

Mesiniaga

**Creating Waves
of Success**

annual report 2007



COVER RATIONALE

CREATING WAVES OF SUCCESS

At Mesiniaga we recognise that our value to our customers is in promoting their business success, and that technology is merely a medium towards this end. Hence, our Mission of being a 'Business Solutions Provider of Greatest Added Value'.

The origami boat represents our customers, whereas Mesiniaga is characterised as the blue wave lifting our customers towards success. The boat's reflection on the water symbolises an appreciation of customer business, objectives and success drivers in fulfilling our commitments to them. The presence of the origami boat throughout the annual report suggests our constant awareness of customer interests.





CREATING WAVES OF SUCCESS



C O N T E N T S

2 our vision 3 our mission 4 our shared values 8 Chairman's Statement 12 Managing Director's Letter to Shareholders
16 Corporate History and Milestones 17 Five-year Performance Statistics 18 Corporate Information 20 Corporate Structure
24 Board of Directors 30 Senior Management Team 32 Corporate Profile 38 Awards and Achievements 40 Event Highlights
48 Corporate Responsibility 52 2007 Share Price Movement 53 Statement of Corporate Governance 57 Statement of
Directors' Responsibility in Relation to Financial Statements 58 Statement on Internal Control 59 Audit Committee 62 Other
Information Required by the Listing Requirements of Bursa Securities 63 Financial Statements 111 Properties Owned by the
Group 112 Shareholding Statistics 115 Notice of Annual General Meeting 116 Additional Statements 116 Notice of Dividend
Entitlement 00 Proxy Form

OUR VISION

TO BE THE MALAYSIAN IT PARTNER OF CHOICE

OUR MISSION

DELIVERING BUSINESS SOLUTIONS OF GREATEST ADDED VALUE

OUR SHARED VALUES

PASSION FOR OUR CUSTOMERS' SUCCESS AND SATISFACTION
RESPECT FOR EVERY INDIVIDUAL
INNOVATION IN OUR ENDEAVOURS
DYNAMISM IN OUR LEADERSHIP
EXCELLENCE IN OUR SERVICE AND DELIVERY





TRANSFORMATION

MESINIAGA IS TRANSFORMING ITSELF INTO A COMPANY THAT DELIVERS BUSINESS SOLUTIONS WHICH IMPACT ITS CUSTOMERS' PROFIT AND GROWTH. OUR ABILITY TO DELIVER THE

HIGHEST RETURNS ON OUR CUSTOMERS' IT INVESTMENTS

WILL BE THE KEY DRIVER TO REALISE OUR VISION IN BECOMING THE IT PARTNER OF CHOICE.



CHAIRMAN'S STATEMENT

WAN MOHAMED FUSIL

Dear Shareholders,

2007 was a very challenging year for us. We fell short of our profit expectations despite sound operational performance and robust sales performance from our infrastructure solutions. While we secured many large projects during the year, we were faced with an increasingly competitive market environment that drove our margins down. Of late, this trend has become prevalent due to the exploitation of IT in business operations within an aggressive marketplace. Our operating expenses were also affected by considerable investments made in pursuit of our transformation objectives. As such, although our revenue increased by 12.5% to RM356 million, our pre-tax profits were down by 11.9% at RM19.9 million when compared to the previous fiscal year.

OUR BOLD MOVE WILL PUT US ON THE RIGHT TRACK



The good news is that we had anticipated this market condition. Our transformation process which started in 2006 is a long-term plan undertaken to overcome this situation. We recognise the need to change into a company that constantly creates value in order to earn a premium status with our stakeholders. Thus, our ultimate aim is to improve our profitability. We believe that the effects of our continuing investment and commitment will be visible within the next two years.

Last year, we executed a couple of key initiatives in accordance with our transformation strategies. Firstly, we implemented improvements and innovation in our operational structure and processes. Our network infrastructure was upgraded to increase our productivity level. We also acquired new office premises, mainly to facilitate our warehousing and installation

operations in order for us to improve our delivery process. Secondly, we geared up our human resources with the right set of skills to enhance our business solution offerings and deliverables. We are very proud of our competent and committed workforce. Mesiniaga is constantly seeking better means to recruit and retain the best people. The company expends considerable efforts in developing this most important asset for growth and specialisation. In addition, we overhauled our general recruitment practices. This included the introduction of a profiling tool to ensure the best possible fit for the job. We also embarked on a review of present job descriptions and salaries to benchmark ourselves against the industry. We believe these actions are crucial in motivating our employees to deliver the best quality and value to our customers.

Our investments into the future have increased our staff cost by 10% and impacted our bottom line. However, we are confident that our bold move will put us on the right track. Our performance indicators showed that we have increased our presence in the commercial sector. Our revenue in this segment rose by more than 40% over the previous year, in line with our strategy. We also continue to generate higher profits in the area of IT services which accounted for approximately 70% of our total gross profit in 2007 despite a contribution of only 33% in total revenue. This validates our investments to enhance our capabilities to deliver more IT services as a way to offset the lower margins in IT hardware.

CHAIRMAN'S STATEMENT

EMPOWER AND NURTURE YOUTHS THROUGH RELEVANT

SKILLS DEVELOPMENT AND EDUCATIONAL PROGRAMS

ANOTHER SIGNIFICANT MILESTONE IS OUR REINFORCED COMMITMENT IN CORPORATE RESPONSIBILITY (CR) AS WE BELIEVE THAT THIS CAN CONTRIBUTE TO LONG-TERM SUCCESS. OUR CR MISSION IS TO EMPOWER AND NURTURE YOUTHS THROUGH RELEVANT SKILLS DEVELOPMENT AND EDUCATIONAL PROGRAMS TO PARTICIPATE IN A KNOWLEDGE-BASED ECONOMY.



Our success in 2007 was also reflected in several significant awards and recognitions received from key technology partners such as Cisco, IBM and Microsoft. It is evident that our partnership and reputation with our technology partners remain strong and credible. Another significant milestone is our reinforced commitment in corporate responsibility (CR) as we believe that this can contribute to long-term success. Our CR mission is to empower and nurture youths through relevant skills development and educational programs to participate in a knowledge-based economy. One major CR program is our collaboration with the Ministry of Higher Education (MoHE) for the provision of Work-based Learning (WBL) to community college students. This program has received commendations from MoHE and is now used as a benchmark for other companies offering similar programs. We also remain stringent in matters of corporate governance and ethics to ensure satisfactory delivery of all our obligations to stakeholders.





Looking ahead, we are optimistic about our ability to improve our business performance. With a strong order book and several major projects in the pipeline, we believe that the market offers substantial opportunities for us to deliver on our promises. Our good progress in pursuing strategic priorities set out last year will serve to fuel future growth. Our past investments will strengthen our position in long-term growth markets, such as the nation's economic corridors and services outsourcing. I anticipate further development in 2008, as we continue to innovate on our business offerings. The foundations for long-term success have been put in place. Now is the time for us to enhance value creation so that we remain a leader in a demanding marketplace.

On 1 January 2008, we made yet another strategic move by appointing Fathil Ismail as Mesiniaga's new Managing Director, a change that will escalate Mesiniaga's drive to fulfil its goals. In order for us to be the acknowledged Malaysian IT Partner of Choice, we have to transcend the current market needs and anticipate future needs.

Fathil has served the Board since 2002 and has been a very active contributor to our business direction and strategies. Furthermore, his entrepreneurial and investment banking background will elevate our ability to offer the highest value proposition to our customers. I have great confidence that the new leadership will steer us towards our ultimate destination.

I would like to pay tribute to my fellow directors for their considerable contributions in support of the Group. In 2007 we welcomed a new director, Abd Talib Baba to the Board while Zaiton Mohd. Hassan and Nor Hayati Mohd Kassim, have since retired and resigned respectively from the Board. I would also like to thank the management and all our employees for their outstanding commitment in 2007.

Wan Mohamed Fusil
Chairman

MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS



FATHIL ISMAIL

Dear Shareholders,

From modest beginnings, the founders of Mesiniaga built a successful Malaysian brand. The foundation of our business has been the integrity that governs all dealings including the keeping of promises made to our customers.

"WHAT ARE THE RIGHT PROMISES TO MAKE?"



In this evolved world, the question now is, "What are the right promises to make?"

We wrestled with this question and it led to the restated Vision of being Malaysia's IT Partner of Choice through offering customers Business Solutions of Greatest Added Value, our restated mission.

Put simply, this means close alignment with customer objectives. If the customers' objective is to maximise value then this too must be Mesiniaga's objective, through the medium of technology. Continued relevance can be achieved in no other way.

The traditional role played was in fulfilment of technical requirements. This is a reactive role. Customers first translate business aspirations into business mechanics and then technical specifications. Our role was to fulfil.

We are now electing to play a proactive role. This involves developing an appreciation of how customer value is created and how technology can impact this process. We will actively seek out opportunities for customer business advantage through technology.

MANAGING DIRECTOR'S
LETTER TO SHAREHOLDERS



BUSINESS SOLUTIONS OF
**GREATEST
ADDED
VALUE**

IF THE CUSTOMERS' OBJECTIVE IS TO MAXIMISE VALUE, THEN THIS TOO MUST BE MESINIAGA'S OBJECTIVE, THROUGH THE MEDIUM OF TECHNOLOGY.





Even in cases where our role is restricted to fulfilment, the efficacy of our solutions will improve. We seek to differentiate ourselves from other IT players by offering better context for our technology deployments through better understanding of customer business and needs.

This thinking addresses the single biggest challenge facing us today. This challenge is depleting margins through ever-increasing competition and commoditisation of technology. In order to earn more profit, we must create more value for our customers and cannot remain as purely a fulfilment agent.

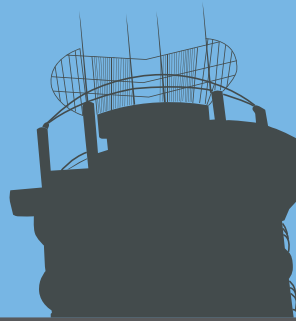
In effecting this change, we have instituted a large number of initiatives. It is however a process that will mature over a number of years. I believe that we will emerge from it as a world-class IT services provider with stronger margins and long-term growth. These are factors that drive shareholder value.

We thank you for your continued confidence and look forward to sharing this journey with you.

Fathil Ismail
Managing Director

EVEN IN CASES WHERE OUR ROLE IS RESTRICTED TO FULFILMENT, THE EFFICACY OF OUR SOLUTIONS WILL IMPROVE. WE SEEK TO DIFFERENTIATE OURSELVES FROM OTHER I.T. PLAYERS BY OFFERING BETTER CONTEXT FOR OUR TECHNOLOGY DEPLOYMENTS THROUGH BETTER UNDERSTANDING OF CUSTOMER BUSINESS AND NEEDS.

CORPORATE HISTORY AND MILESTONES



1981

Conceived as IBM's response to the New Economic Policy aimed at increasing local participation in the industry

1982

Company was officially operational

1992

Construction of company headquarters was completed. Designed by architect Ken Yeang of TR Hamzah & Yeang to meet the company's aspirations

1993

Evolved into a business solutions and services provider. Established a dedicated team for this purpose - Network Services Unit (NSU) and iNet & Workgroup Solutions Team (IWS)

1994

Awarded MS ISO 9001 Certification by SIRIM

1995

Formed Systems Integration and Project Management Unit (SI/PM) to provide end-to-end integrated solutions architecture, design and implementation

1997

Recognised as IBM/Lotus Premier Partner

1999

Listed on KLSE Main Board (now known as Bursa Securities)

Appointed Microsoft Managed Partner

2003

Company-wide ISO Certification

Penang Branch building, Mutiara Mesiniaga was completed

Achieved Microsoft Gold Partner status

First Malaysian and Bumiputera company certified as Cisco Gold Partner

2004

Appointed as Microsoft Large Account Reseller

2005

Launched the Business Productivity Centre (BPC), which is the first in Malaysia and third in Asia. A joint venture with Microsoft, it offers an Executive Briefing Centre for Microsoft Solutions

Embarked on company-wide Transformation by implementing various corporate strategies to revitalise the company

2006

Underwent organisational restructuring by aligning company functions into five core divisions: Sales, Infrastructure, Systems & Applications (ISA), Maintenance and Managed Services (MMS), Technology Research & Innovation and Corporate Support

Received the PIKOM National ICT Service Provider Award

2007

Celebrated its 25th Anniversary

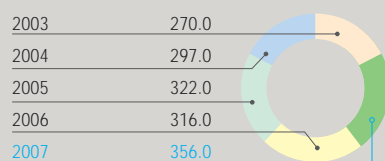
Launched Employee Volunteerism in CR Programs, an initiative undertaken under the Mesiniaga Corporate Responsibility Program

Acquired new office premises in UEP Industrial Park for customer support and warehouse

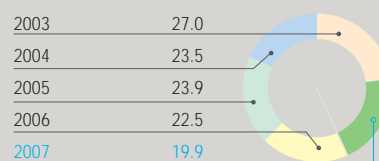


FIVE-YEAR PERFORMANCE STATISTICS

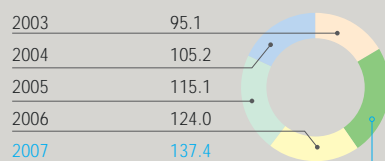
Revenue (RM million)



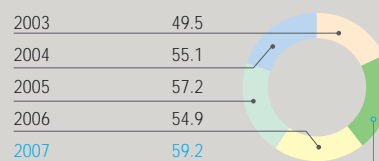
Profit Before Tax (RM million)



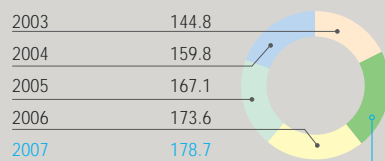
Net Current Assets (RM million)



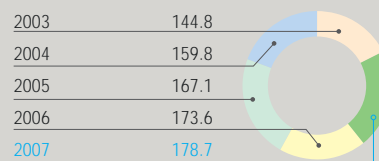
Fixed Assets (RM million)



Net Tangible Assets (RM million)



Shareholders' Equity (RM million)



CORPORATE INFORMATION

BOARD OF DIRECTORS

WAN MOHAMED FUSIL
(Executive Chairman w.e.f. 14 June 2007)
(CEO until 31 December 2007)

FATHIL ISMAIL
(Managing Director w.e.f. 1 January 2008)

MOHD PUZI AHAMAD

DATO' WAN ABDULLAH MOHAMAD

NOR HAYATI MOHD. KASIM
(Resigned w.e.f. 31 October 2007)

CHUNG THIAN SINN

VOON SENG CHUAN

ZAITON MOHD. HASSAN
(Retired w.e.f. 14 June 2007)

ABD TALIB BABA
(Appointed w.e.f. 21 August 2007)

NOMINATION COMMITTEE

NOR HAYATI MOHD. KASIM
(Chairperson)
(Resigned w.e.f. 31 October 2007)

DATO' WAN ABDULLAH MOHAMAD
(Chairperson)
(Appointed w.e.f. 18 December 2007)

CHUNG THIAN SINN

WAN MOHAMED FUSIL

MOHD PUZI AHAMAD

OPTION COMMITTEE

Dissolved w.e.f. 18 December 2007

FATHIL ISMAIL
(Chairperson)

NOR HAYATI MOHD. KASIM
(Resigned w.e.f. 31 October 2007)

EXECUTIVE DIRECTORS REMUNERATION COMMITTEE

NOR HAYATI MOHD. KASIM
(Chairperson)
(Resigned w.e.f. 31 October 2007)

VOON SENG CHUAN
(Chairperson)
(Appointed w.e.f. 18 December 2007)

DATO' WAN ABDULLAH MOHAMAD

NON-EXECUTIVE DIRECTORS REMUNERATION COMMITTEE

WAN MOHAMED FUSIL
(Chairperson)

MOHD PUZI AHAMAD

NOR HAYATI MOHD KASIM
(Resigned w.e.f. 31 October 2007)

AUDIT COMMITTEE

ZAITON MOHD. HASSAN
(Chairperson)
(Retired w.e.f. 14 June 2007)

ABD TALIB BABA
(Chairperson)
(Appointed w.e.f. 21 August 2007)

NOR HAYATI MOHD. KASIM
(Resigned w.e.f. 31 October 2007)

CHUNG THIAN SINN

WAN MOHAMED FUSIL
(Appointed w.e.f. 18 December 2007)

INVESTMENT COMMITTEE

FATHIL ISMAIL
(Chairperson)
(Resigned w.e.f. 18 December 2007)

WAN MOHAMED FUSIL
(Chairperson)
(Appointed w.e.f. 18 December 2007)

ZAITON MOHD. HASSAN
(Retired w.e.f. 14 June 2007)

MOHD PUZI AHAMAD

CHUNG THIAN SINN

COMPANY SECRETARY

JASNI ABDUL JALIL
(MACS 01359)

COMPANY REGISTRATION NUMBER

79244-V

REGISTERED OFFICE

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

AUDITORS AND REPORTING ACCOUNTANTS

PRICEWATERHOUSECOOPERS

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

PRINCIPAL BANKERS

CITIBANK BERHAD

BANK ISLAM MALAYSIA BERHAD

STANDARD CHARTERED BANK
(MALAYSIA) BERHAD

MAYBANK BERHAD

SHARE REGISTRAR

SYMPHONY SHARE REGISTRARS
SDN. BHD.

Level 26, Menara Multi Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 03-2721 2222
Fax: 03-2721 2530

STOCK EXCHANGE LISTING

Main Board of BURSA SECURITIES

CORPORATE
STRUCTURE**Mesiniaga Services Sdn Bhd**

Provision of maintenance and managed services

100%**Mesiniaga MSC Sdn Bhd**Provision of solution services and
technology research and development**100%****100%**Business development of new
product technologies and markets**Mesiniaga Techniques Sdn Bhd**Provision of management training and consulting
services in strategic and human resource planning.**100%****Mesiniaga-SCS Sdn Bhd****Navigis Sdn. Bhd. 70%**

Provision of training, management advisory and consultancy services.

VA DYNAMICS Sdn Bhd**51%**Sales of networking cables
and related product**SJA Infotech Sdn Bhd**Development and maintenance
of Websites**35%****PWR Powerplan (MALAYSIA) Sdn Bhd 30% Dormant**





Log Homes, Inc.
Log Homes in North America
Log Homes, Inc. has a long and compelling history of building a number of compelling, steady and profitable businesses for possible realization.
Log Homes, Inc. is a leading line of business, initially focusing on the local reach of our real estate franchise in Japan.

CUSTOMER ALIGNMENT

CONGRUENT OBJECTIVES

MESINIAGA'S OBJECTIVES ARE CONGRUENT WITH OUR CUSTOMERS' OBJECTIVES. TOGETHER WITH OUR CUSTOMERS, WE EMBARK ON A PARALLEL JOURNEY IN PURSUIT OF CUSTOMER OBJECTIVES TO ENSURE THAT ATTAINMENT OF COMMON GOALS ARE ACHIEVED.

BOARD OF DIRECTORS

Fathil Ismail
Managing Director



Dato' Wan Abdullah Mohamad
Non-Independent Non-Executive Director



Chung Thian Sinn
Independent Non-Executive Director



Voon Seng Chuan
Independent Non-Executive Director



Mohd Puzi Ahamad

Executive Director and Chief Financial Officer

Abd Talib Baba

Independent Non-Executive Director

Wan Mohamed Fusil

Executive Chairman



BOARD OF
DIRECTORS

Wan Mohamed Fusil

Wan Mohamed Fusil

57, Executive Chairman

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. Wan Fusil was the Chief Executive Officer of Mesiniaga until 31 December 2007. Prior to joining Mesiniaga, 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. Wan Fusil is one of the first serving Board Members of Multimedia Development Corporation (MDeC) and is also one of the founder members of the Association of Computer and Multimedia Industry Malaysia (PIKOM). He has held several positions in PIKOM including serving as Councillor (1987), Deputy Chairman (1989-1991) and Chairman (1991/92). Wan Fusil graduated with a Diploma in Accountancy from ITM (now known as UiTM) in 1972.



Mohd Puzi Ahamad

Fathil Ismail

Mohd Puzi Ahamad, RA (M), FCCA,
55, Executive Director and Chief Financial Officer

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

Fathil Ismail
44, Managing Director

Fathil Ismail began his involvement in Mesiniaga on 1 June 2002 as a Non-Independent Non-Executive Director. Effective from 1 January 2008, Fathil was appointed as Mesiniaga's Managing Director. An accountant by training, Fathil served with Ernst & Young and then with the Corporate Finance Department of Arab Malaysian Merchant Bank before pursuing private enterprise. He was a founding partner and the Managing Director of Genesis Healthcare (now known as ING Employee Benefits) for six years until late 2001. Fathil is an alumnus of Malay College Kuala Kangsar and graduated from the Association of Chartered Certified Accountants (ACCA).

BOARD OF
DIRECTORS

Chung Thian Sinn

Abd Talib bin Baba

Nor Hayati Mohd Kasim is not represented in picture

Chung Thian Sinn

65, Independent Non-Executive Director

Chung Thian Sinn was appointed to the Board on 17 September 1999. Chung began his corporate career when he joined Mobil (Malaysia) as a Technical Sales Executive. In 1967, he joined IBM Malaysia as a Systems Engineer. The last position he held in IBM Malaysia was Country Systems Engineering Manager. In 1981, Chung joined Time Engineering Sdn. Bhd. and was appointed as Company Secretary and Director, a position from which he later retired in 1990. Chung graduated with a Bachelor of Science (Hons).

Nor Hayati Mohd Kasim

61, Independent Non-Executive Director

Nor Hayati Mohd. Kasim was appointed to the Board on 17 September 1999. She started her corporate career with Bank Negara Malaysia in 1971 as a Human Resource Officer. Subsequently, she joined IBM Malaysia as Personnel Assistant in 1974, later serving as Human Resource Manager. In 1997, Nor Hayati was appointed as Management Development Manager of IBM ASEAN, a position she later retired from in June 1999. Nor Hayati holds a Bachelor of Arts (Hons) degree from Universiti Malaya and a Master of Arts (Organisation Psychology) from the University of Lancaster. She has since resigned from office effective from 31 October 2007.

Abd Talib bin Baba, RA (M), FCCA

62, Independent Non-Executive Director

Abd Talib bin Baba was appointed to the Board on 21 August 2007. He is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) and 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 in Petronas Penapisan Sdn. Bhd. and Petronas Mitco Sdn. Bhd. He retired from Petronas in October 1999. Currently Abd Talib is also the Audit Committee Chairman of Bank Kerjasama Rakyat and sits on the board of UDA Holdings Berhad and Mas Kiara Berhad.



Voon Seng Chuan

Dato' Wan Abdullah Mohamad

Zaiton Mohd. Hassan is not represented in picture

Voon Seng Chuan

49, Independent Non-Executive Director

Voon Seng Chuan was appointed to the Board on 24 October 2000. Since 1983, Voon has served with IBM Malaysia in various capacities starting with his first appointment as Marketing Representative. In January 2000, he became General Manager of IBM Malaysia. He was then appointed as Managing Director of IBM Malaysia until January 2007, after which he was appointed as the ASEAN & India/South Asia Project Executive. Voon holds a Bachelor of Science degree in Mathematics from Universiti Malaya.

Zaiton Mohd. Hassan, FCCA, MICPA

51, Independent Non-Executive Director

Zaiton Mohd. Hassan was appointed to the Board on 16 November 2001. She is a Member of MICPA (Malaysian Institute of Certified Public Accountants) and a Fellow Member of the Association of Chartered Certified Accountants (ACCA). She is the Managing Director of Capital Intelligence Advisors Sdn. Bhd., a company she set up upon her resignation as the President and Chief Executive Officer of Malaysian Rating Corporation Berhad (MARC) in 2004. Zaiton is also a Board Member of Malaysian Industrial Development Finance Berhad (MIDF), Credit Guarantee Corporation Malaysia Berhad, Bank Islam Malaysia Berhad, BIMB Holdings Berhad and the Companies Commission of Malaysia. She has since retired from office effective from 14 June 2007.

Dato' Wan Abdullah Mohamad, DPMT

67, Non-Independent Non-Executive Director

Dato' Wan Abdullah Mohamad was appointed to the Board on 27 December 1995. He began his career with the Terengganu State Agriculture Department. He later joined Rothmans of Pall Mall (M) Berhad as a pioneer and became their Leaf Advisor. From 1970 onwards, he served as Director of the Leaf Growing Scheme and Leaf Tobacco Development Corporation. In 1973, Dato' Wan Abdullah was promoted to Director, Rothmans of Pall Mall (Malaysia) Berhad. He assumed the position of Regional Leaf Director Asia-Pacific until his retirement in 1997. Dato' Wan Abdullah graduated from the College of Agriculture, Serdang (now known as Universiti Putra Malaysia) in 1962 with a Diploma in Agriculture.

All Board Members are Malaysian citizens. All the Board Members have no other relationship among themselves or with any of the substantial shareholders of the Company except for Fathil Ismail who has a kin relationship with Safiah Sulaiman Ismail, a substantial shareholder of the Company. All Board Members do not have any conflict of interest with the Company as well as were never convicted for any offences other than traffic offences within the past 10 years. Other than the Director positions held by Zaiton Mohd. Hassan and Abdul Talib Baba in other public companies as stated in their respective profiles, all of the Directors do not hold any directorship positions in any public companies other than Mesiniaga Berhad.

Details of the Directors' membership in the Board Committees are listed in the Corporate Information on pages 18 to 19.



SENIOR MANAGEMENT TEAM

from left:

Mohd Puzi Ahamad, RA (M), FCCA

Chief Financial Officer

Wan Mohamed Fusil

Executive Chairman

Fathil Ismail

Managing Director

Refer to profile on Board of Directors' page

Noorizan Ali

Director of Maintenance & Managed Services (MMS)

Noorizan Ali was appointed as Director in 2002. Prior to becoming Director, Noorizan has served the company in various capacities throughout his 26-year career. Noorizan started his IT career as a Customer Engineer with IBM Malaysia in 1979. He then joined us in 1982, continuing to serve as Customer Engineer. Six years later, he was made Field Manager and subsequently became Senior Services Manager in 1995. His position prior to becoming Director was General Manager-Technical Services Department, which he assumed in 1998. Noorizan brings vast experience and expertise to the company through his hands-on approach in managing customer support operations and customer satisfaction.

Yeow Daw Swee

Director of Solution Services and Technology (SST)

Yeow commenced his career with Mesiniaga in 1982 as a Product Support Representative. He was promoted to Advisory Systems Engineer in 1988. In 1989, he became the Technical Support Manager and subsequently, the Country Support Manager in 1993. He was appointed General Manager-Services in 1997, responsible for the Technical Support and Services Business unit. He was appointed Director-Marketing Services on 1 October 2000 where he was responsible for the solution units that eventually evolved into the Enterprise Solutions Division. With the recent organisational restructuring in the company, Yeow is now the Director of Solution Services and Technology and Director of Penang Operations. He has a total of 26 years in the IT Industry.

Wong Keng Hoe

Director of Project Management and Solutions Marketing (PMSM)

Wong Keng Hoe began his career in Mesiniaga in 1990 when he was appointed as Information Systems Trainee. In his 18-year career, Wong 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. Wong took on the post of General Manager of Network Services & Project Management in 2002. After the company's recent organisational restructure, he was named as the General Manager of Infrastructure, Systems & Applications (ISA). Effective from February 2008, Wong became the Director of Project Management and Solutions Marketing. Wong graduated with a Bachelor in Computer Science from Universiti Sains Malaysia (USM).



from left:

Wong Keng Hoe

Director of Project Management and Solutions Marketing

Noorizan Ali

Director of Maintenance & Managed Services

Yeow Daw Swee

Director of Solution Services and Technology

CORPORATE PROFILE

From the very beginning, the company was imbued with the pioneering spirit of the founding team, who formed Mesiniaga as an innovative response to Malaysia's New Economic Policy (NEP) in 1981. This, together with a passion for quality and integrity has entrenched Mesiniaga's presence in the IT industry for the last 26 years. Today Mesiniaga is a company that boasts numerous achievements and accolades. Some of the historic achievements included being the first IT company to be listed on the main board of KLSE (now known as Bursa Securities), establishing the Mesiniaga/Microsoft Business Productivity Centre – the first of its kind in Malaysia and being named the PIKOM National ICT Service Provider of the Year for 2006.

However, Mesiniaga is not content to rest on its laurels of past glory. The company realises that in order to retain a strong presence and fuel further growth, it needs to harness the selfsame pioneering spirit of the early years and embark on a journey

of transformation. This transformation will see Mesiniaga turn into a company that will embrace its customers' goals and objectives which in turn will enable it to increase its value proposition to customers. The company aims to employ several core strategies that are intended to translate its goals into reality.

Aligning for success

In fulfilling the company's vision to be regarded as 'The Malaysian IT Partner of Choice', Mesiniaga aims to build a sustainable and mutually profitable relationship with both its technology partners and customers. It works towards achieving congruent goals and objectives with its customers in order to achieve a win-win situation. Customers who choose Mesiniaga are ensured of gaining a business partner who is as committed as they are in meeting their business targets. In doing this, Mesiniaga works closely with several established global technology

TODAY MESINIAGA IS A COMPANY THAT BOASTS NUMEROUS ACHIEVEMENTS AND ACCOLADES. SOME OF THE HISTORIC ACHIEVEMENTS INCLUDED BEING THE FIRST IT COMPANY TO BE LISTED ON THE MAIN BOARD OF KLSE (NOW KNOWN AS BURSA SECURITIES), ESTABLISHING THE MESINIAGA/MICROSOFT BUSINESS PRODUCTIVITY CENTRE – THE FIRST OF ITS KIND IN MALAYSIA AND BEING NAMED THE PIKOM NATIONAL ICT SERVICE PROVIDER OF THE YEAR FOR 2006.




 A person in a business suit is seated at a glass table outdoors. They are holding a white document. On the table, there is a white coffee cup on a saucer and some papers with yellow highlights. The background is filled with green plants and a metal railing.

AIMS TO BUILD A

SUSTAINABLE AND MUTUALLY PROFITABLE RELATIONSHIP

partners to deliver the best value to its customers. Technology vendors such as IBM, Microsoft, Cisco, Juniper, Trend Micro, Symantec and many others have acknowledged Mesiniaga's contribution to their business by honouring it with various awards such as the Cisco Gold Partner Status, IBM Platinum Club Awards and the Microsoft Large Account Reseller of the Year Award, to name a few. Mesiniaga intends to leverage on these existing partnerships and provide its customers with relevant technologies that will address their business needs.

Developing human capital

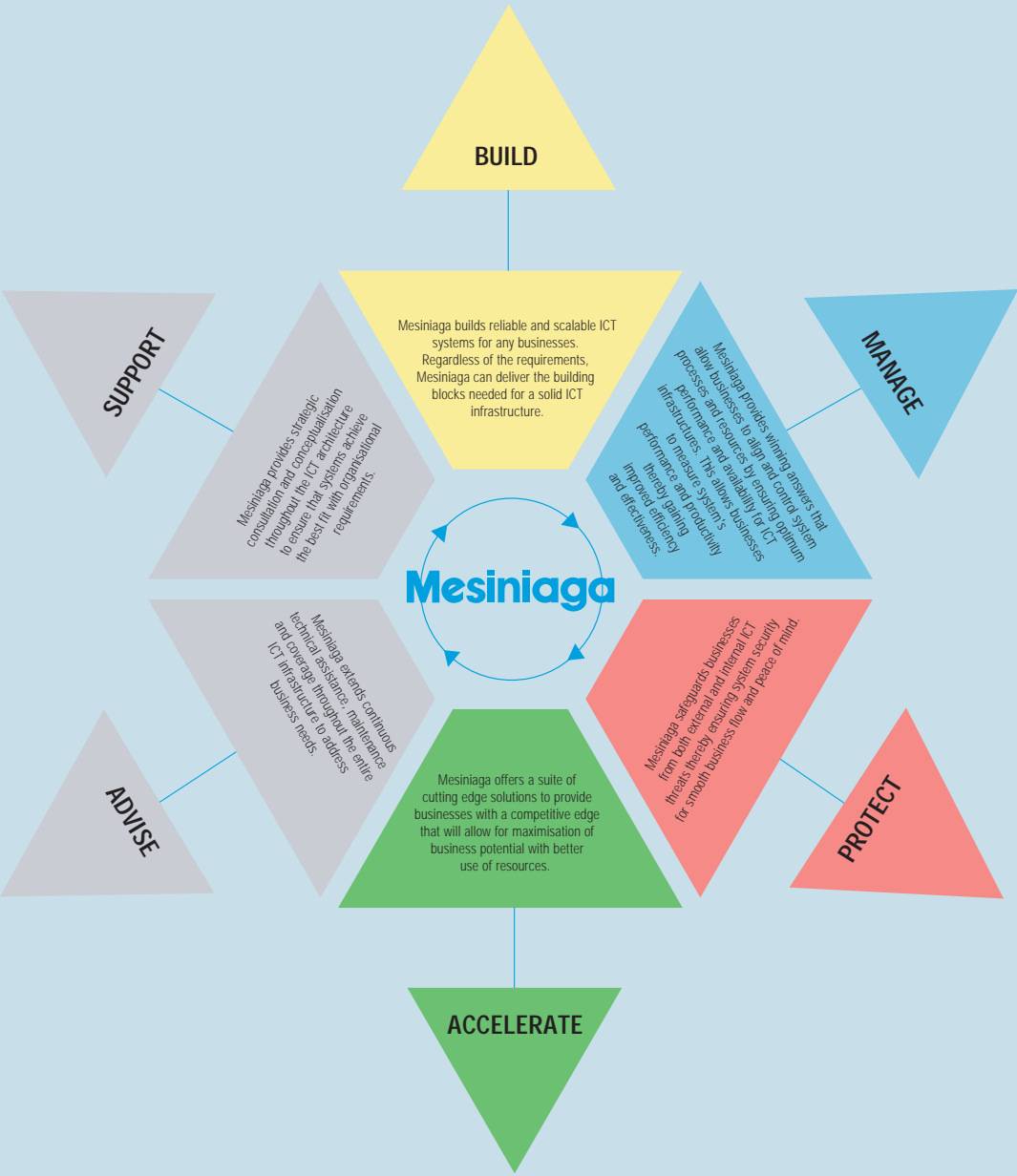
Mesiniaga continuously expends efforts in developing and retaining its current pool of rich and diverse talents. The company invests heavily in comprehensive training programs for its employees aimed at empowering them with skills and capabilities to advance in their chosen career paths. Apart from that, it actively encourages its employees to pursue professional certifications. Currently, many Mesiniaga employees possess industry-recognised professional certifications, which acknowledge them as highly skilled specialists in their respective areas. This plays a large role in increasing the value of solutions and resources provided to customers as they will be assured of industry-certified quality. In addition to technical expertise, Mesiniaga is also developing industry expertise in its people to

achieve greater understanding of customers' business environments and ensure the relevancy of Mesiniaga's solutions.

Enhancing corporate responsibility

Mesiniaga engages in good corporate responsibility (CR) practices as the company believes that it is an integral factor in the success of a company's business operations and corporate reputation. Since the company's establishment, it has implemented various initiatives that fall under the present CR framework focus areas such as the environment, community, workplace and marketplace. While the basic precepts of CR are not new to Mesiniaga, the company is now enhancing its CR programs to ensure that they are sustainable and provide a lasting impact on the community. The company's current CR focus is in the area of education. One of the initiatives is the Mesiniaga Work-based Learning Program that provides community college students with work-based learning as part of their diploma coursework. Another initiative is to support Protect and Save the Children, an NGO that works towards the prevention of child sexual abuse. Mesiniaga's ultimate aim is to empower and nurture youths through relevant skills development and educational programs to participate in a knowledge-based economy.

DELIVERING BUSINESS SOLUTIONS OF
GREATEST ADDED VALUE

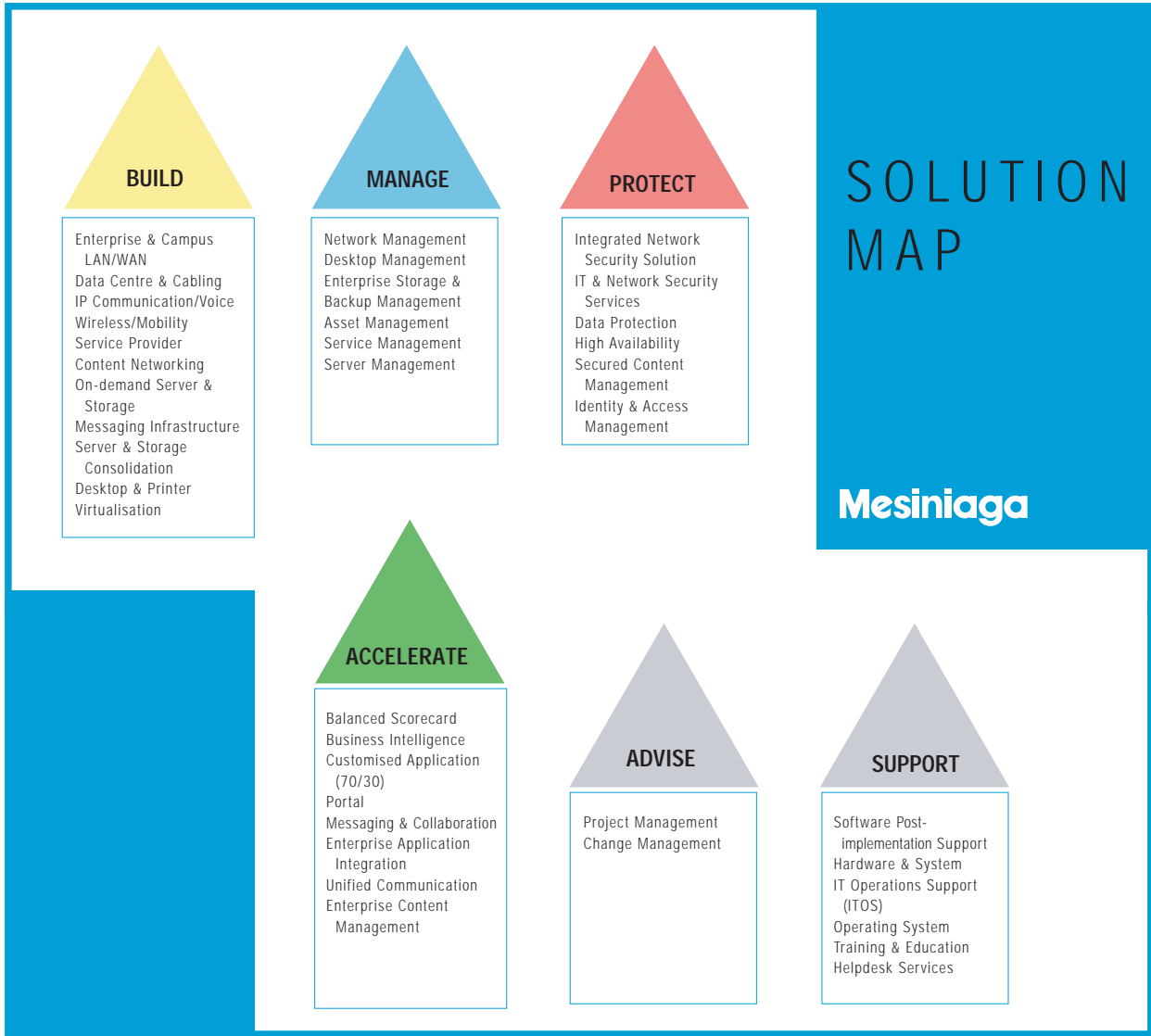


Mesiniaga Solutions Map

Delivering value solutions

Mesiniaga realises that technology is merely a tool that is utilised to achieve a business need. Mesiniaga's role as a business partner is to deliver solutions that are meant to empower its customers with enhanced productivity, competitive edge and ultimately profitability. The company intends to increase its value proposition by understanding the main profit drivers of its customers and anticipating their future needs. Business solutions offered by Mesiniaga are meant to garner the best possible returns on any IT investments made.

The Mesiniaga Solutions Map represents the company's offerings in six core groups based on how they empower businesses. The components are Build, Manage, Protect, Accelerate, Advise and Support.



VALUE PROPOSITION

MESINIAGA'S VALUE PROPOSITION LIES IN THE UNDERSTANDING THAT TECHNOLOGY IS MERELY A TOOL UTILISED TO ACHIEVE CUSTOMERS' BUSINESS OBJECTIVES. BLENDING OUR RICH POOL OF EXPERTISE AND TALENTS WITH TECHNOLOGY, WE DELIVER SOLUTIONS THAT WILL PROVIDE THE MOST BENEFITS TO OUR CUSTOMERS.





WE DELIVER

**SOLUTIONS THAT WILL
PROVIDE THE MOST
BENEFITS TO OUR
CUSTOMERS.**

AWARDS AND ACHIEVEMENTS

OUR COMMITMENT TO CUSTOMER SATISFACTION
WAS REWARDED WITH THE

CISCO CUSTOMER SATISFACTION EXCELLENCE RECOGNITION

MESINIAGA CONTINUES TO BRING VALUE TO OUR TECHNOLOGY PARTNERS BY CONTRIBUTING TO THEIR BUSINESS PERFORMANCE AND THIS WAS PROVEN WHEN WE WON A NUMBER OF TOP SALES AWARDS FROM RENOWNED TECHNOLOGY VENDORS. THE COMPANY'S COMMITMENT TO CUSTOMER SATISFACTION WAS ALSO REWARDED WHEN WE RECEIVED THE CUSTOMER SATISFACTION EXCELLENCE RECOGNITION FROM ONE OF OUR VALUED PARTNERS.

1. Commitment to customer satisfaction pays off!

Our commitment to customer satisfaction paid off when we were accorded the Cisco Customer Satisfaction Excellence recognition, the highest distinction a partner can achieve within the Cisco Channel Partner Program. Mesiniaga is acknowledged as having achieved outstanding customer satisfaction based on Cisco's worldwide assessment process.

2. Bagging the IBM Platinum Club Award for the sixth time!

In January 2007, we received the IBM Platinum Club Award for 2006 during the IBM Business Partner Kick Off & Awards Night held at the Sime Darby Convention Centre. The IBM Platinum Club Award is given to IBM Distributors who has performed and contributed significantly to the IBM business. This is the sixth time in a row that Mesiniaga was awarded this top award.





3. Named Microsoft's Large Account Reseller of the Year!

We were proud to receive the Large Account Reseller (LAR) of the Year Award from Microsoft during the Microsoft Partner Award Night 2007 held at the Sheraton Subang Hotel and Towers. The selection criteria for LAR of the Year were based on five areas - Total Revenue Growth, Total Annuity License Growth, New Customer Annuity License Growth, Annuity License Mix and Total Revenue Contribution.

4. Two top sales awards from Cisco!

We won two prestigious awards from Cisco during their Partner Appreciation Night held at Westin Hotel. The two top awards were the Top Cisco Systems Integrator Partner Award and Top Services Sales Award. The awards were given based on our outstanding achievement as the highest revenue contributor to Cisco as well as for the highest contribution towards Cisco services sales in 2007.

5. ACA Pacific honoured Mesiniaga with two top awards!

We were proud to receive two Technology Partner Recognition awards from ACA Pacific during the Channels Appreciation Night held at Mystique, The Curve. The first award was in recognition for our outstanding success in offering Security & Networking solutions to Malaysian enterprises. The second was for Top Performance, in recognition for our outstanding success in Overall Sales from January to June 2007.

6. One of Samsung's Top 20 Achievers!

We were one of the Top 20 Achievers for Samsung Commercial Printer Sales. The award was given out during the Samsung Partner Award Night in Nikko Hotel.

EVENT HIGHLIGHTS



CORPORATE EVENTS



1. 25th Annual General Meeting

The company's 25th Annual General Meeting (AGM) was held at Auditorium Ismail Sulaiman, Menara Mesiniaga. All members of the board were present during the AGM. The AGM proceeded smoothly and was followed by a delicious high tea buffet.

2. Collaboration with Ministry of Higher Education (MoHE)

We signed a Memorandum of Understanding (MoU) with MoHE, specifically the Department of Polytechnic and Community College Education for the purpose of cooperating in the areas of education and training. This took the form of a Work-based Learning (WBL) Program for Community College students undergoing a Diploma in Computer Technology program.



3. Successful launch of E-pembelajaran Sektor Awam (EPSA)

EPSA, spearheaded by Institut Tadbiran Awam Negara (INTAN), is the Malaysian Public Sector learning portal and is the first ever e-learning package for civil servants with the objective to make quality training easily available to all its personnel. Mesiniaga was instrumental in building the infrastructure and developing the e-learning modules content for the initiative. The launch was officiated by the Director General of Public Service Malaysia, Tan Sri Ismail Adam.



4. New office premises at UEP Industrial Park

Our Maintenance & Managed Services Division and warehouse was relocated to new premises in UEP Industrial Park, USJ. Apart from providing a larger storage area that can cater to the expanding need of the Mesiniaga warehouse, it also houses our upgraded staging facilities enabling us to serve our customers better.

5. First IABC Breakfast Forum held in Menara Mesiniaga

The International Association of Business Communicators (IABC) Breakfast Forum was held in Menara Mesiniaga for the first time. IABC is a global network of communicators from diverse industries and disciplines with presence in 70 countries. The forum featured two speakers, Sharifah Rozita, Advisor to Fonterra Brands Malaysia and Nik Anis Nik Zakaria, Mesiniaga Corporate Communications Manager who both spoke on Strategic Communications Planning.

6. Mesiniaga's WBL Program endorsed by the DG of Polytechnic and Community College Education

We were honoured to receive a visit from the Director General (DG) of Polytechnic and Community College Education, YBhg. Dato' Haji Imran bin Idris. YBhg Dato' Haji Imran was in Mesiniaga to observe the Mesiniaga Work-based Learning (WBL) Program for Community College students. We were highly gratified to learn that the DG was impressed with the Mesiniaga WBL Program. It is now held as a benchmark for other companies who are also providing similar programs.

7. Visit from Monmouth College students

We played host to 20 students from Monmouth College, Illinois, USA who came for an educational visit to learn about Malaysia and its corporate landscape. Mesiniaga was included in their itinerary as Menara Mesiniaga was the recipient of the prestigious Aga Khan Award for Architecture in the Sixth Award Cycle (1993-1995).

8. Networking and knowledge sharing amongst HR practitioners in IT companies

We initiated a HR ICT Networking & Knowledge Sharing Conference involving HR practitioners from various IT companies such as HP, Sapura Technology, HeiTech Padu, Patimas Computers, Microsoft, Exactsoftware Malaysia, CSA Malaysia and IBM Malaysia. The objective is to encourage an exchange of information and ideas on HR matters amongst established IT companies in Malaysia.

EVENT HIGHLIGHTS



1 MARKETING EVENTS



2

1. Cisco Networkers Solution Forum offers expert views on migration considerations

We participated in the Cisco Networkers Solutions Forum, an annual user conference that is considered the most important conference within the network industry. The event, held in Sunway Pyramid Convention Centre, provided attendees with the opportunity to hear views from various Cisco experts on Migration Considerations, Cisco NAC Appliance Deployment as well as Data Centre Consolidation and Migration.

2. First ever Solutions Fair a success with customers!

The first ever Mesiniaga Solutions Fair 2007 was held at the Sunway Lagoon Resort Hotel. The theme 'Let Mesiniaga Care for Your Organisation' reflected how we care for our customers by providing relevant solutions for their businesses. This whole-day event showcased Mesiniaga's core solutions - as well as talks on both technical and business topics. The event kicked-off with a forum entitled *IT as an Enabler towards Achieving Business Goals* and ended with a Bowling Tournament for Mesiniaga customers and partners.



3

3. MyPortal® solution showcased during Lotusphere Comes to You 2007 Exhibition

We participated in the Lotusphere Comes to You event organised by IBM held in Sheraton Subang Hotel & Towers. Our customers received updates on the latest technologies from Lotus Software and the Lotus Strategy and Roadmap for 2007 as well as obtain information on Lotus Mobile and Real Time strategy. We demonstrated the myPortal® solution where users can experience a new way in accessing company information and applications through a common user interface.

4. LOVE Booth proved very popular among visitors

Our solutions booth at the Microsoft Business Value Launch of Office, Vista and Exchange (LOVE) 2007 event held at the KLCC Convention Centre showcased our Business Intelligence solution that utilises new features and functionalities from Microsoft technologies. Visitors to the Mesiniaga booth also enjoyed themselves playing games and receiving token gifts during the Spin the Wheel Contest, Happy Hours and Lucky Dip.



4



5

5. Business Intelligence solution shown at the 11th ASEAN Oil, Gas & Petrochemical and Engineering Exhibition

As a member of the Malaysian Oil & Gas Services Council (MOGSC), we were invited to participate in the 11th ASEAN Oil, Gas & Petrochemical and Engineering Exhibition held at Kuala Lumpur Convention Centre to showcase our Business Intelligence solution. The event was held to create greater collaboration and trigger rapid economic development across the ASEAN region. It attracted more than 10,000 participants from 45 countries.

EVENT HIGHLIGHTS



4 EMPLOYEE EVENTS

1. Employee contributions recognised through CEO Diamond Club

The CEO Diamond Club is a quarterly employee recognition exercise that is meant to be an avenue for celebrating employees' successes. Employees are recognised based on contribution in areas that enhance the company's business, image, customer satisfaction and employee satisfaction. Employees were treated to a dinner where a token of appreciation was presented by the CEO to deserving employees.

2. Employees coloured up their lives during the Year-Start Kick Off

The Year Start Kick Off was held in Concorde Hotel Shah Alam with the theme Colours of the Rainbow. The theme reflected the many colourful personalities in the company who work cohesively as one single team similar to the colours of the rainbow that can blend together and form the colour white. The event started with a speech from the CEO, followed by a business update from the Sales Director. There were also performances by employees and the presentation of the Hundred Percent Club and Long Service Awards.

3. Mutiara Mesiniaga Mid Year Kick Off was a lively affair!

Employees experienced a very lively Mid Year Kick Off, especially in Penang, where the event was held in the evening to accommodate employees who are based at customers' offices. After a speech by the CEO and the half-year business update by the Sales Director, there was an awards presentation ceremony for Long Service and Employees' Children Academic Achievement. The Penang employees also held a surprise birthday celebration for the CEO.

4. Bring Your Kids to Work Day a huge success in Mesiniaga

History was created when a Bring Your Kids to Work Day was organised for the first time. Organised as part of Mesiniaga's special 25th anniversary activities, it aimed to provide children with early exposure to the work environment so that it can positively impact their career aspirations. 82 children were treated to a range of activities such as a tour of Mesiniaga where they learnt about their parents' important roles in the company, a colouring competition and a meet and greet session with the CEO. Included also was a personal safety skills workshop by Protect & Save the Children.



5. HIV Awareness Talk provide awareness on HIV prevention

The HIV Awareness Talk was jointly organised with Standard Chartered Bank under the Mesiniaga Care Program. The Mesiniaga Care Program aims to provide education and knowledge that are relevant to Mesiniaga employees. The talk is meant to provide relevant information and useful knowledge in preventing further spread of HIV/AIDS. Audience was educated on HIV transmission and its personal risk implications. They were also taught the different ways of protecting themselves against HIV infection.

6. Health Awareness Campaign to promote healthier lifestyle

The Mesiniaga Health Awareness Campaign was organised with ING Insurance under the Mesiniaga Care Program. The objective of the campaign was to promote a healthier lifestyle to employees and improve their quality of life. The campaign was a one-day event and employees had the opportunity to undergo blood and eye-screening tests. Talks on health matters were also given by subject-matter experts.

7. BBQ Gathering for Northern Region staff

Penang employees organised a barbeque gathering for the northern region staff at the Sri Pantai Motel, Tg. Tokong. The event was meant to inculcate a sense of belonging to the company as well as strengthen ties and cooperation. Employees had a good time at the beach together with their families while enjoying delicious food and playing fun games!

EVENT HIGHLIGHTS



1



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3



4

THOUGHT LEADERSHIP EVENTS

1. Mesiniaga employee invited as plenary speaker for Microsoft Sri Lanka DevDays 2007

Solutions Engineer, Chua Wen Ching was invited to be one of two plenary speakers during the Microsoft Sri Lanka DevDays 2007 held in Sri Lanka. He was invited in his capacity as a Microsoft Most Valuable Professional (MVP) to speak on two topics; *Discover Next Generation Visual Studio & .NET Framework 3.5 and An Adventure in C# 3.0 and LINQ*. DevDays or Developer Days is an annual event hosted by the Microsoft Developer Network (MSDN) that exposes developers to the latest Microsoft technologies and serves as a valuable feedback mechanism to Microsoft.

2. Work-based Learning (WBL) seminar conducted during the 'Melangkah ke Dunia IT' Program

Service Manager, Md. Anuar Ismail was invited to give an in-depth explanation on WBL during the 'Melangkah ke Dunia IT' Program organised by Kolej Komuniti Kuala Langat. The program was organised for the benefit of the community college students. Mesiniaga implemented one of the most successful WBL program in the country.

3. Forum to provide exposure on current available technology to students

Manager, Yang Adilah Abdul Latiff was invited to be a panellist in the forum entitled 'Teknologi Rangkaian dan Komunikasi dalam ICT pada Masa Kini'. The forum was organised by Politeknik Seberang Perai for the benefit of their students. It aimed to provide them with exposure on the current available technology and how its applications are benefiting the nation.

4. MIND January 2007 Gathering exposed members to non-technical content

Strategic Business Executive, Herman Faizal Kasbun spoke on *Career Transformation: From Technical to Business Management* during the Malaysia's Independent Developers (MIND) Community January 2007 Gathering. It was MIND's intention to expose their members to non-technical content. The event, attended by about 60 members, was very effective in providing information on career development within the IT industry.



5. Contractor Alliance Management Seminar highlighted important role of project management

Project Manager, Cheah Kam Yen spoke on *PMO's (Project Management Office) Roles and Responsibilities* on Contractor Management during the Contractors Alliance Management Seminar. Its objective was to educate companies in establishing relations and safeguarding dealings with contractors.

6. ISTVET 2007 avenue for exchanging ideas on technical & vocational education and training

Service Manager, Mohamad Asri Ahmad presented a paper during the International Seminar on Technical & Vocational Education and Training (ISTVET 2007) organised by the Department of Polytechnic and Community College Education. The seminar was on *Technical Innovation & Business Enterprise; Moving Up the Value Chain* and was meant to be an avenue for exchanging ideas on Technical & Vocational Education and Training among academicians and practitioners.

7. MIND Community Launching provided business perspective to technology adoption

Team Leader, Mohd Izani Ahmad was one of the contributors in a round table discussion entitled *Business Perspective: Technological Adoption Roadmap* during the Malaysia's Independent Developers (MIND) Community March 2007 Community Launching. MIND is a premier IT Professional user community in Malaysia and the event was an avenue to facilitate knowledge sharing among its members.



CORPORATE RESPONSIBILITY

EMPOWER AND NURTURE YOUTHS THROUGH

RELEVANT SKILLS DEVELOPMENT AND EDUCATIONAL PROGRAMS

TO PARTICIPATE IN A KNOWLEDGE-BASED ECONOMY

MESINIAGA FIRMLY BELIEVES THAT RESPONSIBLE CORPORATE CITIZENSHIP IS NOT MERELY A MATTER OF OBLIGATION AND COMPLIANCE. CORPORATE RESPONSIBILITY (CR) IS A CONCEPT THAT MUST BE EMBRACED WHOLEHEARTEDLY BY THE COMPANY AND ITS EMPLOYEES FOR IT TO BE OF VALUE TO ALL STAKEHOLDERS AND SOCIETY. MESINIAGA HAS LONG MADE IT OUR PLEDGE THAT TRUST AND INTEGRITY ARE CORE TO ALL OUR BUSINESS DEALINGS AND OPERATIONS. OUR UNWAVERING COMMITMENT IN UPHOLDING STRINGENT CORPORATE GOVERNANCE AND ETHICS IS WELL-DOCUMENTED IN THE MESINIAGA BUSINESS CONDUCT GUIDELINES.

Our devotion to providing a safe and healthy working environment to our employees is also evident from the various facilities available and measures undertaken to support this. While Mesiniaga employees are able to enjoy the convenience of their own swimming pool and gymnasium, they are also assured of their general wellbeing by several health and safety policies that have been put in place since the establishment of the company. Apart from this, employees are secure in the knowledge that the company promotes the advancement of their careers by providing comprehensive training programs and the avenue to pursue professional certifications.



Nonetheless, in 2007, the company feels that the time has come to reinforce and expand further our commitment to CR. Our intention is to deliver sustainable and impactful benefits to society, the economy and environment through our CR programs. As such, we have made it our mission to **'empower and nurture youths through relevant skills development and educational programs to participate in a knowledge-based economy'**.

SKILLS DEVELOPMENT PROGRAMS



Mesiniaga Work-based Learning (WBL) Program

On of our CR programs is the Mesiniaga Work-based Learning (WBL) Program. The program aims to aid our nation's human capital development by producing employable and marketable graduates who will evolve into a highly skilled workforce. This program is a collaboration with the Department of Polytechnic and Community College Education to provide community college students undergoing a Diploma in Computer Technology program with knowledge and skills to help them apply academic experiences to real-life work situations.

Mesiniaga launched the program in August 2007 and students are required to spend the first two semesters of their three-semester diploma program in Mesiniaga. Mesiniaga accepted 30 students from Kolej Komuniti Sabak Bernam and Kolej Darul Aman. Students are assigned to mentors made up of Mesiniaga employees who teach, guide and assess their performance. These students undergo a combination process of learning that includes theory, workshops and field training. The learning process includes lectures, assignments and presentations on a variety of technology related subjects as well as English. Students also participate in hands-on labs and field training sessions.

Mesiniaga has expended considerable resources and effort to ensure the program's sustainability. Apart from a subsistence allowance, students are provided with a number of collaborative applications to make their learning experience more effective. A dedicated website, portal, email system, online document and spreadsheet database, online calendar system and online chatting are made available to each student. This program has been commended by the Ministry of Higher Education and is held as a benchmark to other companies offering similar programs.

Mesiniaga JAVA Academy

The Mesiniaga JAVA Academy is another skills development program that has been developed as part of the company's contribution to Malaysia's human capital development. The JAVA Enhancement Module Program was launched in March 2007. This three-month long program aims to provide unemployed graduates with the required skills to become top-notch JAVA programmers. Mesiniaga took in a total of eight IT graduates and absorbed four graduates into Mesiniaga employment.



CORPORATE RESPONSIBILITY

Our intention is to

deliver sustainable and impactful benefits

to society, the economy and environment
through our CR programs.



Entrepreneurial Skills Empowering Women Program

The Entrepreneurial Skills Empowering Women Program is an initiative by the United Nations Development Program (UNDP), Malay Chamber of Commerce (MCC) and Ministry of Entrepreneur and Cooperative Development (MECD) targeted at women from the rural poor in order to improve their entrepreneurial skills. This is done by providing them with information on how to obtain financing or trainings to develop their entrepreneurial skills. The end objective is for them to become empowered and able to maintain business sustainability. Among the activities carried out by the project is to set up a 'Bestari Helpdesk' where it functions as a 'one-stop' centre for unbiased information on current microcredit lending schemes and available entrepreneurial skills training. Mesiniaga played a key role in developing their Help Desk Standard Operating Procedures (SOP).

EDUCATIONAL PROGRAMS

Protect & Save the Children

Mesiniaga supports Protect & Save the Children (PS the Children) by providing them with facilities and resources to hold their workshops as well as raise funds for the organisation. PS the Children is an NGO that focuses on educating the community on teaching children personal safety skills and organises initiatives in the prevention and treatment of sexually abused children and trafficked girls.

Mesiniaga believes that children are our most important asset that must be nurtured and protected. The programs conducted by PS the Children empower adults by providing them with knowledge on how to provide a safe and nurturing environment for children under their care. Mesiniaga opens its doors to the general public who wish to learn more about child sexual abuse prevention as well as participate in related activities or exercises. Other than empowering adults with knowledge, initiatives by PS the Children also include educating children on personal safety skills, supporting children and their families through the reporting and court process, providing treatment and counselling for child abuse survivors and their families as well as advocating practices, policies and regulations in the best interest of children. Another initiative undertaken by Mesiniaga in supporting PS the Children is to raise funds for its operational expenses. A Charity Movie Screening for the animated film Ratatouille was held at Golden Screen Cinemas in Mid Valley Megamall. The Charity Movie Screening raised more than RM40,000 for PS the Children.

Program Bakti Ilmu

Program Bakti Ilmu (PBI) is an initiative by Yayasan Pelajaran MARA (YPM) and Persatuan Kebajikan Anak-anak Yatim Malaysia (PEYATIM). The objective of PBI is to run educational programs specifically for orphans and needy children all over the country. PBI will also implement an Orphans and Needy Children Information Database as well as develop a Knowledge Corner (Sudut Ilmu) for all orphanages under the patronage of PEYATIM. These initiatives are meant to promote the pursuit of knowledge and education to children. Mesiniaga supported these initiatives by equipping their computer lab facilities to run the program.



CORPORATE CONTRIBUTIONS

Mesiniaga Blood Donation Drive

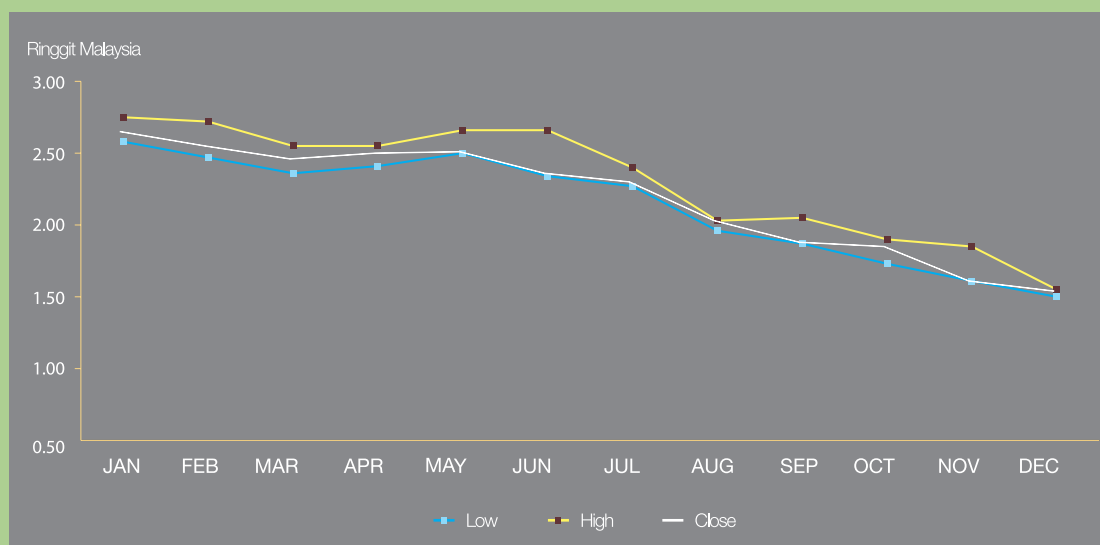
Mesiniaga employees came out in droves to donate blood when Mesiniaga, with the help of the National Blood Bank embarked on its annual Blood Donation Drive. This effort is to help the National Blood Bank maintain their blood supply for life-saving procedures.

Terry Fox Run for Cancer Research

Mesiniaga sponsored employee participations in the Terry Fox Run for Cancer Research. Employees together with their families joined the thousands of runners in the 17th run organised in Malaysia.

SHARE PRICE MOVEMENT IN YEAR 2007

MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Low	2.58	2.47	2.36	2.41	2.50	2.34	2.27	1.96	1.87	1.73	1.61	1.50
High	2.75	2.72	2.55	2.55	2.66	2.66	2.40	2.03	2.05	1.90	1.85	1.55
Close	2.65	2.55	2.46	2.50	2.51	2.36	2.30	2.03	1.88	1.85	1.61	1.54



STATEMENT OF CORPORATE GOVERNANCE

CODE

Pursuant to the introduction of the Malaysian Code on Corporate Governance and its incorporation into the Bursa Securities Listing Requirements which was put into effect on 30 June 2001, the Board recognises the importance for the Company to practise the Corporate Governance standards in their pursuit of discharging their roles and responsibilities to protect and enhance shareholder value and the financial performance of the Company. The Group has complied with the Best Practices as recommended in Part 2 of the Best Practices in Corporate Governance without exception. The audit committee's composition would be revised to include exclusively non-executive directors by 31 January 2009 consistent with the timeframe for compliance allowed by Bursa Securities. The following is a summary of the Company's practice of the Code on Corporate Governance:

THE BOARD OF DIRECTORS

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

Throughout 2007, the Board of Directors met five times. Details of the meetings are as follows:

Date	27 Jan 2007	26 Feb 2007	16 Apr 2007	14 Jun 2007	18 Dec 2007
Wan Mohamed Fusil Wan Mahmood	•	•	•	•	•
Mohd Puzi Ahamad	•	•	•	•	•
Dato' Wan Abdullah Mohamad	•	•	•	•	A
Nor Hayati Mohd. Kasim	•	A	•	•	Resigned
Chung Thian Sinn	•	•	•	•	A
Voon Seng Chuan	•	A	A	•	•
Zaiton Mohd. Hassan	•	•	•	•	Retired
Fathil Sulaiman Ismail	•	•	•	•	•
Abd Talib Baba	–	–	–	–	•

Key: • Attended A Absent with apologies

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

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Board Balance

As at 31 December 2007, the Board consists of two Executive Directors and five Non-Executive Directors, three of whom are Independent Non-Executive Directors.

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

		%
Executive Directors	2/7	28.5
Non-Independent Non-Executive Directors	2/7	28.5
Independent Non-Executive Directors	3/7	43.0

The composition complied with the listing requirements of Bursa Securities, which requires that at least one third of the Board should comprise of independent directors.

Together, the Directors bring a wide range of business, commercial and financial experience relevant to the Company. A brief description on the background of each Director is presented in the Directors Profile column on pages 26 to 29.

Supply of Information

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

At each Directors Meeting, a special briefing on the Company's operations by the Company's Senior Managers was also presented. The Special Briefings by the Senior Managers were to allow the Board Members to actively and effectively participate in determining the Company's direction.

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

Appointments to the Board

Abdul Talib Baba was appointed to the Board during the year.

Re-election

In accordance with the Company's Articles of Association, at least one third of the Directors shall retire and be eligible for re-election by rotation at each Annual General Meeting. All Directors are to retire from office at least once every three years.

Directors' Training

All Board members have attended the mandatory accreditation programme (MAP) organised by Bursa Securities. Subsequently, with the exception of Voon Seng Chuan and Wan Mohamed Fusil, all Board Members continued and completed the training programmes under the Continuing Education Programme (CEP) within the stipulated timeframe. Both affected directors have undertaken to make themselves available for trainings in Year 2008.

DIRECTORS' REMUNERATION

The remuneration of Executive Directors is determined by the Remuneration Committee, which is headed by Nor Hayati Mohd. Kasim. The chairmanship of the Remuneration Committee was taken over by Voon Seng Chuan upon Nor Hayati Mohd. Kasim's resignation from the Board. Considerations such as Director's responsibilities, experience and market rates are taken into account when deciding remuneration.

Details of the remuneration for the Directors are as follows:

	Basic Salary RM	Fees RM	Bonus RM	Benefits -in-kind RM	Pension RM	Others RM	Total RM
Executive Directors	819,846	0	0	222,339	0	149,532	1,191,717
Non-Executive Directors	0	111,204	0	0	0	35,000	146,204

Directors' Remuneration in Bands

	No. of Executive Directors	No. of Non-Executive Directors
Below RM50,000	0	7
RM400,000 to RM449,999	1	0
RM600,000 to RM649,999	1	0

BOARD COMMITTEES

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

The various Board Committees and their composition are as listed on pages 18 to 19.

SHAREHOLDERS

Dialogue between the Company and Investors

The Chief Executive Officer holds discussions with analysts and shareholders from time to time especially after the announcement of the Company's quarterly financial results. The Company's web site www.mesiniaga.com.my is also accessible for further information.

Chung Thian Sinn has been designated as the Senior Independent Director to receive public and employees' concerns and enquiries relating to Corporate Governance matters.

The Annual General Meeting

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

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

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

The Statement of Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 57 of this Annual Report.

Internal Control

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

The Internal Audit Department undertakes the internal audit functions in the Company. The Company will be continuously reviewing the adequacy and integrity of its system of internal control.

RELATIONSHIP WITH AUDITORS

The role of the Audit Committee is as stated on pages 59 to 61. Through the Audit Committee of the Board, the Company has established transparent and appropriate relationships with the Company's Auditors, both Internal and External. The committee meets at least once every year with the External Auditors without the presence of any Executive Members of the Board or Senior Management.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO FINANCIAL STATEMENTS

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

The Directors consider that, in preparing the financial statements of the Company for the year ended 31 December 2007, the Company has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors have also considered that all applicable accounting standards have been followed and confirm that the financial statements have been prepared on the going concern basis.

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

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

STATEMENT ON INTERNAL CONTROL

The Board has overall responsibility for the Company's system of internal control. This requires the establishment of an appropriate framework and control environment, involving the financial, organisational and operational aspects of the Company.

The Board recognises that in pursuing business objectives, internal controls can only provide reasonable and not absolute assurance against the risk of material errors, losses, fraud or occurrences of unforeseeable circumstances. The Company'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.

The key elements of the framework of the Company's internal controls are as follows:

1. Defined lines of authority, responsibility and accountability within the Company;
2. Documented internal procedures;
3. The existence of an Internal Audit Department to provide the Board with assurance regarding the adequacy and integrity of internal control systems within the Company. The Internal Audit Department performs ongoing reviews of processes and activities within the Company and reports to the Audit Committee of Directors (AC). The AC has full access to both internal and external auditors.

The Board remains committed towards the establishment of a sound system of internal control and therefore recognises that the system must continuously evolve to support growth. In striving for continuous improvement, the Company will put in place appropriate action plans, when necessary, to further enhance the Company's system of internal control.

The above internal control framework does not cover associate companies.

BOARD OF DIRECTORS
MESINIAGA BERHAD

THE AUDIT COMMITTEE

CHAIRPERSON

ZAITON MOHD. HASSAN
(Independent Non-Executive Director)
(Retired w.e.f 14 June 2007)

ABD TALIB BABA
(Independent Non-Executive Director)
(Appointed w.e.f. 21 August 2007)

MEMBERS

CHUNG THIAN SINN
(Independent Non-Executive Director)

NOR HAYATI MOHD KASIM
(Independent Non-Executive Director)
(Resigned w.e.f. 31 October 2007)

WAN MOHAMED FUSIL
(Executive Director)
(Appointed w.e.f. 18 December 2007)

SECRETARY

SIM SOON PHENG

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

Size and Composition

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

At least one member of the Committee:

- a. must be a member of the Malaysian Institute of Accountants; or
- b. if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three years' working experience and:
 - 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
 - iii. Fulfils such requirements as prescribed by Bursa Securities.

The Chairman of the Committee shall be an Independent Director.

THE AUDIT COMMITTEE (cont'd)

Frequency of Meetings	Meetings shall be held not less than four times a year and as and when required during the financial year. The quorum for a meeting shall be at least two Independent Directors.
Secretary	The Secretary of the Audit Committee shall be the Head of Internal Audit of the Company. All meetings shall be minuted.
Purpose of the Committee	The primary objective of the Audit Committee is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.
Functions and Duties	<p>The functions and duties of the Audit Committee are:</p> <ol style="list-style-type: none"> (1) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal. (2) To review the scope, functions and resources of the internal audit function. (3) To review the internal audit programme and monitor its implementation. (4) To review the internal audit reports and follow-up on the action taken to implement the recommendations of the internal auditor. (5) To review the year end financial statements, prior to the approval by the Board of Directors. (6) To review and approve the release of the quarterly results. (7) To review the related party transactions and conflict of interest situations within the company or group. (8) Perform other related duties as directed by the Board of Directors.

Meetings Held

Date	Zaiton Mohd. Hassan	Abd Talib Baba	Chung Tian Sinn	Nor Hayati Mohd. Kassim
16 February 2007	•	–	•	•
26 February 2007	•	–	•	A
28 May 2007	•	–	•	•
28 August 2007	Retired	•	•	•
26 November 2007	Retired	•	•	Resigned

Key: • Attended A Absent with apologies

Summary of Activities

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

Summary of Internal Audit Functions

1. Preparation of annual audit plan.
2. Perform field audit and assessment for compliance with policies and procedures and operating effectiveness and controls.
3. Presentation of reports on audits carried out.
4. Maintenance of effective audit programmes.
5. Planning and coordination of ISO quality audit.
6. Preparation of Audit Committee meeting reports for its review.
7. Secretarial function to the Audit Committee.
8. Provide full cooperation to the external auditors in carrying out their audit.
9. Any other functions as instructed by the Audit Committee and the Board of Directors.

OTHER INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

UTILISATION OF PROCEEDS

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

SHARE BUY BACK

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no Options issued and exercised throughout the year 2007 and the Company did not implement any other Options, Warrants or Convertible Securities.

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

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

SANCTIONS AND/OR PENALTIES

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

NON-AUDIT FEES

An amount of RM35,537 was paid for tax services provided by PwC Taxation Services Sdn. Bhd. and an amount of RM542,853 was paid for advisory services provided by PwC Advisory Services Sdn. Bhd.

VARIATION IN RESULTS

There was no significant difference between the Audited and Unaudited Results.

PROFIT GUARANTEE

The Company has never provided any Profit Guarantee.

MATERIAL CONTRACTS

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

CONTRACTS RELATING TO LOAN

There were no contracts relating to a loan by the Company during the financial year.

CONFLICT OF INTEREST

Unless otherwise disclosed, the Directors were not aware of any conflict of interest among the Directors with the Company, existing at the end of the Financial Year 2007.

REVALUATION OF LANDED PROPERTIES

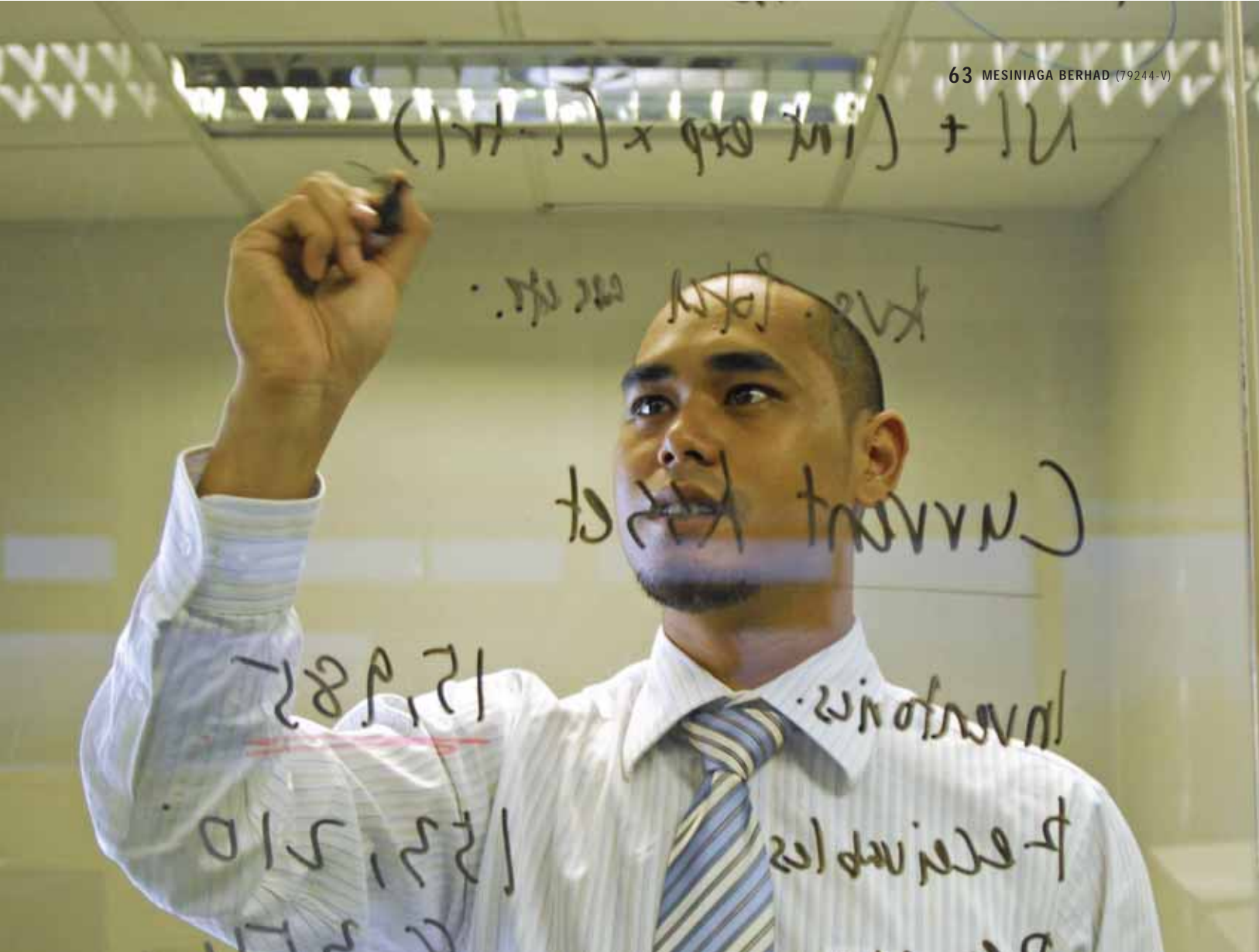
The freehold land and buildings are revalued by independent professional valuers once in every five years.

The Company did not carry out any revaluation exercise on its landed properties during the financial year.

The latest valuation was done in the Financial Year 2003.

EMPLOYEES SHARE OPTION SCHEME

The Company did not implement any Employees Share Options Scheme in the Financial Year 2007.



FINANCIAL STATEMENTS

CONTENTS

64	Directors' Report
68	Statement by Directors
68	Statutory Declaration
69	Report of the Auditors
70	Income Statements
71	Balance Sheets
73	Consolidated Statement of Changes in Equity
74	Company Statement of Changes in Equity
75	Cash Flow Statements
77	Notes to the Financial Statements

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is principally involved in the sale of information technology products and related services. The principal activities of the subsidiaries are described in Note 13 to the financial statements.

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

During the year, the Company's maintenance services business was moved to Mesiniaga Services Sdn Bhd as a single entity responsible for the management and growth of that business. This augments the importance placed in this part of the business by giving it focus and accountability.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Equity holders of the Company	12,740	4,346
Minority interest	1,414	0
Profit for the year	14,154	4,346

DIVIDENDS

The dividends on ordinary shares paid by the Company since 31 December 2006 are as follows:

	RM'000
In respect of the financial year ended 31 December 2006 as shown in the Directors' Report of that year:	
- final gross dividend of 19 sen per share, less income tax of 27%, paid on 11 July 2007	
	8,378

The Directors now recommend the payment of a final gross dividend of 19 sen per share, less income tax of 26%, amounting to RM8,492,521 subject to the approval of the members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Wan Mohamed Fusil bin Wan Mahmood	
Mohd Puzi bin Ahamad	
Dato' Wan Abdullah bin Mohamad	
Chung Thian Sinn	
Voon Seng Chuan	
Fathil Sulaiman Ismail	
Abdul Talib Baba	(appointed on 21.08.2007)
Nor Hayati Mohd Kasim	(resigned on 31.10.2007)
Zaiton Mohd Hassan	(retired on 14.06.2007)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM1.00 each			
	At 1.1.2007 '000	Bought '000	Sold '000	At 31.12.2007 '000
Wan Mohamed Fusil bin Wan Mahmood ⁽¹⁾	3,976	0	0	3,976
Mohd Puzi bin Ahamad ⁽²⁾	4,049	0	0	4,049
Dato' Wan Abdullah bin Mohamad	28	0	0	28
Fathil Sulaiman Ismail	4,887	170	0	5,057

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

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

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

DIRECTORS' REPORT(cont'd)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

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

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

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (cont'd)

In the opinion of the Directors:

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

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 4 April 2008.

WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

MOHD PUZI BIN AHAMAD
DIRECTOR

STATEMENT BY DIRECTORS

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

We, Wan Mohamed Fusil bin Wan Mahmood and Mohd Puzi bin Ahamad, two of the Directors of Mesiniaga Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 70 to 110 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 4 April 2008.

WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

MOHD PUZI BIN AHAMAD
DIRECTOR

STATUTORY DECLARATION

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

I, Mohd Puzi bin Ahamad, the Director primarily responsible for the financial management of Mesiniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 70 to 110 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MOHD PUZI BIN AHAMAD
DIRECTOR

Subscribed and solemnly declared by the abovenamed, Mohd Puzi bin Ahamad, at Subang Jaya in Malaysia on 4 April 2008 before me.

COMMISSIONER FOR OATHS

REPORT OF THE AUDITORS

TO THE MEMBERS OF MESINIAGA BERHAD

We have audited the financial statements set out on pages 70 to 110. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standard, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2007 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

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

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

Our audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

THAYAPARAN A/L S. SANGARAPILLAI
(No. 2085/09/08 (J))
Partner of the firm

Kuala Lumpur
4 April 2008

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

		Group		Company	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue	5	355,865	316,226	326,378	299,818
Changes in inventories of finished goods		(350)	(11,038)	(1,078)	(11,860)
Finished goods and services purchased		(269,593)	(221,297)	(267,348)	(212,204)
Staff cost	6	(49,488)	(44,880)	(39,377)	(41,362)
Depreciation of property, plant and equipment		(4,602)	(5,107)	(4,387)	(5,061)
Travelling expenses		(3,988)	(3,998)	(3,503)	(3,280)
Office administrative expenses		(5,332)	(4,533)	(5,217)	(4,370)
Loss on disposal of an associated company		(201)	0	(155)	0
Other operating income		397	444	2,342	934
Other operating expenses		(2,126)	(2,667)	(540)	(1,970)
Profit from operations	7	20,582	23,150	7,115	20,645
Finance cost	8	(765)	(658)	(765)	(658)
Share of results of associate		54	57	0	0
Profit before taxation		19,871	22,549	6,350	19,987
Tax expense	9	(5,717)	(6,986)	(2,004)	(6,131)
Profit for the year		14,154	15,563	4,346	13,856
Attributable to:					
Equity holders of the Company		12,740	14,727	4,346	13,856
Minority interest		1,414	836	0	0
Profit for the year		14,154	15,563	4,346	13,856
Basic earnings per share (sen)	10	21.09	24.38		
Gross dividends per share (sen)	11	19	19		

The notes on pages 77 to 110 form part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2007

		Group		Company	
	Note	2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	59,240	54,942	57,873	54,764
Investment in subsidiaries	13	0	0	1,326	1,200
Investment in associates	14	0	3,147	0	3,155
Deferred tax assets	15	110	166	0	0
		59,350	58,255	59,199	59,119
Current Assets					
Inventories	16	15,545	15,895	10,840	11,918
Receivables, deposits and prepayments	17	166,057	153,210	155,696	151,474
Tax recoverable		4,629	2,522	4,629	2,522
Deposits with a licensed financial institution	18	5,661	8,354	91	6,000
Cash and cash equivalents	18	3,510	2,117	2,915	696
		195,402	182,098	174,171	172,610
TOTAL ASSETS		254,752	240,353	233,370	231,729
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	24	60,402	60,402	60,402	60,402
Share premium		4,126	4,126	4,126	4,126
Revaluation reserve		13,192	12,425	13,192	12,425
Retained earnings		101,013	96,651	88,728	92,760
		178,733	173,604	166,448	169,713
Minority interest		5,387	4,457	0	0
TOTAL EQUITY		184,120	178,061	166,448	169,713

BALANCE SHEETS

AS AT 31 DECEMBER 2007 (cont'd)

		Group		Company	
	Note	2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Post-employment benefits obligations	21	2,568	2,683	2,568	2,683
Finance lease liabilities	22	0	92	0	92
Other long-term liabilities	23	9,248	0	9,248	0
Deferred tax liabilities	15	779	1,509	619	1,461
		12,595	4,284	12,435	4,236
Current liabilities					
Payables	19	55,752	47,081	53,751	47,129
Short term borrowings (unsecured and interest bearing)	20	0	5,002	0	5,002
Bank overdraft (unsecured and interest bearing)	18	736	5,158	736	5,158
Taxation		1,549	767	0	491
		58,037	58,008	54,487	57,780
TOTAL LIABILITIES		70,632	62,292	66,992	62,016
TOTAL EQUITY AND LIABILITIES		254,752	240,353	233,370	231,729

The notes on pages 77 to 110 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

Attributable to equity holders of the Company									
Note	Issued and fully paid ordinary shares of RM1.00 each			Share premium RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Minority Interest RM'000	Total RM'000
	Number of shares '000	Nominal value RM'000							
At 1 January 2006	60,402	60,402		4,126	12,425	90,187	167,140	3,903	171,043
Final dividends:									
- 31 December 2005	11	0	0	0	0	(8,263)	(8,263)	0	(8,263)
Profit for the year		0	0	0	0	14,727	14,727	836	15,563
Dividends paid to minority interest		0	0	0	0	0	0	(282)	(282)
At 31 December 2006		60,402	60,402	4,126	12,425	96,651	173,604	4,457	178,061
At 1 January 2007		60,402	60,402	4,126	12,425	96,651	173,604	4,457	178,061
Reversal of deferred tax on revaluation gains previously recognised		0	0	0	767	0	767	0	767
Final dividends:									
- 31 December 2006	11	0	0	0	0	(8,378)	(8,378)	0	(8,378)
Profit for the year		0	0	0	0	12,740	12,740	1,414	14,154
Acquisition with minority interest in subsidiaries		0	0	0	0	0	0	(126)	(126)
Dividends paid to minority interest		0	0	0	0	0	0	(358)	(358)
At 31 December 2007		60,402	60,402	4,126	13,192	101,013	178,733	5,387	184,120

The notes on pages 77 to 110 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Note	Issued and fully paid ordinary shares of RM1.00 each		Non-distributable		Distributable	Total
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Revaluation reserve RM'000	Retained earnings RM'000	
At 1 January 2006		60,402	60,402	4,126	12,425	87,167	164,120
Final dividends:							
- 31 December 2005	11	0	0	0	0	(8,263)	(8,263)
Profit for the year		0	0	0	0	13,856	13,856
At 31 December 2006		60,402	60,402	4,126	12,425	92,760	169,713
At 1 January 2007		60,402	60,402	4,126	12,425	92,760	169,713
Reversal of deferred tax on revaluation gains previously recognised		0	0	0	767	0	767
Final dividends:							
- 31 December 2006	11	0	0	0	0	(8,378)	(8,378)
Profit for the year		0	0	0	0	4,346	4,346
At 31 December 2007		60,402	60,402	4,126	13,192	88,728	166,448

The notes on pages 77 to 110 form part of these financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

		Group		Company	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
OPERATING ACTIVITIES					
Profit for the year		14,154	15,563	4,346	13,856
Adjustments to reconcile profit for the year to cash from operations:					
Taxation		5,717	6,986	2,004	6,131
Loss on disposal of an associated company		201	0	155	0
Depreciation of property, plant and equipment		4,602	5,107	4,387	5,061
Write-off of property, plant and equipment		9	55	9	20
Gross dividend income from a subsidiary		0	0	(784)	(408)
Gross dividend income from an associate		0	0	0	(65)
Interest expense		765	658	765	658
Interest income		(293)	(228)	(154)	(176)
Retirement benefits		559	689	559	689
Share of results of associates		(54)	(57)	0	0
		25,660	28,773	11,287	25,766
Changes in working capital:					
Inventories		350	11,038	1,078	11,860
Receivables		(12,848)	(1,713)	(24,276)	(2,433)
Payables		8,902	(44,706)	26,885	(43,803)
Cash from operations		22,064	(6,608)	14,974	(8,610)
Interest paid		(765)	(658)	(765)	(658)
Retirement benefits paid		(674)	(298)	(674)	(298)
Tax paid		(6,948)	(8,661)	(4,459)	(7,852)
Net cash generated from/(used in) operating activities		13,677	(16,225)	9,076	(17,418)

The notes on pages 77 to 110 form part of these financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

	Note	Group		Company	
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(8,909)	(2,938)	(7,489)	(2,795)
Purchase of shares in a subsidiary		(126)	0	(126)	0
Proceeds on disposal of an associated company		3,000	0	3,000	0
Interest received		293	228	154	176
Net dividends received from subsidiaries		0	0	572	294
Net dividends received from an associate		0	0	0	46
Net cash used in investing activities		(5,742)	(2,710)	(3,889)	(2,279)
FINANCING ACTIVITIES					
Dividends paid to shareholders of the Company		(8,378)	(8,263)	(8,378)	(8,263)
Dividends paid to minority interests		(358)	(282)	0	0
(Repayment)/proceeds from short term borrowings		(5,002)	5,002	(5,002)	5,002
Proceeds from vendor financing		9,248	0	9,248	0
Repayment of finance lease liabilities		(323)	(423)	(323)	(261)
Net cash used in financing activities		(4,813)	(3,966)	(4,455)	(3,522)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR					
		3,122	(22,901)	732	(23,219)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR					
		5,313	28,214	1,538	24,757
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR					
	18	8,435	5,313	2,270	1,538

The notes on pages 77 to 110 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

1 GENERAL INFORMATION

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

The Company is principally involved in the sale of information technology products and related services. The principal activities of the subsidiaries are described in Note 13 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group during the financial year. During the year, the Company transferred its maintenance business to its subsidiary, Mesiniaga Services Sdn Bhd.

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 BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies' Act 1965.

During the financial year ended 31 December 2007, the Group and Company had adopted new and revised FRSs which are mandatory for financial year beginning on and after 1 January 2007 as described in Note (a) below.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies whereby, land and buildings are stated at fair value.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

2 BASIS OF PREPARATION (cont'd)

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

The following standards are effective for the Group's and Company's financial year beginning 1 January 2007:

FRS 117	Leases
FRS 119 ²⁰⁰⁴	Employee Benefits - Actuarial Gains and Losses, Group Plan and Disclosure
FRS 124	Related Party Disclosures

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards.

- (b) Standards, amendments to published standards and Issue Committee ("IC") Interpretations to existing standards that are not yet effective and have not been early adopted

The following standards, amendments to published standards and interpretations to existing standards are mandatory for the Group's and Company's financial period beginning on and after 1 January 2008 or later periods, that the Group and Company have not early adopted:

- * FRS 107 Cash Flow Statements (effective for accounting period beginning on or after 1 July 2007) has no significant changes compared to the original standard.
- * FRS 111 Construction Contracts (effective for accounting period beginning on or after 1 July 2007). This standard requires the use of the percentage of completion in recognising the revenue and costs.
- * FRS 112 Income Taxes (effective for accounting periods beginning on or after 1 July 2007). This revised standard removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances. The Group and the Company will apply this standard from financial periods beginning on 1 January 2008 where applicable.
- * FRS 118 Revenue (effective for accounting periods beginning on or after 1 July 2007) has no significant changes compared to the original standard.
- * FRS 134 Interim Financial Reporting (effective for accounting period beginning on or after 1 July 2007) has no significant changes compared to the original standard.
- * FRS 137 Provisions, Contingent Liabilities and Contingent Assets (effective for accounting period beginning on or after 1 July 2007) has no significant changes compared to the original standard.

- (c) Standards that are not yet effective and not relevant or material for the Group's operations

- * FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
- * FRS 121 Amendments to Financial Reporting Standard FRS 121-The Effect of Changes in Foreign Exchange Rates-Net Investment in Foreign Operations

Both of these FRSs are mandatory for the Group and Company's financial periods beginning on 1 January 2008 but are not relevant for the Group's and Company's operation.

3 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of consolidation

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

The Group has taken advantage of the exemption provided by FRS122₂₀₀₄ and FRS 3 to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these Standards.

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

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

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

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

Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. See accounting policy on goodwill in Note 3(c). Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Associated companies

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

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

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investments and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

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

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

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

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in income statement.

(c) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the new fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Goodwill (cont'd)

For the purposes of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combinations, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

(d) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent cost 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 charged to the income statement during the financial period in which they are incurred.

Land and buildings are subsequently shown at revaluation, based on valuations by external independent valuers, less subsequent depreciation for buildings 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 cost less accumulated depreciation and any accumulated impairment losses.

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity, all other decreases are charged to the income statement.

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

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

Building	2%
Machines	14% - 33%
Office equipment, furnitures and fittings	7% - 33%

Fully depreciated assets still in use are retained in the financial statements.

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefit embodied in the items of property, plant and equipment.

All items of property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statements and the unutilised portion of the revaluation surplus on those items is taken directly to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Impairment of non-financial assets

The carrying amounts of assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimate future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. Cost, which includes purchase price and incidental charges, is determined on a weighted average basis.

(g) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

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

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Trade receivables

Trade receivables are carried at invoiced amount less an estimate made for doubtful debts based on a review of outstanding amounts at the financial year end.

Known bad debts are written off and specific allowance is made for any considered to be doubtful of collection.

(i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short-term highly liquid investments which has an insignificant risk of changes in value, net of outstanding bank overdrafts.

(j) Trade payables

(a) Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(b) Other long-term liabilities

Payables with settlement dates more than 12 months from the balance sheet date are accounted at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(k) Share capital

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the particular instrument.

External cost directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

(l) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rate prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Foreign currencies (cont'd)

(ii) Transactions and balances (cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(m) Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the lower of the fair value of the leased property and the estimated present value of the minimum lease payments at the date of inception. Each lease payment is allocated between the liability and charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charges is charged to the income statement over the lease period.

Property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its estimated useful life.

(n) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(iii) Defined benefit plans

The Company operates a funded defined benefit plan, which is an approved defined benefit plan under Section 150 of the Income Tax Act, 1967.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Employee benefits (cont'd)

(iii) Defined benefit plans (cont'd)

The liability in respect of a defined benefit plan is the present value of the defined benefit obligations at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The Group determines the present value of the defined benefit obligation and the fair value of the plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at balance sheet date of government securities and corporate bonds, which have currency and terms of maturity approximating the terms of the related liability.

Plan assets in excess of the defined obligation are subject to the asset limitation specified in FRS 119₂₀₀₄.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the income statement is determined by the corridor method in accordance with FRS 119₂₀₀₄ and is charged or credited to income over the average remaining service lives of the related employees participating in the defined benefit plan.

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

(o) Income tax

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liabilities method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at tax rate that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Revenue Recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of taxes, rebates and discounts, and after elimination sales within the Group. Revenue arising from the sale of hardware and software is recognised upon delivery of goods or when significant risk and rewards of ownership of goods are transferred to the customers. Revenue arising from the rendering of services is recognised in the period the services are rendered.

Dividend income is recognised when the right to receive payment is established. Rental income is recognised on an accrual basis. Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(q) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or a service within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to Group financial risk management policies. The management regularly reviews these risks.

(a) Foreign currency exchange risk

The Group is exposed to various currencies, mainly United States Dollar and Singapore Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies give rise to foreign exchange exposures. Foreign currency exposures are kept to an acceptable level.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)**(b) Interest rate risk**

Interest rate exposure arises mainly from the Group's deposits and borrowings. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

(c) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group controls these risks by application of credit approvals, limits and monitoring procedures. Trade receivables are monitored on an ongoing basis via regular updates and management reporting procedures.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers. The Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts allowed for collection loss is inherent in the Group's trade receivables.

(d) Liquidity and cash flow risk

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities. The Group maintains sufficient level of cash to meet its working capital requirements. The Group also maintains sufficient level of banking facilities for contingent funding of working capital.

5 REVENUE

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Sale of:				
- hardware	186,726	172,326	170,519	162,677
- software	52,596	36,169	52,541	34,018
- services	116,543	107,731	103,318	103,123
	355,865	316,226	326,378	299,818

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

6 STAFF COST

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonus and other employment benefits	44,480	40,019	36,850	38,498
Defined contribution retirement plan (Note 21)	4,449	4,172	1,968	2,175
Defined benefit retirement plan (Note 21)	559	689	559	689
	49,488	44,880	39,377	41,362

Details of the defined contribution and defined benefit plans of the Group and Company are set out in Note 21 to the financial statements.

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Non-executive Directors				
- fees	111	137	111	137
- others	35	27	35	27
Executive Directors				
- salaries and bonus	880	1,001	820	754
- defined contribution retirement plan	99	103	99	91
- defined benefit retirement plan	51	47	51	47
	1,176	1,315	1,116	1,056

Estimated money value of benefits-in-kind of Directors of the Group and Company is RM282,000 and RM222,000 (2006: RM338,000 and RM194,000) respectively.

7 PROFIT FROM OPERATIONS

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- Audit	150	108	92	80
- Audit related services	0	228	0	228
Depreciation of property, plant and equipment	4,602	5,107	4,387	5,061
Gross dividend income from a subsidiary	0	0	(784)	(408)
Gross dividend income from an associates	0	0	0	(65)
Interest income	(293)	(228)	(154)	(176)
Net realised foreign exchange (gain)/loss	(76)	(18)	1	8
Unrealised foreign exchange (gain)/loss	(357)	0	(357)	0
Property, plant and equipment written off	9	55	9	20
Rental income from rental of premises	(78)	(102)	(78)	(102)
Rental of premises	151	178	79	81
Allowance for doubtful debts:				
- trade receivables	310	737	310	753

8 FINANCE COST

	Group and Company	
	2007	2006
	RM'000	RM'000
Interest expense on:		
- bank overdraft	31	57
- short-term borrowings	559	417
- lease financing	175	184
	765	658

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

9 TAX EXPENSE

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Current year - Malaysian income tax	5,624	7,048	2,079	6,216
Underaccrual in prior years (net)	0	222	0	222
	5,624	7,270	2,079	6,438
Deferred tax:				
Reversal and origination of temporary differences (Note 15)	93	(284)	(75)	(307)
	5,717	6,986	2,004	6,131

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group		Company	
	2007	2006	2007	2006
	%	%	%	%
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate				
Malaysian tax rate	27	28	27	28
Tax effects of:				
- expenses not deductible for tax purposes	2	2	4	2
- current year deferred tax asset not recognised	1	1	0	0
- tax incentive for small and medium scale companies	(1)	(1)	0	0
- change in tax rate	0	0	1	0
- under accrual in prior years (net)	0	1	0	1
Average effective tax rate	29	31	32	31

9 TAXATION (cont'd)

Included in the tax expense of the Group are tax savings from utilisation of tax losses and unabsorbed capital allowances as follows:

	Group	
	2007	2006
	RM'000	RM'000
Tax savings as a result of the utilisation of tax losses/ unabsorbed capital allowances brought forward for which the related credit is recognised during the year:		
(i) Tax losses	0	62

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

	Group	
	2007	2006
	RM'000	RM'000
Unutilised tax losses	2,586	2,243
Unabsorbed capital allowances	82	84
	2,668	2,327
Deferred tax assets not recognised	720	675

Subject to the agreement by the tax authorities, the Company has sufficient tax credits available under Section 108(6) of the Malaysian Income Tax Act, 1967 to frank the payment of net dividends out of all its retained earnings as at 31 December 2006 if paid out as dividends.

In addition, the Company has tax exempt income as at 31 December 2007 arising from the Income Tax (Amendment) Act, 1999, relating to tax on income earned in 1999 being waived and first tier exempt dividend income amounting to approximately RM1,016,520 and RM832,500 (2006: RM1,016,520 and RM832,500) respectively available for distribution as tax exempt dividends to shareholders. This tax exempt income is subject to agreement by the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

10 BASIC EARNINGS PER SHARE

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

	Group	
	2007	2006
	RM'000	RM'000
Net profit attributable to ordinary equity holder of the Company (RM'000)	12,740	14,727
Weighted average number of ordinary shares in issue ('000)	60,402	60,402
Basic earnings per share (sen)	21.09	24.38

11 DIVIDENDS

Dividends paid during the financial year are as follows:

	Group and Company	
	2007	2006
	RM'000	RM'000
Final dividends in respect of financial year 2006/2005:		
19 sen per share, less income tax at 27%		
(2006: 19 sen per share, less income tax at 28%)	8,378	8,263

The Directors have recommended the payment of a final gross dividend of 19 sen per share, less income tax 26%, amounting to RM8,492,521 subject to the approval of the members at the forthcoming Annual General Meeting.

The financial statements do not reflect the proposed final dividends for the financial year ended 31 December 2007, which will only be accrued as a liability in the financial year ending 31 December 2008, after approval by the shareholders.

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furnitures and fittings, at cost RM'000	Total RM'000
Group							
2007							
Cost/Valuation							
At 1 January 2007	3,874	17,458	6,848	26,373	5,638	24,084	84,275
Additions	2,820	0	2,732	0	0	3,357	8,909
Assets written off	0	0	0	0	0	(1,596)	(1,596)
At 31 December 2007	6,694	17,458	9,580	26,373	5,638	25,845	91,588
Accumulated depreciation							
At 1 January 2007	0	0	502	7,384	5,021	16,426	29,333
Charge for the financial year	0	0	142	527	499	3,434	4,602
Assets written off	0	0	0	0	0	(1,587)	(1,587)
At 31 December 2007	0	0	644	7,911	5,520	18,273	32,348
Net book value							
At 31 December 2007	6,694	17,458	8,936	18,462	118	7,572	59,240

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furnitures and fittings, at cost RM'000	Total RM'000
Group							
2006							
Cost/Valuation							
At 1 January 2006	3,874	17,458	6,848	26,373	5,593	21,611	81,757
Additions	0	0	0	0	59	2,879	2,938
Assets written off	0	0	0	0	(14)	(406)	(420)
At 31 December 2006	3,874	17,458	6,848	26,373	5,638	24,084	84,275
Accumulated depreciation							
At 1 January 2006	0	0	365	6,857	4,111	13,258	24,591
Charge for the financial year	0	0	137	527	924	3,519	5,107
Assets written off	0	0	0	0	(14)	(351)	(365)
At 31 December 2006	0	0	502	7,384	5,021	16,426	29,333
Net book value							
At 31 December 2006	3,874	17,458	6,346	18,989	617	7,658	54,942

12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furnitures and fittings, at cost RM'000	Total RM'000
Company							
2007							
Cost/Valuation							
At 1 January 2007	3,874	17,458	6,848	26,373	5,638	23,067	83,258
Additions	2,820	0	2,732	0	0	1,937	7,489
Assets written off	0	0	0	0	0	(993)	(993)
Transfers	0	0	0	0	0	20	20
At 31 December 2007	6,694	17,458	9,580	26,373	5,638	24,031	89,774
Accumulated depreciation							
At 1 January 2007	0	0	502	7,384	5,021	15,587	28,494
Charge for the financial year	0	0	142	527	499	3,219	4,387
Assets written off	0	0	0	0	0	(984)	(984)
Transfers	0	0	0	0	0	4	4
At 31 December 2007	0	0	644	7,911	5,520	17,826	31,901
Net book value							
At 31 December 2007	6,694	17,458	8,936	18,462	118	6,205	57,873

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furnitures and fittings, at cost RM'000	Total RM'000
Company							
2006							
Cost/Valuation							
At 1 January 2006	3,874	17,458	6,848	26,373	5,593	20,552	80,698
Additions	0	0	0	0	59	2,736	2,795
Assets written off	0	0	0	0	(14)	(221)	(235)
At 31 December 2006	3,874	17,458	6,848	26,373	5,638	23,067	83,258
Accumulated depreciation							
At 1 January 2006	0	0	365	6,857	4,111	12,315	23,648
Charge for the financial year	0	0	137	527	924	3,473	5,061
Assets written off	0	0	0	0	(14)	(201)	(215)
At 31 December 2006	0	0	502	7,384	5,021	15,587	28,494
Net book value							
At 31 December 2006	3,874	17,458	6,346	18,989	617	7,480	54,764

12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The freehold land and building was revalued on 30 September 2003 by CH Williams Talhar & Wong Sdn. Bhd., an independent professional valuer using the comparison method to reflect fair value.

The book values of freehold land and buildings were adjusted to reflect the revaluations and the resultant surpluses were credited to revaluation reserve.

The net book value of the revalued freehold land and building had these assets been carried at cost less accumulated depreciation are as follows:

	Group and Company	
	2007	2006
	RM'000	RM'000
Freehold land	3,805	3,805
Building	18,186	18,706

Included in property, plant and equipment of the Group and Company are equipment acquired under finance lease agreements, with net book value of RM116,000 (2006: RM615,000).

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2007	2006
	RM'000	RM'000
Unquoted shares, at cost	1,976	1,850
Accumulated impairment losses	(650)	(650)
	1,326	1,200

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

13 INVESTMENT IN SUBSIDIARIES (cont'd)

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

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

Name of company	Principal activities	Group's effective interest	
		2007 %	2006 %
Mesiniaga Techniques Sdn. Bhd.	Business development of new product technologies and markets	100	100
Mesiniaga Services Sdn. Bhd.	Provision of maintenance and managed services	100	100
Mesiniaga MSC Sdn. Bhd.	Provision of solution services and technology research and development	100	100
Mesiniaga SCS Sdn. Bhd.	Provision of management training & consulting services in strategic and human resource planning	100	60
VA Dynamics Sdn. Bhd.	Sales of networking cables and related products	51	51
Navigis Sdn.Bhd.	Provision of training, management advisory and consultancy services	70	70

All the above subsidiaries are audited by PricewaterhouseCoopers, Malaysia.

Acquisition of additional interest in Mesianiaga SCS Sdn. Bhd. did not result in a significant impact to the Group.

14 INVESTMENT IN ASSOCIATES

	Group	
	2007	2006
	RM'000	RM'000
Share of net assets of associates	0	3,147
	Company	
	2007	2006
	RM'000	RM'000
Unquoted shares, at cost	185	6,785
Accumulated impairment losses	(185)	(3,630)
	0	3,155

Details of the associates, all of which are incorporated in Malaysia, are as follows:

Name of company	Principal activities	Group's effective interest	
		2007	2006
		%	%
PWR Powerlan (Malaysia) Sdn. Bhd. [#]	Dormant	30	30
Advantage Systems Sdn. Bhd.*	Provision of data connectivity and communication services	0	30
SJA-Infotech Sdn. Bhd. [#]	Development and maintenance of web-site	35	35

[#] Not audited by PricewaterhouseCoopers, Malaysia.

* On 17 December 2007, the Group disposed its 30% interest in Advantage System Sdn.Bhd, an associate with paid-up capital of RM2,150,000. The disposal of the Group's entire investment of 645,000 ordinary shares was for a total cash consideration of RM3,000,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

15 DEFERRED TAX ASSETS/LIABILITIES

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	110	166	0	0
Deferred tax liabilities:				
- subject to income tax	(779)	(742)	(619)	(694)
- subject to capital gains tax	0	(767)	0	(767)
	(779)	(1,509)	(619)	(1,461)
At 1 January	(1,343)	(1,627)	(1,461)	(1,768)
Credited directly to revaluation reserve	767	0	767	0
(Charged)/credited to income statement (Note 9):				
- property, plant and equipment	159	610	314	633
- accruals	(424)	(382)	(455)	(345)
- post employment benefit obligations	7	19	7	19
- allowance	165	37	209	0
	(93)	284	75	307
At 31 December	(669)	(1,343)	(619)	(1,461)
Subject to income tax:				
Deferred tax assets (before offsetting)				
- post employment benefit obligations	668	661	668	661
- allowances	339	174	209	0
- accruals	60	484	59	514
	1,067	1,319	936	1,175
Offsetting	(957)	(1,153)	(936)	(1,175)
Deferred tax assets (after offsetting)	110	166	0	0

15 DEFERRED TAX ASSETS/LIABILITIES (cont'd)

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	(1,736)	(1,895)	(1,555)	(1,869)
Offsetting	957	1,153	936	1,175
Deferred tax liabilities (after offsetting)	(779)	(742)	(619)	(694)
Subject to capital gains tax				
Deferred tax liabilities				
- Revaluation of land	0	(767)	0	(767)

16 INVENTORIES

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Equipment	11,302	11,042	10,820	10,684
Spare parts	1,624	1,216	0	1,216
Supplies	20	413	20	18
Cable	2,599	3,224	0	0
	15,545	15,895	10,840	11,918

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trade receivables	114,408	93,666	102,316	90,120
Allowance for doubtful debts	(804)	(1,214)	(804)	(1,214)
	113,604	92,452	101,512	88,906
Accrued unbilled revenue	50,726	58,703	50,726	58,703
Other receivables	1,301	578	918	276
Deposits and prepayments	282	843	203	757
Amounts due from subsidiaries	0	0	2,193	2,198
Amounts due from associates	144	634	144	634
	166,057	153,210	155,696	151,474

The currency exposure profile of trade receivables is as follows:

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	113,604	92,441	101,512	88,906
US Dollar	0	11	0	0
	113,604	92,452	101,512	88,906

Credit terms of trade receivables range from 30 days to 60 days (2006: 30 days to 60 days).

The trade receivables due from subsidiaries and associates are subject to the normal trade terms. The non-trade receivables due from subsidiaries and associates are unsecured, interest-free and repayable on demand.

Accrued unbilled revenue represents unbilled value of goods delivered and services rendered which would be billed according to terms and conditions agreed with customers.

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	3,510	2,117	2,915	696
Deposits with a licensed financial institution	5,661	8,354	91	6,000
	9,171	10,471	3,006	6,696
Bank overdraft (unsecured and interest bearing)	(736)	(5,158)	(736)	(5,158)
	8,435	5,313	2,270	1,538

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

The Group and Company's effective weighted average interest rate of deposits at the end of the financial year is 3.05% (2006: 3.00%) per annum.

Deposits of the Group and Company as at 31 December 2007 are time deposits, which have an average maturity period of 30 days (2006: 20 days).

The Group and Company's effective weighted average interest rate of bank overdraft at the end of the financial year is 8.00% (2006: 7.90%) per annum.

Cash and cash equivalents are denominated in Ringgit Malaysia.

19 PAYABLES

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trade payables	40,462	39,061	37,801	37,872
Payroll liabilities	2,935	1,954	1,729	1,279
Accruals	6,930	5,700	2,157	5,525
Finance lease liabilities (Note 22)	92	366	92	366
Vendor financing (Note 23)	5,333	0	5,333	0
Amounts due to subsidiaries	0	0	6,639	2,087
	55,752	47,081	53,751	47,129

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

19 PAYABLES (cont'd)

The currency exposure profile of trade payables is as follows:

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	23,198	33,808	21,029	33,154
US Dollar	17,225	5,140	16,772	4,718
Singapore Dollar	39	113	0	0
	40,462	39,061	37,801	37,872

Credit terms of trade payables range from 7 days to 90 days (2006: 7 days to 90 days).

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

20 SHORT TERM BORROWINGS (UNSECURED AND INTEREST BEARING)

	Group and Company	
	2007	2006
	RM'000	RM'000
Unsecured and interest bearing:		
Bankers acceptances	0	5,002

The interest rates of these short term borrowings are as follows:

	Group and Company	
	2007	2006
	%	%
Bankers acceptances	0	4.15 to 4.27

The short-term borrowings are denominated in Ringgit Malaysia.

21 POST-EMPLOYMENT BENEFITS OBLIGATIONS

(a) Defined contribution plan

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

(b) Defined benefit plan

The Group 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 as at 31 December 2006 was carried out on 16 March 2007.

The movements during the year in the amounts recognised in the balance sheet are as follows:

	Group and Company	
	2007	2006
	RM'000	RM'000
At 1 January	2,683	2,292
Charged to the income statement	559	689
Contributions and benefits paid	(674)	(298)
At 31 December	2,568	2,683

The amounts recognised in the balance sheets may be analysed as follows:

	Group and Company	
	2007	2006
	RM'000	RM'000
At 31 December		
Present value of funded obligations	4,860	4,450
Fair value of plan assets	(2,124)	(1,124)
Liability	2,736	3,326
Unrecognised actuarial loss*	(168)	(413)
Unrecognised transitional liability*	0	(230)
Net liability	2,568	2,683

* These are recognised in accordance to accounting policy Note 3(n)(iii).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

21 POST-EMPLOYMENT BENEFITS OBLIGATIONS (cont'd)

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current service cost	241	221	241	221
Interest cost	266	285	266	285
Expected return on plan assets	(88)	(60)	(88)	(60)
Actuarial gain recognised during the financial year	(90)	13	(90)	13
Amortisation of transitional liability	230	230	230	230
Total defined benefit retirement plan	559	689	559	689
Defined contribution retirement plan	4,449	4,172	1,968	2,175
Total included in staff cost (Note 6)	5,008	4,861	2,527	2,864

The principle actuarial assumptions used in respect of the Company's defined benefit plan are as follows:

	Group and Company	
	2007	2006
	%	%
At 31 December		
Discount rates	6.0	6.0
Expected return on plan assets	6.5	6.5
Expected rate of salary increases		
- prior to age 30	10.0	10.0
- from age 30 to 39	7.0	7.0
- thereafter	6.0	6.0
	Group and Company	
	2007	2006
	RM'000	RM'000
Actual return on plan assets	404	232

22 FINANCE LEASE LIABILITIES

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

	Group and Company	
	2007	2006
	RM'000	RM'000
Minimum lease payments:		
Repayable within 12 months	102	377
Repayable after 12 months		
- between 1 and 2 years	0	100
- between 2 and 5 years	0	0
Future finance charges on finance leases	102 (10)	477 (19)
Present value of the finance lease liability	92	458
Current (Note 19)	92	366
Non-current	0	92
	92	458

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

23 OTHER LONG TERM LIABILITIES - VENDOR FINANCING

Other long-term liabilities relates to financing under deferred payment arrangements with supplier as follows;

	Group and Company	
	2007	2006
	RM'000	RM'000
Vendor financing:		
Repayable within 12 months	5,333	0
Repayable after 12 months		
- between 1 and 2 years	5,333	0
- between 2 and 5 years	3,915	0
	14,581	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

23 OTHER LONG TERM LIABILITIES - VENDOR FINANCING (cont'd)

	Group and Company	
	2007	2006
	RM'000	RM'000
Current (Note 19)	5,333	0
Non-current	9,248	0
	14,581	0

The vendor financing bears interest rate of 0% and is repayable in quarterly instalment from 2007 to 2010. The vendor financing is conditioned to a sale associated with the vendor's goods and services to a particular customer. The terms of payment from the customer to Mesiniaga and Mesiniaga to the vendor are matched. As such, each vendor financing is linked and conditioned to a customer sale.

24 SHARE CAPITAL

	Group and Company	
	2007	2006
	RM'000	RM'000
Ordinary shares of RM1.00 each:		
Authorised:	100,000	100,000
Issued and fully paid:		
At 1 January and 31 December	60,402	60,402

25 FINANCIAL INSTRUMENTS

(a) Fair values

The carrying values of financial assets and financial liabilities of the Group and the Company at balance sheet date approximated their fair values.

(b) The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

(i) Trade and other receivables and payables

The historical cost carrying amounts of trade receivables and trade payables subject to normal trade credit terms approximate their fair values. The carrying amounts of other receivables and other payables are reasonable estimates of fair value because of their short maturity term.

(ii) Deposits, cash and bank balances, short term borrowings and bank overdraft

The carrying amounts of deposits, cash and bank balances, short term borrowings and bank overdraft approximate their fair values due to the relatively short maturity term of these instruments.

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.

Key management are categorised as head or senior management officers of key operating divisions within the Company. The key management compensation is disclosed in Note 26(b) below.

The related party transactions described above were carried out on terms and conditions obtainable in transactions with unrelated parties.

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

Related party	2007 RM'000	2006 RM'000
Group		
- Purchase of goods	960	417
- Purchase of services	36,542	15,649
- Sales of services	12,871	0

(b) Key management compensation

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Salaries and other short-term employees benefits	2,119	2,394	1,420	1,384
Defined contribution plan	209	231	140	147
Defined benefit plan	81	20	70	58
	2,409	2,645	1,630	1,589

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (cont'd)

27 SEGMENTAL REPORTING

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

28 CAPITAL COMMITMENTS

Capital expenditure not provided for the financial statements are as follows:

	Group and Company	
	2007	2006
	RM'000	RM'000
Authorised by the Directors and contracted	0	4,410
Analysed for:		
- property, plant and equipment	0	4,410

29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 4 April 2008.

PROPERTIES OWNED BY THE GROUP

AS AT 31 DECEMBER 2007

Address	Description	Usage	Tenure	Terms of Tenant's leases or under leases	Approximate age	Net Book Value (RM'000)
HS(D) 65056, PT 12204, Mukim of Damansara, District of Petaling, Selangor (Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor)	Commercial land comprising a 15-storey office building	Office building	Freehold	Nil	Fourteen (14) years	35,895
4th Floor, Unit 08-04, Lot No. 8, Jalan 4/146 Bandar Tasik Selatan, Wilayah Persekutuan Kuala Lumpur	Shop lot	Retention Store	99-year leasehold expiring on 29.06.2087	Nil	Seven (7) years	256
5th Floor, Unit 08-05, Lot No. 8, Jalan 4/146 Bandar Tasik Selatan, Wilayah Persekutuan Kuala Lumpur	Shop lot	Retention store	99-year leasehold expiring on 29.06.2087	Nil	Seven (7) years	265
Lot 1047, Sek. 13, District of Timur Laut, Georgetown, Pulau Pinang (Mutiara Mesiniaga, No. 56, Jalan Larut, 10050 Georgetown, Pulau Pinang)	Commercial land comprising a 4-storey office building	Office building	Freehold	Nil	Seven (7) years	9,586
Lot PT 277, Mukim of Damansara, District of Petaling, Selangor (No. 3, Jalan TP 6, Taman Perindustrian UEP Subang Jaya, 47600 Subang Jaya, Selangor)	Industrial premises	Office building and store	Freehold	Nil	One (1) month	5,548

SHAREHOLDING STATISTICS

SHAREHOLDING STRUCTURE as at 15 April 2008

Authorised Share Capital	:	RM100,000,000
Issued & Paid-up Capital	:	RM60,402,000
Class of Shares	:	There is only one class of shares, namely Ordinary Shares of RM1.00 each

ANALYSIS OF SHAREHOLDINGS as at 15 April 2008

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 - 99	16	0.59	610	0.00
100 - 1,000	1,312	47.99	1,257,600	2.08
1,001 - 10,000	1,165	42.61	4,591,553	7.60
10,001 - 100,000	199	7.27	5,042,300	8.35
100,001 to less than 5% of issued shares	38	1.39	25,447,956	42.13
5% and above of issued shares	4	0.15	24,061,981	39.84
Total	2,734	100.00	60,402,000	100.00

SUBSTANTIAL SHAREHOLDERS (Excluding Bare Trustees & Deemed Interests) As at 15 April 2008

No.	Names	Direct Shareholdings	%
1	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD SKIM AMANAH SAHAM BUMIPUTERA	11,114,449	18.40
2	FATHIL SULAIMAN ISMAIL	5,056,539	8.37
3	HOR YEE @ HO CHEONG FATT	4,328,940	7.17
4	SAFIAH SULAIMAN BINTI ISMAIL	3,562,053	5.90

DIRECTORS DIRECT & DEEMED INTERESTS
As at 15 April 2008

No.	Names	Direct Shareholdings	Deemed Interest	%
1	WAN MOHAMED FUSIL WAN MAHMOOD	2,225,940	3,750,000 ¹	6.58
2	MOHD PUZI AHAMAD	1,507,940	2,541,000 ²	6.70
3	DATO' WAN ABDULLAH MOHAMAD	28,000	0	0.05
4	FATHIL SULAIMAN ISMAIL	5,056,539	0	8.37
5	VOON SENG CHUAN	0	0	0.00
6	CHUNG THIAN SINN	0	0	0.00
7	ABD TALIB BABA	0	0	0.00

¹ Interest held under his nominee accounts with Citigroup Nominees (Tempatan) Sdn Bhd, CIMB Trustee Berhad and Alliancegroup Nominees (Tempatan) Sdn Bhd

² Interest held under his nominee accounts with Citigroup Nominees (Tempatan) Sdn Bhd, CIMB Trustee Berhad and Mayban Nominees (Tempatan) Sdn Bhd

30 LARGEST SHAREHOLDERS
as at 15 April 2008

No.	Names	Shareholdings	%
1	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <SKIM AMANAH SAHAM BUMIPUTERA>	11,114,449	18.40
2	FATHIL SULAIMAN ISMAIL	5,056,539	8.37
3	HOR YEE @ HO CHEONG FATT	4,328,940	7.17
4	SAFIAH SULAIMAN BINTI ISMAIL	3,562,053	5.90
5	IBM WORLD TRADE CORPORATION	3,013,400	4.99
6	PHARIDA SULAIMAN @ PHILOMENA SULAIMAN	2,699,976	4.47
7	WAN MOHAMED FUSIL BIN WAN MAHMOOD	2,225,940	3.69
8	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <AMANAH SAHAM MALAYSIA>	2,071,100	3.43
9	CIMB TRUSTEE BERHAD <MOHD PUZI BIN AHAMAD>	2,000,000	3.31
10	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <AMANAH SAHAM DIDIK>	1,721,000	2.85

SHAREHOLDING STATISTICS (cont'd)

30 LARGEST SHAREHOLDERS as at 15 April 2008 (cont'd)

No.	Names	Shareholdings	%
11	MOHD PUZI BIN AHAMAD	1,507,940	2.50
12	MALAYSIAN ASSURANCE ALLIANCE BERHAD <AS BENEFECIAL OWNER>	1,417,700	2.35
13	CIMB TRUSTEE BERHAD <WAN MOHAMED FUSIL BIN WAN MAHMOOD>	1,000,000	1.66
14	EMPLOYEES PROVIDENT FUND BOARD	830,700	1.38
15	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <AMANAH SAHAM WAWASAN 2020>	675,200	1.12
16	LEE YU YONG @ LEE YUEN YING	651,300	1.08
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL BIN WAN MAHMOOD>	550,000	0.91
18	WONG TA NOOY @ WONG KENG YONG	470,000	0.78
19	LOW KONG BOO	440,000	0.73
20	MAYBAN NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR MOHD PUZI BIN AHAMAD>	360,000	0.60
21	NEOH CHOO EE & COMPANY SDN. BHD.	330,000	0.55
22	HO WAI KOK	327,000	0.54
23	HO WAI HOE	300,000	0.50
24	LIM POH TIONG	280,000	0.46
25	PERMODALAN NASIONAL BERHAD	220,800	0.37
26	CITICORP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL BIN WAN MAHMOOD (473685)>	200,000	0.33
27	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR NOR HAYATI BINTI ABD MALIK (1181002)>	183,900	0.30
28	CITICORP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR MOHD PUZI BIN AHAMAD (473678)>	181,000	0.30
29	SHEILA ELEANOR DE COSTA	165,700	0.27
30	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <AMANAH SAHAM NASIONAL 3 IMBANG>	158,900	0.26

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Sixth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Wednesday, 18 June 2008 at 2.30 pm for the following purposes:

Agenda

- | | |
|---|--------------|
| 1. To receive and adopt the Audited Accounts for the year ended 31 December 2007 together with the Reports of Directors and Auditors thereon. | Resolution 1 |
| 2. To approve a First and Final Gross Dividend of 19 sen less tax at 26%, for the year ended 31 December 2007. | Resolution 2 |
| 3. To approve Directors' Fees for the year ended 31 December 2007. | Resolution 3 |
| 4. To re-elect the following Directors retiring pursuant to Article 104 of the Company's Articles of Association:
i. Voon Seng Chuan | Resolution 4 |
| 5. To re-elect the following Directors retiring pursuant to Article 108 of the Company's Articles of Association:
i. Abd Talib Baba | Resolution 5 |
| 6. To re-appoint Messrs. PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration. | Resolution 6 |
| 7. As Special Business, to consider and, if thought fit, to pass the following Ordinary Resolution:

"THAT pursuant to Section 132D of the Companies Act, 1965 the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the Issued Share Capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies for such issue and allotment." | Resolution 7 |

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)

Company Secretary
Subang Jaya
21 May 2008

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
3. All forms of proxy must be deposited at the Company's Share Registrar Office at Symphony Share Registrars Sdn. Bhd., Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
4. The proposed Ordinary Resolution 7 if passed, will authorise the Directors of the Company to allot and issue up to ten percent (10%) of the issued capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting of the Company.

ADDITIONAL STATEMENTS

1. As stated in the Notice of Annual General Meeting on page 115 of this Annual Report, the Directors standing for re-election are:

Pursuant to Article 104 of the Company's Articles of Association:

- i. Voon Seng Chuan

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

- i. Abd Talib Baba

Chung Thian Sinn is retiring at the forthcoming Annual General Election and is not offering himself for a re-election.

2. Details of Board Meetings and the attendance of Directors at those meetings are as stated on page 53.
3. The Twenty Sixth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Wednesday, 18 June 2008 at 2.30 pm.
4. Details of the Directors standing for re-election are as stated in the Directors' profile column in pages 26 to 29. Their securities holdings in the Company are as stated on page 113.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the forthcoming Annual General Meeting, a first and final dividend of 19 sen less tax at 26% will be paid on 11 July 2008 to shareholders whose names appear in the Record of Depositors on 23 June 2008.

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

- a. Securities transferred into the Depositor's Securities account before 4.00 pm on 23 June 2008 in respect of transfers; and
- b. Shares bought on Bursa Securities on a cum entitlement basis according to the rules of Bursa Securities.

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)

Company Secretary
Subang Jaya
21 May 2008

I/We_____

of _____

being a member of the abovementioned Company, hereby appoint _____

of _____

or failing him _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the Twenty Sixth Annual General Meeting of the Company, to be held on Wednesday, 18 June 2008 at 2.30 pm and at any adjournment thereof. The proxy is to vote on the resolutions set out in the Notice of Meeting as indicated, with an "X" in the appropriate space. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

Resolution	For	Against
1		
2		
3		
4		
5		
6		
7		

Signature of Shareholder _____

No. of Shares held

Note:

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney. All forms of proxy must be deposited at the Company's Share Registrar Office at Symphony Share Registrars Sdn. Bhd., Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

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Symphony Share Registrars Sdn. Bhd.
Level 26, Menara Multi Purpose, Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur

Fold here

Mesiniaga Berhad (79244-V)

Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan

Tel: 03-5635 8828 Fax: 03-5636 3838