out, Mesiniaga will continue to be challenged to rethink and ensure that we are able to help our customers succeed by reimagining both our own and the customer's models to access, organise and deploy these technologies to benefit all of their business units.

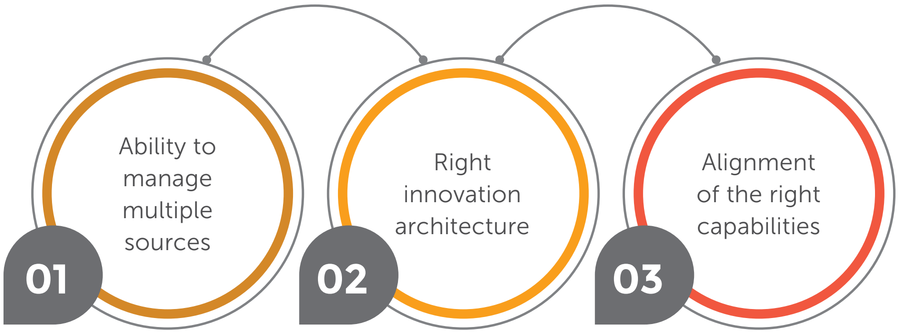


Figure 4: *Innovation success factor*

DIVERSITY IN WORKFORCE

We believe that diversity can positively contribute to enriching and creating a thriving working environment. With this in mind, we continue to commit towards providing equal opportunities regardless of race, gender, age or religious beliefs. As of December 2019, female employees make up 33% of our total workforce and 26% of total managerial position.

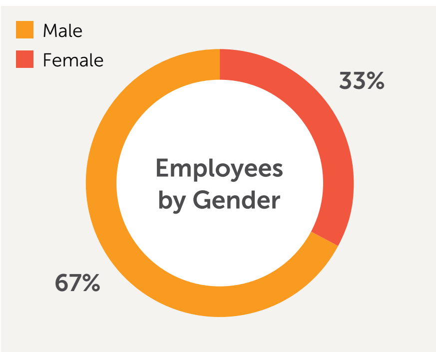


Figure 5: *Employees by Gender*

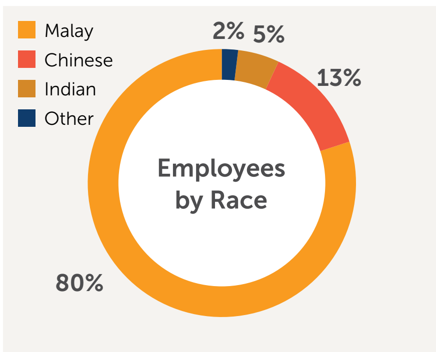


Figure 6: *Employees by Race*

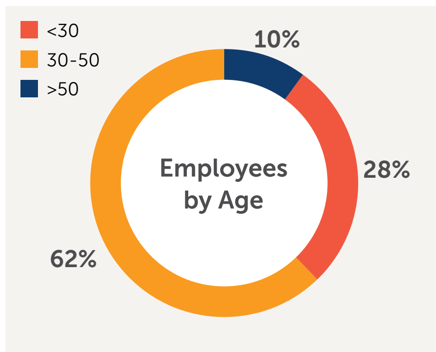


Figure 7: *Employees by Age*

SOCIAL

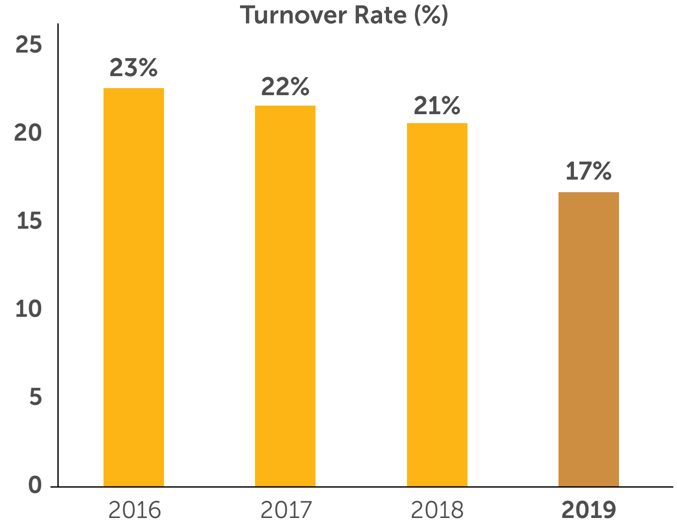


Figure 8: *Employees Turnover Rate (%)*

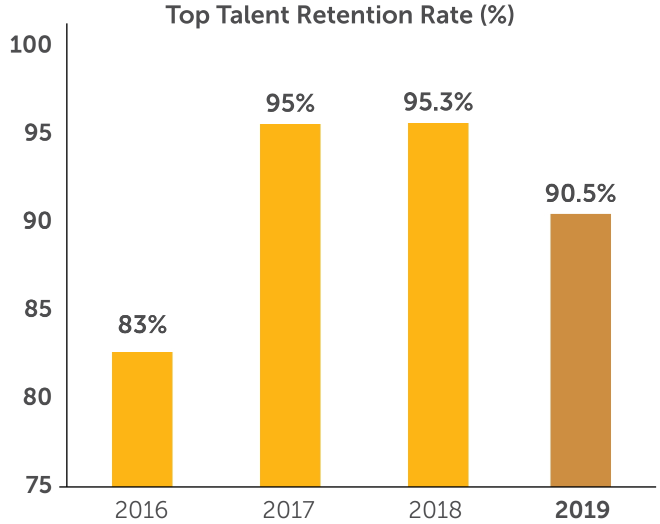


Figure 9: *Top Talent Retention Rate (%)*

PERFORMANCE MANAGEMENT

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

- Driving a high performance culture through differentiation
- Fair and equitable review by supervisors
- Trust and accountability of supervisors
- Coaching through employee-supervisor communications
- Clear and transparent leadership

MMC Yearly Plan Timeline

Individual Goal/ Target Setting	Monitoring & Feedback	Mid-Year Review	Monitoring & Feedback	Year-End Performance Review	Manage-ment Team Approval
Jan Feb Mar	Apr May Jun July	Aug	Sept Oct Nov Dec	Jan Feb	Mar

From 2015 to 2019, about 90% of Mesiniaga's employees received their performance and career evaluations via MMC.

OVERVIEW
PERFORMANCE
GOVERNANCE
FINANCIAL STATEMENTS
OTHER INFORMATION

SOCIAL

TRAINING AND DEVELOPMENT

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

In 2019, the Group achieved an increase of 14,116 total training hours compared to 9,825 hours in 2018 and the average training hours per employee of 23.25 hours compared to 9.38 hours in 2018, while reducing the expenditure incurred year on year by 21% from RM523,855.80 to RM415,687.70, mainly due to increased utilisation of online training which is more economical for Mesiniaga whilst providing flexibility to the employees.

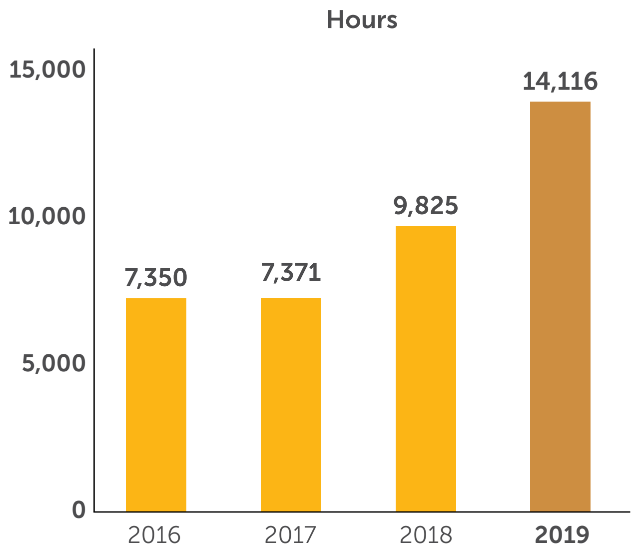


Figure 10: *Hours Spent on Training*

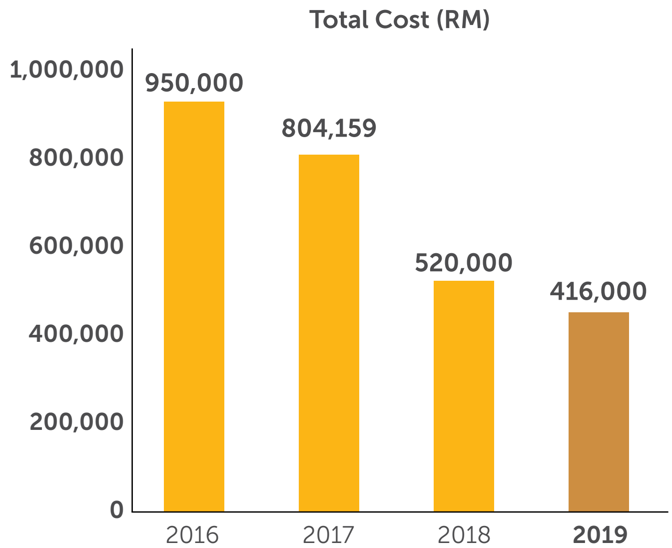


Figure 11: *Total Cost (RM) Spent on Training*

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

<u>Average hours of training per year per employee</u>

$$\text{Average training hours per employee} = \frac{\text{Total number of training hours provided to employees}}{\text{Total number of employees}}$$

$$\frac{\text{14116 hours}}{\text{607 employees}} = \text{23.25 hours per employee}$$

SOCIAL

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

Managerial	i. Evolve ii. Coaching for Performance iii. The 8 Critical Skills of Successful Manager iv. Power of Me
Executive	i. The Art of Engagement at Work ii. Think on Your Feet iii. Presentation Alive iv. Microsoft Excel – Intermediate & Advanced
Non-Executive	i. The Art of Engagement at Work ii. Corporate Grooming & Business Etiquette iii. Microsoft Excel – Intermediate & Advanced iv. Microsoft Power Point – Intermediate & Advanced

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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

This Corporate Governance Overview Statement is made pursuant to Paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad with guidance drawn from Practice Note 9 of the Main Market Listing Requirements and the Corporate Governance Guide (3rd ed.) issued by Bursa Malaysia Berhad.

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

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

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

The Group has applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2019, except for the following:-

- Practice 1.3 (The positions of Chairman and CEO are held by different individuals);
- Practice 4.5 (Board to comprise 30% women Directors);
- Practice 7.1 (Disclosure of Directors' remuneration on a named basis);
- Practice 7.2 (Disclosure of Senior Management personnel's remuneration on a named basis); and
- Practice 12.3 (Leveraging on technology to facilitate remote shareholders' participation).

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

Principle A: Board Leadership and Effectiveness

Providing leadership in meeting the objectives and goals of the Group

With the goal of achieving our Group's stated vision and mission, we are committed to continue our efforts to be the "Malaysian IT Partner of Choice" by Helping our Customers Succeed. We pledge to strive for the highest level of good governance in the Group, to meet and exceed the expectations of all our stakeholders particularly our shareholders. The Board of Directors (the Board) firmly believes that adopting and operating in accordance with the highest standards of corporate governance are vital for sustainable performance and economic value creation for all our stakeholders. The values adopted by the Group are:-

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

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

Due to constraint of resources, the Board is of the opinion that Datuk Wan Mohamed Fusil who is also the CEO of the Group, being the most senior and experienced person on the Board is most suitable to be the Chairman of the Board. He has been on this dual capacity since 25 February 2016.

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

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

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

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

Demarcation of responsibilities between the Board, Board Committees and Management

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

The Board and its Committees meet regularly to deliberate on matters under their purview. In addition to the scheduled meetings, the Board and Board Committees also convene special meetings when urgent and important deliberations are required or decisions need to be taken between scheduled meetings. During the year, the Board has deliberated on business strategies and critical issues concerning the Group, including business plans, annual budget, financial results as well as key performance indicators. Throughout 2019, the Board of Directors met five (5) times. The attendance of individual Directors for the meetings of the Board and Board Committees are outlined below:-

Directors	Board	ARMC	NRC
Datuk Wan Mohamed Fusil	5/5	-	-
Fathil Ismail	5/5	-	-
Voon Seng Chuan	5/5	-	1/1
Dr. Ir. Muhamad Fuad Abdullah	5/5	-	1/1
Wong Fook Hon	5/5	5/5	1/1
Abd Talib Baba	4/5	5/5	-
Dato' Ab Rashid Mat Adam	5/5	5/5	-
Sim Hong Kee	5/5	5/5	-
*Datuk Noor Azian Shaari	2/2	-	-

**Note: Datuk Noor Azian Shaari was appointed to the Board on 1 July 2019.*

All meetings were held at the Boardroom, 11th Floor, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan.

Commitment to the promotion of good business conduct and maintenance of a healthy corporate culture

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

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

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

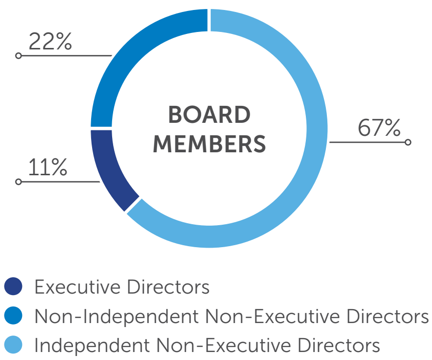
Employees' concerns, whistle-blowing or otherwise may be raised via emails, telephone calls, letters and faxes to the attention of the Ethics Committee consisting of the Chairman, a member of the Audit and Risk Management Committee and the Internal Audit and Risk Manager. Employees are assured that confidentiality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

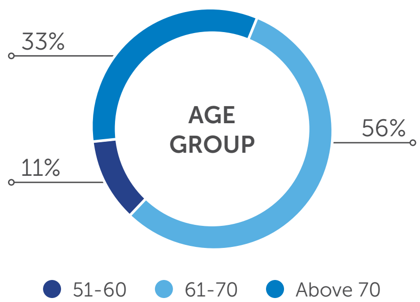
Board decision making process

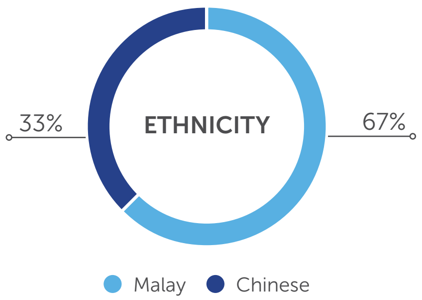
Particular attention is paid to the composition and balance of the Board to ensure that it has wide experience relevant to the IT business sector.

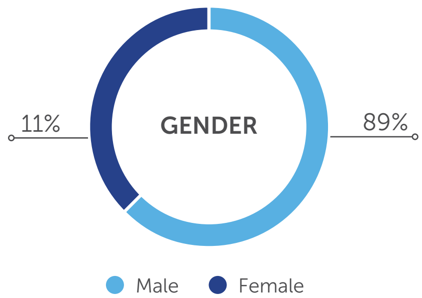
The Board considers that objectivity and integrity, as well as the relevant skills, knowledge, experience, mindset and ability, which will assist the Board in strengthening its key functions, are the prerequisites for the appointment of new Directors to the Board.

The Board also recognises the need to enhance Board diversity, as it is essential to the effective functioning of the Board. The Board has attained diversification in terms of experience, skills, expertise, competencies, ethnicity and age to enable the Group to maximise its business and governance performance. In line with the recommendation to have gender diversity on the Board, one female director was appointed to the Board on 1 July 2019. Every effort would be taken to comply with the recommended gender diversity on the Board in the future. The representation of the members of the Board as of 31 December 2019 is as follows:-









The composition is not only in compliance with the Listing Requirements of Bursa Securities, which require that at least one third of the Board should comprise Independent Directors, it also exceeded the provision as indicated in Practice 4.1 of the Code which stipulates that Independent Directors must constitute at least half of the Board.

The Board recognises MCCG 2017's practice on the tenure of an Independent Director that should not exceed a cumulative term of nine (9) years. Wong Fook Hon, Abd Talib Baba and Dato' Ab Rashid Mat Adam were reappointed last year upon their completion of a cumulative term of nine (9) years.

Both Abd Talib Baba and Dato' Ab Rashid Mat Adam would not seek re-election at the forthcoming Annual General Meeting (AGM). Shareholders' approval would however be sought for the re-election of Wong Fook Hon at the forthcoming AGM. The Board is in the opinion that his continued presence with his respective expertise and significant contribution during his tenure of service will be to the advantage of the Group.

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

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

The Board fully embraces gender diversity within the Group. As at 31 December 2019, 56% of the Group's employment strength consists of females. Females constitute 44% and 26% at Senior Management and total management levels respectively.

Though the Nomination and Remuneration Committee has been tasked to review and make recommendations for membership of the Board, the Board does not solely rely on recommendations received from the Committee. The Board is open to consider independent sources to identify suitably qualified candidates.

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

Level and composition of remuneration

The NRC oversees the implementation of the policy and procedure on remuneration including reviewing and recommending matters relating to the remuneration of the Board in general and in particular the remuneration of the Executive Director. Its Terms of Reference is as stated on page 61 of this Annual Report.

Considerations include Director's responsibilities, experience competencies, commitment, contribution and performance. The market rates are also taken into account when deciding remuneration.

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

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

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

RM('000)	Executive Director	Non-Executive Director
Fees	-	335
Salaries	802	-
Other emoluments	195	41
Defined contribution plan	38	-

	Executive Director	Non-Executive Director
Below RM50,000	-	4
RM50,001 to RM100,000	-	4
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM300,00	-	-
RM400,001 to RM450,000	-	-
RM450,001 to RM500,000	-	-
RM500,001 to RM550,000	-	-
RM550,001 to RM1,000,000	-	-
RM1,000,001 to RM1,500,000	1	-

Directors' Training

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

Board Leadership and Corporate Governance	• Robo CFO Workshop - Using AI to Analyse Financial and Business Trends • Governance Symposium - Building a Governance Eco-System • Demystifying the Diversity Conundrum - The Road to Business Excellence • Anti-Corruption and Integrity Forum - Embedding Integrity the Cornerstone of Good Governance • How Board Can Build Reputation Resilience • PNB Leadership Forum 2019 • Bursa Advocacy on Diversity • BNM-Fide Forum 4th Distinguished Board Leadership Series - Digital to the Core • 2nd Distinguished Board Leadership Series: Rethinking Strategy by Prof Anil K Gupta • Session on Corporate Governance & Anti-Corruption

Risk Management/ Internal Audit	• The Role of Audit Committees in Ensuring Organisational Integrity, Risk and Governance • International Accountants Conference • Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees • FIDE Elective Programme: Understanding Liquidity Risk Management in Banking • Related Party Transaction • Anti-Money Laundering trading for Board of Directors • Risk Management: Basel FIRB accreditation refresher • The Role of Audit Committees in Ensuring Organisational Integrity, Risk and Governance
Nomination and Remuneration	• Revisiting the Misconception of Directors' Remuneration • Power Talk Series on "Say on Pay: What do Boards need to know?"
Technology and Innovation	• Mesiniaga In-House IT Systems and Controls Workshop • Cyber Security in the Boardroom - Accelerating from Acceptance to Action • How Blockchain Technology is Transforming the Capital Market • Convergence of Digitisation and Sustainability • FIDE FORUM: Digital Assets - Global Trends, Legal Requirements and Opportunities for Financial Institutions • Technology update to the Board • FIDE Elective Programme: Understanding FinTech and its Implication for Banks • BNM-FIDE Forum Dialogue on Innovation and Fintech in the Financial Services Industry • Briefing by Professor Dr Kamal Munir - Business Model and Technological Disruptions
Others	• International Directors Summit • Focus Group Discussion for 6th BNM-FIDE Dialogue • FIDE FORUM: Reading the Signs - the next financial crisis and its potential impact on Asia • BNM Annual Report 2018 • Dialogue with BNM Deputy Governor on draft of RMiT • Singapore Fintech festival • Section 17A MACC Amendment Act 2018 • Human Resource Management, Philosophy & Practice • PNB Corporate Summit • Maxis Business Spark Summit • Integrity and Corporate Liability Talk

Principle B: Effective Audit and Risk Management

The Audit and Risk Management Committee (ARMC) comprises of four (4) members and is headed by Sim Hong Kee. He and the rest of the ARMC members are Independent Non-Executive Directors. This composition is in full compliance with MCCG 2017.

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

Both Sim Hong Kee and Abd Talib Baba are chartered accountants and members of Malaysia Institute of Accountants (MIA). The other two (2) though not having financial background, have sufficient experience that enables them to be financially literate and understand matters under the purview of the ARMC including the financial reporting process. All members of the ARMC had participated in various continuing professional developments to keep themselves abreast of relevant development in accounting standards, practices and rules.

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

Mitigating and managing risk

An effective risk management and internal control framework has been established and the features of the framework are as stated in the Statement of Risk Management and Internal Control on page 51 of this Annual Report. A synopsis of the key risk areas as identified and monitored by the ARMC are as stated in the Management Discussion and Analysis on page 10.

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

Effective governance, risk management and internal control framework

Ensuring that the internal audit function is effective and able to function independently is part of the function and duties of the ARMC.

Internal audit personnel are free from any relationship or conflict of interest which could impair their objectivity and independence. The internal audit unit is headed by the Head of Audit and Risk Department. He holds an MBA and is a professional member of the Institute of Internal Auditors Malaysia. He is assisted by a team of two (2) internal auditors who have sufficient auditing experience and tertiary academic qualifications.

Principal C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

Communication with stakeholders

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

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

Conduct of General Meeting

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

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

The Group has been holding its Annual General Meeting at its own premise since 1998. While the Group has no intention to introduce voting in absentia or remote shareholders participation for the time being, the Group will explore using such avenues for future AGMs.

STATEMENT OF
DIRECTORS' RESPONSIBILITIES

In relation to financial statements

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

In preparing the financial statements of the Group for the year ended 31 December 2019, the Directors have:-

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

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

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

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

INTRODUCTION

The Malaysian Code on Corporate Governance 2017 requires the Board to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. In compliance with the provision of Bursa Malaysia Securities Berhad (BMSB) Listing Requirements Paragraph 15.26(b) and Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers (Risk Management and Internal Control Guidance), the Board of Directors (the Board) is pleased to present the Statement on Risk Management and Internal Control (SORMIC), which outlines the risk management framework and scope of the internal control structure of the Group during the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

BOARD RESPONSIBILITY

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

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

ASSURANCE MECHANISM

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

INTERNAL AUDIT

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

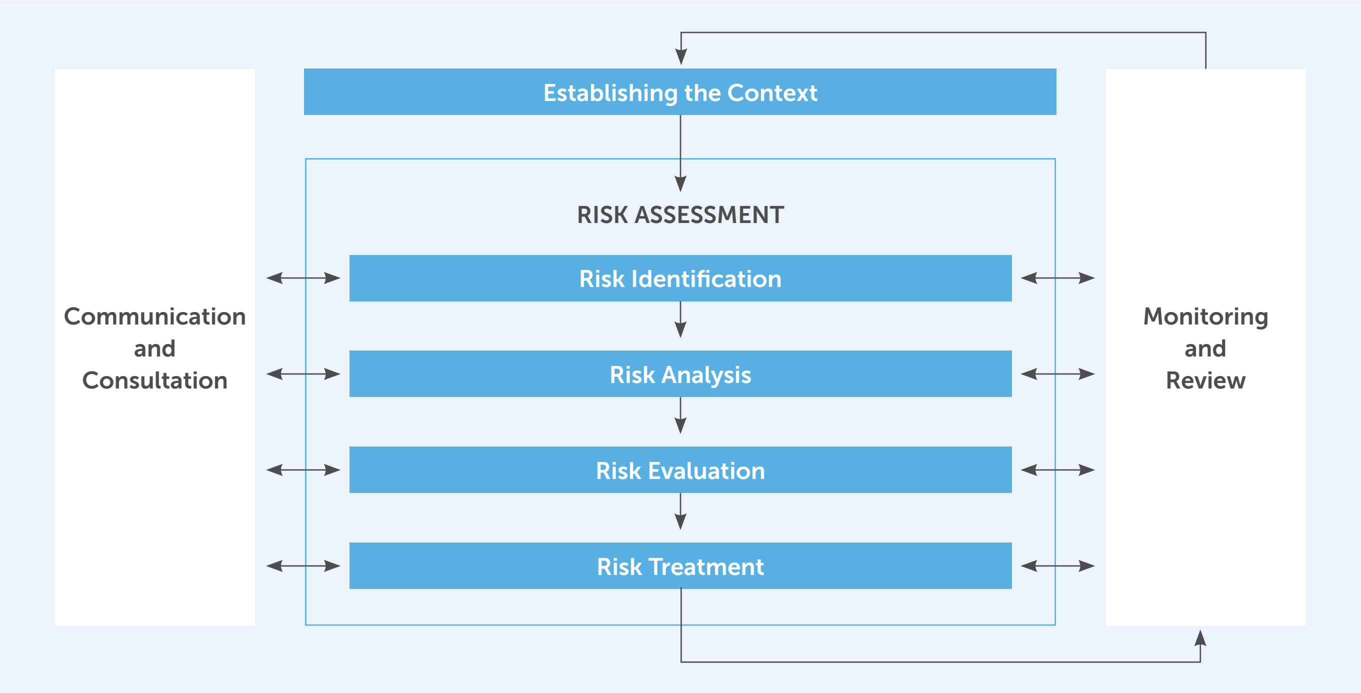
The Audit and Risk Department adopts a risk-based approach in its audit plans and examination. The internal audit function is guided by IPPF (International Professional Practices Framework) issued by the Global Institute of Internal Auditors. Additionally and separately, the Audit and Risk Department performs on-going reviews of processes and activities within the Group in compliance with the ISO 9001:2015 standards. The audit plan, based on the areas of significant risk exposure to the Group, was approved by the ARMC in November 2018.

RISK MANAGEMENT

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

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

The ARMC determines the Group's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Group's assets. Progress on risk management activities is reported at every ARMC meeting in 2019 by the risk coordinator. The processes of risk management are illustrated as per below:-



Amongst others, the duly identified and monitored risks by the ARMC include contract risk, Group performance risk, operational risk, technology risk, corruption risk and people risk.

CONTEXT	RISK	MITIGATION
Contract Risk	The Group accords utmost focus on the Contracts and Agreements entered into with the Group's stakeholders. Contract risk is the risk of the Group failing to keep track of and meet or enforce its contractual obligations or rights, or entering into contracts with terms that are inadequate, unfair or enforceable.	Review individual contract and agreement with the clients as well as regular engagement by the Legal function has been one of the many mitigation measures taken in order to ensure the risk of breaching the contract is minimised.
Group Performance Risk	i) The constant and rapid changes in the IT industry and entry of new industry participants has resulted the market to be more competitive which may in turn impact the business performance of the Group. ii) The recent eruption of the Covid-19 both locally and across the globe, as well as the oil price collapse resulting from the dispute between OECD and Russian and the significant reduction in the demand for oil due to the Covid-19 pandemic will cause severe impact on the Malaysian economy. The Malaysian Institute of Economics and Research projected that Malaysia will experience a -2.9% real GDP growth in 2020 relative to 2019. The IMF concluded that world recession in 2020 is inevitable. Mesiniaga is expected to be significantly affected.	i) The Group has taken necessary measures in order to improve the business strategies which include upgrading the core capabilities to provide a better service experience and eventually improve the Group's performance. ii) The Corporate Planning and Strategic Department is proactively drawing up comprehensive action plan to weather the economic uncertainties caused by Covid-19 and the oil price crisis.
Operational Risk (Business Continuity Plan)	Business Continuity Plan refers to the processes and procedures that the Group must implement to ensure that mission-critical functions can continue during and after disaster.	The Group's Business Continuity Plan has been documented. The plan serves as the main communication vehicle to ensure that everyone is aware and knowledgeable of the objectives and how they will be accomplished.
Technology Risk (Illegal Software Risk)	The Group is committed to ensure the use of only legally licensed software.	The IT Department conducts Software Audit Checking on all Group's laptop and computers to ensure no illegal software is installed in it. Any employee found to be in breach will be subjected to disciplinary action.

CONTEXT	RISK	MITIGATION
Corruption Risk	Risk of involvement in the offering and receiving of bribes.	Initiatives undertaken by the Group to mitigate this risk include:- i. Mesiniaga Berhad had signed and pledged to the Corruption-Free Pledge on 26 November 2019 in response to MACC's call to stand together in fighting corruption and abuse of power; ii. Directors and Top Management attended training and seminars on MACC Act Sec 17A; iii. Organised talks and presentations on Anti-Bribery and Corruption to staffs; and iv. Updated Group policy and procedures.
People Risk	While IT is the backbone of our business, it is the people in management and operations that sustain our ability to meet our business commitments to our customers. The lack of adequate key talent and resources with the correct skill set could hinder the Group from achieving its objectives.	The Human Resources Department is constantly working on various initiatives by improving recruitment, staff development, employee engagement, training and retention processes to combat the perennial challenge of retaining key talents within the Group. Human Resources Department also is committed to implement the succession planning across the Group to ensure that there is a stream of good talent to steer the Group into the future.

INTERNAL CONTROL

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

Control environment includes the following:-

- The Group's core values of Respect, Integrity, Commitment, Innovation and Teamwork are embedded within the corporate culture;
- The Code of Business Conduct Guidelines reinforces the Group's core value on integrity by providing guidance on moral and ethical behaviour that is expected from all employees in following the laws, policies, standards and procedures;
- The Audit and Risk Management Committee and Nomination and Remuneration Committee established by the Board of Directors are governed by clearly defined terms of reference and authority for areas within their scope; and
- The Group has an organisational structure that is aligned with its business and operational requirements with clearly defined lines of responsibility and authority levels.

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

The internal control system will continue to be reviewed, added on or updated in line with the changes in the Group's operating environment.

CONTROL WEAKNESS

During the financial year, our external auditors have highlighted their findings over several deficiencies. The Management acknowledged these deficiencies in internal controls and appropriate action has been taken to resolve the issues and mitigate any related risk.

The Management continues to review and strengthen the internal control environment. In the year under review, there were no losses, incurred as a result of weakness in the internal controls that would require disclosure in this Annual Report.

ASSURANCE FROM MANAGEMENT

The Chief Executive Officer and the Chief Financial Officer have provided the Board with assurance that the Group's risk management and internal control systems are adequate.

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

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

- Malaysian Code on Corporate Governance 2017 – Securities Commission Malaysia
- Bursa Malaysia's Statement on Risk Management and Internal Controls – Guidelines for Directors of Listed Issuers 2012 – Bursa Malaysia
- Corporate Governance Guide (3rd Edition) 2017 – Bursa Malaysia

CONCLUSION

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

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

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

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

This Statement is approved by the Board on 28 April 2020.

BOARD OF DIRECTORS
MESINIAGA BERHAD

AUDIT AND RISK **MANAGEMENT COMMITTEE**

The Audit and Risk Management Committee (ARMC) was established by the Board of Directors (the Board) with the primary objective to assist the Board in fulfilling its fiduciary responsibilities relating to corporate governance, system of internal controls, risk management processes and management of financial reporting practices of the Group.

The ARMC is pleased to present the ARMC report for the financial year ended 31 December 2019 in compliance with paragraph 15.15 of the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities) and the Malaysian Code on Corporate Governance 2017 (the Code).

COMPOSITION OF THE ARMC

The ARMC comprises the following members:-

Sim Hong Kee
Chairman, Independent Non-Executive Director

Abd Talib Baba
Member, Independent Non-Executive Director

Wong Fook Hon
Member, Independent Non-Executive Director

Dato' Ab Rashid Mat Adam
Member, Independent Non-Executive Director

Syed Jamalludin Syed Osman Jamallulail
Secretary, Head of Audit and Risk Department

NUMBER OF ARMC MEETINGS AND DETAILS OF ATTENDANCE

During the financial year ended 31 December 2019, the ARMC held a total of five (5) meetings. The details of the attendance of each ARMC members are as follows:-

Date	26.02.2019	04.04.2019	23.05.2019	22.08.2019	18.11.2019
Sim Hong Kee	✓	✓	✓	✓	✓
Abd Talib Baba	✓	✓	✓	✓	✓
Wong Fook Hon	✓	✓	✓	✓	✓
Dato' Ab Rashid Mat Adam	✓	✓	✓	✓	✓

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 (3) members, the majority of whom shall be Independent Directors.

At least one (1) 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:-
   i. he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
   ii. he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
c) fulfils such requirements as prescribed by Bursa Securities.

The Chairman of the Committee shall be an Independent Director.

A former key audit partner must observe a cooling-off period of at least two (2) years before being appointed as a member of the Committee.

Frequency of Meetings

Meetings shall be held not less than four (4) times a year and as and when required during the financial year. The quorum for a meeting shall be at least two (2) Committee members.

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, circulated and adopted by the Committee.

Purpose of the Committee

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

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2019, the ARMC carried out the following activities:-

1) Financial Reporting

a) Reviewed the unaudited quarterly financial reports and year-end financial statements of Mesiniaga for financial year ended 31 December 2019 before they were presented to the Board for approval for release to Bursa Securities and Securities Commission Malaysia accordingly; and
b) Reviewed and discussed the unaudited quarterly financial reports and year-end financial statements with the Management and external auditors on the:-
   i. changes in or implementation of accounting policies and practices and its impact;
   ii. significant adjustment arising from the audit;
   iii. significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
   iv. going concern assumption; and
   v. compliance with accounting standards and other legal requirements.

2) Audit Reports

a) Received and reviewed the internal and external audit reports together with Management's responses in ensuring that appropriate and prompt remedial actions are taken by Management on major deficiencies in controls or procedures that have been identified including the status of previous audit recommendations; and
b) Discussed and made enquiries on internal audit findings and Management's relevant responses to resolve those findings.

3) External Audit

a) Reviewed the Audit Planning Memorandum by the external auditors covering the nature and scope of audit planned for the financial year under review;
b) Reviewed the external auditors' audit report and the significant audit findings contained their report;
c) Reviewed the Annual Financial Statement of the Company and of the Group prior to submission to the Board for approval;
d) Discussed with the external auditors without the presence of the Management, 22 August 2019 and 18 November 2019, to provide an avenue to the external auditors to express any concerns, including areas related to their ability to perform work without restraint or interference;
e) Evaluated the external auditors' independency and objectivity, as well as their ability to serve the Group in terms of technical competencies and manpower resource sufficiency;
f) Reviewed the reasonableness of the proposed audit fees charged against the size complexity of the Group; and
g) Assessed the performance and effectiveness of the external auditors of the Group for the ensuing year at the Annual General Meeting.

4) Internal Audit

The Audit and Risk Committee's responsibilities in respect of the internal audit functions include:-
a) Reviewed and approved the Internal Audit Charter;
b) Reviewed and approved the risk-based audit plan, internal audit budget and resource plan;
c) Reviewed the updates on the audit plan in respect of the changes to the plan and timeline;
d) Ensured the adequacy of the scope of audit and addressing resources and scope limitations;
e) Deliberated on internal audit reports and recommendations raised, and ensuring the implementation of the recommendations; and
f) Communicated reports of investigations to the Board, where appropriate.

5) Risk Management and Internal Control

a) Reviewed the Statement on Risk Management and Internal Control (SORMIC) of the Group for inclusion in the Annual Report for the year ended 31 December 2019;
b) Ensured a proper risk management framework was in place;
c) Deliberated on quarterly risk profile report during ARMC;
d) Acknowledged any ISO certification changes and development;
e) Reviewed the Credit Control Policy and Procedure; and
f) Reviewed and ensured adequate measures are in place to comply with the provisions of the Malaysian Anti-Corruption Commission Act.

6) Related Party Transaction

a) Reviewed the related party transactions and conflict of interest situations within the Company or Group.

Summary of Audit and Risk Department Functions

The ARMC is assisted by the Audit and Risk Department in discharging its duties and responsibilities. The internal audit functions are established and performed in-house by the Audit and Risk Department who reports directly to the ARMC on a quarterly basis.

The Internal Audit and Risk Management function is established to conduct independent, objective assurance and consulting activities through its audit of Group's key operations to identify opportunities to improve the Group's operational efficiency, enhance control posture as well as assurance of policies and procedures compliance.

The Internal Audit and Risk Profile reports arising from the audits and the corresponding Management's response are first circulated to the Chief Executive Officer, Chief Financial Officer as well as to the relevant Head of Departments prior to tabling them at the ARMC meetings.

During the financial year ended 31 December 2019, the Head of Audit and Risk Department and/or his representative attended the ARMC meetings to report on a quarterly basis, at a minimum, on their findings of the effectiveness of the governance, risk management and internal control processes within the Group.

The work carried out by the Audit and Risk Department for the financial year ended include the following:-

a) Performed secretarial functions to the ARMC;
b) Prepared and presented the annual audit plan;
c) Performed field audit and assessment to comply with policies and procedures and operating effectiveness and controls;
d) Assessed the adequacy and effectiveness of internal control systems within the Group;
e) Presented reports on audit assignment;
f) Maintained effective audit programmes;
g) Conducted follow-up audit to ensure effective and timely resolution of audit issues;
h) Maintained up-to-date Group's risk profile;
i) Follow-up on mitigation controls for all risks;
j) Presented reports on risk profile status and movements;
k) Planned and co-ordinated the ISO Quality audit;
l) Performed ISO related tasks relating to surveillance and recertification of the ISO Certification as per SIRIM QAS requirement;
m) Provided full cooperation to the external auditors in carrying out their audit; and
n) Performed other functions as instructed by the ARMC and the Board of Directors.

Audit and Risk Management Cost

The total costs incurred by Audit and Risk Management Department in discharging its functions and responsibilities in 2019 amounted to RM309,000 against RM287,000 in 2018 comprising of mainly salaries, training, medical and travelling expenses.

NOMINATION AND REMUNERATION COMMITTEE

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

The NRC is pleased to present the NRC report for the financial year ended 31 December 2019 in compliance with paragraph 15.08A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

COMPOSITION OF THE NRC

Voon Seng Chuan
Chairman, Independent Non-Executive Director

Wong Fook Hon
Member, Independent Non-Executive Director

Ir. Dr. Muhamad Fuad Abdullah
Member, Non-Independent Non-Executive Director

Rosmawati Haron
Secretary, Head of Human Resources Department

NUMBER OF NRC MEETING AND DETAILS OF ATTENDANCE

Date	04.03.2019
VOON SENG CHUAN	✓
WONG FOOK HON	✓
IR. DR. MUHAMAD FUAD ABDULLAH	✓

TERMS OF REFERENCE FOR THE NOMINATION AND REMUNERATION COMMITTEE

Size and Composition

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

Frequency of Meetings

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

Secretary

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

Purpose of the Committee

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

Functions and Duties

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

SUMMARY OF ACTIVITIES

a) Reviewed the performance of the Chief Executive Officer;
b) Formulated the KPI for the Chief Executive Officer for Year 2019;
c) Recommended the remuneration package for the Chief Executive Officer; and
d) Conducted Directors' evaluation exercise.

OTHER INFORMATION **REQUIRED**

By the listing requirements of Bursa Securities

UTILISATION OF PROCEEDS
No funds were raised by the Group from any corporate proposal during the financial year.

NON-AUDIT FEES
An amount of RM64,000 was paid for tax services provided by PwC Taxation Services Sdn. Bhd.

MATERIAL CONTRACTS
There were no material contract by the Group and its subsidiaries involving Directors or substantial shareholders' interest during the financial year.

CONTRACTS RELATING TO LOAN
There was no contract relating to a loan by the Group 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 Group, existing at the end of the financial year 2019.

EMPLOYEES SHARE OPTION SCHEME
The Group did not implement any employee share options scheme in the financial year 2019.

INTERNAL AUDIT EXPENSES
The costs incurred for the internal audit function in respect of FY2019 was RM309,000.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

DIRECTORS

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

Datuk Wan Mohamed Fusil bin Wan Mahmood
Voon Seng Chuan
Fathil Sulaiman bin Ismail
Abd Talib bin Baba
Wong Fook Hon
Dato' Ab Rashid bin Mat Adam
Ir. Dr. Muhamad Fuad bin Abdullah
Sim Hong Kee
Datuk Noor Azian binti Shaari (Appointed 1 July 2019)

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

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net (loss)/profit for the financial year attributable to:		
- Owners of the Company	(881)	(2,235)
- Non-controlling interests	403	0
Net loss for the financial year	(478)	(2,235)

RESERVES AND PROVISIONS

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

DIRECTORS' BENEFITS

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

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

INDEMNITY AND INSURANCE

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

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares			
	At 1.1.2019 '000	Bought '000	Sold '000	At 31.12.2019 '000
Datuk Wan Mohamed Fusil bin Wan Mahmood[(1)]	3,470	0	0	3,470
Fathil Sulaiman bin Ismail	6,398	0	0	6,398
Wong Fook Hon	1	0	0	1
Voon Seng Chuan	309	0	0	309

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

DIVIDENDS

No dividend has been paid or declared by the Company since 31 December 2018. The Directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2019.

DIRECTORS' REMUNERATION

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

(c) At the date of this report:

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

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

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

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

OTHER STATUTORY INFORMATION (CONTINUED)

(f) In the opinion of the Directors:

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

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

SUBSIDIARIES

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

AUDITORS' REMUNERATION

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

AUDITORS

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

This report was approved by the Board of Directors on 28 April 2020. Signed on behalf of the Board of Directors:

DATUK WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

SIM HONG KEE
DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS

Pursuant To Section 251(2) Of The Companies Act 2016

We, Datuk Wan Mohamed Fusil bin Wan Mahmood and Sim Hong Kee, two of the Directors of Mesiniaga Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 76 to 152 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and financial performance of the Group and of the Company for the financial year ended 31 December 2019 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 28 April 2020.

DATUK WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

SIM HONG KEE
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

Pursuant To Section 251(1) Of The Companies Act 2016

I, Ariffin bin Abd Majid, the Officer primarily responsible for the financial management of Mesiniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 76 to 152 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

ARIFFIN BIN ABD MAJID
OFFICER
MIA No. CA 43071

Subscribed and solemnly declared by the above named, Ariffin bin Abd Majid at Kuala Lumpur, Malaysia on 28 April 2020.

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Mesiniaga Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 76 to 152.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

Key audit matters

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Revenue recognition from contracts with customers *Refer to Note 2.18, Note 3 and Note 5 in the financial statements.* As at 31 December 2019, the Group recognised revenue amounting to RM314 million. We focused on this area as there are judgements involved in arriving at the quantum and timing of revenue recognised; i) Certain contracts with customers with multi element arrangements may include sales of solution services, hardware and software and maintenance and support services. Judgement is exercised in determining the number of distinct performance obligations included in these contracts with customers. ii) Allocation of transaction price to the identified performance obligations based on the stand-alone selling prices. Revenue for customised solution are recognised over time based on cost plus expected margin. Judgement is exercised in determining the appropriate estimation of costs. iii) The timing of revenue recognition may differ from the timing of billing to customers. When the services rendered by the Group and Company exceed the payment, a contract asset is recognised. Judgement is exercised in anticipating the timing between recognition of revenue and billings to the customers which may subsequently change due to specific risks and performance of the actual contract terms. As at 31 December 2019, the Group and Company had recognised contract assets amounting to RM29.6 million.	We performed the following audit procedures: • We read and understood the key terms and conditions of significant contracts with customers; • We have obtained understanding of the process surrounding the customer acceptance and the acceptance of letters of award; • We tested the operating effectiveness of controls over the: o approval of customer contracts and budgets including the estimation of cost in determining the stand-alone selling price; and o management's assessment of the allocation of transaction price between various performance obligations. • Obtained management's assessment of the identification of separate performance obligations over significant customer contracts with bundling arrangements and sighted to customer contracts on a sampling basis; • We tested the amount of allocated transaction price and revenue recognised (services, hardware, MB Cloud and software) to acceptance documents from customers and/ or service delivery periods based on contractual terms;

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Revenue recognition from contracts with customers (continued) *Refer to Note 2.18, Note 3 and Note 5 in the financial statements.* As a result of the above areas, we regard revenue recognition from contracts with customers as a key audit matter for the Group and Company.	We performed the following audit procedures: (continued) • Obtained management's assessment of expected billings for contract assets and checked against the billing terms in the contract on sampling basis. Held discussions with project managers to corroborate the project milestones used in determining the timing of expected billings against project reports; • Tested the appropriateness of non-standard manual journal entries made to the revenue accounts by assessing the basis for the journals and reviewing supporting documents; We did not identify any material exceptions from performing the procedures above.

There are no key audit matters to report for the Company.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis, Five-Year Performance Statistics, Corporate Governance Overview Statement, Statement of Directors' Responsibility in Relation to Financial Statements, Statements on Risk Management and Internal Control, Audit and Risk Management Committee, Nomination and Remuneration Committee, Other Information Required by the Listing Requirement of Bursa Securities, Directors' Report and other sections of the 2019 annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SUBATHRA A/P GANESAN
03020/08/2020 J
Chartered Accountant

Kuala Lumpur
28 April 2020

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	5	313,956	180,878	306,365	171,326
Changes in inventories of finished goods		913	209	(122)	885
Finished goods purchased		(177,401)	(63,848)	(188,504)	(57,566)
Information technology services purchased		(49,693)	(38,739)	(49,693)	(51,832)
Staff cost	6	(73,358)	(74,766)	(58,912)	(62,139)
Depreciation and amortisation		(4,134)	(4,757)	(3,184)	(3,905)
Travelling expenses		(1,967)	(1,857)	(1,239)	(1,365)
Administrative expenses		(5,043)	(4,909)	(4,813)	(4,592)
Other operating expenses		(2,198)	(1,518)	(1,950)	(2,965)
Other operating income		12	120	1,320	2,327
Other gains		909	1,060	909	1,054
Profit/(loss) from operations		1,996	(8,127)	177	(8,772)
Finance cost	8	(1,016)	(834)	(1,015)	(834)
Finance income	8	1,206	1,186	951	857
Share of results of a joint venture company		0	(121)	0	0
Profit/(loss) before taxation	7	2,186	(7,896)	113	(8,749)
Taxation and zakat	9	(2,664)	(138)	(2,348)	282
Loss for the financial year		(478)	(8,034)	(2,235)	(8,467)
Other comprehensive income:					
Item that will not be reclassified to profit or loss:					
Actuarial gain on defined benefit plan (net of tax)	23	75	359	75	359
Total comprehensive loss for the financial year		(403)	(7,675)	(2,160)	(8,108)

The notes on pages 84 to 152 are an integral part of these financial statements.

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Loss)/Profit for the financial year attributable to:					
Equity holders of the Company		(881)	(8,688)	(2,235)	(8,467)
Non-controlling interests		403	654	0	0
Loss for the financial year		(478)	(8,034)	(2,235)	(8,467)
Total comprehensive (loss)/income for the financial year attributable to:					
Equity holders of the Company		(806)	(8,329)	(2,160)	(8,108)
Non-controlling interests		403	654	0	0
Total comprehensive loss for the financial year		(403)	(7,675)	(2,160)	(8,108)
Loss per share (sen)	10	(1.46)	(14.38)		

The notes on pages 84 to 152 are an integral part of these financial statements.

STATEMENTS OF
FINANCIAL POSITION

As At 31 December 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	40,242	42,356	39,594	41,710
Intangible assets	12	979	1,622	0	0
Investment in subsidiaries	13	0	0	1,814	1,914
Investment in joint venture	14	0	0	0	80
Finance lease receivables	19	3,456	306	3,456	306
Trade and other receivables	17	2,881	2,844	2,881	2,844
Deferred tax assets	15	1,879	3,796	1,585	3,518
TOTAL NON-CURRENT ASSETS		49,437	50,924	49,330	50,372
Current assets					
Inventories	16	9,577	8,664	6,419	6,541
Trade and other receivables	17	50,587	59,758	46,754	54,743
Contract assets	18	29,598	33,578	29,598	33,578
Tax recoverable		7	14	0	0
Deposits with licensed financial institutions	20	144,833	23,901	138,573	15,429
Cash and bank balances	20	7,758	12,308	4,742	10,603
TOTAL CURRENT ASSETS		242,360	138,223	226,086	120,894
TOTAL ASSETS		291,797	189,147	275,416	171,266

The notes on pages 84 to 152 are an integral part of these financial statements.

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	25	64,528	64,528	64,528	64,528
Retained earnings		48,903	49,784	36,537	38,772
Retirement benefit reserves		667	592	667	592
		114,098	114,904	101,732	103,892
Non-controlling interests	13	7,228	7,805	0	0
Total equity		121,326	122,709	101,732	103,892
Non-current liabilities					
Post-employment benefit obligations	23	737	612	737	612
Finance lease liabilities	24	2,113	538	2,008	538
Borrowings	22	1,568	1,898	1,568	1,898
TOTAL NON-CURRENT LIABILITIES		4,418	3,048	4,313	3,048
Current liabilities					
Trade and other payables	21	143,919	41,045	147,233	42,010
Contract liabilities	18	19,601	8,016	19,601	8,016
Borrowings	22	2,360	14,300	2,360	14,300
Tax payable		173	29	177	0
TOTAL CURRENT LIABILITIES		166,053	63,390	169,371	64,326
TOTAL LIABILITIES		170,471	66,438	173,684	67,374
TOTAL EQUITY AND LIABILITIES		291,797	189,147	275,416	171,266

The notes on pages 84 to 152 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2019

Group	Note	Attributable to owners of the parent — Issued and fully paid ordinary shares — Number of shares '000	Share capital RM'000	Retirement benefit reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total RM'000
At 1 January 2018		60,402	64,528	233	63,304	128,065	9,111	137,176
Loss for the financial year		0	0	0	(8,688)	(8,688)	654	(8,034)
Other comprehensive income for the financial year	23	0	0	359	0	359	0	359
Total other comprehensive income/(loss) for the financial year		0	0	359	(8,688)	(8,329)	654	(7,675)
Transactions with owners:								
Dividend paid	29	0	0	0	(4,832)	(4,832)	0	(4,832)
Dividend paid to non-controlling interest		0	0	0	0	0	(1,960)	(1,960)
At 31 December 2018		60,402	64,528	592	49,784	114,904	7,805	122,709
At 1 January 2019		60,402	64,528	592	49,784	114,904	7,805	122,709
Loss for the financial year		0	0	0	(881)	(881)	403	(478)
Other comprehensive income for the financial year	23	0	0	75	0	75	0	75
Total other comprehensive income/(loss) for the financial year		0	0	75	(881)	(806)	403	(403)
Transactions with owners:								
Dividend paid to non-controlling interest		0	0	0	0	0	(980)	(980)
At 31 December 2019		60,402	64,528	667	48,903	114,098	7,228	121,326

The notes on pages 84 to 152 are an integral part of these financial statements.

COMPANY STATEMENT OF
CHANGES IN EQUITY

For The Financial Year Ended 31 December 2019

Company	Note	Issued and fully paid ordinary shares: Number of Shares '000	Issued and fully paid ordinary shares: Share Capital RM'000	Retirement benefit reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2018		60,402	64,528	233	52,071	116,832
Loss for the financial year		0	0	0	(8,467)	(8,467)
Other comprehensive income for the financial year	23	0	0	359	0	359
Total other comprehensive income/(loss) for the financial year		0	0	359	(8,467)	(8,108)
Dividend paid	29	0	0	0	(4,832)	(4,832)
At 31 December 2018		60,402	64,528	592	38,772	103,892
At 1 January 2019		60,402	64,528	592	38,772	103,892
Loss for the financial year		0	0	0	(2,235)	(2,235)
Other comprehensive income for the financial year	23	0	0	75	0	75
Total other comprehensive income/(loss) for the financial year		0	0	75	(2,235)	(2,160)
At 31 December 2019		60,402	64,528	667	36,537	101,732

The notes on pages 84 to 152 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss for the financial year		(478)	(8,034)	(2,235)	(8,467)
Adjustments for					
Taxation	9	2,614	138	2,298	(282)
Zakat	9	50	0	50	0
Depreciation of property, plant and equipment		3,491	4,408	3,184	3,905
Amortisation of intangible assets		643	349	0	0
Dividend income from subsidiaries		0	0	(1,020)	(2,040)
Share results of a joint venture company		0	121	0	0
Interest expense	8	1,016	834	1,015	834
Interest income	8	(1,206)	(1,186)	(951)	(857)
Retirement benefits		200	200	200	200
Gain on sales of property, plant and equipment		(31)	0	(31)	0
Impairment of investment in subsidiaries		0	0	100	0
Impairment of investment in joint venture		0	0	80	0
Net impairment/(reversal) of losses:					
- amount due from a subsidiary		0	0	0	1,618
- trade receivables		500	(65)	240	(37)
- contract assets		239	(57)	239	(57)
- other receivables		(66)	0	(66)	0
Gain on net investment of sublease		(594)	0	(594)	0
Unrealised foreign exchange loss/(gain)		585	(1,080)	585	(1,080)
Write down of inventory		126	571	220	464
Operating profit/(loss) before changes in working capital		7,089	(3,801)	3,314	(5,799)
Changes in working capital:					
Inventories		(1,039)	(763)	(98)	(1,349)
Intercompany balances		0	0	3,003	(696)
Trade and other receivables		6,291	47,004	5,354	48,087
Contract assets		3,587	(33,578)	3,587	(33,578)
Trade and other payables		104,392	2,041	103,779	1,536
Contract liabilities		11,585	(1,978)	11,585	(1,978)
Cash generated from operations		131,905	8,925	130,524	6,223
Tax (paid)/refunded		(546)	(21)	(188)	(22)
Zakat paid		(50)	0	(50)	0
Net cash generated from operating activities		131,309	8,904	130,286	6,201

The notes on pages 84 to 152 are an integral part of these financial statements.

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions on intangible assets		0	(1,456)	0	0
Purchase of property, plant and equipment	11, 27	(1,245)	(4,686)	(1,068)	(4,487)
Interest received		1,059	1,075	803	746
Dividends received from subsidiaries		0	0	1,020	2,040
Proceeds from disposal of property, plant and equipment		31	0	31	0
(Investment)/Divestment in deposits maturing more than three months		(99)	8,071	0	175
Net cash (used in)/generated from investing activities		(254)	3,004	786	(1,526)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to non-controlling interests in a subsidiary		(980)	(1,960)	0	0
Dividends paid to shareholders		0	(4,832)	0	(4,832)
Repayment of finance lease liabilities		(421)	(894)	(418)	(894)
Interest paid on finance lease liabilities		(80)	(96)	(80)	(96)
Drawdown of borrowings	22	31,321	33,890	31,321	33,890
Repayment of borrowings	22	(43,511)	(35,875)	(43,511)	(35,875)
Interest paid on borrowings	22	(610)	(715)	(610)	(715)
Drawdown of term loan	22	0	2,310	0	2,310
Repayment of term loan	22	(330)	(83)	(330)	(83)
Interest paid on term loan	22	(108)	(41)	(108)	(41)
Interest paid on overdraft		(53)	0	(53)	0
Drawdown of restricted deposits		(1,467)	(177)	(1,467)	(178)
Net cash used in financing activities		(16,239)	(8,473)	(15,256)	(6,514)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		114,816	3,435	115,816	(1,839)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		29,876	26,441	22,603	24,442
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	20	144,692	29,876	138,419	22,603

The notes on pages 84 to 152 are an integral part of these financial statements.

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The financial statements 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 judgement in the process of applying the Group's and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(a) Standards, amendments to published standards and interpretations that are effective for the Group's and the Company's financial year beginning on 1 January 2019:

- MFRS 16 "Leases"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Amendments to MFRS 128 "Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures"
- Amendments to MFRS 9 "Financial Instruments – Prepayment features with negative compensation"
- Annual Improvements to MFRSs 2015 – 2017 Cycle
- Amendments to MFRS 119 "Employee Benefit – Plan amendment, curtailment or settlement"

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 for the Group's and the Company's financial year beginning on 1 January 2019 (continued):

MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations

As a lessor, the Group is not required to make any adjustment on transition, except for the reassessment of existing operating subleases at the date of initial application.

In addition, the Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying MFRS 117 and IC Interpretation 4.

IC Interpretation 23 "Uncertainty over Income Tax Treatments"

The standard provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty. IC Interpretation 23 will be applied retrospectively.

Amendments to MFRS 128 "Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures"

The standard clarify that an entity should apply MFRS 9 "Financial Instruments" (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

In addition, such long-term interest is subject to loss allocation and impairment requirements in MFRS 128. The amendments shall be applied retrospectively.

Amendments to MFRS 9 "Financial Instruments – Prepayment features with negative compensation"

The standard allows companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

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 for the Group's and the Company's financial year beginning on 1 January 2019 (continued):

Annual Improvements to MFRSs 2015 – 2017 Cycle

Amendments to MFRS 3 "Business Combinations" clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly, it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

Amendments to MFRS 11 "Joint Arrangements" clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

Amendments to MFRS 112 "Income Taxes" clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

Amendments to MFRS 123 "Borrowing Costs" clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

Amendments to MFRS 119 "Employee Benefit – Plan amendment, curtailment or settlement"

The standard requires an entity to use the updated actuarial assumptions from remeasurement of its net defined benefit liability or asset arising from plan amendment, curtailment or settlement, to determine current service cost and net interest for the remaining period after the change to the plan. The amendments will be applied prospectively.

The Group and the Company have applied MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method. Comparatives for the 2018 financial year have not been restated. The impact to the Group and the Company is not significant.

Other than that, the other amendments and improvements listed above did not have any material impact on the current financial year or any prior financial year and is not likely to affect future financial year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Amendments to published standards and interpretations that have been issued but are not yet effective:

Amendments to MFRS, annual improvements and interpretation which are applicable to the Group and the Company effective for annual periods beginning on or after 1 January 2020:

- Amendments to MFRS 3 "Business Combinations – Definition of a Business"
- Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material"
- Amendment to MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets"
- Amendment to MFRS 138 "Intangible Assets"
- Amendment to IC Interpretation 22 "Foreign Currency Transactions and Advances Consideration"

2.2 CONSOLIDATION

(a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

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

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

(b) Joint arrangements

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

Joint ventures

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION (CONTINUED)

(b) Joint arrangements (continued)

Joint ventures (continued)

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

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

2.3 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

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

2.4 SEGMENTAL REPORTING

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

2.5 FOREIGN CURRENCIES

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 FOREIGN CURRENCIES (CONTINUED)

(b) Transactions and balances (continued)

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

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at fair value, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 INTANGIBLE ASSET

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

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

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

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

Internally developed software development costs recognised as assets are amortised from the point at which the asset is ready for use on a straight line basis over their estimated useful lives, which does not exceed 4 years.

2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

2.9 FINANCIAL ASSETS

(a) Classification

The Group and Company classify their financial assets as financial assets at amortised cost ("AC"). The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 FINANCIAL ASSETS (CONTINUED)

(a) Classification (continued)

Assets that are held for collection of contractual cash flows where those cash flows represent Solely Payments of Principal and Interest (SPPI) are measured at amortised cost.

(b) Recognition and derecognition

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

(c) Measurement

Initial recognition

At initial recognition, the Group and Company measure a financial asset at its fair value, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement

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

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

(d) Impairment

The Group and Company assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and Company have four types of financial instruments that are subjected to the Expected Credit Loss (ECL) model:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

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

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

The measurement of ECL reflects:

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

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

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

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

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

Significant increase in credit risk

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

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

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 270 days of when they fall due and the debtor has significant financial difficulties or is insolvent.

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

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

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

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

(ii) Individual assessment

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

Write off

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

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

2.10 OFFSETTING FINANCIAL INSTRUMENTS

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

2.11 INVENTORIES

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

2.12 CASH AND CASH EQUIVALENTS

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity.

(b) Dividend distribution

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

(c) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

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

Diluted earnings per share

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

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

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

2.14 BORROWINGS AND BORROWING COSTS

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

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 BORROWINGS AND BORROWING COSTS (CONTINUED)

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

Borrowings are classified as current liabilities unless the 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 are recognised in profit or loss in the financial period in which they are incurred.

2.15 CURRENT AND DEFERRED INCOME TAX

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 EMPLOYEE BENEFITS

(a) Short-term employee benefits

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

(b) Post-employment pension benefits

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

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

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

<u>Defined contribution plans</u>

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.

<u>Defined benefit plans</u>

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 EMPLOYEE BENEFITS (CONTINUED)

(b) Post-employment pension benefits (continued)

Defined benefit plans (continued)

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

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

(c) Termination benefits

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

2.17 PROVISIONS

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

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

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

2.18 REVENUE RECOGNITION

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers

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

Transaction price is allocated to each performance obligation on the basis of the estimated stand-alone selling prices of each distinct good or services promised in the contract. The stand-alone selling prices are determined based on the observable price. For goods and services with no observable price available, the Group and the Company estimates stand-alone selling prices using cost plus expected margin approach. Depending on the substances of the respective contact with the customer, revenue is recognised when the performance obligation is satisfied, which may be at point in time or over time. Customers are invoiced based on milestones in the contracts. Any amounts remaining unbilled at the end of the reporting period are presented in the statement of financial position as contract assets, as only the passage of time is required before payment of these amount will be due.

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

(a) Sales of hardware and software

Revenue from the sale of hardware for a fixed fee shall be recognised when control over the hardware is transferred to customer at a point in time. For hardware sales, transfer of control is usually deemed to occur upon delivery of products and customer acceptances. Software licences may be provided to the customer at a point in time, activated or ready to be activated by the customer at a later stage, therefore revenue is recognised when customer obtains control of the software.

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

(b) Rendering of services

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (continued)

(b) Rendering of services (continued)

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

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

MB Cloud

The Group and Company enters into fixed price MB Cloud services with its customers for terms of five to ten years in length. Revenue for MB Cloud are recognised on straight-line basis over the term of the contract. This method best depicts the transfer of services to the customer. This type of contract is usually sold separately as single performance obligation. When the contracts with customers include other identifiable performance obligations, the transaction price will be allocated to each performance obligation based on stand-alone selling price, which are estimated based on cost plus expected margin.

(c) Customised solution

Some products and services are sold together as part of a customised solution to the customer. This type of contract involves design, supply, commissioning and/ or implementation of the solutions in addition to the sale of hardware. Solution services does not have any alternative use to the Company as it cannot be sold to or used by other customers, except for the hardware, software and/or other services such as maintenance and support, included together in the contract. Hence, other performance obligation identified that are sold bundled together with the solution services are deemed to be separate performance obligations, namely hardware, software, maintenance and support services.

Revenue from providing services is recognised over the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on actual services provided to the end of the financial year as a proportion of the total services to be provided. This is determined based on the input method of cost incurred plus expected margin.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group and the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 REVENUE RECOGNITION (CONTINUED)

Revenue from other sources

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

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

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

2.19 LEASES

(a) Accounting by lessee

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

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

Lease term

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 LEASES (CONTINUED)

(a) Accounting by lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

Lease liabilities

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 LEASES (CONTINUED)

(a) Accounting by lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

Lease liabilities (continued)

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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

Short term leases and leases of low value assets

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

Accounting policies applied until 31 December 2018

Finance leases

Until 31 December 2018, 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. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

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 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 if there is no reasonable certainty that the Group will obtain ownership at the end of 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.

Operating leases

Leases 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 LEASES (CONTINUED)

(b) Accounting by lessor

Accounting policies applied from 1 January 2019

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

Finance leases

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

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

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

Operating leases

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

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

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

From 1 January 2019, when the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 LEASES (CONTINUED)

(b) Accounting by lessor (continued)

Accounting policies applied from 1 January 2019 (continued)

Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15.

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Accounting policies applied until 31 December 2018

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.

2.20 CONTINGENT ASSETS AND LIABILITIES

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

2.21 TRADE AND OTHER RECEIVABLES

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

2.22 TRADE PAYABLES

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

(i) Revenue recognition for contracts with customers

Identification of performance obligation

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

Allocation of transaction price to the identified performance obligations

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting estimates and assumptions (continued)

(i) Revenue recognition for contracts with customers (continued)

Significant financing component

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

Revenue recognition criteria in accordance with MFRS 15

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

(ii) Deferred tax assets

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

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

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

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

4 FINANCIAL RISK MANAGEMENT

4.1 FINANCIAL RISK FACTORS

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

The table illustrates the impact on the loss for the year, equity and net assets resulting from currency sensitivities as at 31 December 2019, if Ringgit Malaysia had weakened/strengthened by 1% against the US dollar with other variables held constant.

	Group and Company	
	2019	2018
	RM'000	RM'000
(Increase)/Decrease on profit/(loss) for the year		
1 percent increase in US Dollar exchange rate	(28)	(260)
1 percent decrease in US Dollar exchange rate	28	260

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's and Company's income and operating cash flows' exposure to changes in interest rate risk relates primarily to the Group's and Company's bank borrowings. Interest rate risk exposure arises from the Group's and Company's borrowings as it is carried at floating interest rates.

The Group and Company are exposed to fair value interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rate. The exposure arises from the Group's and Company's deposits in financial institutions and the Group's finance lease liabilities which are carried at a fixed interest rate.

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial asset				
Fixed rate – deposits with financial institutions	144,833	23,901	138,573	15,429
Financial liabilities				
Floating rate – term loan	1,898	2,228	1,898	2,228
Fixed rate – banker acceptance	2,030	13,970	2,030	13,970
Fixed rate – finance lease liabilities	3,414	1,168	3,285	1,168

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

(b) Credit risk

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL")

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

(i) Trade receivables and contract assets

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

The Group's customers are mainly significant entities in the information, communication, telecommunication and utilities industries. At the reporting date, the Group has significant concentration of credit risk that may arise from exposure to two (2018: two) major customers which accounted for 21% (2018: 44%) of the trade receivables. The Group considers the risk of material loss in the event of non-performance by these two customers to be unlikely.

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Counterparties without external credit rating:				
- Existing customers with no defaults in the past	59,222	70,518	57,097	68,402
- New customers	1,317	695	1,299	673
	60,539	71,213	58,396	69,075

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

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

(i) Trade receivables and contract assets (continued)

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 2 years before 31 December 2019, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

On that basis, the loss allowance as at 31 December 2019 was determined as follows for trade receivables and contract assets:

	Current RM'000	1 – 180 days past due RM'000	> 180 days past due RM'000	Total RM'000
Group				
31 December 2019				
Expected loss rate	0%-1%	0%-1%	16%-60%	
Gross carrying amount				
- trade receivables	31,113	5,392	3,402	39,907
- contract assets	29,894	0	0	29,894
Loss allowance	(468)	(44)	(766)	(1,278)
Carrying amount (net of loss allowance)	60,539	5,348	2,636	68,523
Company				
31 December 2019				
Expected loss rate	0%-1%	0%-1%	16%-17%	
Gross carrying amount				
- trade receivables	28,958	4,637	2,990	36,585
- contract assets	29,894	0	0	29,894
Loss allowance	(456)	(39)	(523)	(1,018)
Carrying amount (net of loss allowance)	58,396	4,598	2,467	65,461

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

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

(i) Trade receivables and contract assets (continued)

On that basis, the loss allowance as at 31 December 2018 was determined as follows for trade receivables and contract assets:

	Current RM'000	1 – 180 days past due RM'000	> 180 days past due RM'000	Total RM'000
Group	0%-1%	0%-1%	44%-46%	
31 December 2018				
Expected loss rate				
Gross carrying amount				
- trade receivables	37,714	13,168	524	51,406
- contract assets	33,635	0	0	33,635
Loss allowance	(136)	(169)	(237)	(542)
Carrying amount (net of loss allowance)	71,213	12,999	287	84,499
Company				
31 December 2018				
Expected loss rate	0%-1%	0%-1%	44%-45%	
Gross carrying amount				
- trade receivables	35,576	11,163	518	47,257
- contract assets	33,635	0	0	33,635
Loss allowance	(136)	(169)	(234)	(539)
Carrying amount (net of loss allowance)	69,075	10,994	284	80,353

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

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

(i) Trade receivables and contract assets (continued)

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

	Contract assets		Trade receivables	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group:				
Opening loss allowance at 1 January	57	0	485	664
Increase loss allowance recognised in profit or loss during the year	239	57	500	0
Receivables written off during the year as uncollectible	0	0	(3)	0
Reversal of loss	0	0	0	(179)
Closing loss allowance at 31 December	296	57	982	485
Company:				
Opening loss allowance at 1 January	57	0	482	633
Increase loss allowance recognised in profit or loss during the year	239	57	240	0
Reversal of loss	0	0	0	(151)
Closing loss allowance at 31 December	296	57	722	482

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

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

(i) Trade receivables and contract assets (continued)

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

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other receivables and deposits

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

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

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

(ii) Other receivables and deposits (continued)

	ECL rate	Basis for recognition of ECL provision RM'000	Gross RM'000	Loss allowance RM'000	Net RM'000
31.12.2019					
Group					
Performing	0%	12 months ECL	1,671	0	1,671
Not performing	100%	Lifetime ECL	120	(120)	0
			1,791	(120)	1,671
Company					
Performing	0%	12 months ECL	1,575	0	1,575
Not performing	100%	Lifetime ECL	120	(120)	0
			1,695	(120)	1,575
31.12.2018					
Group					
Performing	0%	12 months ECL	2,310	0	2,310
Not performing	100%	Lifetime ECL	186	(186)	0
			2,496	(186)	2,310
Company					
Performing	0%	12 months ECL	2,035	0	2,035
Not performing	100%	Lifetime ECL	186	(186)	0
			2,221	(186)	2,035

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

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

(iii) Amounts due from a related party

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

(iv) Amounts due from subsidiaries

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

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

	ECL rate	Basis for recognition of ECL provision RM'000	Gross RM'000	Loss allowance RM'000	Net RM'000
31.12.2019					
Company					
Performing	0%	12 months ECL	0	0	0
Not performing	100%	Lifetime ECL	32,227	(32,227)	0
			32,227	(32,227)	0
31.12.2018					
Company					
Performing	0%	12 months ECL	16	0	16
Not performing	100%	Lifetime ECL	32,227	(32,227)	0
			32,243	(32,227)	16

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss (“ECL”) (continued)

(iv) Amounts due from subsidiaries (continued)

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

	Company	
	2019	2018
	RM’000	RM’000
Opening loss allowance as at 1 January, as stated	32,227	30,609
Increase in the allowance recognised in profit or loss during the period	0	1,618
As at 31 December	32,227	32,227

Deposits and bank balances

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

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

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

	Group		Company	
	2019	2018	2019	2018
	RM’000	RM’000	RM’000	RM’000
AAA	133,956	36,090	124,682	25,915
AA	18,623	107	18,623	107
	152,579	36,197	143,305	26,022

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 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 and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

				2019
	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Group				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short term finance lease	140,130	140,130	0	0
Borrowings	4,225	2,454	1,518	253
Finance lease liabilities	3,679	1,456	2,223	0
Total undiscounted financial liabilities	148,034	144,040	3,741	253
Company				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short term finance lease	136,954	136,954	0	0
Amount due to subsidiaries	7,017	7,017	0	0
Borrowings	4,225	2,454	1,518	253
Finance lease liabilities	3,535	1,427	2,108	0
Total undiscounted financial liabilities	151,731	147,852	3,626	253

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (continued)

				2018
	Total	Within 1 year	1 - 5 years	Over 5 years
	RM'000	RM'000	RM'000	RM'000
Group				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short term finance lease	38,078	38,078	0	0
Borrowings	17,046	14,851	1,942	253
Finance lease liabilities	1,376	646	730	0
Total undiscounted financial liabilities	56,500	53,575	2,672	253
Company				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short term finance lease	35,514	35,514	0	0
Amount due to subsidiaries	4,030	4,030	0	0
Borrowings	17,046	14,851	1,942	253
Finance lease liabilities	1,376	646	730	0
Total undiscounted financial liabilities	57,966	55,041	2,672	253

The Group has undrawn banking facilities amounting to RM62,936,660 (2018: RM10,819,144) as at 31 December 2019.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(d) Financial instruments by category

	2019 RM'000	2018 RM'000
Group		
Financial assets classified as amortised cost as per statement of financial psition		
Trade and other receivables, excluding prepayments	46,139	54,464
Deposits, cash and bank balances	152,590	36,209
	198,729	90,673
Financial liabilities classified as other financial liabilities at amortised cost, as per statement of financial position		
Trade and other payables, excluding statutory liabilities	143,410	39,246
Borrowings	3,928	16,198
	147,338	55,444
Company		
Financial assets classified as amortised cost as per statement of financial position		
Trade and other receivables, excluding prepayments	42,856	49,918
Amounts due from subsidiaries	0	16
Deposits, cash and bank balances	143,315	26,032
	186,171	75,966
Financial liabilities classified as other financial liabilities at amortised cost, as per statement of financial position		
Trade and other payables, excluding statutory liabilities	140,239	36,682
Amounts due to subsidiaries	7,017	4,030
Borrowings	3,928	16,198
	151,184	56,910

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(e) Fair value estimation

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

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

There were no amounts measured at fair value in the statement of financial position as at 31 December 2019 and 31 December 2018. Other than as disclosed, the carrying amounts of the financial instruments are a reasonable approximation of fair value due to their relatively short-term nature or that they are floating rate instruments.

4.2 CAPITAL MANAGEMENT

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

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

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

	2019 RM'000	2018 RM'000
The Group		
Total borrowings (Note 22)	3,928	16,198
Deposits, cash and bank balances (Note 20)	(152,591)	(36,209)
Net debt	0	0
Total equity	121,326	122,709
Total capital	(27,337)	102,698
Gearing ratio (%)	0	0

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

5 REVENUE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers:				
- customised solutions	227,387	72,534	227,387	72,534
- services	52,117	70,042	52,115	69,732
- hardware and software	34,452	38,302	26,863	29,060
	313,956	180,878	306,365	171,326

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

	Group	Company
	2019	2019
	RM'000	RM'000
Timing of revenue recognition:		
- Over time	69,634	70,077
- At point in time	244,322	236,288
	313,956	306,365

Unsatisfied long-term performance obligations

For contracts that exceeded one year, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the financial year is approximately RM106,218,553 and RM36,709,082 of which the Group and Company expect to recognise as revenue in 2020 and 2021 respectively.

During the financial year ended 31 December 2019, the Group and Company has recognised revenue from contracts with customers amounting to RM13,581,470 that was included in the contract liability at the beginning of the reporting period.

6 STAFF COST (INCLUDING DIRECTORS' EMOLUMENTS)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonuses and other employment benefits	66,109	67,600	54,116	57,325
Defined contribution retirement plan	7,049	6,966	4,596	4,614
Defined benefit retirement plan (Note 23)	200	200	200	200
	73,358	74,766	58,912	62,139

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration:				
Non-Executive Directors:				
- fees	335	300	335	300
- others	41	39	41	39
Executive Director:				
- salaries	802	790	802	790
- other emoluments	195	338	195	338
- defined contribution plan	38	63	38	63
Total Directors' remuneration	1,411	1,530	1,411	1,530

7 PROFIT/(LOSS) BEFORE TAXATION

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration:				
- Audit	256	243	188	156
- Non-audit	40	45	12	12
Depreciation of property, plant and equipment	3,491	4,408	3,184	3,905
Amortisation of intangible assets	643	349	0	0
Dividend income from subsidiaries	0	0	(1,020)	(2,040)
Net realised foreign exchange (gain)/loss	(943)	124	(834)	118
Unrealised foreign exchange loss/(gain)	585	(1,080)	585	(1,080)
Gain on disposal of property, plant and equipment	(31)	0	(31)	0
Rental expense	285	340	105	172
Rental income	(67)	(76)	(67)	(76)
Write down of inventory	126	571	220	464
Net impairment/(reversal) of losses:				
- Amount due from a subsidiary	0	0	0	1,618
- Trade receivables	500	(65)	240	(37)
- Contract assets	239	(57)	239	(57)
- Other receivables	(66)	0	(66)	0
Impairment of investment in joint venture	0	0	80	0
Impairment of investment in subsidiaries	0	0	100	0
Gain on net investment of sublease	(594)	0	(594)	0
Management fee	(12)	0	(300)	(288)

8 FINANCE INCOME/(COST)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Finance income				
Interest income on:				
- deposits with licensed banks	1,059	1,075	803	746
- finance lease receivables	147	111	148	111
	1,206	1,186	951	857
Finance cost				
Finance cost on:				
- bank borrowings	(718)	(756)	(718)	(756)
- finance lease liabilities	(91)	(78)	(90)	(78)
- bank overdraft	(53)	(0)	(53)	(0)
- contract assets	(154)	(0)	(154)	(0)
	(1,016)	(834)	(1,015)	(834)

9 TAXATION

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current taxation:				
Current financial year	499	420	188	0
Under provision in prior year	219	0	177	0
	718	420	365	0
Deferred taxation (Note 15)	1,896	(282)	1,933	(282)
Tax expense	2,614	138	2,298	(282)
Zakat	50	0	50	0
	2,664	138	2,348	(282)

9 TAXATION (CONTINUED)

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation	2,136	(7,896)	63	(8,749)
Taxation calculated at the applicable Malaysian tax rate of 24% (2018: 24%)	513	(1,895)	15	(2,100)
Tax effects of:				
- income not subject to tax	(309)	(305)	(616)	(782)
- expenses not deductible for tax purposes	435	287	527	578
- current year temporary difference not recognised	0	1,691	262	1,662
- previously unrecognised tax losses now recouped to reduce current tax expense	(177)	0	0	0
- derecognition of deferred tax assets	1,933	0	1,933	0
- utilisation of current tax losses	0	(435)	0	(435)
- change in real property gain tax rate	0	795	0	795
- under provision in prior year	219	0	177	0
Tax expense	2,614	138	2,298	(282)

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

	Group and Company		
	Before Tax	Tax Charge	After Tax
	RM'000	RM'000	RM'000
Actuarial gain on defined benefit plan	99	(24)	75

9 TAXATION (CONTINUED)

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deductible temporary differences	735	471	0	0
Unutilised tax losses and capital allowances	27,662	29,461	1,570	477
	28,397	29,932	1,570	477

No deferred tax assets are recognised from the above due to uncertainty of their recoverability. The unutilised business losses arising from a year of assessment ("YA") are allowed to only be carried forward for utilisation up to 7 consecutive YAs from that YA. In addition, any accumulated unabsorbed business lossess brought forward from YA 2018 can only be utilised for until YA 2025 while the unabsorbed capital allowances do not expire under the current tax legislation. The deductible temporary differences are available indefinitely for offset against future taxable profits of the Group and the Company subject to agreement with the tax authorities. These tax benefits will only be obtained if the Group and Company 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 or where future taxable income is not probable and not able to be reliably estimated.

10 LOSS PER SHARE

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

	Group	
	2019	2018
Loss attributable to equity holders of the Company (RM'000)	(881)	(8,688)
Weighted average number of ordinary shares in issue ('000)	60,402	60,402
Total basic loss per share attributable to the ordinary equity holders of the Company	(1.46)	(14.38)

Diluted loss per share is the same as basic loss per share in both financial years.

11 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Building RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Cost					
At 1 January 2019	19,567	30,071	59,117	157	108,912
Additions	0	0	1,238	139	1,377
Disposal	0	0	0	(151)	(151)
Write off	0	0	(765)	0	(765)
At 31 December 2019	19,567	30,071	59,590	145	109,373
Accumulated depreciation					
At 1 January 2019	0	13,868	52,531	157	66,556
Charge for the financial year	0	618	2,870	3	3,491
Disposal	0	0	0	(151)	(151)
Write off	0	0	(765)	0	(765)
At 31 December 2019	0	14,486	54,636	9	69,131
Net book value					
At 31 December 2019	19,567	15,585	4,954	136	40,242

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Building RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Cost					
At 1 January 2018	19,567	26,661	56,807	157	103,192
Additions	0	3,410	2,377	0	5,787
Disposal	0	0	(67)	0	(67)
At 31 December 2018	19,567	30,071	59,117	157	108,912
Accumulated depreciation					
At 1 January 2018	0	13,264	48,794	157	62,215
Charge for the financial year	0	604	3,804	0	4,408
Disposal	0	0	(67)	0	(67)
At 31 December 2018	0	13,868	52,531	157	66,556
Net book value					
At 31 December 2018	19,567	16,203	6,586	0	42,356

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM'000	Building RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Cost					
At 1 January 2019	19,567	30,071	39,118	155	88,911
Additions	0	0	1,068	0	1,068
Disposal	0	0	0	(151)	(151)
Write off	0	0	(710)	0	(710)
At 31 December 2019	19,567	30,071	39,476	4	89,118
Accumulated depreciation					
At 1 January 2019	0	13,868	33,178	155	47,201
Charge for the financial year	0	618	2,566	0	3,184
Disposal	0	0	0	(151)	(151)
Write off	0	0	(710)	0	(710)
At 31 December 2019	0	14,486	35,034	4	49,524
Net book value					
At 31 December 2019	19,567	15,585	4,442	0	39,594

The net book value of assets RM3,291,583 (2018: RM3,406,467) are secured against borrowing as disclosed in Note 22 to the financial statements.

The Group and the Company net book value of assets under finance lease as at 31 December 2019 amounted to RM1,265,205 (2018: RM1,499,848) and RM1,136,151 (2018: RM1,499,848) respectively.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM'000	Building RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Cost					
At 1 January 2018	19,567	26,661	37,001	155	83,384
Additions	0	3,410	2,178	0	5,588
Disposal	0	0	(61)	0	(61)
At 31 December 2018	19,567	30,071	39,118	155	88,911
Accumulated depreciation					
At 1 January 2018	0	13,264	29,938	155	43,357
Charge for the financial year	0	604	3,301	0	3,905
Disposal	0	0	(61)	0	(61)
At 31 December 2018	0	13,868	33,178	155	47,201
Net book value					
At 31 December 2018	19,567	16,203	5,940	0	41,710

12 INTANGIBLE ASSETS

	Internally developed software RM'000
Group	
Cost	
At 1 January 2019	3,144
Addition	0
Write off	(114)
	3,030
Accumulated depreciation	
At 1 January 2019	1,522
Charge for the financial year	643
Write off – depreciation	(114)
At 31 December 2019	2,051
Net book value	
At 31 December 2019	979

Group	RM'000
Cost	
At 1 January 2018	2,374
Addition	1,456
Write off	(343)
	3,487
Accumulated depreciation	
At 1 January 2018	1,516
Charge for the financial year	349
At 31 December 2018	1,865
Accumulated impairment	
At 1 January 2018	343
Write off	(343)
At 31 December 2018	0
Net book value	
At 31 December 2018	1,622

The useful life of the internally developed software is 4 years (2018: 4 years). The amount of staff cost capitalised in current financial year is RM Nil (2018: RM1,456,737).

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2019	2018
	RM'000	RM'000
Unquoted shares, at cost	2,006	2,006
Less: Accumulated impairment losses	(192)	(92)
	1,814	1,914

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

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

		Group's effective interest	
		2019	2018
Name of subsidiaries	Principal activities	%	%
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 Alliances Sdn. Bhd.	Provision of strategic information technology outsourcing services	100	100
Mesiniaga Services Sdn. Bhd.	Dormant	100	100
Mesiniaga MSC Sdn. Bhd.	Dormant	100	100

All the above subsidiaries are audited by PricewaterhouseCoopers, Malaysia.

Summarised financial information on subsidiary with material non-controlling interests

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

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised statement of financial position

	2019 RM'000	2018 RM'000
Current		
Assets	15,594	16,460
Liabilities	(1,058)	(701)
Total current net assets	14,536	15,759
Non-current		
Assets	305	260
Net assets	14,841	16,019

Summarised statement of comprehensive income

	For the financial year ended 31 December	
	2019 RM'000	2018 RM'000
Revenue	7,838	9,226
Profit before taxation	1,138	1,755
Tax expense	(316)	(421)
Profit for the financial year and total comprehensive income	822	1,334
Profit and total comprehensive income attributable to non-controlling interest	395	654
Accumulated non-controlling interest	7,228	7,805
Dividends paid to non-controlling interests	980	1,960

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised statement of cash flows

	For the financial year ended 31 December	
	2019	2018
	RM'000	RM'000
Cash flow from operating activities		
Cash flow generated from operations	1,271	1,734
Net income tax paid	(327)	(443)
Net cash generated from operating activities	944	1,291
Net cash generated from investing activities	145	8,224
Net cash used in financing activities	(2,000)	(4,000)
Net decrease in cash and cash equivalents	(911)	5,515
Cash and cash equivalents at beginning of financial year	7,139	1,624
Cash and cash equivalents at end of financial year	6,228	7,139

14 INVESTMENT IN JOINT VENTURE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	80	80	80	80
Accumulated impairment losses	0	0	(80)	0
Share of post-acquisition reserves	(80)	(80)	0	0
	0	0	0	80

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

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

		Group's effective interest	
		2019	2018
Name of joint venture	Principal activities	%	%
Mesiniaga Mobility Sdn. Bhd. ("MMSB")	Develop, market and operate a mobile workforce management system.	80	80

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

15 DEFERRED TAX ASSETS

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets:				
Deferred tax assets to be recovered within 12 months	1,879	3,796	1,585	3,518
At 1 January	3,796	3,513	3,518	3,235
Credited/(Charged) to profit or loss: (Note 9)				
- property, plant and equipment	171	(334)	144	(334)
- post-employment benefit obligations	12	(20)	12	(20)
- tax losses	0	(840)	0	(840)
- provisions	1,062	(182)	1,073	(182)
- advance billings	(3,286)	1,270	(3,286)	1,270
- others	106	407	106	407
	(1,935)	301	(1,951)	301
Charged to other comprehensive income:				
- post-employment benefit obligations	18	(18)	18	(18)
At 31 December	1,879	3,796	1,585	3,518
Subject to income tax:				
Deferred tax assets: (before offsetting)				
- post-employment benefit obligations	177	147	177	147
- tax losses	209	209	209	209
- provisions	1,640	578	1,345	272
- advance billings	1,926	5,212	1,926	5,212
	3,952	6,146	3,657	5,840
Offsetting	(2,073)	(2,350)	(2,072)	(2,322)
Deferred tax assets (after offsetting)	1,879	3,796	1,585	3,518

15 DEFERRED TAX ASSETS (CONTINUED)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(2,073)	(2,244)	(2,072)	(2,216)
- others	0	(106)	0	(106)
	(2,073)	(2,350)	(2,072)	(2,322)
Offsetting	2,073	2,350	2,072	2,322
Deferred tax liabilities (after offsetting)	0	0	0	0

16 INVENTORIES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At net realisable value:				
Cables	591	0	0	0
Equipment	0	736	0	0
Spare parts	40	362	41	362
	631	1,098	41	362
At cost:				
Cables	2,567	1,387	0	0
Equipment	3,681	1,725	3,680	1,725
Software for re-sale	2,444	3,474	2,444	3,474
Spare parts	254	154	254	154
	8,946	6,740	6,378	5,353
Stock-in-transit	0	826	0	826
	9,577	8,664	6,419	6,541

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Trade receivables	39,907	51,406	36,585	47,257
Less: loss allowance	(982)	(485)	(722)	(482)
	38,925	50,921	35,863	46,775
Finance lease receivables (Note 19)	1,962	802	1,962	802
Other receivables	1,547	2,360	1,465	2,099
Less: loss allowance	(120)	(186)	(120)	(186)
	1,427	2,174	1,345	1,913
Prepayment	7,904	5,600	7,354	5,115
Deposits	244	136	230	122
Amounts due from subsidiaries	0	0	32,227	32,243
Impairment of amounts due from subsidiaries	0	0	(32,227)	(32,227)
	0	0	0	16
Amounts due from a related party	125	125	0	0
	50,587	59,758	46,754	54,743
Non-current				
Prepayments	2,881	2,844	2,881	2,844
Finance lease receivables (Note 19)	3,456	306	3,456	306
	56,924	62,908	53,091	57,893

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

Credit terms of trade receivables range from 30 days to 90 days (2018: 30 days to 90 days).

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

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

Prepayments consist of prepaid services which costs are incurred upfront for services to be rendered over a range of 1 to 5 years. (2018: 1 to 5 years).

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

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

18 CONTRACT ASSETS/(LIABILITIES)

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

	Group and Company	
	2019	2018
	RM'000	RM'000
Current assets		
Contract assets	29,894	33,635
Less: Loss allowance	(296)	(57)
	29,598	33,578
Current liabilities		
Contract liabilities	(19,601)	(8,016)

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

	Group and Company	
	2019	2018
	RM'000	RM'000
Contract assets		
Opening balance as at 1 January	33,578	44,487
Increase as a result of performance obligation fulfilled but not yet billed	31,308	91,736
Decrease due to billings made during the financial year	(34,992)	(102,588)
	29,894	33,635
Less: Loss allowance	(296)	(57)
Closing balance as at 31 December	29,598	33,578
Contract liabilities		
Opening balance as at 1 January	(8,016)	(16,422)
During the financial year that was included in the contract liabilities balance as at 1 January	13,581	13,272
Increases due to billing made, excluding amounts recognised as revenue during the financial year	(25,166)	(4,866)
Closing balance as at 31 December	(19,601)	(8,016)

19 FINANCE LEASE RECEIVABLES

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Gross receivables	5,672	1,174
Less: Unearned finance income	(254)	(66)
Present value of lease receivables	5,418	1,108

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

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Receivable within 12 months	2,114	854
Receivable after 12 months:		
- between 1 and 2 years	1,976	320
- between 2 and 5 years	1,582	0
	5,672	1,174
Less: Unearned finance income	(254)	(66)
	5,418	1,108
Current (Note 17)	1,962	802
Non-current	3,456	306
	5,418	1,108

The weighted average effective interest rate for finance lease receivables is 2.72% (2018: 3.24%) per annum. The finance lease receivables are denominated in Ringgit Malaysia.

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

	2019	**2018**
	RM'000	**RM'000**
Balance as at 1 January	1,108	1,671
New leases entered into during the financial year	5,880	499
Lease payments received during the financial year	(1,570)	(1,062)
Balance as at 31 December	5,418	1,108

20 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	7,758	12,308	4,742	10,603
Deposits with licensed financial institutions	144,833	23,901	138,573	15,429
Total deposits, cash and bank balances	152,591	36,209	143,315	26,032
Less: Restricted cash	(4,896)	(3,429)	(4,896)	(3,429)
Less: Deposits maturing more than three (3) months	(3,003)	(2,904)	0	0
Cash and cash equivalents	144,692	29,876	138,419	22,603

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 3.19% (2018: 2.85%) per annum. Deposits, cash and bank balances are denominated in Ringgit Malaysia.

Deposits of the Group and Company have an average maturity period of between 6 to 365 days (2018: 17 to 360 days).

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables	135,820	32,679	133,968	31,149
Other payables	169	133	0	0
Payroll liabilities	3,500	4,721	2,139	3,723
Accruals	3,129	2,882	2,832	2,478
Finance lease liabilities (Note 24)	1,301	630	1,277	630
Amounts due to subsidiaries	0	0	7,017	4,030
	143,919	41,045	147,233	42,010

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	141,224	25,298	145,408	26,902
United States Dollar	2,695	15,710	1,825	15,071
Singapore Dollar	0	37	0	37
	143,919	41,045	147,233	42,010

Credit terms of trade payables range from 7 to 90 days (2018: 7 to 90 days). The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

22 BORROWINGS

	Group /Company	
	2019	2018
	RM'000	RM'000
Non-current		
Term financing – Secured	1,568	1,898
Current		
Banker Acceptance – Unsecured	2,030	13,970
Term financing – Secured	330	330
	2,360	14,300
Total borrowings	3,928	16,198

The average interest rate of short-term bank borrowings is at 5.25% (2018: 6.01%) and term financing is at 5.37% (2018: 5.37%).

The remaining maturities of the borrowing as at 31 December 2019 are as follows:

		Group/ Company 2019			
	Interest/ profit rate	Total RM'000	< 1 year RM'000	1 - 5 years RM'000	5 years RM'000
31.12.2019					
Banker acceptance	floating rate based on LIBOR	2,030	2,030	0	0
Term financing	floating on COF	1,898	330	1,320	248
		3,928	2,360	1,320	248
31.12.2018					
Banker acceptance	floating rate based on LIBOR	13,970	13,970	0	0
Term financing	floating on COF	2,228	330	1,650	248
		16,198	14,300	1,650	248

22 BORROWINGS (CONTINUED)

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

	Group/Company	
	2019	**2018**
	RM'000	**RM'000**
At 1 January	16,198	16,278
Drawdown of borrowings	31,321	36,200
Repayment of borrowings	(43,841)	(35,958)
Payment of interest	(718)	(715)
Non cash changes:		
- Currency translation difference	250	(322)
- Interest expense	718	715
At 31 December	3,928	16,198

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

	Group/Company	
	2019	**2018**
	RM'000	**RM'000**
Ringgit Malaysia	1,963	4,184
United States Dollar	1,965	12,014
Total borrowings	3,928	16,198

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS

Defined contribution plan

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

Defined benefit plan

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

The latest actuarial valuation of the plan was carried out as at 31 December 2015 with an update performed as at 31 December 2018. The movement in the present value of defined benefit obligations during the financial year is as follows:

	Group and Company		
2019	**Defined benefit obligation RM'000**	**Fair value of plan assets RM'000**	**Net defined benefit liability RM'000**
At 1 January	(3,416)	2,804	(612)
Charged to income statement:			
Service cost	(138)	(42)	(180)
Interest (cost)/income	(192)	172	(20)
	(330)	130	(200)
Charged to other comprehensive income:			
Actuarial gain	0	75	75
Payment made:			
Contribution paid by the employer	0	0	0
Benefits paid	284	(284)	0
At 31 December	(3,462)	2,725	(737)

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Defined benefit plan (continued)

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

	Group and Company		
2018	**Defined benefit obligation RM'000**	**Fair value of plan assets RM'000**	**Net defined benefit liability RM'000**
At 1 January	(3,952)	3,181	(771)
Charged to income statement:			
Service cost	(145)	0	(145)
Interest (cost)/income	(237)	182	(55)
	(382)	182	(200)
Charged to other comprehensive income:			
Actuarial gain/(loss)	584	(225)	359
Payment made:			
Contribution paid by the employer	0	0	0
Benefits paid	334	(334)	0
At 31 December	(3,416)	2,804	(612)

Plan assets comprised the following:

	Group and Company			
	2019 RM'000	**%**	**2018 RM'000**	**%**
At 31 December				
Equity instruments	842	31	829	30
Government bonds	1,695	62	1,436	51
Cash and cash equivalents and others	188	7	539	19
Total	2,725	100	2,804	100

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Defined benefit plan (continued)

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	
	2019	2018
At 31 December		
Discount rate	5.7%	5.7%
Rate of price inflation	3.0%	3.0%
Expected rate of salary increases:		
- up to age 34	7%	7%
- from age 35 to 44	7%	7%
- from age 45 and above	4%	4%
Turnover (per annum):		
- up to age 44	6%	6%
- from age 45 to 54	3%	3%
Retirement age:		
- normal retirement age, 60	50%	50%
- early retirement age, 55	50%	50%

Significant actuarial assumptions and sensitivity analysis

	Core assumption	Sensitivity analysis	Effect on defined benefit obligation RM'000
Discount rate	5.7%	1.0% decrease	1,673
Mortality	M9903 Life Tables	Age adjusted by + 1 year	(294)

Method and assumptions used in sensitivity analysis

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

24 FINANCE LEASE LIABILITIES

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Minimum lease payments				
Repayable within 12 months	1,456	646	1,427	646
Repayable after 12 months:				
- between 1 and 2 years	1,382	554	1,353	554
- between 2 and 5 years	841	176	755	176
	3,679	1,376	3,535	1,376
Future finance charges on finance leases	(265)	(208)	(250)	(208)
Present value of the finance lease liability	3,414	1,168	3,285	1,168
Current (Note 21)	1,301	630	1,277	630
Non-current	2,113	538	2,008	538
	3,414	1,168	3,285	1,168

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

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,168	961	1,168	961
Addition	2,903	1,101	2,771	1,101
Repayment of finance lease liabilities	(748)	(990)	(744)	(990)
Non cash changes:				
- Finance cost on lease	91	96	90	96
At 31 December	3,414	1,168	3,285	1,168

25 SHARE CAPITAL

	Group and Company			
	2019	2019	2018	2018
	Number of shares		Number of shares	
	'000	RM'000	'000	RM'000
Ordinary shares issued and fully paid:				
At 1 January and 31 December				
- ordinary shares of RM1.00 each	60,402	64,528	60,402	64,528

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

26 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

	Company	
	2019	2018
	RM'000	RM'000
Subsidiary companies		
Purchase of goods	249	6
Purchase of services	22,477	16,258
Sales of services	0	0
Secondment fees	9,920	11,910

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

	Company	
	2019	2018
	RM'000	RM'000
Amounts due from subsidiaries	0	16
Amounts due to subsidiaries	7,017	4,030

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

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

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26 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management compensation

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Salaries and other short-term employees benefits	2,203	2,335	2,203	2,335
Defined contribution plan	184	345	184	345
	2,387	2,680	2,387	2,680

There are no balances from or to key management personnel as at the end of the financial year.

27 NON-CASH TRANSACTION

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Acquisition of plant and equipment by means of finance leases	132	0	0	1,101

28 SEGMENT REPORTING

The Group is primarily engaged in one operating segment, namely the sales and service of information technology products in Malaysia.

The reports provided and reviewed by the Chief Executive Officer (CEO) that are used for allocating resources and assessing performance of the operating segment is from the overall Group's perspective and represents its only reporting segment.

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

Revenues of approximately RM168 million (2018: RM36.5 million) are derived from a single external customer. These revenues are attributable to sales and service of information technology products segment.

29 DIVIDEND

Dividends paid during the financial year are as follows:

	Group and Company	
	2019	2018
	RM'000	RM'000
Interim dividends in respect of financial year 2018:		
- RM0.06 per share, tax exempt single tier and RM 0.02 per share, tax exempt special paid on 3 July 2018	0	4,832

30 COMPARATIVES

During the financial year, the Group made certain reclassification to the comparative to conform to the current year presentation, resulting in the financial statements providing more relevant information about the effects of the transactions on the Group's financial statements.

Previously, amount due from a related party was net off under trade and other payables. Prior year comparative for the financial year 31 December 2018 have been restated by classifying RM125,000 from trade and other payables to trade and other receivables. The details of trade and other receivables and trade and other payables are disclosed in Note 17 and Note 21 to the financial statements respectively.

	For the financial year ended 31 December 2018		
	As previously stated	Adjustment	As restated
	RM'000	RM'000	RM'000
Group			
Statement of Financial Position			
Trade and other receivables	59,633	125	59,758
Trade and other payables	(40,920)	(125)	(41,045)

31 SUBSEQUENT EVENTS

As the Covid-19 virus spreads across the world, governments of the affected countries have implemented stringent measures which will have a disruptive impact on economic activities and supply chains. Additionally, the Management anticipates that the oil price collapse will have a major effect on the government's development and operation spending.

Presently, it is difficult to predict the degree of impact resulting from these factors. The Group and the Company are focused on continuing efforts to develop and differentiate its products and services, engaging with customers and monitoring the delivery of on-going projects. The Group and the Company are also maintaining vigilance on the business environment and making adjustment to the Group's and the Company's business accordingly. The Group and the Company are monitoring the situation closely and will continue to assess the impact on the expected credit loss, customers' buying capacity, potential projects deferment and earnings.

32 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 April 2020.

PROPERTIES OWNED BY THE GROUP

Address	Description	Usage	Tenure	Terms of Tenant's Leases or Under Leases	Appropriate Age	Net Book Value (RM'000)
Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor	Commercial land comprising of 15-storey office building	Office building	Freehold	Nil	Twenty six (26) years	27,904
5-G-9, Persiaran Mahsuri, Bandar Bayan Baru, 11900, Bayan Lepas, Pulau Pinang	4 Storey Shop	Office building	Leasehold	Nil	Seven (7) years	3,292

SHAREHOLDING **STATISTICS**

Shareholding Structure as at 31 March 2020
Authorised Share Capital: RM100,000,000
Issued and Paid-up Capital: RM60,402,000
Class of Shares: There is only one class of shares, namely Ordinary Shares of RM1.00 each

Analysis of Shareholdings as at 31 March 2020

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	65	2.47	1,725	0.00
101 – 1,000	952	36.12	822,560	1.36
1,001 – 10,000	1,260	47.82	5,446,341	9.03
10,001 – 100,000	309	11.73	9,088,186	15.04
100,001 – 3,020,099 (Less than 5% of issued shares)	44	1.67	21,231,020	35.15
3,020,100 and above (5% and above issued shares)	1	0.04	12,269,701	20.31
Director's Shareholdings	4	0.15	11,542,467	19.11
Total	2,635	100.00	60,402,000	100.00

Substantial Shareholders as at 31 March 2020

No.	Names	Direct Shareholdings	%
1	AMANAHRAYA TRUSTEES BERHAD <SKIM AMANAH SAHAM BUMIPUTERA>	10,727,700	17.76
2	FATHIL SULAIMAN ISMAIL	7,747,927	12.83
3	SAFIAH SULAIMAN ISMAIL	5,012,041	8.30
4	DATUK WAN MOHAMED FUSIL WAN MAHMOOD	3,470,040	5.74

Directors Direct and Deemed Interests as at 31 March 2020

No.	Names	Direct Shareholdings	Deemed Interest	%
1	DATUK WAN MOHAMED FUSIL WAN MAHMOOD	475,940	2,994,100	5.74
2	FATHIL SULAIMAN ISMAIL	7,747,927	-	12.83
3	VOON SENG CHUAN	323,500	-	0.54
4	ABD TALIB BABA	-	-	-
5	WONG FOOK HON	1,000	-	0.00
6	DATO' AB RASHID MAT ADAM	-	-	-
7	IR. DR. MUHAMAD FUAD ABDULLAH	-	-	-
8	SIM HONG KEE	-	-	-
9	DATUK NOOR AZIAN SHAARI	-	-	-

30 Largest Shareholders as at 31 March 2020

No.	Name	Holdings	%
1	AMANAHRAYA TRUSTEES BERHAD <SKIM AMANAH SAHAM BUMIPUTERA>	10,727,700	17.76
2	FATHIL SULAIMAN ISMAIL	7,747,927	12.83
3	SAFIAH SULAIMAN ISMAIL	5,012,041	8.30
4	AIMI KHALIDAH MOHD PUZI	2,418,940	4.00
5	HOR YEE @ HO CHEONG FATT	1,758,940	2.91
6	DB (MALAYSIA) NOMINEE (ASING) SDN BHD <DEUTSCHE BANK AG SINGAPORE FOR YEOMAN 3-RIGHTS VALUE ASIA FUND (PTSL)>	1,562,500	2.59
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL WAN MAHMOOD>	1,400,000	2.32
8	SRI SUSAYATI RAMLAN	1,120,000	1.85
9	WONG TA NOOY @ WONG KENG YONG	1,079,200	1.79
10	CIMB ISLAMIC TRUSTEE BERHAD <WAN MOHAMED FUSIL WAN MAHMOOD>	1,000,000	1.66
11	CHING HENG ZEE	625,000	1.03
12	LIM POH TIONG	600,000	0.99
13	YEE MEN FONG	600,000	0.99
14	LIM POH TIONG	560,000	0.93
15	NOR HAFIFAH MOHD PUZI	530,000	0.88
16	NOR ZALIZA MOHD PUZI	500,000	0.83
17	CHOY SWEE CHUN	481,500	0.80
18	WAN MOHAMED FUSIL WAN MAHMOOD	475,940	0.79
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WONG PHOOI YIN (E-TAI)>	401,000	0.66
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL WAN MAHMOOD (473685)>	400,000	0.66
21	TOH YING CHOO	396,000	0.66
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR YEOH MEI YING (E-TAI)>	376,800	0.62
23	GAN KHO @ GAN HONG LEONG	368,900	0.61
24	LEE KOK HIN	367,000	0.61
25	AFFIN HWANG NOMINEES (ASING) SDN BHD <DBS VICKERS SECS (S) PTE LTD FOR LIM MEE HWA>	350,000	0.58
26	VOON SENG CHUAN	323,500	0.54
27	NOR HASLINA MD. DAHARI	265,600	0.44
28	KHOR KENG SAW @ KHAW AH SOAY	236,200	0.39
29	HO WAI HOE	236,000	0.39
30	HO WAI KOK	205,000	0.34

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