Mesiniaga

annual report 2009

Staying the Course

'Staying the Course' is a nautical metaphor for maintaining an unaltered course while navigating. The phrase is also commonly used in the context of a battle meaning to pursue a goal regardless of obstacles. We chose this theme for our latest Annual Report because despite 2009 presenting challenges similar to previous years such as an exceedingly competitive environment coupled with the economic crisis; we remained steadfast in the pursuit of our goals.

Recalling the message in our 2008 cover, the boat was poised at the river mouth leading to the vast ocean. Our current cover is a continuation of this theme. Mesiniaga is represented by the origami boat and we are able to see our destination clearly ahead of us. Dawn is also breaking and this is the sentiment of all of us in the company; we are confident that our Business Transformation will soon allow us to bask in the glory of success.

Annual Report 2009

28th AGM

Venue
Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya

Time
Wednesday, 16 June 2010 at 2.30pm

Contents


OUR VISION
TO BE THE MALAYSIAN IT
PARTNER OF CHOICE

OUR VALUES

P	**P**assion for our customers' success and satisfaction
R	**R**espect for every individual
I	**I**nnovation in our endeavours
D	**D**ynamism in our leadership
E	**E**xcellence in our service and delivery

CHAIRMAN'S STATEMENT

"The Group posted revenue of RM264 million in 2009, comparable to revenue registered in the previous fiscal year."

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS,

2009 remained a challenging year for Malaysian businesses as the nation felt the full impact of the global financial crisis. The nation slipped into a technical recession and posted a negative growth of 1.7%. Despite these conditions, the IT industry experienced a 5% growth, as businesses continued to make IT investments to stay competitive. However, due to the economic downturn, public and private enterprises were still cautious on IT spending, requiring greater returns for their investment dollar, creating margin pressures for IT vendors.

ENDURING CHALLENGES

Against this difficult backdrop, the Group posted revenue of RM264 million in 2009, comparable to revenue registered in the previous fiscal year. However, pre-tax profits declined by 10% from RM13.5 million in 2008 to RM12.1 million for the year under review. This was attributed to margin pressure from the tough economic climate and the Group's investment obligation towards our Business Transformation.

Notwithstanding the current challenging environment, the prospects for the Group remain positive. In view of this, the Group remains committed to providing good returns to the shareholders. The Board of Directors proposed a final gross dividend payment of 19 sen per share less income tax of 25%, subject to shareholders' approval at the upcoming 28th Annual General Meeting.

REALISING GOALS

The Group's future direction will be driven by the Business Transformation initiatives to improve margins. The Transformation is based on a 3-Pillar strategy to drive customer business performance, enhance customer satisfaction and drive yield on resources. While we have a challenging journey ahead before our goals are realised, we have seen significant progress in our endeavours. We secured a contract from an IT arm of a Government-linked company in response to a proactive bid to drive their performance via technology. Although the revenue secured is not large, we see it as a testament to the success of our business strategy. We are confident that 2010 will see more wins of similar nature.

It is also important for us to retain customer loyalty by ensuring a high level of customer satisfaction. Our efforts in this area involved the formulation of a cohesive plan aimed at increasing awareness, improving processes and inculcating desired behaviour in employees. Measures in improving yield that allow us to determine the effectiveness of our resource management are undertaken hand in hand with other core areas in human resource development. In order for our employees to understand their role within the strategy, we have made it a key priority for our managers to cascade information on our strategic plans and how employees can contribute to its success. Additionally, we have also conducted an exercise to identify employees who are in the top and bottom 10% based on performance. The objectives of this exercise are to enable the formulation of targeted employee retention programs for top talents and to improve productivity of poor performing employees.

TAKING RESPONSIBILITY

We take a holistic approach in addressing issues on corporate responsibility. Our practices in CR encompass adherence to laws and ethical standards as well as impact on customers and business partners; employees; community and the environment. Winning industry awards is one way of ensuring quality service and technical standards to customers. It also reinforces our commitment to sustain a mutually beneficial relationship with business partners. Last year, we garnered numerous accolades from IBM, Cisco Systems, Lenovo, Juniper Networks and Symantec; one of which was the Cisco Channel Customer Satisfaction Excellence Recognition.

> "I am confident that greater success is at hand. This transformation will ensure that Mesiniaga is more agile in capitalising on opportunities irrespective of the state of economy."

We are equally proud of our efforts in fostering an inclusive workforce. Apart from providing career development opportunities and incentives together with benefits and facilities to ensure employee well-being; we implemented an idea sharing program as an avenue to reward employees who contribute ideas that are beneficial to our business. Our contribution towards the community mainly involves programs that promote the formation of a knowledge society. Therefore, we continue to run the Mesiniaga Academy, a work-based learning programme that sees students from community colleges gaining work experience in the company as part of their syllabus.

MOVING FORWARD

The economy showed signs of recovery towards the end of 2009. As our nation emerges from the recession, we anticipate broad-based expansion from all sectors. The potential for large projects will be in key sectors such as financial services and telecommunication particularly in light of the government's push for greater broadband penetration. In line with this, I am optimistic with our prospects going forward. With a wide customer base, Mesiniaga is well-poised to take advantage of this upturn. More importantly, we are beginning to see successes in our Transformation endeavours. I am confident that greater success is at hand. This transformation will ensure that Mesiniaga is more agile in capitalising on opportunities irrespective of the state of economy.

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank my fellow directors for their valuable service and advice. On behalf of the Board, I would like to thank all employees and the management of the company and its various subsidiaries for their support. My appreciation also goes to our shareholders, customers and business associates for their continued faith.

Datuk Wan Mohamed Fusil
Executive Chairman

MANAGING DIRECTOR'S REPORT

"We are seeking to elevate our customer relationships. We aim to do so by being agents of their business success; rather than merely implementing technology for them."

MANAGING DIRECTOR'S REPORT

I am pleased to share my optimism that we are emerging from our transformation a stronger company.

This task is made more difficult because of the prevailing economic conditions over the past two years. Though temporary, these conditions have increased pressure on margins via a cautious buying environment, and customers needing us to do more for less.

Though results are still moderate, we are making steady progress. On similar revenue to 2008 we have increased Gross Profit by RM4.9 million to RM88.8 million. Expenses however have also increased due to factors above, and investment in staffing to drive the transformation and future business. The net result is still a drop in pre-tax profit from RM13.5 million in 2008 to RM12.1 million in 2009, though I do not view this with a great sense of alarm.

We have resisted the temptation to chase down some lower margin 'hardware only' projects that could augment short term results but detract us from our long term objectives.

Our 3-Pillar strategy - designed to restore margins - is discussed further.

1. **Driving Customer Business Performance**

   We are seeking to elevate our customer relationships. We aim to do so by being agents of their business success; rather than merely implementing technology for them. To achieve this demands an appreciation of factors that impact business success, and finding ways of leveraging technology towards this end.

   The result should be higher returns on customer technology investments. Delivering superior returns to customers allows us the opportunity for better margins, with high customer loyalty. High customer loyalty further reduces our selling costs thus promotes better margins.

This type of business also frees us of the constraint of traditional IT budgets. In proposing high returns projects, it makes sense for customers to redirect investment from other areas into IT. In non-tender situations we are also able to enjoy improved margins which customers feel justified given our contribution.

We have begun securing wins through this initiative in 2008, and have a growing number of promising proposals in the pipeline. Though encouraging, what we are really seeking is a change in our culture. A culture where we are passionate not just about technology, but the good it brings to our customers. We feel that when 25-30% of our business derives from such initiatives then we will have truly evolved. This may still be five years in the future.

2. Driving Customer Satisfaction
   Mesiniaga has enjoyed a successful past largely because of our attention to keeping promises. Promises become harder to keep in low margin environments. Furthermore, our mission of driving customer success will draw us more deeply into solutions; rather than our more traditional bastion of hardware. This introduces new complexities and we will need to concentrate on managing customer satisfaction.

   Towards this end we have invested in strengthening our project management, rigorous tracking of customer satisfaction, improved processes to manage quality, training, incentives, and a customer satisfaction unit that engages with customers to uncover and manage issues. Even staff bonuses are subject to customer satisfaction.

   In the same way as above, high customer satisfaction will allow for better margins with greater customer loyalty. We aim to have the highest customer satisfaction credentials of any major IT company in Malaysia. This will take between three to five years to achieve.

3. Driving Yield on Resources
   Through margin attrition we have become more careful about where exactly money is made and lost within the organisation, beginning with extensive measurement mechanisms. We now measure performance by units in net profit terms. This is now a primary basis for staff incentives and includes all sales and delivery functions. It is also causing managers to behave more as business leaders. There is more peer pressure within units to perform.

   We have also invested in Enterprise Project Management and Operational Management Systems. These allow us to better measure and monitor our delivery to customers, as well as to understand and manage project and account profitability.

These three pillars collectively have the potential of improving margins by 5-8%.

BROADENING THE CUSTOMER MIX

Mesiniaga's business has been traditionally weighted towards the public sector. We have been working hard to grow our commercial sector business. As a result, commercial sector business now comprises 55% of our book, up from 35% just two years ago. We feel that this move reduces the riskiness of our portfolio. It will also cause us to improve through more open competition thus furthering our ambition towards becoming a world-class company.

GROWING MANAGED SERVICES

We are investing in growing our managed services business. The growth we seek is in terms of both size and sophistication. This move makes sense on several levels.

1. It will allow us to increase our base of recurring revenue. Recurring revenue is presently RM40 million or 52% of annual expenses. It would be good if we started each year with 70% or more of expenses already paid for.
2. It will also allow us to develop closer relationships with our customers by establishing a permanent presence rather than a project-based presence.
3. A managed services model that involves interaction with business users will help us develop a deeper appreciation of customer business requirements. This will promote our Mission of 'Driving Customer Business Performance through Technology and Innovation'.

It is our intention to decouple our managed services business from our hardware maintenance business. The skills and thinking required is actually different. For the managed services business we must be able to see beyond service levels, and appreciate how the services support our customer's business.

Growing market acceptance for outsourcing augurs well for the prospects of a competent managed services provider, one that behaves like an extension of the customer rather than a third party vendor.

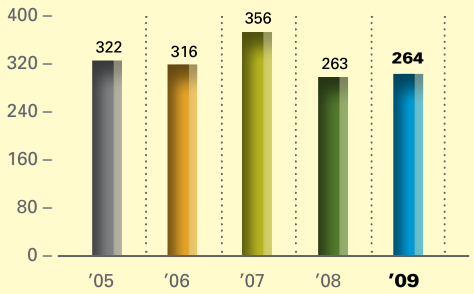
We are taking many steps towards building a more potent business that will deliver future growth and profits. The full effect of the changes we are making will only mature over the next three or so years.

I would like to express my profound appreciation to our Board, management and staff for their commitment and dedication in bringing about the many improvements we seek. Also deserving of appreciation are our shareholders and customers who have stood firmly by us over the years.

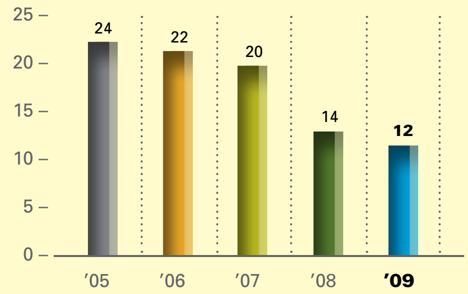
Fathil Ismail
Managing Director

FIVE-YEAR PERFORMANCE STATISTICS

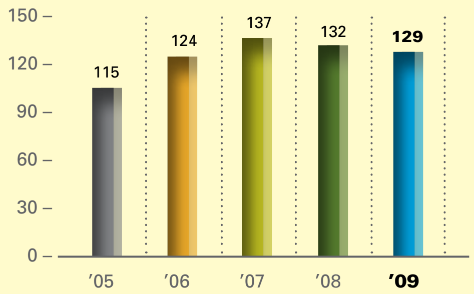
Revenue
RM Million



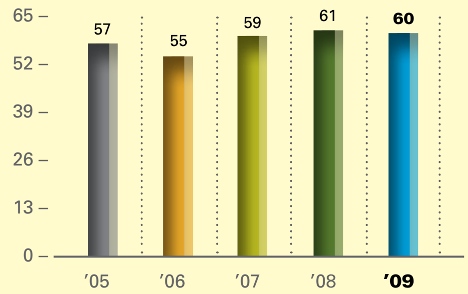
Profit Before Tax
RM Million



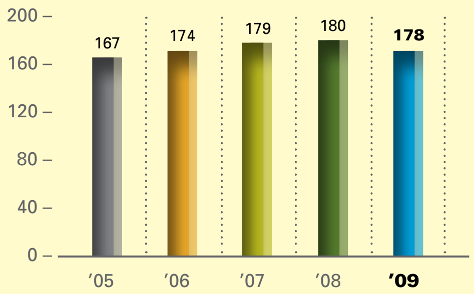
Net Current Assets
RM Million



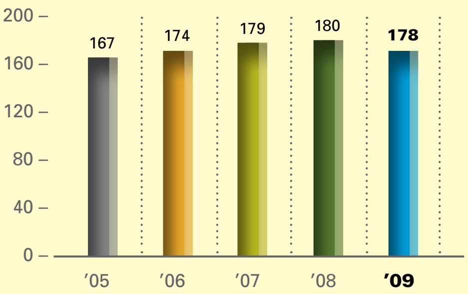
Fixed Assets
RM Million



Net Tangible Assets
RM Million

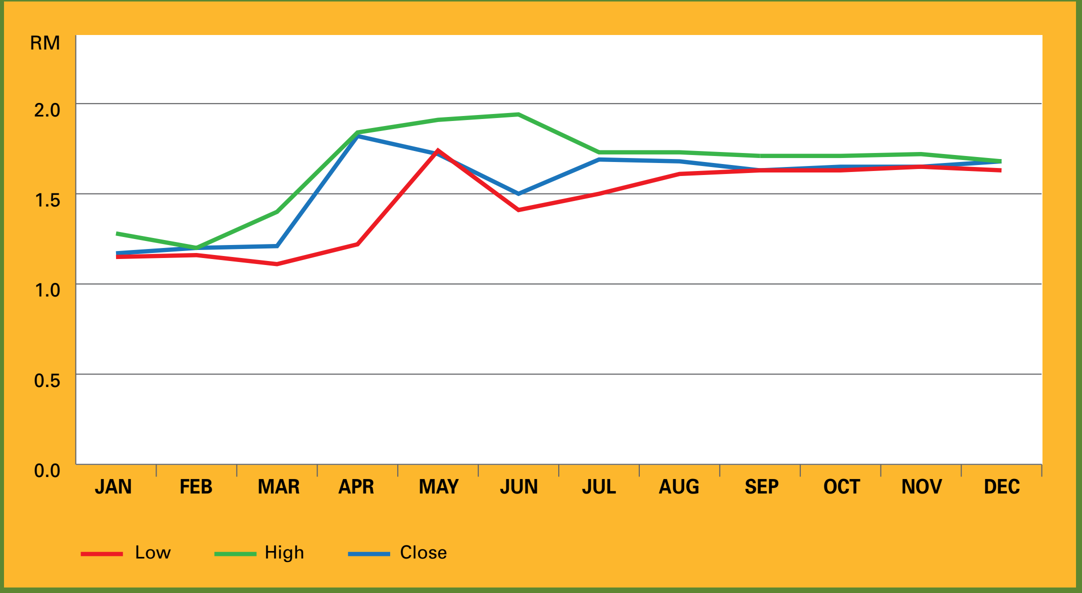


Shareholders' Equity
RM Million

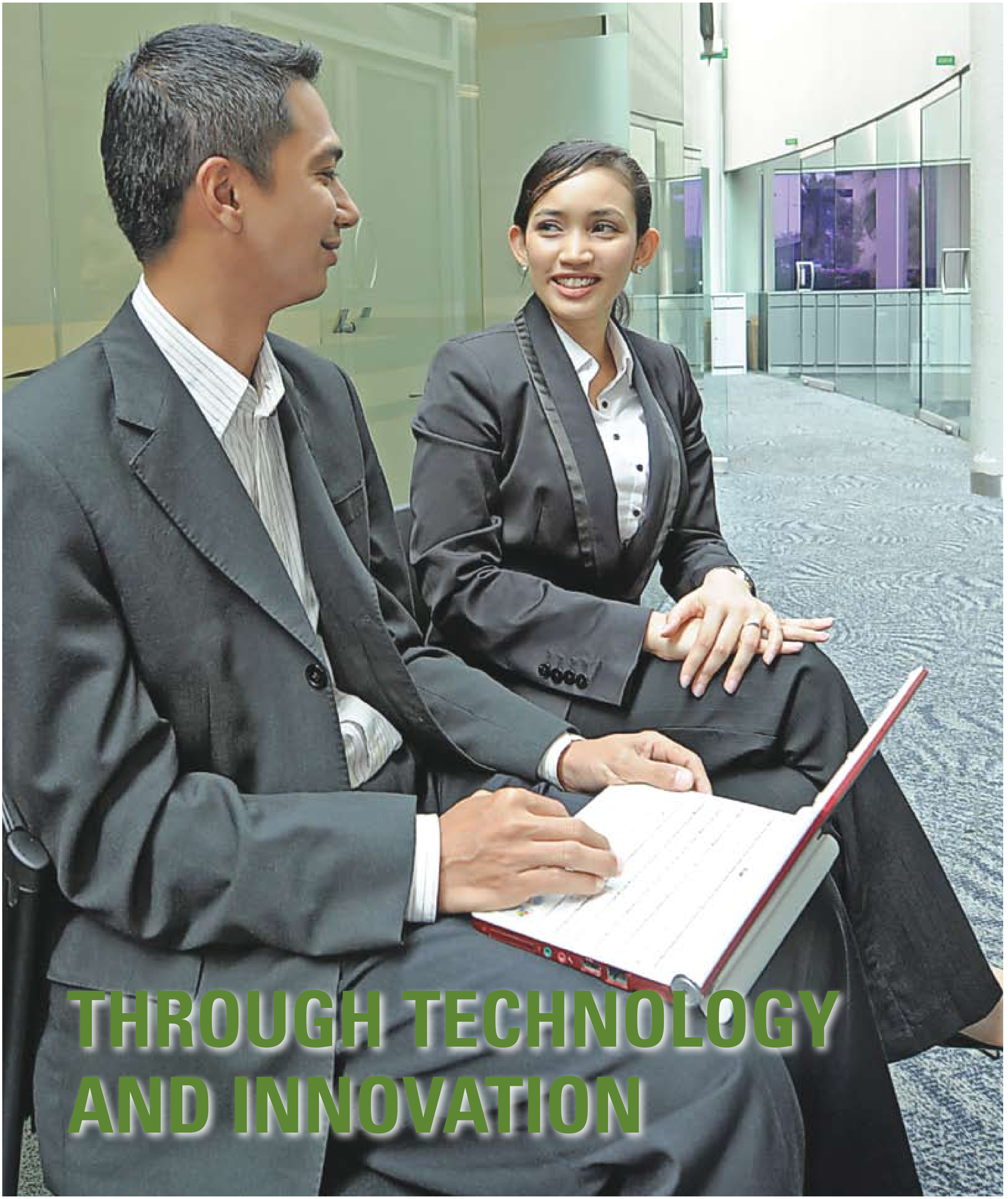


2009
SHARE PERFORMANCE STATISTICS

MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Low	1.15	1.16	1.11	1.22	1.74	1.41	1.50	1.61	1.63	1.63	1.65	1.63
High	1.28	1.20	1.40	1.84	1.91	1.94	1.73	1.73	1.71	1.71	1.72	1.68
Close	1.17	1.20	1.21	1.82	1.72	1.50	1.69	1.68	1.63	1.65	1.65	1.68




WE DRIVE
CUSTOMER
BUSINESS
PERFORMANCE


THROUGH TECHNOLOGY
AND INNOVATION

CORPORATE PROFILE

- Incorporated on 17 December 1981
- Paid up capital of RM60.4 million
- Listed on Bursa Securities (Main Market) on 17 November 1999
- Headquarters - Subang Jaya; Branches – Pulau Pinang and Johor Bahru
- 40 nationwide service locations
- Staff strength of more than 800
- Leading Partnership Status:
  - IBM Premier Partner
  - Microsoft Gold Partner and Large Account Reseller
  - Cisco Gold Partner
  - Symantec Platinum Partner
  - Juniper Elite Partner
  - Trend Micro AffinityONE Partner
  - VMWare Enterprise Partner
  - Oracle Gold Partner

Mesiniaga has been in the technology business for nearly 29 years. We started out as a company selling IBM office products and have now evolved into a multi-platform business solutions provider with a paid-up capital of RM60.4 million. Within the last 29 years, the technology landscape has changed tremendously. New trends have emerged resulting in a sea of change in the way companies do business. Across the board, companies these days are constantly on the lookout for solutions that will give them an edge over their competition. As such, we are constantly striving for ways to provide our customers with an experience that will allow them to achieve their business objectives.

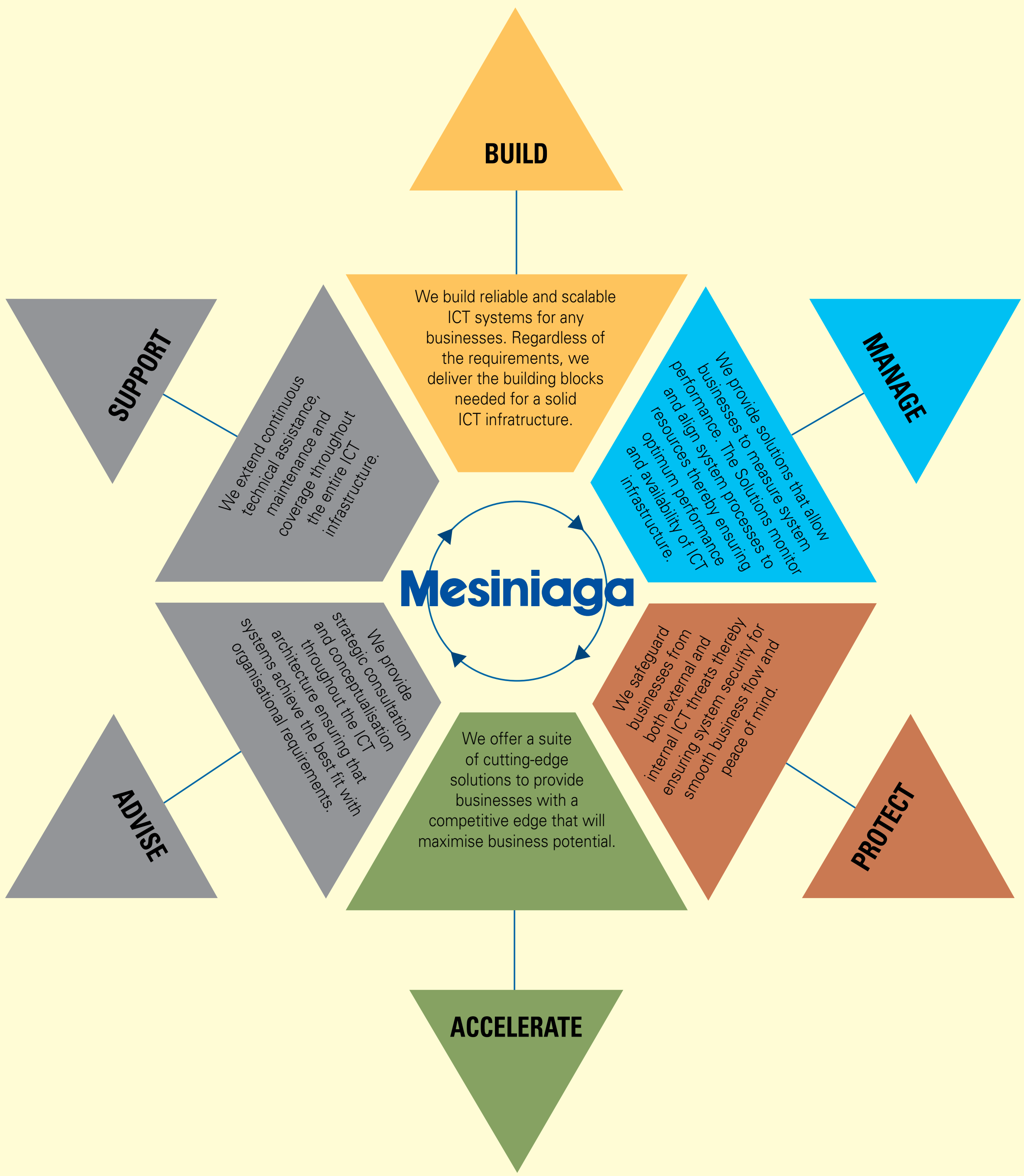
This is why we have made it our Mission to Drive Customer Business Performance through Technology and Innovation. However, we believe that technology merely acts as an enabler in improving business performance. Therefore, while we continue to leverage on our strong partnerships with globally renowned partners to provide customers with innovative technology, our value to them lies in our understanding of their environment and challenges. Our main aim is to enhance our value proposition by maximising the returns on their IT investments.

Another important element in enhancing customer experience is in the management of customer satisfaction. To this effect, we have implemented multiple initiatives that are aimed at improving service delivery and our understanding of customer needs. Our people are already acknowledged as having superior technical skills, mainly because we actively encourage them to pursue or upgrade their professional certifications. They also undergo numerous soft skills training sessions in order to improve their understanding of customer requirements and how best to meet them. The end objective of these initiatives is to give our customers the least possible worry in their dealings with the company.

We believe that the strategies implemented for driving customer business performance and enhancing customer satisfaction will ultimately translate into improving our own business performance. This will allow us to reward our shareholders for their faith in us. In order to fulfil this promise, we have also made a commitment to improve our productivity yield. We are now a company of more than 800 employees. We have invested significantly in developing measurements over our resource utilisation because it is imperative that all our resources are employed to their most optimum potential.

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

MESINIAGA SOLUTIONS MAP



BOARD OF DIRECTORS

DATUK WAN MOHAMED FUSIL
(Executive Chairman)

FATHIL ISMAIL
(Managing Director)

MOHD PUZI AHAMAD

DATO' WAN ABDULLAH MOHAMAD

VOON SENG CHUAN

ABDUL TALIB BABA

WONG FOOK HON

DATO' AB RASHID MAT ADAM

CORPORATE INFORMATION

NOMINATION COMMITTEE

DATO' WAN ABDULLAH MOHAMAD
(Chairperson)

DATUK WAN MOHAMED FUSIL

MOHD PUZI AHAMAD

WONG FOOK HON

EXECUTIVE DIRECTORS REMUNERATION COMMITTEE

VOON SENG CHUAN
(Chairperson)

DATO' WAN ABDULLAH MOHAMAD

NON-EXECUTIVE DIRECTORS REMUNERATION COMMITTEE

DATUK WAN MOHAMED FUSIL
(Chairperson)

MOHD PUZI AHAMAD

AUDIT COMMITTEE

ABDUL TALIB BABA
(Chairperson)

WONG FOOK HON

DATO' AB RASHID MAT ADAM

INVESTMENT COMMITTEE

DATUK WAN MOHAMED FUSIL
(Chairperson)

MOHD PUZI AHAMAD

WONG FOOK HON

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

STANDARD CHARTERED BANK (MALAYSIA) BERHAD

MAYBANK BERHAD

HSBC AMANAH MALAYSIA BERHAD

SHARE REGISTRAR

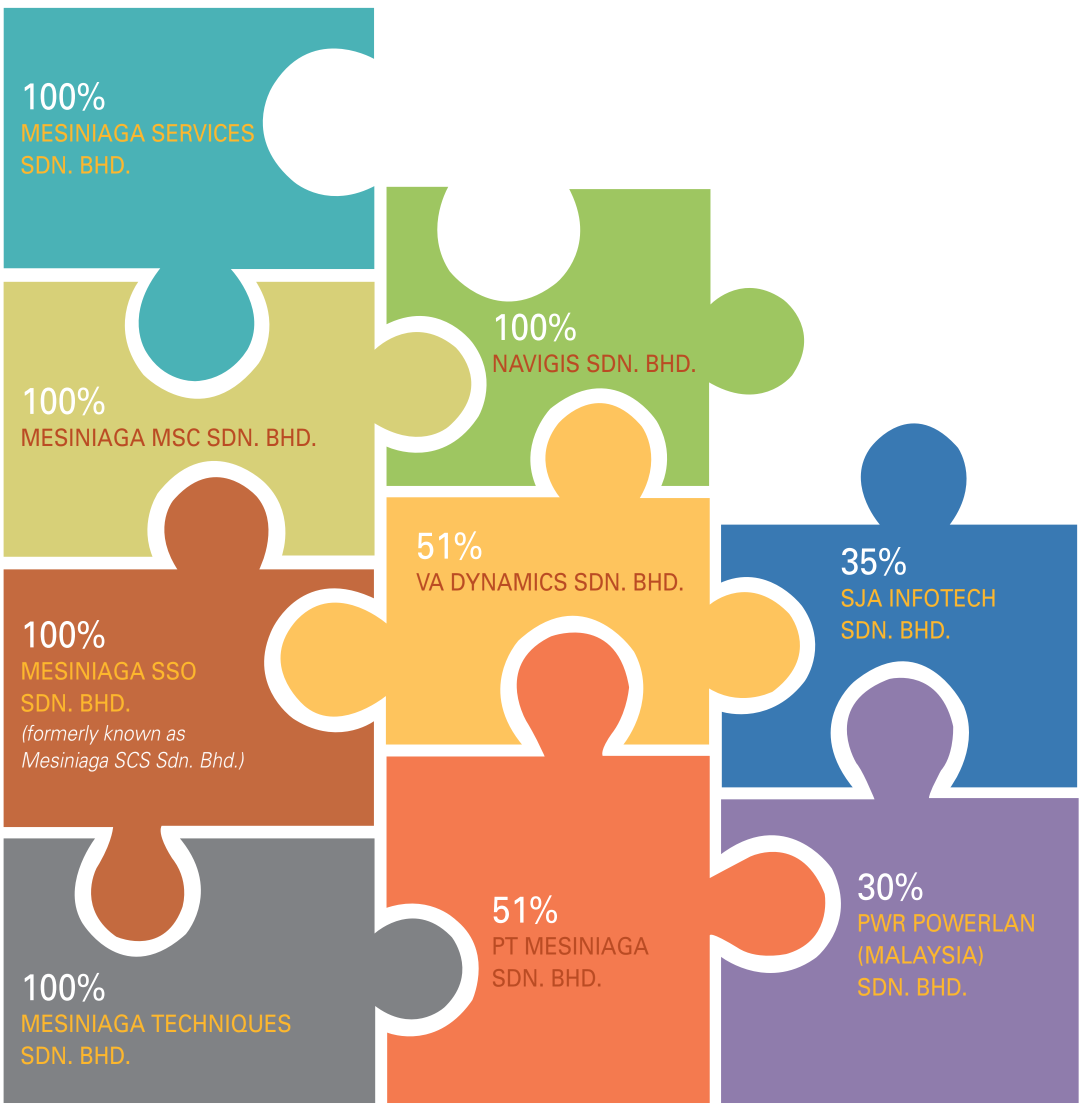
SYMPHONY SHARE REGISTRARS SDN. BHD.
Block D-13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petalilng Jaya
Selangor Darul Ehsan
TEL : 03-7841 8000
FAX : 03-7841 8008

STOCK EXCHANGE LISTING

Main Market of BURSA SECURITIES

CORPORATE STRUCTURE

Mesiniaga



LEGEND:

100%
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%
NAVIGIS SDN. BHD.
Provision of infrastructure management solutions.

100%
MESINIAGA SSO SDN. BHD.
(formerly known as Mesiniaga SCS Sdn. Bhd.)
Provision of managed services and consulting services.

51%
VA DYNAMICS SDN. BHD.
Sale of networking cables and related products.

35%
SJA INFOTECH SDN. BHD.
Development and maintenance of websites.
(Disposed on 25 February 2010)

100%
MESINIAGA TECHNIQUES SDN. BHD.
Business development of new product technologies and markets.

51%
PT MESINIAGA SDN. BHD.
Investment holding company.

30%
PWR POWERLAN (MALAYSIA) SDN. BHD.
Dormant.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

Datuk Wan Mohamed Fusil
DMSM, 59
Executive Chairman

Datuk Wan Mohamed Fusil was appointed to the Board on 17 December 1981 as part of the team who founded the company. He was elected Chairman of the Board on 14 June 2007. Datuk Wan Fusil was the Chief Executive Officer of Mesiniaga until 31 December 2007. Prior to joining Mesiniaga, Datuk Wan Fusil was with IBM Malaysia. During his tenure with IBM Malaysia, he served in various managerial positions. This included serving as Country Manager - Information Products Division. Datuk Wan Fusil is one of the first serving Board Members of Multimedia Development Corporation (MDeC) and is also one of the founding members of the Association of Computer and Multimedia Industry Malaysia (PIKOM). He has held several positions in PIKOM including serving as Councillor (1987), Deputy Chairman (1989-1991) and Chairman (1991/92). Datuk Wan Fusil graduated with a Diploma in Accountancy from ITM (now known as UiTM) in 1972.

Fathil Ismail
46
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 subsequently with the Corporate Finance Department of Arab Malaysian Merchant Bank before pursuing private enterprise. He was a founding partner and the Managing Director of Genesis Healthcare (now known as ING Employee Benefits) for six years until late 2001. Fathil is an alumnus of Malay College Kuala Kangsar and graduated from the Association of Chartered Certified Accountants (ACCA).

BOARD OF DIRECTORS

Mohd Puzi Ahamad
RA (M), FCCA, 57
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).

Dato' Wan Abdullah Mohamad
DPMT, 69
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.

Voon Seng Chuan
51
Non-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.

Abdul Talib bin Baba
RA (M), FCCA, 64
Independent Non-Executive Director

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

BOARD OF DIRECTORS

Wong Fook Hon
66
Independent Non-Executive Director

Wong Fook Hoon was appointed to the Board on 1 August 2008. Wong started his career in IBM Malaysia as a Systems Engineer in 1970. Throughout his 29-year career in IBM Malaysia, Wong also expanded his work portfolio to include becoming the Director of Management Services and Director of Marketing. His last position in IBM Malaysia before retiring in 1999 was as the Director of Finance. Wong holds a Masters in Engineering in Aeronautics.

Dato' Ab Rashid Mat Adam, DIMP
60
Independent Non-Executive Director

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


Photo taken by Mesiniaga employee,
Nik Hisham Ibrahim.

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 of any offences other than traffic offences within the past 10 years. Other than the Directorship positions held by Abdul Talib Baba in other public companies as stated in his profile, all of the Directors do not hold any directorship positions in any public companies other than Mesiniaga Berhad.

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

SENIOR MANAGEMENT TEAM

Datuk Wan Mohamed Fusil
DMSM
Executive Chairman
Refer to profile on Board of Directors page

Fathil Ismail
Managing Director
Refer to profile on Board of Directors page

Mohd Puzi Ahamad
RA (M), FCCA
Chief Financial Officer
Refer to profile on Board of Directors page

Noorizan Ali
Director of Maintenance and 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 28-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.

from left to right:

Fathil Ismail
Mohd Puzi Ahamad
Datuk Wan Mohamed Fusil

Yeow Daw Swee
Director of Solutions, Services and Technology (SST)

Yeow started his career in Mesiniaga in 1982 as a Product Support Representative. After spending five years in the technical support area, he was promoted to Advisory Systems Engineer in 1988. In 1989, he was promoted to Technical Support Manager and subsequently, to Country Support Manager in 1993. He was appointed General Manager-Services in 1997, responsible for the Technical Support and Services Business unit. He was then appointed Director-Marketing Services on 1 October 2000 where he was responsible for the solution units that eventually evolved into the Enterprise Solutions Division. Yeow is now the Director of Solutions, Services and Technology and Head of Northern Sector Sales. He has a total of 28 years in the IT Industry.

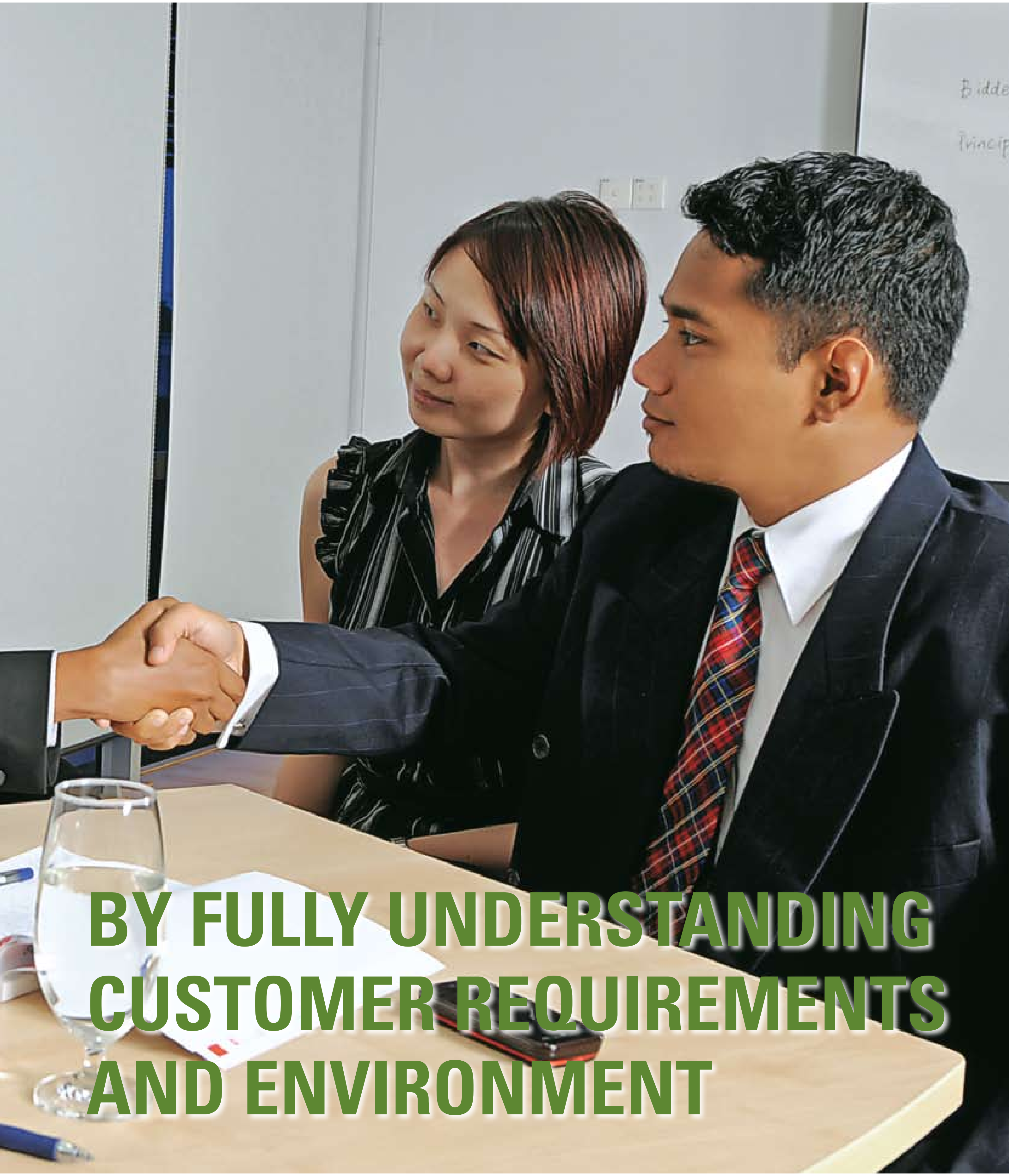
Wong Keng Hoe
Director of Project Management and Solutions Marketing (PMSM)

Wong Keng Hoe began his career in Mesiniaga in 1990 when he was appointed as Information Systems Trainee. In his 20-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. Two years later, Wong took on the post of General Manager of Network Services & Project Management. In 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 to right:

Wong Keng Hoe
Noorizan Ali
Yeow Daw Swee

WE DELIVER SUPERIOR SERVICE



BY FULLY UNDERSTANDING CUSTOMER REQUIREMENTS AND ENVIRONMENT

SIGNIFICANT EVENTS AND AWARDS

COMPANY KICK-OFF MEETINGS

We held our twice-yearly Kick-Off meetings to update employees on company performance and strategies for the year. We also presented our long-serving staff and high performers with awards in appreciation of their service and contributions towards the company.

2009 IBM PLATINUM CLUB AWARD

We received yet another IBM Platinum Club Award in 2009. This is one of the many Platinum Club Awards we have received from IBM and is a reflection of our credible performance and loyalty as IBM's business partner.

NEW EMPLOYEE ORIENTATION

New employee orientations were held in batches throughout the year. During these sessions, new employees had the chance to engage in a dialogue session with our MD, who took the opportunity to present the company's plans and strategies for the near future.

SYMANTEC TOP PUBLIC SECTOR PARTNER AWARD

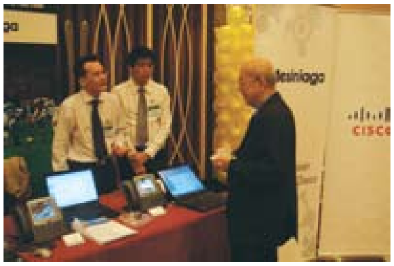
We were awarded the Symantec Top Public Sector Partner Award in recognition of our substantial contributions to their revenue in 2009.

MOST VALUED LENOVO SYSTEM INTEGRATOR AWARD

Lenovo honoured us with the award for Most Valued Lenovo System Integrator for FY 08/09 in recognition of our continued commitment to excellence in delivering solutions and services.

IBM LOTUSPHERE COMES TO YOU

We participated in IBM Lotusphere Comes to You 2009 organised by IBM at One World Hotel in April 2009 where we showcased our Unified Communications Solutions as well as Office Automation and Dynamic Workflow tools.



MESINIAGA SOLUTIONS DAY

We were proud to organise Mesiniaga Solutions Day 2009 in Penang for the first time. Our aim was to increase awareness among customers in the northern region on our ability to deliver value to their organisations. At the same time, they also had the opportunity to experience our full range of products and solutions. The event was held at G-Hotel in April 2009.

'INFORMATION IS YOUR GREATEST ASSET' SEMINAR

Together with National Archives Malaysia, we organised a seminar entitled 'Information is Your Greatest Asset' at Menara Mesiniaga in August 2009. The event was attended by customers from the Public Sector who were interested in the eSPARK II initiative. Our role was to demonstrate how technology can help organisations improve their record management practices.

MESINIAGA DIAMOND CLUB

We celebrated our employees' achievements on a quarterly basis during our Mesiniaga Diamond Club Dinner. Employees are recognised based on their contributions in increasing customer and employee satisfaction as well as enhancing our business and image.

27TH ANNUAL GENERAL MEETING (AGM)

Our 27th AGM was held at Menara Mesiniaga in June 2009 and it was attended by all members of the Board and more than 80 shareholders and proxies.

LAUNCH OF UNIVERSITI SAINS ISLAM MALAYSIA (USIM) E-KLINIKAL SYSTEM

The USIM e-Klinikal System launch was held at their Pandan Indah campus in October 2009. We designed the USIM e-Klinikal System to specifically address their need to implement an integrated medical-dental solution as well as to meet their demand for better efficiency.

OKI TOP ACHIEVER AWARD

In 2009, we proudly received the OKI Top Achiever Award for Government Sector from OKI Printing Solutions for three consecutive years – FY06-08.

SIGNIFICANT EVENTS AND AWARDS

'DYNAMIC INFRASTRUCTURE' WORKSHOP

We organised a 'Building a Smarter Planet with Dynamic Infrastructure!' seminar for some of our customers in Government-linked Companies (GLCs), and shared information on how organisations can have dynamic infrastructure by following a pragmatic step-by-step approach. The seminar was held at Menara Mesiniaga in November 2009.

'CLASSIFICATION MATTERS' SEMINAR

We flew in two experts from Australia so that our customers were able to enjoy a sharing session on best practices for records classification and disposition. This seminar was targeted at customers from across all industries and was held at Menara Mesiniaga in November 2009.

'ENSURING COMPLIANCE, OPERATIONAL RISK MITIGATION AND EFFICIENCY IN AN UNCERTAIN WORLD' SEMINAR

Together with our partner, Fiserv, who is a leader in financial services technology solutions, we showcased integrated transaction matching, account reconciliation, exception management and certification solutions. This seminar was held at Sheraton Imperial Kuala Lumpur in November 2009.

We received a number of awards and recognition from Cisco in 2009. They were:

1. **CISCO ENTERPRISE AND PUBLIC SECTOR PARTNER OF THE YEAR FY08 AWARD**
   We received the Cisco Enterprise and Public Sector Partner of the Year FY08 which was presented to us in 2009.

2. **CISCO TOP SERVICE PARTNER OF THE YEAR AWARD**
   Cisco honoured us with their Cisco Service Partner of the Year Award in recognition of our outstanding achievements in 2008. This award was also presented to us in 2009.

3. **CISCO PUBLIC SECTOR PARTNER OF THE YEAR 2009 AWARD**
   This prestigious award was given to us in recognition for being the highest revenue contributor to Public Sector sales in 2009.

4. **CISCO CHANNEL CUSTOMER SATISFACTION EXCELLENCE RECOGNITION**
   We were recognised with the Cisco Channel Customer Satisfaction Excellence recognition for FY09. This is the highest distinction a partner can achieve within the Cisco Channel Partner Program for customer satisfaction excellence.

PARTNERSHIP STATUS AND ACCREDITATION

In 2009, we were accorded several new partnership status:

1. **IBM COGNOS SOFTWARE VALUENET PARTNER**
   This means that we are now fully equipped and ready to support our customers in their Business Performance and Business Intelligence initiatives.

2. **MICROSOFT VOICE SPECIALISED PARTNER**
   With this added competency, we can offer customers value added services such as streamlined communications solutions.

3. **J-PARTNER IMPLEMENT SPECIALIST**
   This provides us with the tools and resources needed to operate our installation and initial configuration business.

4. **SYMANTEC PLATINUM PARTNER**
   We achieved the Symantec Platinum Partner status in recognition of our impressive performance and outstanding technical certifications.


CORPORATE
RESPONSIBILITY

We view Corporate Responsibility (CR) activities as strategic tasks that will integrate our business and employees with the surrounding community and environment, while creating sustainable value for the company and all our stakeholders.

Ethical and Best Business Practices

In Mesiniaga, we pride ourselves on our values – Passion, Respect, Innovation, Dynamism and Excellence (PRIDE). These values govern all our actions and allow us to remain a trustworthy and reliable partner to our customers, shareholders and the community in which we work and live in. They are complemented by the Mesiniaga Business Conduct Guidelines (BCG); a stated policy in our Employee e-Handbook. These guidelines are to ensure that we perform our job within the confines of company policies. Among areas covered by the BCG are personal conduct; fairness in business; relationship with other organisations; use and dissemination of proprietary and confidential information; fraud; and whistle blowing.

We also have a clear and defined Statement of Corporate Governance that not only ensures compliance to regulatory requirements, but also allows our stakeholders to be confident of our intention in upholding ethical standards. In maintaining our quality standards, we recently attained the ISO 9001:2008 accreditation from SIRIM QAS International Sdn Bhd. This is an upgrade from the previous ISO9001:2000 accreditation and it is proof of our continued efforts in maintaining best business practices.

CORPORATE RESPONSIBILITY

Our very own Search & Rescue team

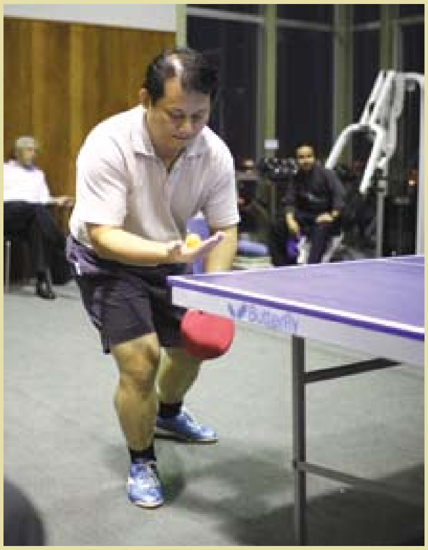
Healthy, Safe and Fun Working Environment

We proactively cultivate and maintain a safe and healthy environment through company policies, commitment from top management and organised activities. Some of the policies include Health and Safety Policy, Fire Safety Policy, Smoking Policy, First Aid Policy and Infectious Diseases Outbreak Policy. The Human Resources Department together with our Emergency Management Team (EMT) monitors the enforcement of these policies.

In 2009, we initiated various health and safety-related activities as a follow through from these policies. One of which was a full scale fire drill exercise where employees were roped in as volunteers for the Fire; Search & Rescue; and First Aid Squads. Volunteers were trained either by the Malaysian Red Crescent Society or the Malaysian Fire and Rescue Department. A briefing session was also held for all employees by representatives from the National Institute of Health and Safety (NIOSH). We used a scoring method to gauge our readiness and achieved a score of more than 60%.

We also took measures to ensure our employees' health. Our Infectious Diseases Policy allows working from home in the event of a serious outbreak in the office. In such cases, employees are provided with the necessary mobile computing facilities and remote connection to the office network. We also invited a medical representative from the Institute of Medical Research (IMR) to hold a talk on the spread of infectious diseases. From time to time, we work together with healthcare providers and hold health checks for employees within the office premises. These tests are either provided free of charge or at discounted prices to employees.


Blood donation drive



Ping pong tournament organised by MSRC

We are committed to promoting work life balance to our employees. As such, our office premises are equipped with facilities such as a swimming pool, gym and recreational room. We also subsidise a portion of our employees' external gym membership. The Mesiniaga Sports and Recreational Club (MSRC) and the Penang Recreational Club (PRC) are also on hand to organise a range of fun and social activities.

Sourcing and Retaining the Best Talents.

Our employees are our most important asset so we value their opinions and ideas. We practise an open door policy and we have in place, an employee ideas program in order to encourage innovation and idea sharing. To date, our Ideas to Innovate program has generated more than 100 ideas in multiple areas such as process and facilities improvement, employee benefits, brand enhancement, marketing, cost savings and corporate responsibility. Out of these, a total of 38% were accepted by the company. Employees are also provided with the opportunity to explore new areas through internal transfers or enhance their current careers through the Top Talent Programme. This programme identifies top performers and nurtures their strengths and capabilities. While the main objective is to enhance employee development, the company also has the added assurance of a succession of dynamic future leaders.

We actively encourage our employees to enhance their skills set by attending soft skills and technical training sessions. We also send them for professional certification courses; to date our employees have collectively attained more than 100 professional certifications. In 2009, we invested up to 1.5% of our total staff cost for training and skills development purposes. Employees also enjoy partial tuition fees reimbursement when they enrol for courses in tertiary institutions.

CORPORATE RESPONSIBILITY

Significant investments in developing talents will be meaningless unless coupled with a thriving working environment. We believe that workplace diversity can contribute positively to creating such an environment. As of December 2009, we have more than 800 employees, out of which 68% are Malays, 25% are Chinese, 5% are Indians and 2% are from other ethnic groups. 31% of our employees are female. In order to retain this diversity, we maintain a strict policy against religious, racial or gender discrimination. Apart from workplace diversity, we also provide both defined contribution and benefits plans. Defined contribution plan is the statutory EPF contribution for all employees and defined benefit plans are retirement plans that apply to 32% of permanent employees. In 2009, this retirement plan amounted to nearly RM400,000. Other fringe benefits include health, accident and life insurance; medical, dental and maternity expenses; as well as car and housing loan interest subsidies. On top of this, deserving employees are regularly given due recognition through various ways such as the Mesiniaga Diamond Club and Director Merit Awards.

Diamond Club recipient

Providing Superior Customer Satisfaction

We believe that customer satisfaction is the key to achieving a sustainable competitive advantage. We renewed our commitment to customer satisfaction in 2009 by implementing several initiatives. One of which was the Customer Service Initiative newsletter. Its focus is to promote customer satisfaction through articles, quotes, and even comic strips. It also provides updates on other customer satisfaction initiatives undertaken by the company and is used as a platform to highlight our Customer Satisfaction Champions. These champions are employees who receive commendations from customers on their outstanding performance.

Another initiative was the appointment of a Customer Service Improvements Executive whose main responsibility is to coordinate and integrate all improvement initiatives into one cohesive plan. The executive works with various internal groups and customers to ensure prompt resolution of issues as well as facilitates the changes needed to increase our customer satisfaction level. We continuously monitor customer satisfaction level by conducting an annual survey. The survey employs the Net Promoter Score (NPS) method which is a standard measurement tool used by technology companies. We received further validation on our commitment to customer satisfaction when Cisco recognised us with their Channel Customer Satisfaction Excellence Recognition for FY09.

Career talk to visiting students

Graduation of Mesiniaga Academy students

Educating Our Youths

The main objective of our community CR programmes is to support government efforts in creating a knowledge society. Following this, we participate in the Work-based Learning (WBL) programme initiated by the Ministry of Higher Education (MoHE). Branded as the Mesiniaga Academy, we provide diploma students from community colleges, namely Kolej Komuniti Sabak Bernam and Kolej Komuniti Darul Aman, with an education that is geared towards relevant practical work experiences as opposed to theory-based learning. This approach was adopted primarily to address issues contributing to graduate unemployment in Malaysia. This programme is now in its third year.

Another educational initiative is our collaboration with P.S. The Children, an NGO that educates adults and children on the prevention of child sexual abuse. Our children's well-being is instrumental to our country's future development. Therefore, it is important that we provide them with a safe and nurturing environment. In support of this objective, we took the initiative to spearhead the development of an interactive learning CD. This CD is targeted at primary school children and will teach them personal safety skills.

Bring Your Kids to Work Day

We also organise an annual event called Bring Your Kids to Work Day. One of its aims is to provide employees' children with early exposure to the work environment so that it can positively impact their future career development. During the event, the children enjoy several exciting educational activities while being given the opportunity to see first-hand their parent's workplace.

Caring for the Environment

Even though our company's impact on the environment is relatively low, this does not stop us from being responsible towards the environment. Our office buildings - Menara Mesiniaga and Mutiara Mesiniaga are renowned for their green features. Both buildings are bioclimatic in design in order to minimise their impact on the environment. Another green concept that we have embraced is through the virtualisation of our servers. This has minimised our need for server space, cooling facilities and power consumption. Our expertise in this area will also benefit customers who wish to reduce their carbon footprint while maintaining optimum levels in business operations.

On 28 March 2009, we supported the global Earth Hour movement by switching off our lights and air-conditioning for one hour. We also continue the practice of recycling items such as non-confidential documents, newspapers, peripherals, cardboards and unused or old computer equipments.

Our full CR report is available for download at www.mesiniaga.com.my

STATEMENT OF CORPORATE GOVERNANCE

CODE

Pursuant to the introduction of the Malaysian Code on Corporate Governance and its incorporation into the Bursa Malaysia 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 Board of Directors confirms that the Group has complied with the Best Practices as recommended in Part 2 of the Best Practices in Corporate Governance without exception. 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 for approving performance targets, monitoring the Management's achievements, providing overall policy guidance and ensuring that policies and procedures for internal control systems are in place.

Throughout 2009, the Board of Directors met four times. Details of the meetings are as follows:

Date	9 Apr 09	17 Jun 09	17 Sep 09	10 Dec 09
DATUK WAN MOHAMED FUSIL WAN MAHMOOD	•	•	•	•
MOHD PUZI AHAMAD	•	•	•	•
DATO' WAN ABDULLAH MOHAMAD	•	•	–	–
VOON SENG CHUAN	•	•	•	•
FATHIL SULAIMAN ISMAIL	•	•	•	•
ABD TALIB BABA	•	•	•	•
WONG FOOK HON	•	•	•	•
DATO' AB RASHID MAT ADAM	•	•	•	•

Key: • Attended – Absent with apologies

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

Board Balance

As at 31 December 2009, the Board consists of three 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	3/8	37.5
Non-Independent Non-Executive Directors	2/8	25.0
Independent Non-Executive Directors	3/8	37.5

The composition complied with the listing requirements of Bursa Securities, which requires that at least one third of the Board should comprise 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 22 to 27.

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

No new directors joined the Board throughout Year 2009.

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.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

Directors' Training

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

DIRECTORS' REMUNERATION

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

Details of the remuneration for the Directors are as follows:

	Basic Salary RM	Fees RM	Bonus RM	Benefits-in-kind RM	Pension RM	Others RM	Total RM
Executive Directors	1,301,160	0	0	249,245	49,000	156,696	1,756,101
Non-Executive Directors	0	186,209	0	0	0	13,100	199,309

Directors' Remuneration in Bands

	No. of Executive Directors	No. of Non-Executive Directors
Below RM50,000	0	4
RM50,000 to 100,000	0	1
RM400,000 to 449,999	1	0
RM600,000 to 649,999	2	0

BOARD COMMITTEES

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

The various Board Committees and their composition are as listed on page 18.

SHAREHOLDERS

Dialogue between the Company and Investors

The Managing Director 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.

The Annual General Meeting

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

The Statement of Directors Responsibility pursuant to Section 169 of the Companies Act, 1965 is set out on page 46 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 continually review the adequacy and integrity of its system of internal control.

RELATIONSHIP WITH AUDITORS

The role of the Audit Committee is as stated on pages 48 to 50. Through the Audit Committee of the Board, the Company has established transparent and appropriate relationships with the Company's Auditors, both internal and external. When required, the External Auditors attend the meetings of the Committee.

STATEMENT OF DIRECTOR'S 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 2009, 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

AUDIT COMMITTEE

CHAIRPERSON

ABD TALIB BABA
Independent Non-Executive Director

MEMBERS

WONG FOOK HON
Independent Non-Executive Director

DATO' AB RASHID MAT ADAM
Independent Non-Executive Director

SECRETARY

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. All members of the audit committee should be non-executive directors.

All members of the audit committee should be financially literate and at least one member should be a member of an accounting association or body. The Chairman of the Committee shall be an Independent Director.

Frequency of Meetings

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

Secretary

The Secretary of the Audit Committee shall be the Head of Internal Audit of the Company. Minutes of meetings shall be recorded.

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

The functions and duties of the Audit Committee are:

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

Meetings Held

Date	Abd Talib Baba	Wong Fook Hon	Dato Ab Rashid Mat Adam
26 Feb 2009	•	•	•
09 Apr 2009	•	•	•
28 May 2009	•	•	•
20 Aug 2009	•	•	•
24 Nov 2009	•	–	•

Key: • Attended – Absent with apologies

AUDIT COMMITTEE (cont'd)

Summary of Activities

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

Summary of Internal Audit Functions

1. Prepare annual audit plan.
2. Perform field audit and assessment to comply with policies and procedures, and operating effectiveness and controls.
3. Present internal audit reports.
4. Maintain effective audit programmes.
5. Prepare Audit Committee meeting reports for review.
6. Perform secretarial functions to the Audit Committee.
7. Provide full cooperation to the external auditors in carrying out their audit.
8. Perform 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 BUYBACK

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options issued and exercised throughout the year 2009 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 RM37,043 was paid for tax services provided by PwC Taxation Services Sdn. Bhd.

VARIATION IN RESULTS

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

PROFIT GUARANTEE

The company has never provided any profit guarantee.

MATERIAL CONTRACTS

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

CONTRACTS RELATING TO LOAN

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

CONFLICT OF INTEREST

Unless otherwise disclosed, the directors were not aware of any conflict of interest among the directors with the company, existing at the end of the financial year 2009.

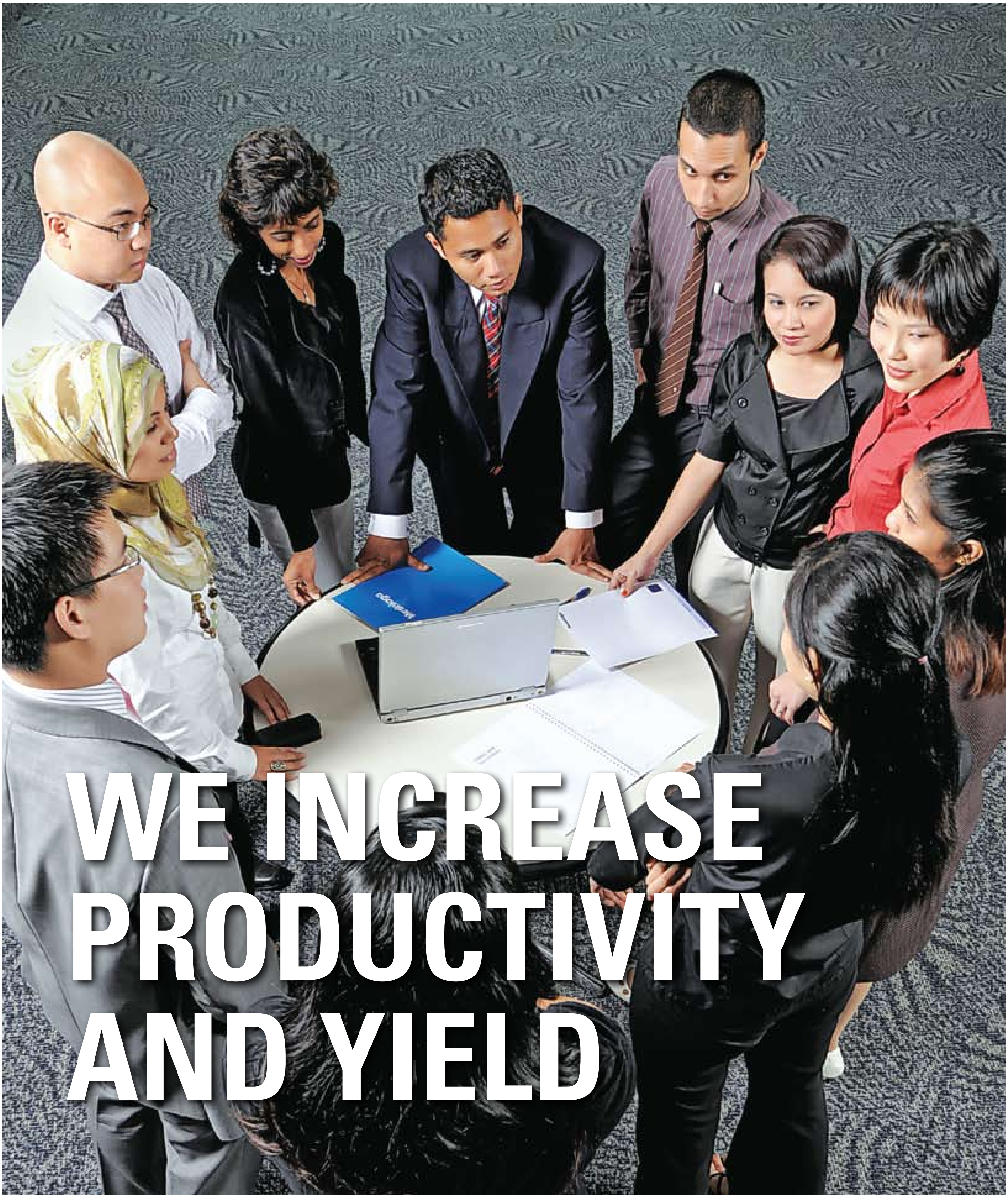
REVALUATION OF LANDED PROPERTIES

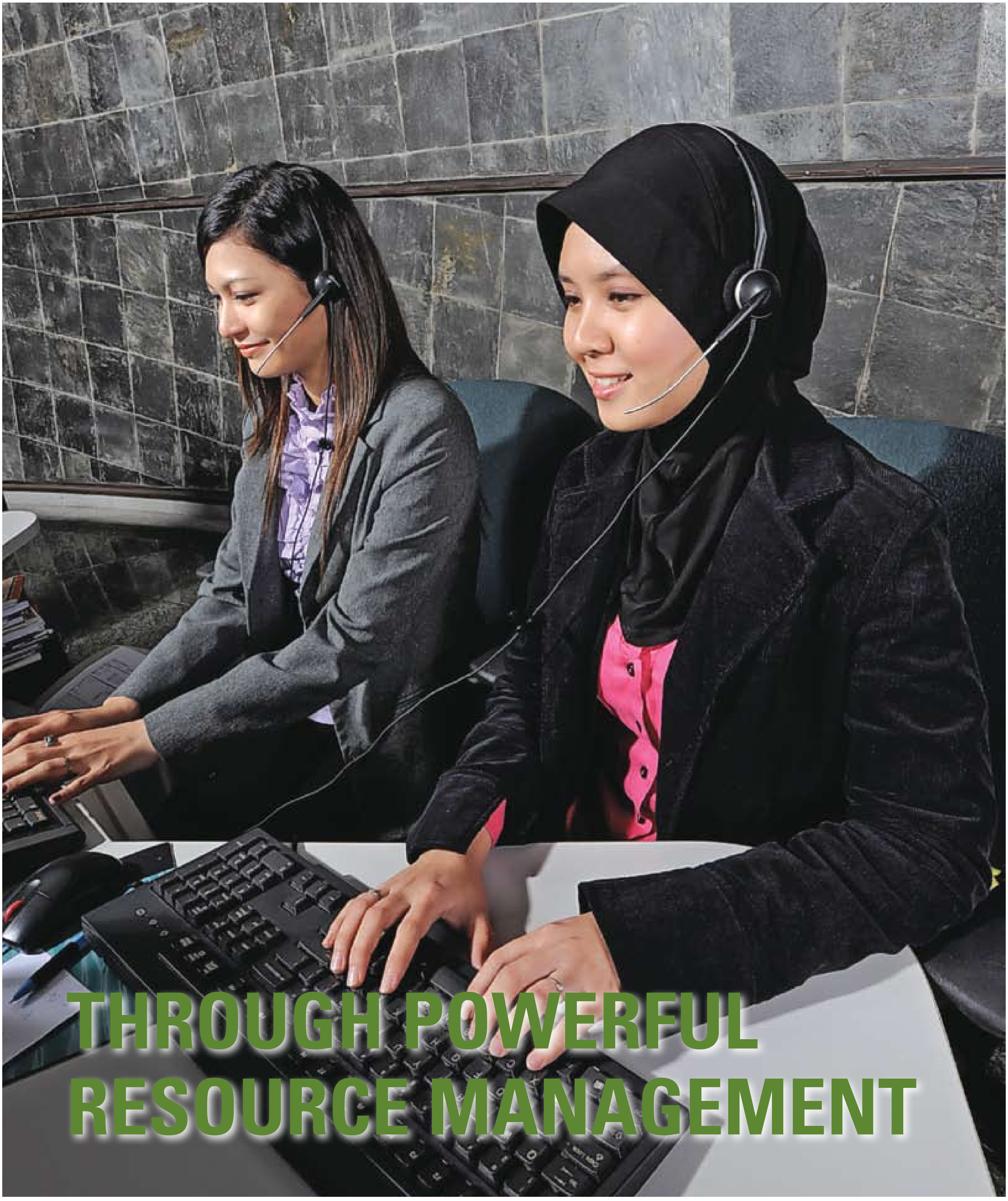
Certain land and buildings were re-valued based on the Open Market Value in existing use using the Comparison Method and Depreciated Replacement Cost Method by independent professional valuers.

The revaluation surplus arising from the valuation is taken up in the revaluation reserve. The most recent revaluation performed on various Company land and buildings was in December 2008.

EMPLOYEE SHARE OPTION SCHEME

The company did not implement any employee share options scheme in the Financial Year 2009.


WE INCREASE
PRODUCTIVITY
AND YIELD



THROUGH POWERFUL RESOURCE MANAGEMENT

FINANCIAL STATEMENTS


MALAYSIA DERIVATIVES EXCHANGE
FBM KLCI FUTURES
Source: Bloomberg
BM KLCI SENSITIVITY

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 2009.

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 14 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Equity holders of the Company	6,921	4,314
Minority interest	1,636	0
Profit for the year	8,557	4,314

DIVIDENDS

The dividends on ordinary shares paid by the Company since 31 December 2008 are as follows:

	RM'000
In respect of the financial year ended 31 December 2008 as shown in the Directors' Report of that year:	
- final gross dividend of 19 sen per share, less income tax of 25%, paid on 9 July 2009	8,607

The Directors now recommend the payment of a final gross dividend of 19 sen per share, less income tax of 25%, amounting to RM8,607,285 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:

Datuk Wan Mohamed Fusil bin Wan Mahmood
Mohd Puzi bin Ahamad
Dato' Wan Abdullah bin Mohamad
Voon Seng Chuan
Fathil Sulaiman Ismail
Abdul Talib Baba
Wong Fook Hon
Dato' Ab Rashid bin Mat Adam

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 7 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 1.1.2009 '000	Bought '000	Sold '000	At 31.12.2009 '000
Datuk Wan Mohamed Fusil bin Wan Mahmood [(1)]	3,976	0	100	3,876
Mohd Puzi bin Ahamad [(2)]	4,049	0	0	4,049
Dato' Wan Abdullah bin Mohamad	28	0	0	28
Fathil Sulaiman Ismail	5,057	0	0	5,057
Wong Fook Hon	10	1	0	11

(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 and Citicorp Nominees (Tempatan) Sdn. Bhd.

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS IN SHARES (cont'd)

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the 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 15 April 2010.

FATHIL SULAIMAN ISMAIL
DIRECTOR

MOHD PUZI BIN AHAMAD
DIRECTOR

STATEMENT BY DIRECTORS

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

We, Fathil Sulaiman Ismail 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 63 to 104 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 2009 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 Malaysian Accounting Standards Board ('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 15 April 2010.

FATHIL SULAIMAN ISMAIL
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 63 to 104 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, Selangor in Malaysia on 15 April 2010 before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MESINIAGA BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Mesiniaga Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 63 to 104.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT (cont'd)
TO THE MEMBERS OF MESINIAGA BERHAD

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

THAYAPARAN A/L S. SANGARAPILLAI
(No. 2085/09/10 (J))
Chartered Accountant

Kuala Lumpur
15 April 2010

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Revenue	6	263,896	263,154	225,223	236,661
Changes in inventories of finished goods		(1,729)	(1,130)	(2,396)	(1,920)
Finished goods and services purchased		(173,314)	(178,085)	(168,362)	(178,783)
Staff cost	7	(61,770)	(52,165)	(46,413)	(42,010)
Depreciation of property, plant and equipment		(4,356)	(4,423)	(3,211)	(3,845)
Travelling expenses		(4,434)	(4,625)	(1,408)	(3,910)
Office administrative expenses		(5,144)	(4,842)	(4,580)	(4,438)
Other operating income		1,085	1,025	9,672	3,264
Other operating expenses		(1,842)	(4,858)	(1,420)	(3,526)
Profit from operations	8	12,392	14,051	7,105	1,493
Finance cost	9	(245)	(541)	(245)	(541)
Profit before taxation		12,147	13,510	6,860	952
Tax expense	10	(3,590)	(4,540)	(2,546)	(906)
Profit for the year		8,557	8,970	4,314	46
Attributable to:					
Equity holders of the Company		6,921	7,454	4,314	46
Minority interest		1,636	1,516	0	0
Profit for the year		8,557	8,970	4,314	46
Basic earnings per share (sen)	11	11.46	12.34		
Gross dividends per share (sen)	12	19	19		

The notes on pages 70 to 104 form part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	59,565	60,906	56,165	58,131
Investment in subsidiaries	14	0	0	1,331	1,326
Investment in associates	15	0	0	0	0
Finance lease receivable	19	1,832	0	1,832	0
Deferred tax assets	16	120	69	0	0
		61,517	60,975	59,328	59,457
Current Assets					
Inventories	17	12,348	14,415	6,185	8,920
Receivables, deposits and prepayments	18	123,869	110,282	125,773	112,431
Tax recoverable		4,753	4,713	4,458	3,581
Deposits with a licensed financial institution	20	11,257	33,007	4,491	27,191
Cash and cash equivalents	20	20,423	3,845	16,291	1,922
		172,650	166,262	157,198	154,045
TOTAL ASSETS		234,167	227,237	216,526	213,502
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	25	60,402	60,402	60,402	60,402
Share premium		4,126	4,126	4,126	4,126
Revaluation reserve		15,302	15,302	15,302	15,302
Retained earnings		98,288	99,974	75,988	80,281
		178,118	179,804	155,818	160,111
Minority interest		7,444	6,396	0	0
TOTAL EQUITY		185,562	186,200	155,818	160,111

The notes on pages 70 to 104 form part of these financial statements.

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-current liabilities					
Post-employment benefits obligations	22	2,648	2,617	2,648	2,617
Finance lease liabilities	23	248	0	248	0
Other long term liabilities	24	749	3,915	749	3,915
Deferred tax liabilities	16	884	425	141	48
		4,529	6,957	3,786	6,580
Current liabilities					
Payables	21	43,415	31,687	56,922	46,811
Taxation		661	2,393	0	0
		44,076	34,080	56,922	46,811
TOTAL LIABILITIES		48,605	41,037	60,708	53,391
TOTAL EQUITY AND LIABILITIES		234,167	227,237	216,526	213,502

The notes on pages 70 to 104 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

		Attributable to equity holders of the Company							
		Issued and fully paid ordinary shares of RM1.00 each							
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Minority Interest RM'000	Total RM'000
At 1 January 2008		60,402	60,402	4,126	13,192	101,013	178,733	5,387	184,120
Revaluation surplus		0	0	0	2,110	0	2,110	0	2,110
Final dividends:									
- 31 December 2007	12	0	0	0	0	(8,493)	(8,493)	0	(8,493)
Profit for the year		0	0	0	0	7,454	7,454	1,516	8,970
Dividends paid to minority interest		0	0	0	0	0	0	(507)	(507)
At 31 December 2008		60,402	60,402	4,126	15,302	99,974	179,804	6,396	186,200
At 1 January 2009		60,402	60,402	4,126	15,302	99,974	179,804	6,396	186,200
Final dividends:									
- 31 December 2008	12	0	0	0	0	(8,607)	(8,607)	0	(8,607)
Profit for the year		0	0	0	0	6,921	6,921	1,636	8,557
Dividends paid to minority interest		0	0	0	0	0	0	(588)	(588)
At 31 December 2009		60,402	60,402	4,126	15,302	98,288	178,118	7,444	185,562

The notes on pages 70 to 104 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

		Issued and fully paid ordinary shares of RM1.00 each		Non-distributable		Distributable	
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2008		60,402	60,402	4,126	13,192	88,728	166,448
Revaluation surplus		0	0	0	2,110	0	2,110
Final dividends:							
- 31 December 2007	12	0	0	0	0	(8,493)	(8,493)
Profit for the year		0	0	0	0	46	46
At 31 December 2008		60,402	60,402	4,126	15,302	80,281	160,111
At 1 January 2009		60,402	60,402	4,126	15,302	80,281	160,111
Revaluation surplus							
Final dividends:							
- 31 December 2008	12	0	0	0	0	(8,607)	(8,607)
Profit for the year		0	0	0	0	4,314	4,314
At 31 December 2009		60,402	60,402	4,126	15,302	75,988	155,818

The notes on pages 70 to 104 form part of these financial statements.

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
OPERATING ACTIVITIES				
Profit for the year	8,557	8,970	4,314	46
Adjustments to reconcile profit for the year to cash from operations:				
Taxation	3,590	4,540	2,546	906
Allowances for doubtful debts	104	1,479	29	1,193
Depreciation of property, plant and equipment	4,356	4,423	3,211	3,845
Write-off of property, plant and equipment	18	514	19	513
Gross dividend income from subsidiaries	0	0	(6,816)	(714)
Interest expense	245	541	245	541
Interest income	(561)	(702)	(398)	(477)
Retirement benefits	381	549	381	549
Unrealised foreign exchange loss/(gain)	405	(160)	424	(157)
	17,095	20,154	3,955	6,245
Changes in working capital:				
Inventories	2,067	1,130	2,735	1,920
Receivables	(15,523)	54,284	(15,203)	62,125
Payables	9,372	(23,904)	7,740	(26,836)
Cash from/(used in) operations	13,011	51,664	(773)	43,454
Interest paid	(245)	(541)	(245)	(541)
Retirement benefits paid	(350)	(500)	(350)	(500)
Tax paid	(4,951)	(4,082)	(1,627)	(243)
Net cash generated from/(used in) operating activities	7,465	46,541	(2,995)	42,170

The notes on pages 70 to 104 form part of these financial statements.

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(3,033)	(4,493)	(1,264)	(2,506)
Purchase of shares in a subsidiary		0	0	(5)	0
Interest received		561	702	398	477
Net dividends received from subsidiaries		0	0	5,112	528
Net cash (used in)/ generated from investing activities		(2,472)	(3,791)	4,241	(1,501)
FINANCING ACTIVITIES					
Dividends paid to shareholders of the Company		(8,607)	(8,493)	(8,607)	(8,493)
Dividends paid to minority interests		(588)	(507)	0	0
Repayment of vendor financing		(5,333)	(5,333)	(5,333)	(5,333)
Proceeds from finance lease liabilities		8,281	0	8,281	0
Repayment of finance lease liabilities		(3,918)	0	(3,918)	0
Net cash used in financing activities		(10,165)	(14,333)	(9,577)	(13,826)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		(5,172)	28,417	(8,331)	26,843
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		36,852	8,435	29,113	2,270
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	20	31,680	36,852	20,782	29,113

The notes on pages 70 to 104 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

The financial statements of the Group and Company are prepared under the historical cost convention except as disclosed in the summary of significant accounting policies in Note 3. The financial statements comply with the Malaysian Accounting Standards Board (MASB) Approved Accounting Standards for entities other than private entities and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards for entities other than private entities requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities, and the 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 the Directors to exercise their judgement in the process of applying the Group's and Company's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The new standards, amendments to published standards and interpretations to existing standards applicable to the Group that are not yet effective and are not early adopted by the Group, are as follows:

(a) Standards effective from January 1, 2010:

- FRS 8 "Operating Segments" (effective for annual periods beginning on or after 1 July 2009). FRS 8 replaces FRS 114_{2004} Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The expected number of reportable segments and the manner in which the segments are reported will be consistent with internal management reporting.

- Amendment to FRS 1 First Time Adoption of Financial Reporting Standards. The amendment allows first time adopter to measure the initial cost of investments in subsidiaries, jointly controlled entities (JCE) and associates either at fair value or the previous carrying amount.

2 BASIS OF PREPARATION (cont'd)

(a) Standards effective from January 1, 2010 (cont'd):

- Amendment to FRS 127 Consolidated and Separate Financial Statements. The amendment mainly deleted the definition of cost method and added new paragraphs pertaining to group reorganisation. This has led to consequential amendments to other FRSs.

- FRS 101 Presentation of Financial Statements. It prohibits the presentation of items of income and expenses (non-owner changes in equity) in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity in a statement of comprehensive income.

- Amendments to FRS 132 Financial Instruments: Presentation. The amendments will enable non-corporate shareholders' interests in open ended funds, closed ended funds, co-operatives and partnerships to be presented as equity rather than liabilities.

- Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)" The improvements contain amendments to twenty two FRSs which involve changes to presentation, recognition, or measurement and some are changes to terminology with little effect on accounting.

- Amendment to IC Interpretation 9: Reassessment of Embedded Derivatives. The amendment prohibits subsequent reassessment of embedded derivatives unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

- IC Interpretation 10: Interim Financial Reporting and Impairment. IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

- IC Interpretation 14: FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This Interpretation provides guidance on assessing the limit in FRS 119 on the amount of the surplus that can be recognised as an asset.

- Standards on financial instruments. The Group has applied transitional provision which exempts entities from disclosing possible impact arising from initial application of the following standards:

  - FRS 7 Financial Instruments: Disclosures
  - Amendment to FRS 7 Financial Instruments: Disclosures
  - FRS 139 Financial Instruments: Recognition and Measurement
  - Amendment to FRS 139 Financial Instruments: Recognition and Measurement

The Group will apply the above mentioned standards, amendments and interpretations from financial period beginning January 1, 2010. The adoptions of these standards are not expected to have a material impact on the financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

2 BASIS OF PREPARATION (cont'd)

(b) Standards effective from July 1, 2010:

- FRS 1 First-time Adoption of Financial Reporting Standards. This is a revision to existing FRS 1 merely to improve the structure of the standard.
- FRS 127 Consolidated and Separate Financial Statements. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.
- Amendment to IC 9: Reassessment of Embedded Derivatives. The amendments clarify that the Interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

The Group will apply the above standards, amendments and interpretations from financial period beginning January 1, 2011. The adoptions of these standards are not expected to have a material impact on the financial position of the Group.

The remaining standards and interpretations that are issued but not yet effective are not relevant to the Group's operations.

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 in which the Group has the power to control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of voting rights. 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 $FRS122_{2004}$ 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.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

Under the purchase method of accounting, subsidiaries are fully 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 is 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 directly or indirectly through subsidiaries. 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.

(b) Associated companies

Associates are entities in which the Group exercises significant influence but which it does not control, generally accompanying a shareholding of between 20% and 50% of voting rights, 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Associated companies (cont'd)

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 conterminous 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 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.

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

Land and buildings are subsequently shown at revaluation, less subsequent depreciation for buildings and impairment losses. Revaluation is based on valuations by external independent valuers when the fair value of the asset differs materially from its carrying amount. Generally revaluation is performed once in five years. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment and depreciation (cont'd)

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, furniture and fittings	7% - 33%
Motor vehicle	25%

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.

At each balance sheet date, the group assess if there is impairment. If such indication exists, an analysis is performed to assess if the carrying amount of the asset is recoverable. A writedown is made if the carrying amount exceeds the recoverable amount. See accounting policy on 3(e) on impairment of non-financial assets.

(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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Impairment of non-financial assets (cont'd)

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

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

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

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Financial instruments (cont'd)

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.

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

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.

(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 established when there is an objective evidence that the Group will not be able to collect all amounts due.

(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 held at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

(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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Distribution to holders of a financial instrument, classified as an equity instrument is charged directly to equity. Dividends to shareholders are recognised as a liability in the period in which they are declared.

(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.

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

(i) Group as a lessee

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

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Finance leases (cont'd)

(i) Group as a lessee (cont'd)

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.

(ii) Group as a lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of interest on the balance outstanding. When assets are leased out under an operating lease, the asset is included in the property, plant and equipment based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

(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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Employee benefits (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 119_{2004}.

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 119_{2004} 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 determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon taxable profits and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is recognised in full, 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.

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 eliminating 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 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Income Taxes

The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Deferred tax assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgment regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised. For further details, please refer to Note 16 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (cont'd)

(c) Employee Benefits

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for the defined benefit plan include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the Group considers the interest rates of government deposits, bonds and securities denominated in Ringgit Malaysia, and that have terms to maturity approximating the terms of the related defined benefit liability.

Other key assumptions for defined benefit obligations are based in part on current market conditions. Additional information is disclosed in Note 22.

5 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 policies and procedures. The management regularly reviews these risks.

(a) Foreign currency exchange risk

The Group is exposed to various currencies, mainly United States 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.

(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 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.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(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.

6 REVENUE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Sale of:				
- hardware	91,599	109,047	76,782	94,113
- software	41,775	37,194	41,776	37,084
- services	130,522	116,913	106,665	105,464
	263,896	263,154	225,223	236,661

7 STAFF COST

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Wages, salaries, bonus and other employment benefits	55,549	46,683	43,874	39,291
Defined contribution retirement plan	5,840	4,933	2,158	2,170
Defined benefit retirement plan	381	549	381	549
	61,770	52,165	46,413	42,010

Details of the defined contribution and defined benefit plans of the Group and Company are set out in Note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

7 STAFF COST (cont'd)

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-executive Directors				
- fees	186	124	186	124
- others	13	5	13	5
Executive Directors				
- salaries and bonus	1,301	1,301	1,301	1,301
- defined contribution plan	157	156	157	156
- defined benefit retirement plan	49	(57)	49	(57)
	1,706	1,529	1,706	1,529

Estimated money value of benefits-in-kind of Directors for the Group and Company is RM249,245 (2008: RM240,000 respectively).

8 PROFIT FROM OPERATIONS

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Auditors' remuneration				
- Audit	135	135	86	86
Depreciation of property, plant and equipment	4,356	4,423	3,211	3,845
Gross dividend income from subsidiaries	0	0	(6,816)	(714)
Interest income	(561)	(702)	(398)	(477)
Net realised foreign exchange gain	(3,629)	(2,766)	(3,203)	(2,768)
Unrealised foreign exchange loss/(gain)	405	(160)	424	(157)
Property, plant and equipment written off	18	514	19	513
Rental income from rental of premises	(81)	(81)	(321)	(321)
Rental of premises	101	128	42	91
Allowance for doubtful debts:				
- trade receivables	104	1,479	29	1,193

9 FINANCE COST

	Group and Company 2009 RM'000	Group and Company 2008 RM'000
Interest expense on:		
- bank overdraft	22	35
- short term borrowings	6	51
- lease financing	217	455
	245	541

10 TAXATION

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Current tax:				
Current year - Malaysian income tax	3,182	4,853	2,453	1,477
Deferred tax:				
Current year (Note 16)	408	(313)	93	(571)
	3,590	4,540	2,546	906

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

	Group 2009 %	Group 2008 %	Company 2009 %	Company 2008 %
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate				
Malaysian tax rate	25	26	25	26
Tax effects of:				
- expenses not deductible for tax purposes	5	7	11	54
- deferred tax not recognised on temporary differences	0	0	1	0
- change in tax rate	0	1	0	15
Average effective tax rate	30	34	37	95

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

10 TAXATION (cont'd)

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	
	2009 RM'000	2008 RM'000
Unutilised tax losses	2,555	2,532
Unabsorbed capital allowances	82	77
	2,637	2,609

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes.

Dividends paid under this system are tax exempt in the hands of shareholders. However, companies who have not utilised fully their Section 108 credits balances up to 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever is earlier unless they opt to disregard the Section 108 credits under the special transitional provisions of the Finance Act 2008 and pay single-tier dividends.

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

As at 31 December 2009, subject to the agreement by the tax authorities, the Company has sufficient Section 108 tax credits and tax exempt income to pay in full all the retained earnings of the Company as franked and exempt dividends.

In addition, the Company has tax exempt income as at 31 December 2009 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 (2008: 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.

11 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	
	2009	2008
Net profit attributable to ordinary equity holder of the Company (RM'000)	6,921	7,454
Weighted average number of ordinary shares in issue ('000)	60,402	60,402
Basic earnings per share (sen)	11.46	12.34

12 DIVIDENDS

Dividends paid during the financial year are as follows:

	Group and Company	
	2009	2008
	RM'000	RM'000
Final dividends in respect of financial year 2008/2007:		
19 sen per share, less income tax at 25% (2008: 19 sen per share, less income tax at 26%)	8,607	8,493

The Directors have recommended the payment of a final gross dividend of 19 sen per share, less income tax 25%, amounting to RM8,607,285 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 2009, which will only be accrued as a liability in the financial year ending 31 December 2009, after approval by the shareholders.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land, at valuation RM'000	Building, at valuation RM'000	Machines at cost RM'000	Office equipment, furniture and fittings at cost RM'000	Motor vehicle at cost RM'000	Total RM'000
Group						
2009						
Cost/Valuation						
At 1 January 2009	26,262	35,771	5,629	29,899	0	97,561
Additions	0	38	0	2,844	151	3,033
Assets written off	0	0	0	(1,481)	0	(1,481)
At 31 December 2009	26,262	35,809	5,629	31,262	151	99,113
Accumulated depreciation						
At 1 January 2009	0	9,171	5,602	21,882	0	36,655
Charge for the financial year	0	716	27	3,600	13	4,356
Assets written off	0	0	0	(1,463)	0	(1,463)
At 31 December 2009	0	9,887	5,629	24,019	13	39,548
Net book value						
At 31 December 2009	26,262	25,922	0	7,243	138	59,565

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land, at valuation RM'000	Building, at valuation RM'000	Machines at cost RM'000	Office equipment, furniture and fittings at cost RM'000	Total RM'000
Group					
2008					
Cost/Valuation					
At 1 January 2008	24,152	35,953	5,638	25,845	91,588
Revaluation surplus	2,110	0	0	0	2,110
Additions	0	438	0	4,055	4,493
Assets written off	0	(620)	(9)	(1)	(630)
At 31 December 2008	26,262	35,771	5,629	29,899	97,561
Accumulated depreciation					
At 1 January 2008	0	8,555	5,520	18,273	32,348
Charge for the financial year	0	724	82	3,617	4,423
Assets written off	0	(108)	0	(8)	(116)
At 31 December 2008	0	9,171	5,602	21,882	36,655
Net book value					
At 31 December 2008	26,262	26,600	27	8,017	60,906

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land, at valuation RM'000	Building, at valuation RM'000	Machines at cost RM'000	Office equipment, furniture and fittings at cost RM'000	Motor vehicle at cost RM'000	Total RM'000
Company						
2009						
Cost/Valuation						
At 1 January 2009	26,262	35,771	5,638	26,093	0	93,764
Additions	0	38	0	1,075	151	1,264
Assets written off	0	0	0	(1,327)	0	(1,327)
At 31 December 2009	26,262	35,809	5,638	25,841	151	93,701
Accumulated depreciation						
At 1 January 2009	0	9,171	5,602	20,860	0	35,633
Charge for the financial year	0	716	27	2,455	13	3,211
Assets written off	0	0	0	(1,308)	0	(1,308)
At 31 December 2009	0	9,887	5,629	22,007	13	37,536
Net book value						
At 31 December 2009	26,262	25,922	9	3,834	138	56,165

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land, at valuation RM'000	Building, at valuation RM'000	Machines at cost RM'000	Office equipment, furniture and fittings at cost RM'000	Total RM'000
Company					
2008					
Cost/Valuation					
At 1 January 2008	24,152	35,953	5,638	24,031	89,774
Revaluation surplus	2,110	0	0	0	2,110
Additions	0	438	0	2,068	2,506
Assets written off	0	(620)	0	(6)	(626)
At 31 December 2008	26,262	35,771	5,638	26,093	93,764
Accumulated depreciation					
At 1 January 2008	0	8,555	5,520	17,826	31,901
Charge for the financial year	0	724	82	3,039	3,845
Assets written off	0	(108)	0	(5)	(113)
At 31 December 2008	0	9,171	5,602	20,860	35,633
Net book value					
At 31 December 2008	26,262	26,600	36	5,233	58,131

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Freehold land and buildings were revalued based on the Open Market Value in existing use using the Comparison Method and Depreciated Replacement Cost Method by independent professional valuers with an effective date of 2 December 2008.

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	
	2009 RM'000	2008 RM'000
Freehold land	3,805	3,805
Building	17,144	17,666

Included in property, plant and equipment of the Group and Company are equipment acquired under finance lease agreements, with net book value of RM3,661 (2008: RM34,288).

14 INVESTMENT IN SUBSIDIARIES

	Company	
	2009 RM'000	2008 RM'000
Unquoted shares, at cost	1,981	1,976
Accumulated impairment losses	(650)	(650)
	1,331	1,326

14 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, unless otherwise stated, are as follows:

Name of company	Principal activities	Group's effective interest 2009 %	2008 %
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 SSO Sdn. Bhd. (previously known as Mesiniaga SCS Sdn. Bhd.)	Provision of managed services and consulting services	100	100
Mesiniaga Techniques Sdn. Bhd.	Business development of new product technologies and markets	100	100
Navigis Sdn.Bhd.	Provision of infrastructure management solution	100	100
VA Dynamics Sdn. Bhd.	Sales of networking cables and related products	51	51
PT Mesiniaga Sdn. Bhd.	Investment holding company newly incorporated	51	0

All the above subsidiaries are audited by PricewaterhouseCoopers, Malaysia.

15 INVESTMENT IN ASSOCIATES

	Company 2009 RM'000	2008 RM'000
Unquoted shares, at cost	185	185
Accumulated impairment losses	(185)	(185)
	0	0

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

15 INVESTMENT IN ASSOCIATES (cont'd)

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

Name of company	Principal activities	Group's effective interest 2009 %	Group's effective interest 2008 %
PWR Powerlan (Malaysia) Sdn. Bhd.	Dormant	30	30
SJA-Infotech Sdn. Bhd.	Dormant	35	35

16 DEFERRED TAX ASSETS/LIABILITIES

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deferred tax assets	120	69	0	0
Deferred tax liabilities:	(884)	(425)	(141)	(48)
At 1 January	(356)	(669)	(48)	(619)
(Charged)/credited to income statement (Note 10):				
- property, plant and equipment	(105)	98	255	380
- accruals	7	(64)	6	(63)
- post employment benefit obligations	(113)	12	(113)	12
- allowance	(197)	267	(241)	242
	(408)	313	(93)	571
At 31 December	(764)	(356)	(141)	(48)

16 DEFERRED TAX ASSETS/LIABILITIES (cont'd)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Subject to income tax:				
Deferred tax assets (before offsetting)				
- post employment benefit obligations	567	680	567	680
- allowances	409	606	210	451
- accruals	3	0	2	0
	979	1,286	779	1,131
Offsetting	(859)	(1,217)	(779)	(1,131)
Deferred tax assets (after offsetting)	120	69	0	0
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	(1,743)	(1,638)	(920)	(1,175)
- accruals	0	(4)	0	(4)
Offsetting	859	1,217	779	1,131
Deferred tax liabilities (after offsetting)	(884)	(425)	(141)	(48)

17 INVENTORIES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Equipment	6,165	9,304	6,165	8,907
Spare parts	3,074	1,845	1	0
Supplies	317	13	19	13
Cable	2,792	3,253	0	0
	12,348	14,415	6,185	8,920

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

18 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade receivables	56,875	30,189	40,484	16,777
Allowance for doubtful debts	(996)	(2,306)	(637)	(2,020)
	55,879	27,883	39,847	14,757
Accrued unbilled revenue	62,508	79,987	62,508	79,987
Finance lease receivable (Note 19)	2,904	0	2,904	0
Other receivables	1,769	1,919	1,289	1,115
Deposits and prepayments	809	493	751	436
Amounts due from subsidiaries	0	0	18,474	16,136
	123,869	110,282	125,773	112,431

Trade receivables, other receivables and deposits (except prepayments) are denominated in Ringgit Malaysia.

Credit terms of trade receivables range from 30 days to 60 days (2008: 30 days to 60 days).

The trade receivable 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 to be billed in accordance with respective terms and conditions agreed with customers.

19 FINANCE LEASE RECEIVABLE

	Group and Company	
	2009 RM'000	2008 RM'000
Gross receivables	4,736	0
Less: Unearned finance income	(460)	0
Present value of lease receivables	4,276	0

19 FINANCE LEASE RECEIVABLE (cont'd)

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

	Group and Company	
	2009	2008
	RM'000	RM'000
Receivable within 12 months (Note 18)	2,904	0
Receivable after 12 months		
- between 1 and 2 years	1,765	0
- between 2 and 5 years	67	0
	4,736	0
Less: Unearned finance income	(460)	0
	4,276	0
Current (Note 18)	2,904	0
Non-current	1,832	0
	4,736	0

The weighted average effective interest rates for finance lease receivables are 5%. The finance lease receivables are denominated in Ringgit Malaysia.

20 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	20,423	3,845	16,291	1,922
Deposits with licensed financial institutions	11,257	33,007	4,491	27,191
	31,680	36,852	20,782	29,113

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

20 CASH AND CASH EQUIVALENTS (cont'd)

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 1.90% (2008: 2.80%) per annum.

Deposits of the Group and Company as at 31 December 2009 are time deposits, which have an average maturity period of 30 days (2008: 30 days).

Cash and cash equivalents are denominated in Ringgit Malaysia.

21 PAYABLES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade payables	30,271	21,628	25,970	19,821
Payroll liabilities	4,640	3,406	2,208	1,740
Accruals	1,224	1,320	684	1,044
Finance lease liabilities (Note 23)	4,114	0	4,114	0
Vendor financing (Note 24)	3,166	5,333	3,166	5,333
Amounts due to subsidiaries	0	0	20,780	18,873
	43,415	31,687	56,922	46,811

The currency exposure profile of trade payables is as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Ringgit Malaysia	26,324	7,843	22,666	6,036
US Dollar	3,947	13,785	3,304	13,785
	30,271	21,628	25,970	19,821

Credit terms of trade payables range from 7 days to 90 days (2008: 7 days to 90 days).

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

22 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 2009 was carried out on 24 March 2009.

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

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
At 1 January	2,617	2,568
Charged to the income statement	381	549
Contributions and benefits paid	(350)	(500)
At 31 December	2,648	2,617

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

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
At 31 December		
Present value of funded obligations	4,363	5,394
Fair value of plan assets	(2,401)	(2,103)
Liability	1,962	3,291
Unrecognised actuarial gain/(loss)*	686	(674)
Net liability	2,648	3,291

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

22 POST-EMPLOYMENT BENEFITS OBLIGATIONS

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

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Current service cost	177	255	177	255
Interest cost	239	293	239	293
Expected return on plan assets	(100)	(125)	(100)	(125)
Actuarial gain recognised during the financial year	65	126	65	126
Total defined benefit retirement plan	381	549	381	549
Defined contribution retirement plan	5,840	4,933	2,158	2,170
Total included in staff cost (Note 7)	6,221	5,482	2,539	2,719

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

	Group and Company	
	2009	2008
	%	%
At 31 December		
Discount rates	6.0	6.0
Expected return on plan assets	4.4	4.4
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	
	2009	2008
	RM'000	RM'000
Actual return on plan assets	171	479

23 FINANCE LEASE LIABILITIES

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

	Group and Company	
	2009	2008
	RM'000	RM'000
Minimum lease payments:		
Repayable within 12 months	4,325	0
Repayable after 12 months		
- between 1 and 2 years	249	0
- between 2 and 5 years	16	0
	4,590	0
Future finance charges on finance leases	(228)	0
Present value of the finance lease liability	4,362	0
Current (Note 21)	4,114	0
	4,362	0

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

24 OTHER LONG TERM LIABILITIES

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

	Group and Company	
	2009 RM'000	2008 RM'000
Vendor financing:		
Repayable within 12 months	3,166	5,333
Repayable after 12 months		
- between 1 and 2 years	749	3,166
- between 2 and 5 years	0	749
	3,915	9,248
Current (Note 21)	3,166	5,333
Non-current	749	3,915
	3,915	9,248

The vendor financing is interest free and is repayable by way of quarterly instalments of RM1,333,163 (2008: RM1,333,163). The vendor financing is conditioned to a sale associated with the vendor's goods and services to a particular customer.

25 SHARE CAPITAL

	Group and Company	
	2009 RM'000	2008 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

26 FINANCIAL INSTRUMENTS

(a) Fair values

The carrying values of financial assets and financial liabilities of the Group and the Company with maturities of less than one year at balance sheet date approximated their fair values.

(b) The following methods and assumptions are used to estimate the fair values of Other long term liabilities which comprise Vendor financing. The carrying amounts of vendor financing is carried at cost. The fair values at the balance sheet date is computed by discounting the cash flows at a discount rate of 8% (2008: 8%) are as follows:

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
Vendor financing	3,800	8,802

27 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.

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:

	Company	
Related party	**2009**	**2008**
	RM'000	**RM'000**
Fellow subsidiary companies		
- Purchase of goods	2,220	352
- Purchase of services	41,961	42,081
- Sales of services	6,567	13,321

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

27 SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)

(b) Key management compensation

Key management are categorised as Directors, and head or senior management officers of key operating divisions within the Company. The key management compensation (excluding Directors' remuneration) is disclosed as follows.

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Salaries and other short-term employees benefits	904	593	615	280
Defined contribution plan	122	71	89	34
Defined benefit plan	70	45	49	(35)
	1,096	709	753	279

There are no significant balances from or to key management personnel as at the end of the financial year. Please refer note 7 for details of directors' remuneration.

28 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.

29 SUBSEQUENT EVENT

On 25 February 2010, the Group disposed its entire 35% equity interest in SJA Infotech Sdn Bhd for a total cash consideration of RM1. As a result, SJA Infotech Sdn Bhd ceased to be an associated company of the Group. Disposal of the shares did not result in any significant impact to the Group.

30 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 15 April 2010.

PROPERTIES OWNED BY THE GROUP

AS AT 31 DECEMBER 2009

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	Sixteen (16) years	36,950
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	Nine (9) years	9,336
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	Two (2) years	5,898

SHAREHOLDING STATISTICS

SHAREHOLDING STRUCTURE
as at 16 April 2010

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 16 April 2010

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	23	0.74	692	0.00
100 – 1,000	1,236	39.94	1,169,818	1.94
1,001 – 10,000	1,517	49.01	6,428,853	10.64
10,001 – 100,000	282	9.11	8,098,800	13.41
100,001 – 3,020,100 (Less than 5% of issued shares)	33	1.07	20,221,056	33.48
3,020,101 and above (5% and above of issued shares)	4	0.13	24,482,781	40.53
Total	3,095	100.00	60,402,000	100.00

SUBSTANTIAL SHAREHOLDERS (Excluding Bare Trustees & Deemed Interests)
as at 16 April 2010

No.	Names	Shareholdings	%
1	PERMODALAN NASIONAL BERHAD	11,335,249	18.77
2	FATHIL SULAIMAN BIN ISMAIL	5,056,539	8.37
3	HOR YEE @ HO CHEONG FATT	4,328,940	7.17
4	SAFIAH SULAIMAN BINTI ISMAIL	3,762,053	6.23

DIRECTORS DIRECT & DEEMED INTERESTS
as at 16 April 2010

No.	Names	Direct Shareholdings	Deemed Interest	%
1	DATUK WAN MOHAMED FUSIL BIN WAN MAHMOOD	1,775,940	1,800,000 [1]	5.92
2	MOHD PUZI BIN AHAMAD	1,867,940	2,181,000 [2]	6.70
3	DATO' WAN ABDULLAH BIN MOHAMAD	28,000	0	0.05
4	FATHIL SULAIMAN BIN ISMAIL	5,056,539	0	8.37
5	VOON SENG CHUAN	0	0	0.00
6	ABD TALIB BIN BABA	0	0	0.00
7	WONG FOOK HON	11,000	0	0.02
8	DATO' AB RASHID BIN MAT ADAM	0	0	0.00

[1] Interest held under his nominee accounts with CIMB Trustee Berhad, Alliance Group Nominees (Tempatan) Sdn. Bhd. and Citicorp Nominees (Tempatan) Sdn. Bhd.
[2] Interest held under his nominee accounts with CIMB Trustee Berhad and Citicorp Nominees (Tempatan) Sdn. Bhd.

30 LARGEST SHAREHOLDERS
as at 16 April 2010

No	Names	Shareholdings	%
1	PERMODALAN NASIONAL BERHAD	11,335,249	18.77
2	FATHIL SULAIMAN BIN ISMAIL	5,056,539	8.37
3	HOR YEE @ HO CHEONG FATT	4,328,940	7.17
4	SAFIAH SULAIMAN BINTI ISMAIL	3,762,053	6.23
5	IBM WORLD TRADE CORPORATION	3,013,400	4.99
6	PHARIDA SULAIMAN @ PHILOMENA SULAIMAN	2,699,976	4.47
7	CIMB TRUSTEE BERHAD {MOHD PUZI BIN AHAMAD}	2,000,000	3.31
8	MOHD PUZI BIN AHAMAD	1,867,940	3.09
9	WAN MOHAMED FUSIL BIN WAN MAHMOOD	1,775,940	2.94
10	AMANAHRAYA TRUSTEES BERHAD {AMANAH SAHAM DIDIK}	1,721,000	2.85

SHAREHOLDING STATISTICS (cont'd)

30 LARGEST SHAREHOLDERS
as at 16 April 2010 (cont'd)

No	Names	Shareholdings	%
11	CIMB TRUSTEE BERHAD {WAN MOHAMED FUSIL BIN WAN MAHMOOD}	1,000,000	1.66
12	LEE YU YONG @ LEE YUEN YING	642,500	1.06
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD {PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL BIN WAN MAHMOOD}	550,000	0.91
14	WONG TA NOOY @ WONG KENG YONG	526,000	0.87
15	LOW KONG BOO	440,000	0.73
16	NEOH CHOO EE & COMPANY SDN BERHAD	354,100	0.59
17	LIM POH TIONG	340,000	0.56
18	CITICORP NOMINEES (TEMPATAN) SDN BHD {PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL BIN WAN MAHMOOD (473685)}	250,000	0.41
19	SHEILA ELEANOR DE COSTA	223,000	0.37
20	TELESYS NETWORK INC	216,100	0.36
21	HLB NOMINEES (TEMPATAN) SDN BHD {PLEDGED SECURITIES ACCOUNT FOR CHONG HAN KONG}	200,000	0.33
22	TOH KAM CHOY	198,000	0.33
23	HO WAI KOK	190,000	0.31
24	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD {PLEDGED SECURITIES ACCOUNT FOR NOR HAYATI BINTI ABD MALIK (1181002)}	183,900	0.30
25	CITICORP NOMINEES (TEMPATAN) SDN BHD {PLEDGED SECURITIES ACCOUNT FOR MOHD PUZI BIN AHAMAD (473678)}	181,000	0.30
26	LIM POH TIONG	170,000	0.28
27	MAYBAN NOMINEES (TEMPATAN) SDN BHD {PLEDGED SECURITIES ACCOUNT FOR SWALDEX SDN BHD}	150,000	0.25
28	HSBC NOMINEES (ASING) SDN BHD {EXEMPT AN FOR BNP PARIBAS SECURITIES SERVICES (SYDNEY-AUD)}	150,000	0.25
29	M'SIAN VERMICELLI MANUFACTURERS (M) SDN BHD	150,000	0.25
30	AMANAHRAYA TRUSTEES BERHAD {DANA JOHOR}	148,600	0.25

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Eighth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Wednesday, 16 June 2010 at 2.30pm for the following purposes:

Agenda

1.	To receive the Audited Accounts for the year ended 31 December 2009 together with the Reports of Directors and Auditors thereon.	
2.	To approve a First and Final Gross Dividend of 19 sen less tax at 25% for the year ended 31 December 2009.	**Resolution 1**
3.	To approve Directors' Fees for the year ended 31 December 2009.	**Resolution 2**
4.	To re-elect Mohd. Puzi Ahamad retiring pursuant to Article 104 of the Company's Articles of Association.	**Resolution 3**
5.	To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration.	**Resolution 4**

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
21 May 2010

Note:

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's Office at Symphony Share Registrars Sdn. Bhd., Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

ADDITIONAL STATEMENTS

1. As stated in the Notice of Annual General Meeting on page 109 of this Annual Report, the Directors standing for re-election pursuant to Article 104 is Mohd. Puzi Ahamad.

   Dato' Wan Abdullah Mohamad is also retiring pursuant to Article 104 of the Company's Articles of Association at the forthcoming Annual General Meeting but he is not offering himself for re-election.

2. Details of Board Meetings and the attendance of Directors at those meetings are as stated on page 42.

3. The Twenty Eighth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Wednesday, 16 June 2010 at 2.30pm.

4. Details of the Mohd. Puzi Ahamad who is standing for re-election is as stated in the Directors' profile column on page 24. His securities holdings in the Company is as stated on page 107.

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 25% will be paid on 7 July 2010 to shareholders whose names appear in the Record of Depositors on 22 June 2010.

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

a. Securities transferred into the Depositor's securities account before 4.00pm on 22 June 2010 in respect of transfers; and

b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
21 May 2010

PROXY FORM

Mesiniaga

I/We ______________________________

of ______________________________

being a member of the abovementioned Company, hereby appoint ______________________________

____

of ______________________________

or failing him ______________________________

of ______________________________

as my/our proxy to vote for me/us and on my/our behalf at the Twenty Eighth Annual General Meeting of the Company, to be held on Wednesday, 16 June 2010 at 2.30pm and at any adjournment thereof. The proxy is to vote on the resolutions set out in the Notice of Meeting as indicated, with an "X" in the appropriate space. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

Resolution	For	Against
1		
2		
3		
4		

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., Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

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STAMP

SYMPHONY SHARE REGISTRARS SDN. BHD.

Block D-13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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MESINIAGA BERHAD (79244-V)
MENARA MESINIAGA, 1A, JALAN SS16/1, 47500 SUBANG JAYA, SELANGOR DARUL EHSAN.
TEL : 03-5635 8828 FAX : 03-5636 3838