# Sustaining Our Mission: **Seeding Growth**

**Mesiniaga**

Annual Report 2010

Sustaining Our Mission:

# Seeding Growth

What began as a strategic plan to develop local entrepreneurial talent in the Malaysian technology industry has now grown into a thriving business that aims to help other businesses achieve their goals.

We planted a seed in the 1980s and continually nurtured it through a firm mission of driving customer business performance. Our mission is sustained and remains as strong as ever. Planting seeds for future growth.

**ANNUAL REPORT 2010**

# 29th AGM

## Venue

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

## Time

Wednesday, 15 June 2011 at 2.30pm

## Contents

# Our Vision

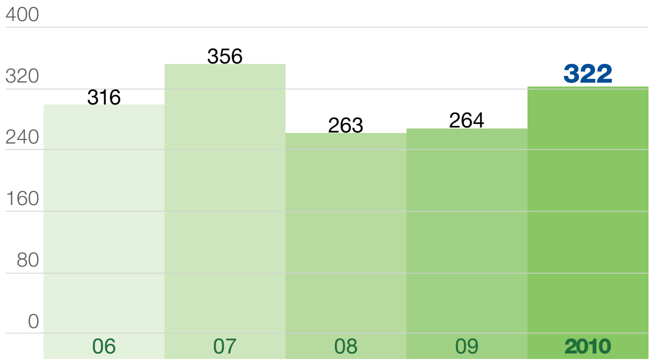
## To be the Malaysian IT Partner of Choice

# Our Mission

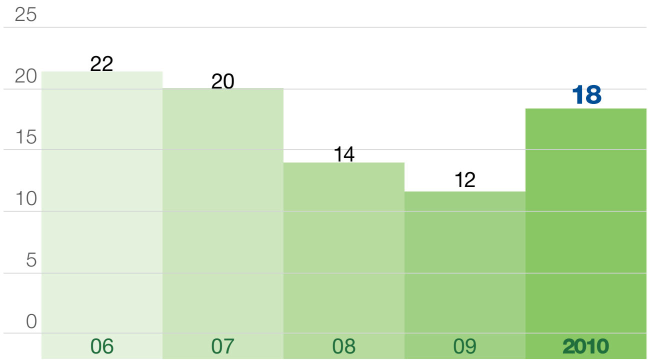
## Driving Customer Business **Performance** through Technology and Innovation

# Five-Year Performance Statistics

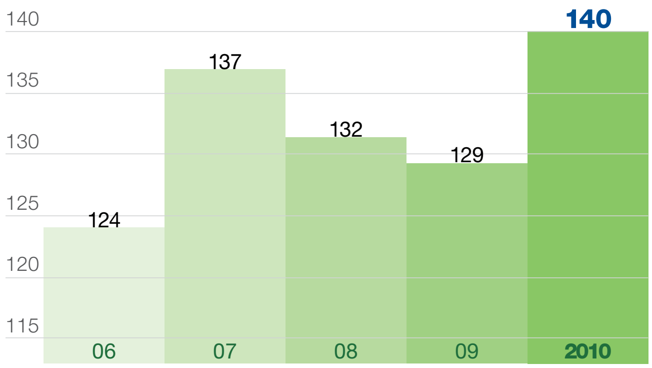
## Revenue
(RM Million)



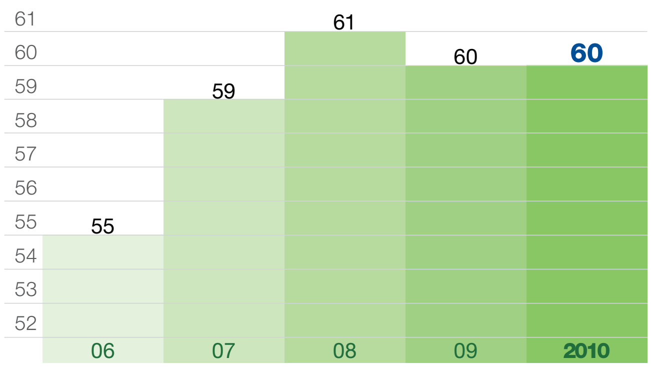

## Profit Before Tax
(RM Million)



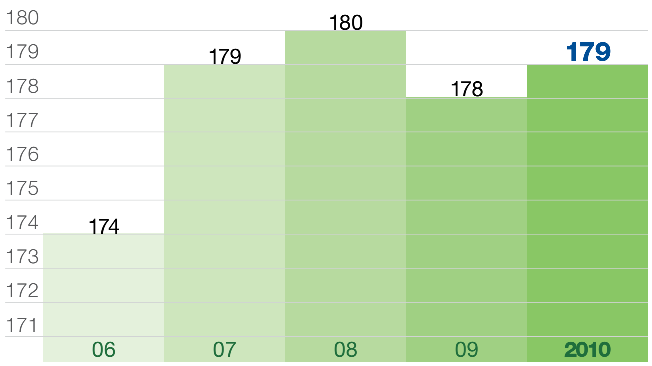

## Net Current Assets
(RM Million)



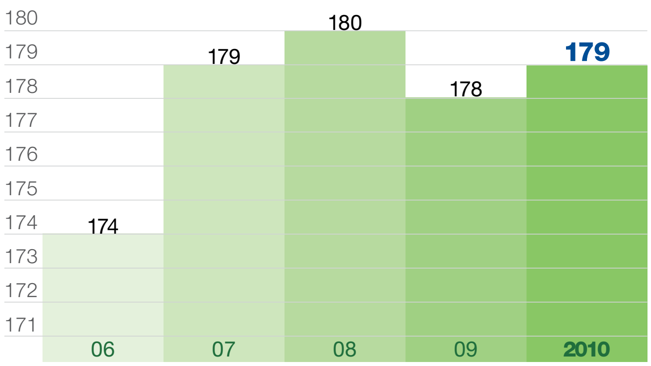

## Fixed Assets
(RM Million)




## Net Tangible Assets
(RM Million)

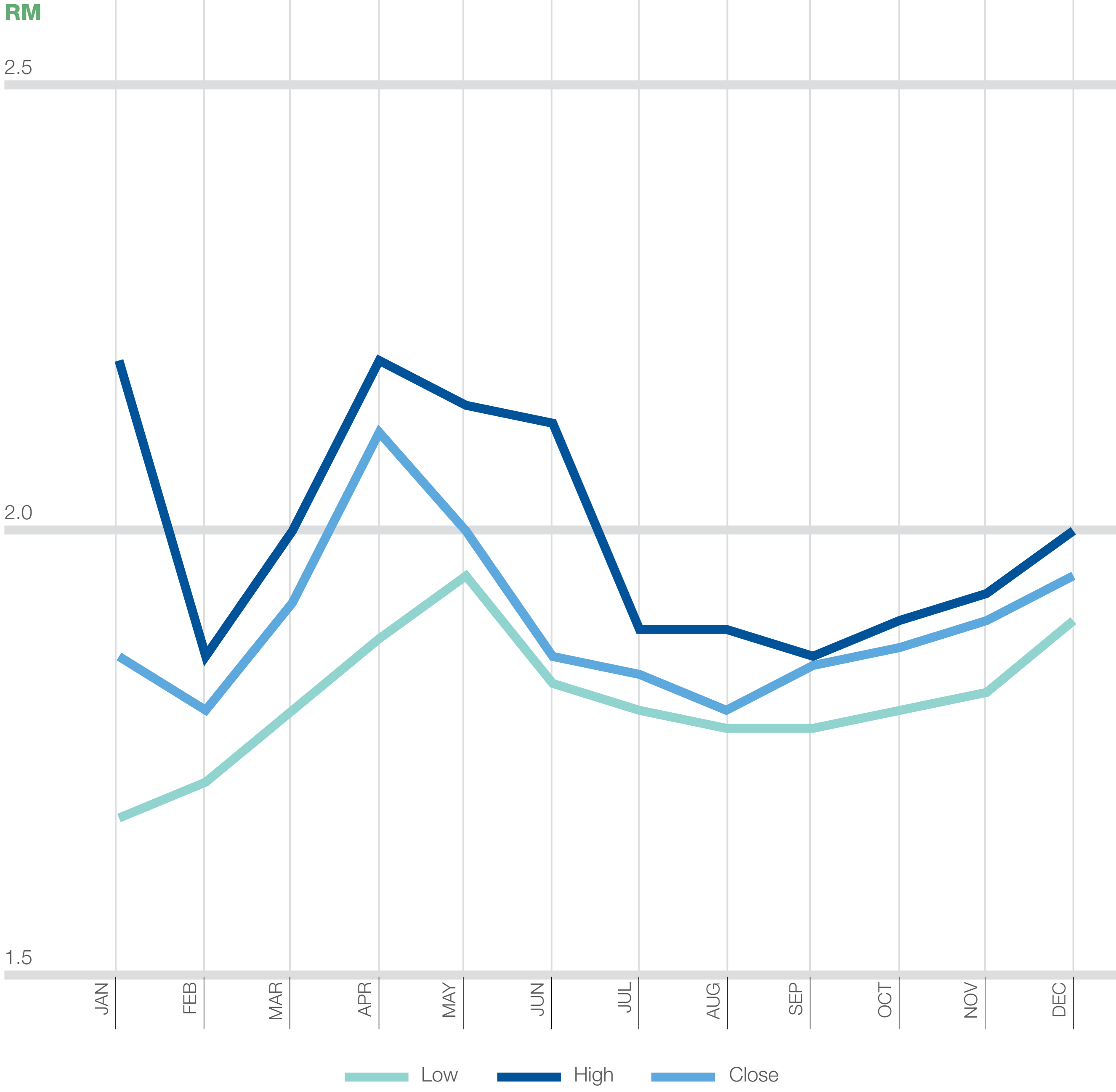


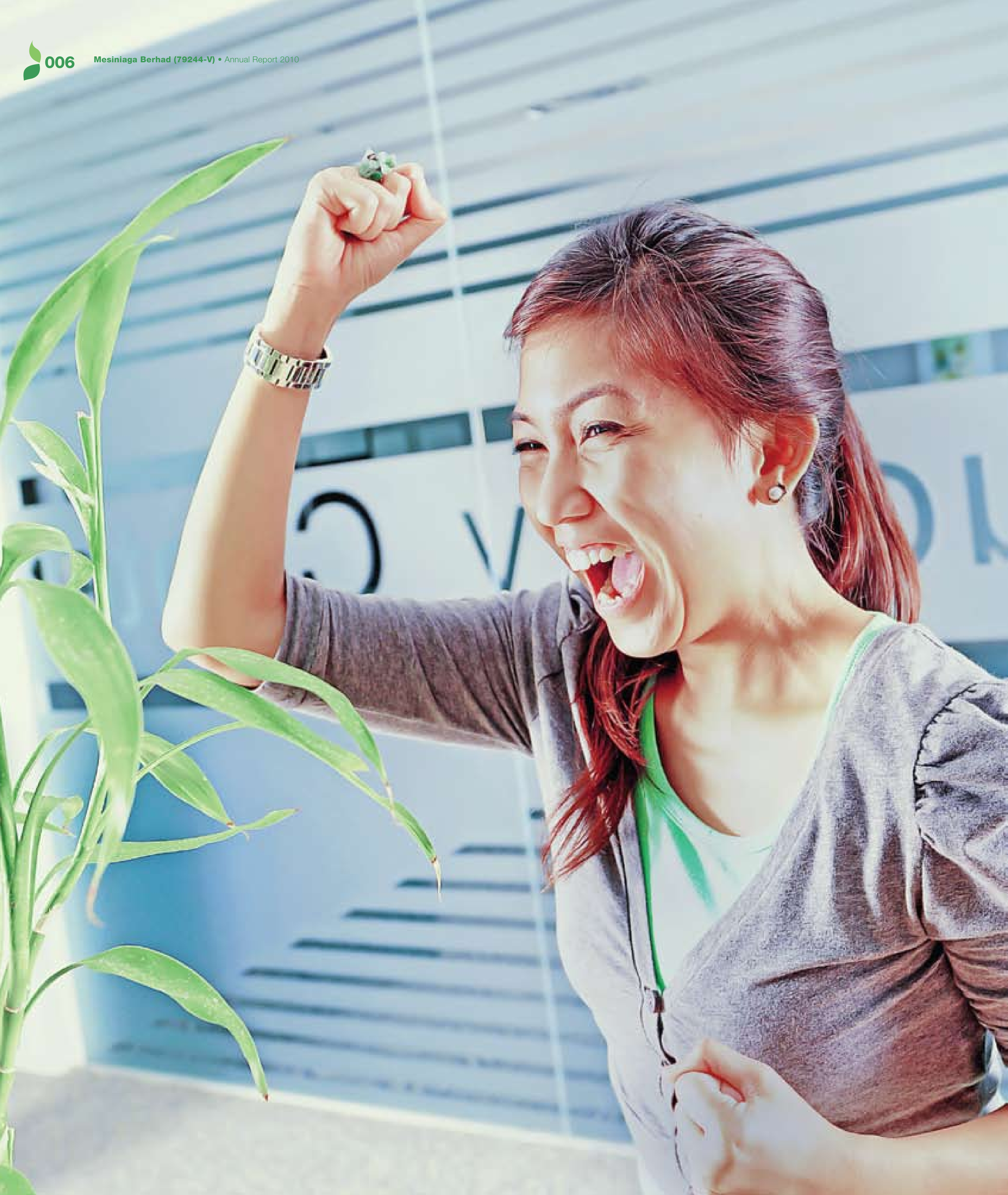

## Shareholders' Equity
(RM Million)



# 2010 Share Performance Statistics

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Low | 1.68 | 1.72 | 1.80 | 1.88 | 1.95 | 1.83 | 1.80 | 1.78 | 1.78 | 1.80 | 1.82 | 1.90 |
| High | 2.19 | 1.86 | 2.00 | 2.19 | 2.14 | 2.12 | 1.89 | 1.89 | 1.86 | 1.90 | 1.93 | 2.00 |
| Close | 1.86 | 1.80 | 1.92 | 2.11 | 2.00 | 1.86 | 1.84 | 1.80 | 1.85 | 1.87 | 1.90 | 1.95 |





# Executing Growth Strategy

Achieving goals and reaching new heights

# Chairman's Statement

Datuk Wan Mohamed Fusil
*Chairman*

# "The Group registered pre-tax profits of RM18 million, up by 50% compared to RM12 million in 2009."

## Dear Valued Shareholders,

It gives me great pleasure to present you with the report on the Group's financial results and activities for the year under review.

### BUSINESS ENVIRONMENT

2010 began with the expectation of a return to growth and this was borne out by the gradual stabilising of both the domestic and global markets. The country's economy registered admirable growth of 7.1% driven by expanding domestic demand supported by private sector spending. The technology sector growth, in part, was also boosted by positive sentiments rising from the ICT-friendly 2011 budget measures and several government initiatives such as the National Broadband Initiative and the Economic Transformation Plan (ETP). Following this, the Malaysian ICT spending in 2011 is expected to increase by 9% to USD6.5 billion.

### FINANCIAL AND OPERATIONS OVERVIEW

2010 was also a year of growth for Mesiniaga. As a result of our continuing Transformation execution, we have emerged stronger and were better able to improve our position in the market as well as grow our margins. This was evident when the Group registered pre-tax profits of RM18 million, up by 50% compared to RM12 million in 2009. These profits were from revenue of RM322 million which increased by 22% from the previous year. Of this amount, net profit attributable to shareholders (NPATS) stands at RM11 million, leading the Group to register earnings per share (EPS) of 18.54 sen, an increase of 62% from 2009. Our financial position remained strong with a healthy net cash position of RM37 million as at 31 December 2010.

As was previously discussed, our key focus remained on the need to drive better margins for the Group. We implemented the 3-Pillar Strategy to ensure that Mesiniaga would be able to command a premium based on value. The improvement in our financial results is attributed to this. One initiative under the strategy was the Concept Proposal (CP) Unit which helped our sales force better understand factors affecting customer business performance and align our solution offerings with these factors. This effectively removed our dependency on reactive bids even in areas which traditionally work on such models, for example in the public sector business. Our gross profit here increased by 16% when compared to 2009. Apart from this, the CP development programme improved the quality of our sales force as it strengthened their understanding of customer business environments.

The CP initiative also enabled us to attain considerable breakthrough in what was previously new territory to Mesiniaga. Among noteworthy achievements were the collaborations with several property developers such as Sime Darby Property Berhad and UEM Land Holdings Berhad for their Idea House and Symphony Hills projects respectively. These collaborations were for the integration of connectivity and environmental management solutions which enabled property developers to build cities and communities that are socially, environmentally and economically sustainable. These wins signified our success in expanding our private sector business.

# "Based on our commendable performance in 2010, I am confident of our potential in achieving greater growth."

The second initiative in delivering better value was the emphasis on ensuring customer satisfaction. We felt that the best indicator of success in this area must come directly from our customers. As such, we ran a bi-annual customer satisfaction survey (CSS) for the first time last year. We were heartened to see within six months, an improvement of nearly 50% in the number of customers who acknowledged our status as their best overall IT partner. As further evidence of our seriousness in understanding how customers define satisfaction, we invited several customers to give a talk on the subject to all our employees.

The third prong of our 3-Pillar Strategy involved improving productivity and yield and we continued to make inroads into this area. We considered the behaviour and skills of our people to be key elements in this initiative, therefore human resource development was geared towards achieving the desired improvements. Our people underwent training which was specifically tailored to their roles and the company's goals. These training sessions were meant to promote conceptual thinking and develop leadership ability - traits crucial to achieving our mission of driving customer business performance. Beginning in 2010, we also put in place new incentive schemes in order to derive better performance from our employees.

Our commitment to partners remained strong and we continued to garner many notable awards including three regional IBM Business Partner Advisory Council (BPAC) Golden Circle Awards. We were also one of three finalists for an IBM Beacon Award which recognised the best solutions and services their partners delivered to clients around the world.

## CORPORATE RESPONSIBILITY

In areas of corporate responsibility, we maintained the commitments made in previous years. We continued to engage in fair and ethical practices with all our stakeholders and foster efforts in ensuring employee well-being. Realising the importance of providing a safe environment to children, our community program for last year was concentrated on producing an interactive learning CD for Protect and Save The Children - an NGO that educates adults and children on the prevention of child sexual abuse. The CD will be used during their workshops to teach children on personal safety skills and children's rights. We are also pleased to present to our shareholders the first Annual Report in the abridged and CD-ROM format, as part of our efforts towards developing a sustainable corporate responsibility programme in the future.

## FUTURE OUTLOOK AND PROSPECTS

Based on our commendable performance in 2010, I am confident of our potential in achieving greater growth. There are increasingly attractive opportunities in the market especially following the launch of Malaysia's ETP. Mesiniaga was part of the National Key Economic Areas (NKEAs) Lab for Business Services, which among others, was responsible

for identifying Entry Point Projects (EPPs) in outsourcing. Both the government and the private sector will be working in tandem to make Malaysia a regional services hub. We are well-placed to reap benefits from these measures especially with the incorporation of Mesiniaga Alliances Sdn. Bhd., a new subsidiary for the purpose of developing our strategic outsourcing business. Many other opportunities will result from the ETP. Thus far, a total of 131 EPPs from all 12 NKEAs have been identified. Without a doubt, technology will be a key component in the success of all these projects. Another anticipated key growth area will be in the financial services industry especially as banks have made the core banking system transformation a strategic priority.

## DIVIDENDS

In line with the prior year, the Board of Directors have proposed a final gross dividend payment of 20 sen per share less income tax of 25%, subject to shareholders' approval at the upcoming 29th Annual General Meeting.

## ACKNOWLEDGEMENTS

I would like to take this opportunity to thank my fellow directors for their valuable service and advice as well as to welcome Ir. Dr. Muhamad Fuad Abdullah to the Board. I regret to inform that Dato' Wan Abdullah Mohamad who retired last June has sadly passed away towards the end of the year. The Board will always be grateful for his constructive input during the time when he served as our Non-Independent Director.

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

**Datuk Wan Mohamed Fusil**
Chairman

# Managing Director's Report

Fathil Ismail
*Managing Director*

# "We expect to develop a reputation consistent with our Mission and occupy a position of genuine partnership with our customers because we are completely aligned with their pursuit of business success."

**Dear Valued Shareholders,**

Next year Mesiniaga will celebrate 30 years in business. Through much of these 30 years we experienced continuous growth but, the new millennium brought with it a shift in business dynamics and severe pressure on our margins. It eventually became clear that we needed to reinvent ourselves. Our reputation for dependability no longer entitled us to the healthy financial rewards of the past.

As you already know, we chose a new mission 'Driving Customer Business Performance through Technology and Innovation'. We felt we needed to graduate from being implementers of technology to purveyors of customer business success.

This was always going to be a formidable challenge. It required us to deliberate how technology could best contribute to customer success, a task that was normally left to customers. It required us to develop techniques for measuring the impact of technology and an appreciation of customer businesses. This is not the mainstay of a Systems Integrator (SI) who implements technology over an array of industries, nor is it the approach of the vast majority of technology companies.

In 2010, 10% of our added value was from projects won by arguing the impact they would have on customer performance, and this business yielded margins of 8% above our traditional business. It is our intention that by 2013 such proposals will make up 30% of our book.

## "Our surveys indicated that 62% of our customers in 2010 rated us their best technology vendor. Whilst this is an encouraging start, we aim for 100% by 2013."

By not owning technologies, we are deprived of product returns. It however frees us to be loyal to our customers, promoting their best interests. We expect to develop a reputation consistent with our Mission and occupy a position of genuine partnership with our customers because we are completely aligned with their pursuit of business success.

In addition to driving customer success, we are committed to providing customers an outstanding experience. This is reflected in the level of customer satisfaction. As a measure of commitment we have tied employee bonuses to customer satisfaction. Our surveys indicated that 62% of our customers in 2010 rated us their best technology vendor. Whilst this is an encouraging start, we aim for 100% by 2013.

By committing to offering the highest returns on IT investment and best customer experience we believe we are building what can be objectively regarded as the best possible SI. This is how we intend to remain relevant.

In 2010 we managed to drive a pre-tax profit RM18 million, up 50% from the preceding year. It is with great pleasure that we present these results after the challenges faced in 2008 and 2009. An improved economy no doubt helped create these results but we feel that the many initiatives we have embarked on have also contributed to our long-term revival.

Two new businesses we have embarked on are 'Strategic Outsourcing' and 'Technology in Real Estate'. They are being developed through our newly incorporated subsidiary, Mesiniaga Alliances Sdn. Bhd. (MASB). In addition to new customers, we have a large base of IT outsourcing business that will be transferred into MASB.

Consistent with our Mission, we are introducing business thinking that will drive value creation for customers beyond the

more traditional 'housekeeping' activities associated with IT outsourcing. We intend that by 2014, Strategic Outsourcing will account for 30% of our added value, and because it involves recurring income, it will help de-risk the business further.

Technology in Real Estate is an area we started developing in 2010. High-speed networks now make possible many new technology-based services that will drive value creation for real estate developments. Real estate development was previously serviced by product vendors lacking proper technology integration to maximise the value proposition.

As an established SI we felt ideally placed to play this role and have invested in building capability and intellectual property to drive the evolution of technology in real estate. With some early successes, we feel that this business could contribute 10% of our added value in the future. As it involves value creation, we expect that it will drive margins superior to our traditional sources of business.

In conclusion, I feel that we are making significant progress in building the future. I value your continued support through the difficult two preceding years and am truly glad that your confidence and patience are being rewarded. I also wish to express my profound appreciation to the Board and employees of Mesiniaga who have remained engaged and committed through this ongoing Transformation of ours. I look forward with a sense of optimism, and hope to be reporting further success in the years to come.

**Fathil Ismail**
Managing Director

# Innovating New Capabilities

Changing dreams to reality through 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**
- **41 nationwide service locations**
- **Staff strength of more than 900 employees**
- **Leading Partnership Status:**
  - IBM Premier Partner
  - Microsoft Gold Partner
  - Cisco Gold Partner
  - Symantec Platinum Partner
  - Juniper Elite Partner
  - Trend Micro AffinityONE Partner
  - VMware Enterprise Partner
  - Oracle Gold Partner
  - HP PartnerONE Gold Partner
  - APC (Schneider Electric) Elite Partner

Mesiniaga has been in the technology business for nearly three decades. We started out as a company selling IBM office products and have now evolved into a multi-platform business solutions provider with a paid-up capital of RM60.4 million. Within the last 30 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 900 employees. We have invested significantly in developing measurements over our resource utilisation because it is imperative that all our resources are employed to their most optimum potential.

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

# MESINIAGA SOLUTIONS MAP

## BUILD

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

## MANAGE

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

## PROTECT

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

## ACCELERATE

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

## ADVISE

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

## SUPPORT

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

# Corporate Information

## BOARD OF DIRECTORS

DATUK WAN MOHAMED FUSIL
*Chairman*

FATHIL ISMAIL
*Managing Director*

MOHD PUZI AHAMAD

DATO' WAN ABDULLAH MOHAMAD
*(Retired w.e.f. from 16 June 2010)*

VOON SENG CHUAN

ABDUL TALIB BABA

WONG FOOK HON

DATO' AB RASHID MAT ADAM

IR. DR. MUHAMAD FUAD ABDULLAH
*(Appointed w.e.f. from 16 July 2010)*

## NOMINATION COMMITTEE

DATO' WAN ABDULLAH MOHAMAD
*Chairperson*
*(Retired w.e.f. from 16 June 2010)*

DATUK WAN MOHAMED FUSIL

MOHD PUZI AHAMAD

WONG FOOK HON

## EXECUTIVE DIRECTORS REMUNERATION COMMITTEE

VOON SENG CHUAN
*Chairperson*

DATO' WAN ABDULLAH MOHAMAD
*(Retired w.e.f. from 16 June 2010)*

WONG FOOK HON
*(Appointed w.e.f. from 30 December 2010)*

## 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

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

## PRINCIPAL BANKERS

CITIBANK BERHAD

STANDARD CHARTERED BANK
(MALAYSIA) BERHAD

MAYBANK BERHAD

HSBC AMANAH MALAYSIA BERHAD

## SHARE REGISTRAR

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

## STOCK EXCHANGE LISTING

Main Market of BURSA SECURITIES

# Corporate Structure

| | |
|---|---|
| **MESINIAGA SERVICES SDN. BHD.** | Provision of maintenance and managed services. |
| **MESINIAGA ALLIANCES SDN. BHD.** | Provision of strategic IT outsourcing services. |
| **MESINIAGA MSC SDN. BHD.** | Provision of solution services and technology, research and development. |
| **MESINIAGA SSO SDN. BHD.** *(formerly known as Mesiniaga SCS Sdn. Bhd)* | Dormant. |
| **MESINIAGA TECHNIQUES SDN. BHD.** | Dormant. |
| **NAVIGIS SDN. BHD.** | Dormant. |
| **VA DYNAMICS SDN. BHD.** | Sale of networking cables and related products. |
| **PT MESINIAGA SDN. BHD.** | Investment holding company. |
| **PWR POWERLAN (MALAYSIA) SDN. BHD.** | Dormant. |

100%

100%

100%

100%

100%

100%

51%

51%

30%

# Progressing as a Market Leader

Setting the pace for excellence

# Board of Directors

## DATUK WAN MOHAMED FUSIL, *DMSM*, *60*

*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).

## FATHIL ISMAIL, *47*

*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).

## MOHD PUZI AHAMAD, *RA (M) FCCA , 58*

*Executive Director and Chief Financial Officer*

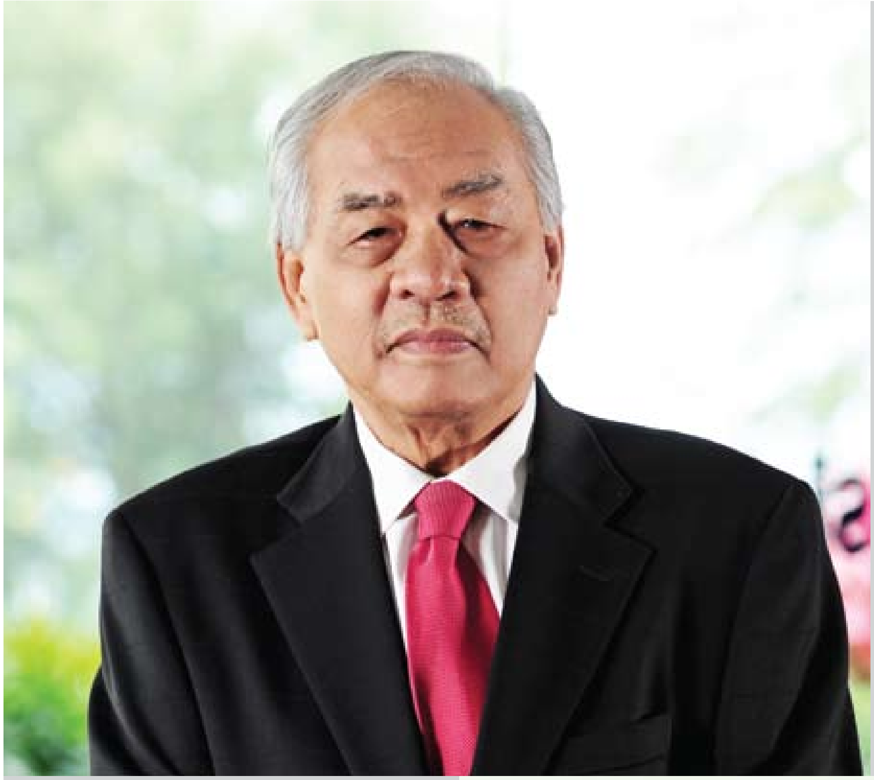
Mohd Puzi Ahamad was appointed to the Board on 17 December 1981 as part of the team who founded the company. Prior to joining the company, he served with IBM Malaysia in various capacities over a seven-year period from 1974-1981. His last position with IBM Malaysia was Sales and Administration Manager. 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).

## VOON SENG CHUAN, *52*

*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.

# Board of Directors



## ABDUL TALIB BABA, *RA (M), FCCA, 65*

*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.

## WONG FOOK HON, *67*

*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, 61*

*Independent Non-Executive Director*

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

## IR. DR. MUHAMAD FUAD ABDULLAH, *58*

*Non-Independent Non-Executive-Director*

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

# Board of Directors

## ALLAHYARHAM DATO' WAN ABDULLAH MOHAMAD, *DPMT, 70 (Deceased)*

*Non-Independent Non-Executive Director*

Allahyarham 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, he 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. Allahyarham Dato' Wan Abdullah graduated from the College of Agriculture (now known as Universiti Putra Malaysia) with a Diploma in Agriculture. He retired from office effective from 16 June 2010.

*All Board Members are Malaysian citizens. All Board Members have no other relationship among themselves or with any of the substantial shareholders of the Company except for Fathil Ismail who has a kin relationship with Safiah Sulaiman Ismail, a substantial shareholder of the Company. All Board Members do not have any conflict of interest with the Company as well as were never convicted of anything other than traffic offences within the past 10 years. Other than the Directorship positions held by Abdul Talib Baba and Ir. Dr. Muhamad Fuad Abdullah in other public companies as stated in 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 20.*

# Senior Management Team


Datuk Wan Mohamed Fusil


Fathil Ismail


Mohd Puzi Ahamad


Noorizan Ali


Yeow Daw Swee


Wong Keng Hoe

# Senior Management Team


Nordin Mat Isa


Effendi Azmi Hashim


Safaruddin Jais


Patricia Chan


Nur Haryati Hisham


William Chau

**DATUK WAN MOHAMED FUSIL**
*DMSM*
*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 of MMS in 2002. Prior to becoming Director, Noorizan has served the company in various capacities throughout his long career in IT. He started 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 for Technical Services, which he assumed in 1998. Noorizan brings vast experience and expertise to the company through his hands-on approach in managing customer support operations.

**YEOW DAW SWEE**
*Director of Solutions, Services and Technology (SST)*

Yeow Daw Swee 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 for Services in 1997, responsible for the Technical Support and Services Business unit. He was then appointed as Director of 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 Region Sales.

**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. He proved his mettle by rising up the ranks to various managerial positions. He became a manager for the Network Services Unit in 1996 and was subsequently made Senior Manager in the year 2000. Two years later, Wong took on the post of General Manager for Network Services and Project Management. In February 2008, Wong became the Director of Project Management and Solutions Marketing. Wong graduated with a Bachelor in Computer Science from Universiti Sains Malaysia.

# Senior Management Team

### NORDIN MAT ISA
*Director of Sales, Public Sector and Infrastructure Services Business*

Nordin Mat Isa joined Mesiniaga in 2008 as Head of Public Sector Business. Within two years, he successfully led his team to expand the scope of public sector sales and increase its revenue. He was subsequently further entrusted with the Infrastructure Services Sales portfolio and in December 2010, he became the Director of Sales for Public Sector and Infrastructure Business. Prior to joining Mesiniaga, he was the Head of Public Sector Sales in Hewlett Packard Malaysia Sdn. Bhd. Nordin has had 20 years of experience in the corporate world and graduated with a Bachelor in Computer Science, Mathematics and Statistics from Australian National University.

### EFFENDI AZMI HASHIM
*Director of Sales, Enterprise Business*

Effendi Azmi Hashim's involvement in the company began in 2005 when he was appointed as consultant for the Office of Strategic Initiatives. He was previously in iPerintis Sdn Bhd, the IT Outsourcing arm of Petronas Berhad. He also has extensive management consulting experience especially in formulating growth strategies and business development initiatives for various multinationals and government ministries. His background made him the ideal candidate for the dual post of General Manager for Strategy, Technology and Innovation and General Manager for GLC Sales when he became an employee of Mesiniaga in 2008. Thereafter he was appointed as Director of Sales for Enterprise Business in December 2010. An MIM Young Manager of the Year in 2008, Effendi holds a Masters in International and Comparative Corporate Law from London.

### SAFARUDDIN JAIS, *CA (M), ACMA*
*General Manager, Finance and Corporate Services*

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

# Senior Management Team

## PATRICIA CHAN

*General Manager, Solutions Integration / Internal Systems / Application Development*

Patricia Chan has been with Mesiniaga since 1989 when she first became a Trainee Programmer Analyst. After nine years of serving as a programmer analyst and subsequently a systems analyst, she took on the post of Development Services Manager in 1998. From then on, she has held various managerial positions including for Sales Support, Implementation Services, Systems Integration and Solutions Integration. In December 2010, she was promoted to General Manager in charge of an extensive portfolio comprising Solutions Integration, Internal Systems and Application Development. Patricia graduated with a Bachelor in Computer Science from Universiti Sains Malaysia.

## NUR HARYATI HISHAM

*General Manager, Human Resource*

Nur Haryati Hisham first joined Mesiniaga in 1997 as a Graduate Trainee in the Mesiniaga Entry Level Trainee (ELT) program. After which, she served as an Application Engineer for seven years. In 2004, she became one of Mesiniaga's youngest managers when she was promoted to Information Systems Manager. Three years later, she took up a new challenge as the Human Resource Manager responsible for aligning the company's human capital requirements to its business strategy. She was appointed to her current post in December 2010. Nur Haryati graduated with a Bachelor in Business and Management Studies from the University of Salford and holds an MBA from Universiti Malaya.

## WILLIAM CHAU

*General Manager, Applied Technology and Innovation*

William Chau joined Mesiniaga in 2009 as Head of Applied Technology and Innovation. His responsibility is to spearhead the Concept Proposal Unit aimed at promoting value creation to customers' business. He is also responsible for the Mesiniaga Intelligent and Connected Community (ICC) program where innovative technology is applied to create new generation of connected services in smart townships and cities. Today, he also heads the strategic outsourcing arm, Mesiniaga Alliances Sdn. Bhd. (MASB) and aims to establish MASB as the premier IT outsourcing service provider. Prior to joining Mesiniaga, William served as Head of Technology Services for iPerintis Sdn. Bhd. He graduated with a Bachelor in Mathematics, Computer Science Information Systems from University of Waterloo and holds an MBA from University of Leicester.

# Significant Awards and Partnership Status

Mesiniaga received a number of significant awards and partnership status throughout 2010. These accolades reflect our credible business performance and loyalty to our business partners. They are also in recognition of our substantial contributions to their revenue and continued commitment to excellence in delivering solutions and services.

IBM Beacon Awards Finalist 2010

IBM Top Rational Software Business Partner (ASEAN), BPAC Golden Circle Award, 1st Half 2010

IBM Top Lotus Software Business Partner (ASEAN), BPAC Golden Circle Award, 1st Half 2010

IBM Top Software Business Partner (Malaysia), BPAC Golden Circle Award, 1st Half 2010

IBM Software Rational Partner of the Year 2009

# Significant Awards and Partnership Status


IBM Software Lotus Partner of the Year 2009

IBM Dynamic Infrastructure Specialty Award

IBM Certified Software Value Net Partner 2010

IBM Certified Software Value Plus Partner 2010

Microsoft Gold Certified Partner 2010/2011

# Significant Awards and Partnership Status

HP Top Corporate Reseller in the Industry Standard Servers, (ESSN) 2010

HP Top Overall Managed Final Tier for Technology Services, (ESSN) 2010

HP Top New Software Partner of the Year 2010

Juniper Technology Excellence Partner of the Year Award 2009

VMware Top Lead Generator Award 1st Half 2009

# Significant Awards and Partnership Status

Lenovo Strategic Partner Award 2009/2010

Oracle Gold Partner 2010

ABS Network Security Business Partner of the Year 2010

ACA Pacific Outstanding Sales Performance Security and Networking 2010

APC by Schneider Electrics Asia Pacific and Japan Partner of the Year 2010

# Significant Events

## Sime Darby Idea House MoU Signing Ceremony

We were honoured to play a key role the Sime Darby Property Berhad Idea House project. This collaboration was formalised by the signing of a Memorandum of Understanding (MoU) on 1 April 2010 at Kuala Lumpur Golf and Country Club (KLGCC), Kuala Lumpur.



## Symphony Hills Launch by UEM Land Holdings

We partnered with UEM Land Holdings Berhad to turn their prestigious real estate development, Symphony Hills in Cyberjaya, into a connected and intelligent community (CIC) development. This collaboration was undertaken together with Cisco Systems and we showcased the technology implemented in the development during the launch on 31 July 2010 at the actual site.

## Malaysia-Korea Technology Centre (MKTC) ICT Signing Ceremony

We were proud to be appointed as the Master Systems Integrator who will work together with the Perak State Government and Virtual Bridge Sdn. Bhd. in making the MKTC vision a success. The signing ceremony was held on 14 December 2010 at Impiana Hotel Ipoh.

## Launch of Item Creation Management System (ICMS)

We were instrumental in building the infrastructure and developing ICMS for Lembaga Peperiksaan. The system was specifically designed to increase the efficiency in producing quality examination papers. The launch was officiated by Ketua Setiausaha Kementerian Pendidikan Malaysia, YBhg. Tan Sri Dr. Zulkurnain b. Hj. Awang on 8 October 2010 at Auditorium Parcel E, Kementerian Pendidikan Malaysia, Putrajaya.


## MAMPU Data Centre Project Handover Ceremony

We were proud to take the lead in building a data centre utilising green technology concepts for Unit Pemodenan Tadbiran dan Perancangan Pengurusan Malaysia (MAMPU). This data centre provides and manages hosting services for servers, network equipment, security devices and email for all government agencies. The project handover ceremony was held on 1 November 2010 at Cyberview Lodge Resort & Spa, Cyberjaya.

# Significant Events

**1 KNOWLEDGE SHARING SESSION FOR JABATAN IMIGRESEN MALAYSIA**

We held a knowledge sharing session for Jabatan Imigresen Malaysia for the purpose of sharing current trends in Information Technology (IT). The event was held from 14 to 16 January 2010 at M.S. Garden Hotel, Kuantan.

**2 VIRTUALISATION WORKSHOP**

We organised monthly workshops aimed at providing knowledge to customers on how they can reduce IT costs while increasing efficiency, utilisation and flexibility of their existing assets through virtualisation.


2

3


5

**3 COMPANY KICK-OFF MEETINGS**

Bi-annual company Kick-Off meetings were held for the purpose of updating our employees on company performance and direction for the year. We also presented our long-serving staff and high performers with awards as a sign of appreciation for their service and contributions to the company.

**4 TECHNOLOGY UPDATE FOR UNIVERSITI TEKNOLOGI MALAYSIA (UTM)**

We introduced the latest technologies in Enterprise Security, Desktop Management and Security Landscape solutions to UTM. The event was held on 24 February 2010 at Pulai Springs Resort, Johor.

**5 DIAMOND CLUB DINNER**

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


6

**6 DYNAMIC INFRASTRUCTURE WORKSHOPS**

We organised Dynamic Infrastructure workshops at the Mesiniaga Business Productivity Centre where our customers learnt how to align their IT infrastructure to the dynamics of their organisations.

**7 CISCO COLLABORATION SESSION - WELCOME TO THE NEW COLLABORATION EXPERIENCE!**

We participated in the Cisco Collaboration Session and showcased our unified communication solutions on 31 March 2010 at Hilton Hotel Kuala Lumpur.

**8 UiTM INFRASTRUCTURE WORKSHOP**

We participated in the UiTM Infrastructure workshop where we showcased our virtualisation solutions and HP products for the education sector. This two-day event was held in Port Dickson on 31 March and 1 April 2010.

**9 CLOUD COMPUTING FOR MAMPU**

We organised a knowledge sharing session on cloud computing technology for Unit Pemodenan Tadbiran dan Perancangan Pengurusan Malaysia (MAMPU) on 22 April 2010 at Pullman Putrajaya Lakeside Hotel.

**10 REDUCING OPEX – SIMPLIFY**

We organised a Reducing OPEX – Simplify seminar on 13 May 2010 at Hilton Kuala Lumpur Hotel. Our customers gained insights on how successful organisations reduced their operating expenses (OPEX) while ensuring business continuity and retaining their top position.

**11 HITACHI TOTAL SOLUTIONS**

Together with Hitachi, we held a seminar to showcase the Hitachi Data System. Our customers learnt how IT solutions can increase the efficiency of their data system. This event was held on 14 October 2010 at Shangri-La Hotel, Kuala Lumpur.

10

# Significant Events

**12 JUNIPER SOLUTIONS DAY 2010: ELITE PARTNER PAVILION**

We participated in the Juniper Solutions Day 2010. Customers were introduced to the first step in eliminating complexity and reducing costs in their processes to improve business performance. They also had the chance to experience the wonders of Juniper Networks' Unified Access Control solutions at our booth. This event was held on 20 May 2010 at Hotel Nikko Kuala Lumpur.

**13 REDUCING PRODUCTION WASTE AND COST – YOUR SMARTER MOVE FORWARD**

Together with IBM Cognos, we organised an informative session specifically geared towards CXOs. The session highlighted how they can reduce production wastage and manage expenses more effectively in order to improve profitability. It was held on 2 June 2010 at Sunway Resort Hotel & Spa, Petaling Jaya.

13


14

**14 MESINIAGA 28TH ANNUAL GENERAL MEETING (AGM)**

Our 28th AGM was held on 16 June 2010 at Auditorium Ismail Sulaiman, Menara Mesiniaga. It was attended by all members of the Board and more than 100 shareholders and proxies.

## 15 JOHOR SCIENCE, TECHNOLOGY AND ICT WEEK (MISTI JOHOR)

We participated in the MISTI Johor event held from 21 to 27 June 2010 at the Persada Johor International Convention Centre. Last year's theme was Better Lifestyle through Innovation and its objective was to provide exposure and knowledge in the latest development in science, technology and ICT to the public.


15

16

## 16 MOVING FORWARD WITH TREND MICRO SECURITY PROTECTION SEMINAR

This event was especially tailored for Telekom Malaysia Berhad in order to provide information on Threat Management Services and Virtualisation Security. It provided information on end-to-end threat infection discovery, remediation, and management for their IT environment. It was held on 6 August 2010 at One World Hotel, Petaling Jaya.

## 17 HIGH RISK PROFILING (HRP) USER REQUIREMENT STUDY (URS) WORKSHOP

Together with Amat Sempurna Holdings Sdn. Bhd., we organised the HRP URS workshop to gain better insight on users' requirements for the HRP system. The event was held from 8 to 11 December 2010 at Grand Bluewave Hotel, Shah Alam.

# Expanding
# Fresh Opportunities

Envisioning a sustainable future

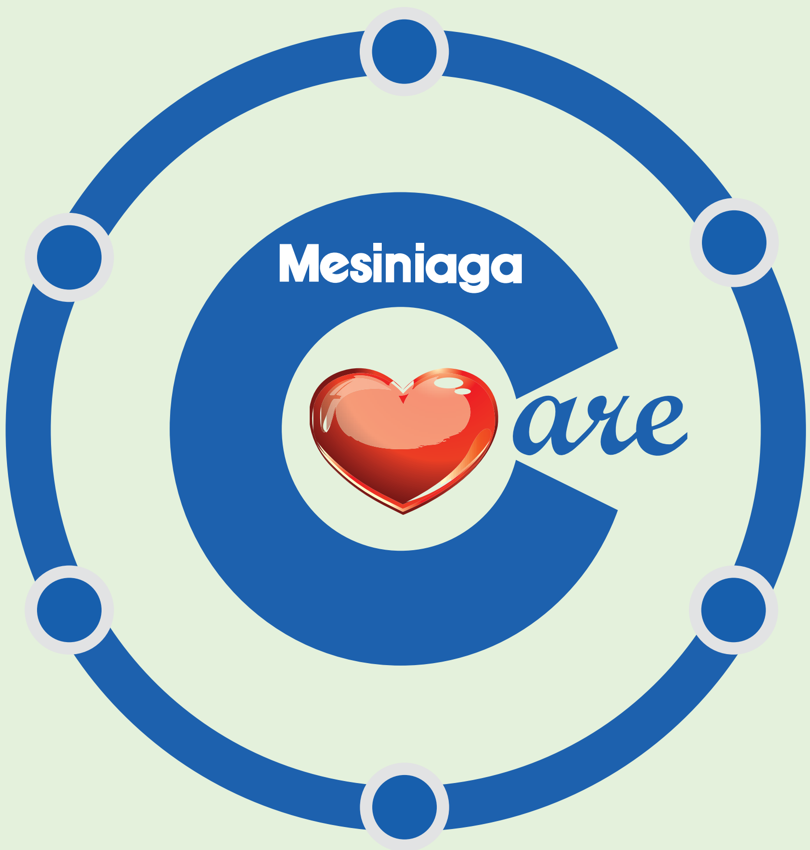
# Corporate Responsibility

**2010 saw the company increasing its involvement and investment in Corporate Responsibility (CR) practices. In line with our Mesiniaga CARE framework, we continued our long-term commitment to sustainable development.**

The CARE framework is the guiding principle behind our business decisions and daily operations or interactions with customers, employees, investors, partners, the community and the environment.

**EMPLOYEES**

Create an environment which is conducive to employee wellbeing, career development and productivity.




**INVESTORS**

Ensure good corporate governance through compliance, transparency and accountability.

**ENVIRONMENT**

Minimise impact to the environment through green efforts and technology.

**PARTNERS**

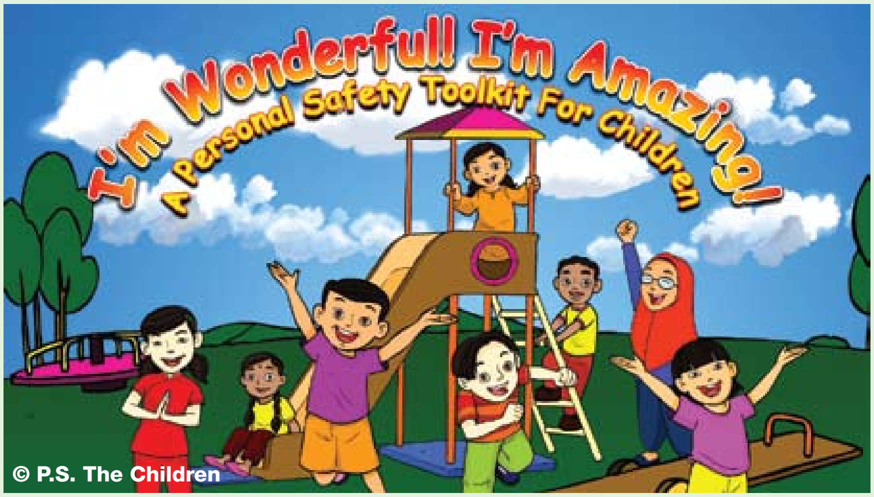
Promote good business conduct by effecting fair and ethical transactions.

**COMMUNITY**

Initiate or participate in sustainable programmes which are geared towards nation building.

**CUSTOMERS**

Enhance customer experience by understanding their needs, keeping promises and delivering value.




## MAKING A DIFFERENCE TO EDUCATION

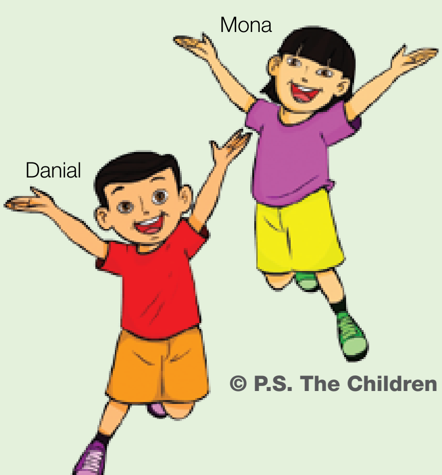
Together with Protect and Save The Children (P.S. The Children), an NGO that speaks for establishing an effective prevention education in the community, we initiated the creation of an interactive toolkit titled *I'm Wonderful! I'm Amazing!* for primary school children.

Our idea was to combine technology with teaching aids. The toolkit, which is an interactive learning module in CD format will become a unique educational experience for children on personal safety skills. Our objectives were to empower children with the knowledge necessary for their protection and educate them on their rights.

The CD will give them the opportunity to think, play and learn in a fun and engaging way. Such an experience will allow children to retain new concepts and ideas better. The interaction will be done via two main characters, Mona and Danial who will help the children navigate through different scenarios, games, stories and activities that will reinforce ideas and concepts on personal safety and children's rights.

Other everyday characters are also present to simulate a familiar, conventional life that is easily relatable to children. Parents and teachers are encouraged to participate in this experience as certain modules require adult supervision.

Our involvement in this project included providing resources for project management as well as in the storyboard and multimedia development. This CD will be instrumental in P.S. The Children's efforts in providing a safer world for children. Once completed, our employees will also be deployed to visit orphanages and schools to teach children personal safety skills.




Apart from developing the CD, we have also continued supporting the government in its effort to create a knowledge society through our Work-based Certificate (WBC) programme. The objective of the WBC programme is to equip college students with marketable and relevant work experiences and skills.

Protect and Save the Children

*Children today live in a world steeped in technology and many of them start using computers from a very young age. Therefore, using an interactive CD to teach personal safety skills will allow us to communicate with them in a language and medium that they are familiar with. This CD is both educational and engaging. It empowers the children to take part in their own protection by giving them Protective Behaviours through information, skills and self esteem - all in a fun and lively way. It is commendable that a technology company such as Mesiniaga is using their expertise to spread the word on personal safety. Thanks to Mesiniaga, we can all work together towards creating a safer world for our children.*

***P.S. The Children***

## ENSURING WORK-LIFE BALANCE

Work-life balance is essential in creating a productive workforce. We place high priority on the health and safety of our employees and have put in place various policies to ensure this. These 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) monitored the enforcement of these policies. These policies were also updated regularly to accommodate any changes in our environment.

Among our yearly activities was the Mesiniaga Health Week where we invited medical service providers to hold talks and perform health checks within the office premises. Various social activities were also organised by the Mesiniaga Sports and Recreational Club (MSRC) and the Penang Recreational Club (PRC) to foster camaraderie. Fully-funded aerobic classes as well as table tennis and badminton matches were held weekly. In addition to this, our employees enjoy gym membership subsidises and the use of our swimming pool, recreation room and nursing room facilities.

Another annual activity was Bring Your Kids to Work Day where children of employees had the opportunity visit their parents' workplace and participate in various educational activities. This event was meant to promote a spirit of togetherness not just among employees but their family as well.

## CREATING A CONDUCIVE ENVIRONMENT

Our aim was to provide an environment which was conducive to innovation and productivity. A diverse workforce is essential to innovation. As such, we remained committed to providing equal opportunities regardless of race, gender or religious background. As of December 2010, we have more than 900 employees, out of which 77% are Malays, 19% are Chinese, 4% are Indians and 1% are from other ethnic groups. 38% of our employees are female. Our efforts in creating a productive environment included the formulation of several initiatives. These initiatives provided a platform for employee communication, reward and recognition, and career development.

We encouraged open interaction between management and employees by holding formal and informal communication sessions. Induction programmes were conducted regularly so that new employees were made aware of our business strategies and values. The implementation of the Ideas to Innovate (i2i) programme provided employees with a formal mechanism to contribute ideas and improve our services and environment.

We regularly reward our employees with various incentive schemes and recognition programmes. Last year, we made considerable changes to our reward scheme in order to inculcate a performance-driven culture. High achievers were given due recognition through various ways such as the Mesiniaga Diamond Club and Director Merit Awards. A total of 9% of staff cost was spent for employee recognition programmes.

Employee career progression was enhanced through various training and development programmes. One such programme was Top Talent which identified high performers and nurtured their strengths and capabilities. We also offered our employees a wide range of courses for professional certifications, soft skills and technical skills. On top of this, we continued to reimburse partially our employees' tuition fees in tertiary institutions. In 2010, a total of 1.7% of our total staff cost was invested for this purpose.

Employee welfare was catered to via various perks and benefits. We provided both defined contribution and benefits plans. Defined contributions plan were EPF contributions for all employees and the defined benefit plan was a retirement plan which applied to 30% of permanent employees. In 2010, we contributed nearly RM320,000 to the defined benefits plan. Other fringe benefits include health, accident and life insurance; medical, dental and maternity expenses; as well as car and housing loan interest subsidies.

As a testament to the success of our efforts, we are happy to report a retention rate of 83% among permanent employees in 2010.

## PROMOTING BUSINESS ETHICS AND BEST PRACTICES

Good business ethics and integrity are key elements to our success. Apart from complying with all the regulatory requirements – as defined in our Statement of Corporate Governance, we also equipped our employees with the Mesiniaga Business Conduct Guidelines (BCG). These guidelines were made available in our Employee e-Handbook and served as a reference to employees in their daily conduct. The guidelines covered areas of personal conduct, fairness in business, relationship with other organisations, use and dissemination of proprietary and confidential information, fraud, and whistle blowing. Our commitment to best practices was evident when we continued to maintain our ISO 9001:2008 accreditation.

## ENHANCING CUSTOMER EXPERIENCE

As a customer-focused organisation, we monitored customer satisfaction level periodically through several opinion surveys. We ran a bi-annual survey for the first time last year. We are pleased to report that within six months, we found a 50% improvement in the number of customers who acknowledged our status as their best overall IT partner. In inculcating the culture of delivering superior service, we recognised deserving employees as Customer Service Champions and publicised their achievements through the company portal. We also reinforced our message on the importance of customer satisfaction by making our employees' bonus payout contingent upon our survey score.

## CARING FOR THE ENVIRONMENT

We continued our efforts in minimising our impact to the environment. Menara Mesiniaga and Mutiara Mesiniaga are both renowned for their bioclimatic designs. Technology can also be used to promote efforts in going green. As a technology company, we have taken the step to utilise such technology in our business and our customers' business as well. Our own data centre employed the use green technology such as server virtualisation and other energy efficient systems. We have also marketed this technology to our customers allowing them to reduce their carbon footprint without compromising on business efficiency. Our collaboration with our partners on the Idea House project by Sime Darby Property Berhad and the Symphony Hills development project by UEM Land Holdings Berhad were also prime examples of how technology can be used to promote sustainable living. The Sime Darby Idea House is the first carbon neutral residence in South East Asia.

On 27 March 2010, we once again supported the global Earth Hour movement by switching off our lights and air-conditioning system for one hour. We also continued to recycle items such as non-confidential documents, newspapers, peripherals, cardboards and unused or old computer equipment.

# 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 2010, the Board of Directors met four times. Details of the meetings are as follows:

| | 15/4/2010 | 16/6/2010 | 23/9/2010 | 17/12/2010 |
|---|---|---|---|---|
| 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 | • | • | • | • |
| Ir. Dr. Muhammad Fuad Abdullah | ✘ | ✘ | • | • |

Key: • Attended ○ Absent with apologies ✘ Not on board

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.

# Statement of Corporate Governance

## Board Balance

As at 31 December 2010, 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 | 37.5 |
| Non-Independent Non-Executive Directors | 2 | 25.0 |
| Independent Non-Executive Directors | 3 | 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 26 to 30.

## 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

Ir. Dr. Muhamad Fuad Abdullah was appointed to the board during the year.

## Re-election

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

## Directors' Training

All Board members have attended the Mandatory Accreditation Programme (MAP) organised by Bursa Securities. 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 | 0.00 | 0.00 | 259,986 | 0.00 | 156,336 | 1,717,481 |
| Non-Executive Directors | 0.00 | 184,790 | 0.00 | 0.00 | 0.00 | 15,500 | 200,290 |

Directors' Remuneration in Bands

| | No. of Executive Directors | No. of Non-Executive Directors |
|---|---|---|
| Below RM50,000 | 0 | 5 |
| RM50,000 to RM100,000 | 0 | 1 |
| RM400,000 to RM449,999 | 1 | 0 |
| RM600,000 to RM649,999 | 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 20.

## 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 57 of this Annual Report. The signed statement by Fathil Sulaiman Ismail and Mohd Puzi Ahamad is duly incorporated into the Company's audited financial statements for year ending 2010 as set out on page 68 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 59 to 61. Through the Audit Committee of the Board, the Company has established transparent and appropriate relationships with the Company's Auditors, both internal and external. When required, the External Auditors attend the meetings of the Committee.

# Statement of Directors' Responsibility in Relation to Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which 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 statement of comprehensive income 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 2010, 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 Audit 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 Audit 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.

# Audit Committee

## 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 the 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.

| | 23/02/2010 | 15/04/2010 | 25/05/2010 | 10/08/2010 | 23/11/2010 |
|---|---|---|---|---|---|
| Abd Talib Baba | • | • | • | • | • |
| Wong Fook Hon | • | • | • | • | • |
| Dato' Ab Rashid Mat Adam | • | • | • | • | • |

Key: • Attended

## Summary of Activities

1. Review and approve financial results announcements 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 internal audit plan, functions and resources.

5. Review internal audit reports.

6. Participate in training programmes in related areas.

7. Review with the external auditor, the audit plan, evaluation of the system of internal controls, audit report and assistance given by the Company's officers to the auditors.

8. 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 2010 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 RM45,000 was paid for review of implementation of new accounting standards and an amount of RM34,151 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 2010.

## 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 2009.

## EMPLOYEE SHARE OPTION SCHEME

The Company did not implement any employee share options scheme in the Financial Year 2010.

# Financial Statements



# Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

## PRINCIPAL ACTIVITIES

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

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

## FINANCIAL RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the year attributable to: | | |
| Equity holders of the Company | 11,201 | 9,809 |
| Minority interest | 1,631 | 0 |
| Profit for the year | 12,832 | 9,809 |

## DIVIDENDS

The dividends on ordinary shares paid by the Company since 31 December 2009 are as follows:

| | RM'000 |
|---|---|
| In respect of the financial year ended 31 December 2009 as shown in the Directors' Report of that year: | |
| - final gross dividend of 19 sen per share, less income tax of 25%, paid on 7 July 2010 | 8,607 |

The Directors now recommend the payment of a final gross dividend of 20 sen per share of RM1.00 each, less income tax of 25%, amounting to RM9,060,300 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 | |
| Voon Seng Chuan | |
| Fathil Sulaiman Ismail | |
| Abdul Talib Baba | |
| Wong Fook Hon | |
| Dato' Ab Rashid bin Mat Adam | |
| Ir. Dr. Muhamad Fuad bin Abdullah | (Appointed with effect from 16.07.2010) |
| Dato' Wan Abdullah bin Mohamad | (Retired with effect from 16.06.2010) |

## DIRECTORS' BENEFITS

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

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

## DIRECTORS' INTERESTS IN SHARES

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

| | Number of ordinary shares of RM1.00 each | | | |
|---|---|---|---|---|
| | At 1.1.2010 '000 | Bought '000 | Sold '000 | At 31.12.2010 '000 |
| Datuk Wan Mohamed Fusil bin Wan Mahmood[(1)] | 3,876 | 0 | (300) | 3,576 |
| Mohd Puzi bin Ahamad[(2)] | 4,049 | 0 | (130) | 3,919 |
| Fathil Sulaiman Ismail | 5,057 | 3,213 | 0 | 8,270 |
| Wong Fook Hon | 11 | 0 | 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' 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 statements of comprehensive income and statements of financial positions of the Group and of the Company were made out, the Directors took reasonable steps:

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

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

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

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

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

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

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and the Company to meet their obligations 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 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 25 April 2011.

**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 on pages 71 to 120 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and the Company as at 31 December 2010 and of the results and the cash flows of the Group and the Company for the financial year ended on that date in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

The supplementary information set out in Note 30 on page 121 have been prepared in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 April 2011.

**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 71 to 120 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 25 April 2011 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 on pages 71 to 120 which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows 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 Notes 1 to 29.

### Directors' Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards 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 2010 and of their financial performance and cash flows for the year then ended.

***PricewaterhouseCoopers (AF 1146), Chartered Accountants***
*Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O.Box 10192, 50706 Kuala Lumpur, Malaysia*
*T: 60(3) 2173 1188  F: 60(3) 2173 1288, www.pwc.com/my*

# Independent Auditors' Report
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 REPORTING RESPONSIBILITIES

The supplementary information on Note 30 on page 121 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

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

**PRICEWATERHOUSECOOPERS**
(No. AF: 1146)
Chartered Accountants

**THAYAPARAN A/L S. SANGARA PILLAI**
(No. 2085/09/12 (J))
Chartered Accountant

Kuala Lumpur
25 April 2011

# Statements of Comprehensive Income

for the financial year ended 31 December 2010

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Revenue | 5 | 321,856 | 263,896 | 279,037 | 225,223 |
| Changes in inventories of finished goods | | 816 | (2,067) | (2,243) | (2,735) |
| Finished goods and services purchased | | (219,780) | (172,976) | (221,585) | (168,023) |
| Staff cost | 6 | (70,761) | (61,770) | (45,170) | (46,413) |
| Depreciation of property, plant and equipment | | (3,563) | (4,356) | (2,305) | (3,211) |
| Travelling expenses | | (4,837) | (4,434) | (906) | (1,408) |
| Office administrative expenses | | (5,277) | (5,144) | (4,357) | (4,580) |
| Other operating income | | 1,785 | 1,085 | 11,010 | 9,672 |
| Other operating expenses | | (1,869) | (1,842) | (1,725) | (1,420) |
| Profit from operations | 7 | 18,370 | 12,392 | 11,756 | 7,105 |
| Finance cost | 8 | (269) | (245) | (269) | (245) |
| Profit before taxation | | 18,101 | 12,147 | 11,487 | 6,860 |
| Tax expense | 9 | (5,269) | (3,590) | (1,678) | (2,546) |
| Profit for the year/Total comprehensive income | | 12,832 | 8,557 | 9,809 | 4,314 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 11,201 | 6,921 | 9,809 | 4,314 |
| Minority interest | | 1,631 | 1,636 | 0 | 0 |
| Profit for the year | | 12,832 | 8,557 | 9,809 | 4,314 |
| Basic earnings per share (sen) | 10 | 18.54 | 11.46 | | |

The notes from 1 to 29 form part of these financial statements.

# Statements of Financial Position

as at 31 December 2010

| | Note | Group 2010 RM'000 | Group 2009 RM'000 | Company 2010 RM'000 | Company 2009 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 | 60,231 | 59,565 | 55,389 | 56,165 |
| Investment in subsidiaries | 13 | 0 | 0 | 1,681 | 1,331 |
| Investment in associates | 14 | 0 | 0 | 0 | 0 |
| Finance lease receivables | 18 | 393 | 1,832 | 393 | 1,832 |
| Deferred tax assets | 15 | 195 | 120 | 60 | 0 |
| | | 60,819 | 61,517 | 57,523 | 59,328 |
| **Current Assets** | | | | | |
| Inventories | 16 | 13,164 | 12,348 | 3,942 | 6,185 |
| Receivables, deposits and prepayments | 17 | 160,959 | 123,869 | 144,495 | 125,773 |
| Tax recoverable | | 3,543 | 4,753 | 3,103 | 4,458 |
| Deposits with licensed financial institutions | 19 | 7,426 | 11,257 | 91 | 4,491 |
| Cash and bank balances | 19 | 29,592 | 20,423 | 26,003 | 16,291 |
| | | 214,684 | 172,650 | 177,634 | 157,198 |
| **TOTAL ASSETS** | | 275,503 | 234,167 | 235,157 | 216,526 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to equity holders of the Company** | | | | | |
| Share capital | 24 | 60,402 | 60,402 | 60,402 | 60,402 |
| Share premium | | 4,126 | 4,126 | 4,126 | 4,126 |
| Revaluation reserve | | 15,302 | 15,302 | 15,302 | 15,302 |
| Retained earnings | 25 | 99,403 | 98,288 | 75,711 | 75,988 |
| | | 179,233 | 178,118 | 155,541 | 155,818 |
| Minority interest | | 8,585 | 7,444 | 0 | 0 |
| **TOTAL EQUITY** | | 187,818 | 185,562 | 155,541 | 155,818 |

The notes from 1 to 29 form part of these financial statements.

# Statements of Financial Position
as at 31 December 2010

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| **Non-current liabilities** | | | | | |
| Post-employment benefits obligations | 21 | 2,328 | 2,648 | 2,328 | 2,648 |
| Finance lease liabilities | 22 | 9,659 | 248 | 9,659 | 248 |
| Other long term liabilities | 23 | 0 | 749 | 0 | 749 |
| Deferred tax liabilities | 15 | 1,146 | 884 | 0 | 141 |
| | | 13,133 | 4,529 | 11,987 | 3,786 |
| **Current liabilities** | | | | | |
| Payables | 20 | 73,544 | 43,415 | 67,516 | 56,922 |
| Taxation | | 1,008 | 661 | 113 | 0 |
| | | 74,552 | 44,076 | 67,629 | 56,922 |
| **TOTAL LIABILITIES** | | 87,685 | 48,605 | 79,616 | 60,708 |
| **TOTAL EQUITY AND LIABILITIES** | | 275,503 | 234,167 | 235,157 | 216,526 |

The notes from 1 to 29 form part of these financial statements.

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2010

| | | 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 2009 | | 60,402 | 60,402 | 4,126 | 15,302 | 99,974 | 179,804 | 6,396 | 186,200 |
| **Transactions with owners** | | | | | | | | | |
| Final dividends: | | | | | | | | | |
| - 31 December 2008 | 11 | 0 | 0 | 0 | 0 | (8,607) | (8,607) | (588) | (9,195) |
| | | 60,402 | 60,402 | 4,126 | 15,302 | 91,367 | 171,197 | 5,808 | 177,005 |
| Profit for the year/Total comprehensive income | | 0 | 0 | 0 | 0 | 6,921 | 6,921 | 1,636 | 8,557 |
| At 31 December 2009 | | 60,402 | 60,402 | 4,126 | 15,302 | 98,288 | 178,118 | 7,444 | 185,562 |
| At 1 January 2010 | | 60,402 | 60,402 | 4,126 | 15,302 | 98,288 | 178,118 | 7,444 | 185,562 |
| Effect of adoption of FRS 139 | 28 | 0 | 0 | 0 | 0 | (1,479) | (1,479) | 0 | (1,479) |
| At 1 January 2010 (as restated) | | 60,402 | 60,402 | 4,126 | 15,302 | 96,809 | 176,639 | 7,444 | 184,083 |
| **Transactions with owners** | | | | | | | | | |
| Final dividends: | | | | | | | | | |
| - 31 December 2009 | 11 | 0 | 0 | 0 | 0 | (8,607) | (8,607) | (735) | (9,342) |
| Issue of ordinary shares | | 0 | 0 | 0 | 0 | 0 | 0 | 245 | 245 |
| | | 60,402 | 60,402 | 4,126 | 15,302 | 88,202 | 168,032 | 6,954 | 174,986 |
| Profit for the year/Total comprehensive income | | 0 | 0 | 0 | 0 | 11,201 | 11,201 | 1,631 | 12,832 |
| At 31 December 2010 | | 60,402 | 60,402 | 4,126 | 15,302 | 99,403 | 179,233 | 8,585 | 187,818 |

The notes from 1 to 29 form part of these financial statements.

# Company Statement of Changes in Equity

for the financial year ended 31 December 2010

| | Note | Issued and fully paid ordinary shares of RM1.00 each | | Non-distributable | | Distributable | |
|---|---|---|---|---|---|---|---|
| | | 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 2009 | | 60,402 | 60,402 | 4,126 | 15,302 | 80,281 | 160,111 |
| **Transactions with owners** | | | | | | | |
| Final dividends: | | | | | | | |
| - 31 December 2008 | 11 | 0 | 0 | 0 | 0 | (8,607) | (8,607) |
| | | 60,402 | 60,402 | 4,126 | 15,302 | 71,674 | 151,504 |
| Profit for the year/Total comprehensive income | | 0 | 0 | 0 | 0 | 4,314 | 4,314 |
| At 31 December 2009 | | 60,402 | 60,402 | 4,126 | 15,302 | 75,988 | 155,818 |
| At 1 January 2010 | | 60,402 | 60,402 | 4,126 | 15,302 | 75,988 | 155,818 |
| Effect of adoption of FRS 139 | 28 | 0 | 0 | 0 | 0 | (1,479) | (1,479) |
| At 1 January 2010 (as restated) | | 60,402 | 60,402 | 4,126 | 15,302 | 74,509 | 154,339 |
| **Transactions with owners** | | | | | | | |
| Final dividends: | | | | | | | |
| - 31 December 2009 | 11 | 0 | 0 | 0 | 0 | (8,607) | (8,607) |
| | | 60,402 | 60,402 | 4,126 | 15,302 | 65,902 | 145,732 |
| Profit for the year/Total comprehensive income | | 0 | 0 | 0 | 0 | 9,809 | 9,809 |
| At 31 December 2010 | | 60,402 | 60,402 | 4,126 | 15,302 | 75,711 | 155,541 |

The notes from 1 to 29 form part of these financial statements.

# Statements of Cash Flows

for the financial year ended 31 December 2010

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| **OPERATING ACTIVITIES** | | | | |
| Profit for the year | 12,832 | 8,557 | 9,809 | 4,314 |
| Adjustments to reconcile profit for the year to cash from operations: | | | | |
| Taxation | 5,269 | 3,590 | 1,678 | 2,546 |
| (Reversal)/Impairment of receivables | (193) | 104 | 121 | 29 |
| Depreciation of property, plant and equipment | 3,563 | 4,356 | 2,305 | 3,211 |
| Write-off of property, plant and equipment | 25 | 18 | 25 | 19 |
| Gross dividend income from subsidiaries | 0 | 0 | (8,020) | (6,816) |
| Interest expense | 269 | 245 | 269 | 245 |
| Interest income | (1,607) | (561) | (1,415) | (398) |
| Retirement benefits | 0 | 381 | 0 | 381 |
| Unrealised foreign exchange loss | 140 | 405 | 144 | 424 |
| | 20,298 | 17,095 | 4,916 | 3,955 |
| Changes in working capital: | | | | |
| Inventories | (816) | 2,067 | 2,243 | 2,735 |
| Receivables | (35,458) | (15,523) | (17,404) | (15,203) |
| Payables | 30,197 | 9,372 | 10,654 | 7,740 |
| Cash from/(used in) operations | 14,221 | 13,011 | 409 | (773) |
| Interest paid | (269) | (245) | (269) | (245) |
| Retirement benefits paid | (320) | (350) | (320) | (350) |
| Tax paid | (3,527) | (4,951) | (154) | (1,627) |
| Net cash generated from/(used in) operating activities | 10,105 | 7,465 | (334) | (2,995) |

The notes from 1 to 29 form part of these financial statements.

# Statements of Cash Flows

for the financial year ended 31 December 2010

| | Note | Group 2010 RM'000 | Group 2009 RM'000 | Company 2010 RM'000 | Company 2009 RM'000 |
|---|---|---|---|---|---|
| **INVESTING ACTIVITIES** | | | | | |
| Purchase of property, plant and equipment | | (4,254) | (3,033) | (1,554) | (1,264) |
| Purchase of shares in a subsidiary | | 0 | 0 | (350) | (5) |
| Interest received | | 710 | 561 | 518 | 398 |
| Net dividends received from subsidiaries | | 0 | 0 | 7,765 | 5,112 |
| Net cash (used in)/generated from investing activities | | (3,544) | (2,472) | 6,379 | 4,241 |
| **FINANCING ACTIVITIES** | | | | | |
| Dividends paid to shareholders of the Company | | (8,607) | (8,607) | (8,607) | (8,607) |
| Dividends paid to minority interest | | (735) | (588) | 0 | 0 |
| Issuance of shares to minority interest | | 245 | 0 | 0 | 0 |
| Repayment of vendor financing | | (3,166) | (5,333) | (3,166) | (5,333) |
| Proceeds from finance lease liabilities | | 16,532 | 8,281 | 16,532 | 8,281 |
| Repayment of finance lease liabilities | | (5,492) | (3,918) | (5,492) | (3,918) |
| Net cash used in financing activities | | (1,223) | (10,165) | (733) | (9,577) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR** | | 5,338 | (5,172) | 5,312 | (8,331) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR** | | 31,680 | 36,852 | 20,782 | 29,113 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR** | 19 | 37,018 | 31,680 | 26,094 | 20,782 |

The notes from 1 to 29 form part of these financial statements.

# Notes to the Financial Statements

for the financial year ended 31 December 2010

## 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 13 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group during the financial year.

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 the 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 Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. It also requires the Directors to make judgements that affect the application of the Group 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.

## 2 BASIS OF PREPARATION (CONT'D)

### (a) Standards, amendments to published standards and interpretations that are applicable to the Group and the Company and are effective

The new accounting standards, amendments to published standards and interpretations to existing standards effective for the financial period beginning January 1, 2010 and applicable to the Group and Company are as follows:

- Amendment to FRS 1 First Time Adoption of Financial Reporting Standards
- Amendments to FRS 2 Share-based Payment Vesting Conditions and Cancellations
- FRS 8 Operating Segments and Amendment to FRS 8 Operating Segments
- FRS 101 (Revised) Presentation of Financial Statements
- FRS 123 (Revised) Borrowing Costs
- Amendment to FRS 127 Consolidated and Separate Financial Statements
- Amendments to FRS 132 Financial Instruments: Presentation
- Amendments to FRS 132 Financial Instruments: Presentation (paragraphs 95A, 97AA and 97AB) relating to classification of the compound financial instrument into its liability and equity elements when the entity first applies FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)". The improvements contain amendments to twenty two FRSs which involves changes to presentation, recognition, or measurement and some are changes to terminology with little effect on accounting
- IC Interpretation 9 and Amendment to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 14: FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- FRS 7 Financial Instruments: Disclosures and Amendment to FRS 7 Financial Instruments: Disclosures
- FRS 139 Financial Instruments: Recognition and Measurement and Amendment to FRS 139 Financial Instruments: Recognition and Measurement.

The adoption of all the standards and interpretations above do not have any material impact on the financial position of the Group and Company except as disclosed below. All changes in accounting policies have been made in accordance with the adoption of all the standards which do not result in significant changes in accounting policies and disclosures, except as disclosed below:

- FRS 8 Operating Segments and Amendment to FRS 8 Operating Segments. FRS 8 replaces FRS 114 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 amendment to the standard clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. The Group determined that the operating segment was unchanged as previously identified under FRS 114.

## 2 BASIS OF PREPARATION (CONT'D)

### (a) Standards, amendments to published standards and interpretations that are applicable to the Group and Company and are effective (cont'd)

- FRS 101 (Revised) 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.

- FRS 139 Financial Instruments: Recognition and Measurement and Amendment to FRS 139 Financial Instruments: Recognition and Measurement. On adoption of FRS 139, the Company measures financial assets and financial liabilities initially at fair value and subsequently carried at amortised cost using the effective interest rate method. Impact of adoption of this standard is disclosed in Note 28.

- FRS 7 Financial instruments: Disclosures: Provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. Adoption of this standard resulted in additional disclosures and did not have any significant impact to the financial statements.

The remaining standards and interpretations that are effective for financial period beginning January 1, 2010 are not applicable to the Group and Company's operations.

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

The new standards, amendments to published standards and interpretations to existing standards applicable to the Group and the Company that will be effective but have not been early adopted by the Group and the Company, are as follows:

(i) *Standards effective from March 1, 2010*

- Amendment to FRS 132 Financial Instruments: Presentation (paragraphs 11, 16 and 97E of FRS 132) relating to Classification of Rights Issues. The amendments require that rights issues be classified as equity regardless of the currency in which the exercise price is denominated, provided certain conditions are met.

(ii) *Standards effective from July 1, 2010*

- FRS 1 First-time Adoption of Financial Reporting Standards. This is a revision to the 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 minority 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.

## 2 BASIS OF PREPARATION (CONT'D)

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

(ii) *Standards effective from July 1, 2010 (cont'd)*

- IC Interpretation 17: Distributions of Non-cash Assets to Owners. It provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

- Amendments to FRS 2: Share-based Payment. It clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2.

- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations. It clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

- 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.

(iii) *Standards effective from January 1, 2011*

- Amendment to FRS 1: (Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters) relieves first-time adopters of FRS from providing the additional disclosures required from the amendments to FRS 7.

- Amendments to FRS 7: (Improving Disclosures about Financial Instruments) reinforce existing principles for disclosures about liquidity risk and require enhanced disclosures about fair value measurements.

- Amendments to FRS 2: (Group Cash-settled Share-based Payment Transactions) clarify that an entity must account for goods or services received in a share-based payment arrangement regardless of which entity in the group settles the transaction and whether the settlement is in shares or cash.

- Amendment to IC Interpretation 4: Determining whether an arrangement contains a lease clarifies that although an arrangement does not take the legal form of a lease, it is a lease when the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement to convey a right to use the asset.

## 2 BASIS OF PREPARATION (CONT'D)

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

(iii) *Standards effective from January 1, 2011 (cont'd)*

- Amendment to IC Interpretation 18: Transfers of Assets from Customers clarifies that if an entity receives property, plant and equipment (PPE) and such PPE meet the definition of an asset, it shall recognise it in accordance with FRS 116 Property, Plant and Equipment.

The Group and Company 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 applicable to the Group's and Company'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 statement of comprehensive income.

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

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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of consolidation (cont'd)

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 statement of comprehensive income.

Minority interest is measured at the minorities' share of the carrying value of the subsidiary companies' identifiable assets and liabilities at the acquisition date and minorities' shares of changes in the subsidiary companies' equity since that date.

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Associated companies (cont'd)

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 statement of comprehensive income.

### (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 statement of comprehensive income 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 statement of comprehensive income.

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 statement of comprehensive income and the unutilised portion of the revaluation surplus on those items is taken directly to retained earnings.

At each financial year end 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(f)(i) on impairment of non-financial assets.

### (e) Financial assets

The Group's financial assets are loans and receivables. The Group has loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for financial assets with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Such assets are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, amount due from related corporations and cash and cash equivalents.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) Impairment of assets

(i) *Non-financial assets*

The carrying amounts of assets, other than inventories and deferred tax assets are reviewed at each financial year end 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 financial year end date or more frequently when indicators of impairment are identified.

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

An impairment loss is recognised in the statement of comprehensive income 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.

(ii) *Financial assets carried at amortised cost*

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the issuer or obligor, a breach of contract, such as a default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise and indications that a debtor will enter bankruptcy or receivership.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (g) 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.

### (h) 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 statement of financial position when the Group has become a party to the contractual provisions of the instruments.

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

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 financial year end 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.

### (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 statement of financial position.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (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. Trade payables are initially recognised at fair value and subsequently at amortised cost.

(b) Other long term liabilities

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

### (k) Share capital

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

External 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 financial year end date, monetary items denominated in foreign currencies are translated at the rates prevailing on the financial year end 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (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.

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 statement of comprehensive income 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").

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (n) Employee benefits (cont'd)

(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.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligations at the financial year end date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The Company 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 financial year end 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 financial year end 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 statement of comprehensive income 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 financial year end 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (o) Income tax (cont'd)

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 financial year end 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.

### (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 recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost. 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 statement of comprehensive income 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 financial year end date.

### (r) Segment reporting

Segment reporting is consistent with the internal reporting to the Group's chief operating decision maker, represented by a committee responsible for allocating resources and assessing performance of the operating segment.

#### Change of accounting policy

The Company has adopted FRS 8 "Operating segments" from 1 January 2010. FRS 8 replaces FRS 114 "Segment reporting" and is applied retrospectively. The adoption of FRS 8 did not result in any significant change to the Group's segment. The Group continues to operate in a single segment.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (s) Fair value estimation

The carrying amount of receivables and payables, carried at amortised cost approximate their fair values.

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks from its operations including market risk, credit risk and liquidity risk. The Group's overall financial risk management objectives are to ensure that the Group creates value for its shareholders and to ensure that adequate financial resources are available for the development of the Group's businesses. The Group operates within clearly defined guidelines that are approved by the Board and seeks to minimise potential adverse effects on its financial performance. Such guidelines are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. Financial risk is managed by a risk management committee who in turn ensures adherence to the policies approved by the Board of Directors.

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

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

### (a) Market risk

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

*(i) Foreign currency exchange risk*

The Group is exposed to currency risk as a result of foreign currency transactions entered into currencies other than their measurement currency, mainly United States Dollar denominated payables to suppliers. The Group's policy is to minimise the exposure of transaction risk by making payment within credit terms which are short term.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the functional currencies in respect of Group and Company are RM3,037,000 and RM2,582,000 respectively.

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (a) Market risk (cont'd)

*(ii) Interest rate risk*

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

*(iii) Price risk*

For key contracts, the Group establishes price levels that the Group considers acceptable and also enters into supply agreements where necessary, to achieve these levels.

The Group does not have exposure to share price risk as it does not hold investment in quoted equity instruments.

### (b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

At the reporting date, the Group and the Company's maximum exposure to credit risk is represented by the carrying amounts of each class of financial assets recognised in the statements of financial position.

*(i) Receivables*

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

The Group's customers are mainly significant entities in the information, communication and telecommunication industry. The Group considers the risk of material loss in the event of non-performance by a customer to be unlikely.

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (b) Credit risk (cont'd)

*(i) Receivables (cont'd)*

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. Accrued unbilled revenue represents unbilled value of goods delivered and services rendered to be billed in accordance with respective terms and conditions agreed with customers. Credit risk arising from non-trade receivable is not significant.

| | Group 2010 RM'000 | Company 2010 RM'000 |
|---|---|---|
| **Trade receivables and accrued unbilled revenue** | | |
| Counterparties without external credit rating | | |
| - Existing customers with no defaults in the past | 69,136 | 48,215 |
| Accrued unbilled revenue | 85,338 | 85,338 |

*(ii) Intercompany balances*

Intercompany balances with subsidiaries are largely trade in nature. The Company monitors the results of the subsidiaries regularly. As at 31 December 2010, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that intercompany receivables are stated at the realisable values. As at 31 December 2010, there was no indication that the intercompany receivables from subsidiaries are not recoverable.

*(iii) Bank balances*

Bank balances are with approved financial institutions and reputable banks.

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

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

| | Group 2010 RM'000 | Company 2010 RM'000 |
|---|---|---|
| AAA | 31,657 | 25,829 |
| A | 5,351 | 259 |

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

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (c) Liquidity

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

Analysis of financial instruments by remaining contractual maturities

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

| | 2010 | | | |
|---|---|---|---|---|
| | On demand or within one year RM'000 | One to two years RM'000 | Two to five years RM'000 | Total RM'000 |
| **Group** | | | | |
| **Financial liabilities** | | | | |
| Payables | 67,051 | 0 | 0 | 67,051 |
| Finance lease liabilities | 5,760 | 5,527 | 4,133 | 15,420 |
| Other long term liabilities | 749 | 0 | 0 | 749 |
| Total undiscounted financial liabilities | 73,560 | 5,527 | 4,133 | 83,220 |
| **Company** | | | | |
| **Financial liabilities** | | | | |
| Payables | 61,023 | 0 | 0 | 61,023 |
| Finance lease liabilities | 5,760 | 5,527 | 4,133 | 15,420 |
| Other long term liabilities | 749 | 0 | 0 | 749 |
| Total undiscounted financial liabilities | 67,532 | 5,527 | 4,133 | 77,192 |

## 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (d) Capital Risk

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders.

In the future, in order to maintain an appropriate capital structure, the Group may consider adjusting the amount of dividends paid to shareholders, returning capital to shareholders, issuing new shares or selling assets to reduce debt.

There were no changes in the Group's approach to capital management during the year.

## 5 REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Sale of: | | | | |
| - hardware | 137,326 | 91,599 | 123,022 | 76,782 |
| - software | 62,513 | 41,775 | 62,513 | 41,776 |
| - services | 122,017 | 130,522 | 93,502 | 106,665 |
| | 321,856 | 263,896 | 279,037 | 225,223 |

## 6 STAFF COST

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Wages, salaries, bonus and other employment benefits | 63,944 | 55,549 | 42,989 | 43,874 |
| Defined contribution retirement plan | 6,817 | 5,840 | 2,181 | 2,158 |
| Defined benefit retirement plan | 0 | 381 | 0 | 381 |
| | 70,761 | 61,770 | 45,170 | 46,413 |

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

## 6 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 | |
|---|---|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 | 2010<br>RM'000 | 2009<br>RM'000 |
| Non-executive Directors | | | | |
| - fees | 185 | 186 | 185 | 186 |
| - others | 16 | 13 | 16 | 13 |
| Executive Directors | | | | |
| - salaries and bonus | 1,301 | 1,301 | 1,301 | 1,301 |
| - defined contribution plan | 156 | 157 | 156 | 157 |
| - defined benefit retirement plan | 0 | 49 | 0 | 49 |
| | 1,658 | 1,706 | 1,658 | 1,706 |

Estimated money value of benefits-in-kind of Directors for the Group and Company is RM259,986 (2009: RM249,245 respectively).

## 7 PROFIT FROM OPERATIONS

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 | 2010<br>RM'000 | 2009<br>RM'000 |
| Auditors' remuneration | | | | |
| - Audit | 150 | 135 | 88 | 86 |
| - Non-audit | 79 | 37 | 13 | 14 |
| Depreciation of property, plant and equipment | 3,563 | 4,356 | 2,305 | 3,211 |
| Gross dividend income from subsidiaries | 0 | 0 | (8,020) | (6,816) |
| Interest income | (710) | (561) | (518) | (398) |
| Net realised foreign exchange gain | (3,791) | (3,629) | (3,283) | (3,203) |
| Unrealised foreign exchange loss | 140 | 405 | 144 | 424 |
| Property, plant and equipment written off | 25 | 18 | 25 | 19 |
| Rental income from rental of premises | (88) | (81) | (328) | (321) |
| Rental of premises | 118 | 101 | 21 | 42 |
| (Reversal of impairment)/Impairment of | | | | |
| - trade receivables | (193) | 104 | 121 | 29 |

# Notes to the Financial Statements
for the financial year ended 31 December 2010

## 8 FINANCE COST

| | Group and Company | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Interest expense on: | | |
| - bank overdraft | 10 | 22 |
| - short term borrowings | 48 | 6 |
| - lease financing | 211 | 217 |
| | 269 | 245 |

## 9 TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Current tax: | | | | |
| Current year - Malaysian income tax | 5,082 | 3,182 | 1,879 | 2,453 |
| Deferred tax: | | | | |
| Current year (Note 15) | 187 | 408 | (201) | 93 |
| | 5,269 | 3,590 | 1,678 | 2,546 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 % | 2009 % | 2010 % | 2009 % |
| Numerical reconciliation between the average effective tax rate and the Malaysian tax rate | | | | |
| Malaysian tax rate | 25 | 25 | 25 | 25 |
| Tax effects of: | | | | |
| - income not subject to tax | 0 | 0 | (15) | 0 |
| - expenses not deductible for tax purposes | 4 | 5 | 5 | 11 |
| - deferred tax not recognised on temporary differences | 0 | 0 | 0 | 1 |
| Average effective tax rate | 29 | 30 | 15 | 37 |

## 9 TAXATION (CONT'D)

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

| | Group | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Unutilised tax losses | 3,068 | 2,555 |
| Unabsorbed capital allowances | 82 | 82 |
| | 3,150 | 2,637 |

## 10 BASIC EARNINGS PER SHARE

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

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| Net profit attributable to ordinary equity holder of the Company (RM'000) | 11,201 | 6,921 |
| Weighted average number of ordinary shares in issue ('000) | 60,402 | 60,402 |
| Basic earnings per share (sen) | 18.54 | 11.46 |

## 11 DIVIDENDS

Dividends paid during the financial year are as follows:

| | Group and Company | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Final dividends in respect of financial year 2009/2008: | | |
| 19 sen per share, less income tax at 25% (2009: 19 sen per share, less income tax at 25%) | 8,607 | 8,607 |

# Notes to the Financial Statements
for the financial year ended 31 December 2010

## 11 DIVIDENDS (CONT'D)

The Directors have recommended the payment of a final gross dividend of 20 sen per share, less income tax 25%, amounting to RM9,060,300 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 2010, which will only be accrued as a liability in the financial year ending 31 December 2011, after approval by the shareholders.

## 12 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** | | | | | | |
| **2010** | | | | | | |
| **Cost/Valuation** | | | | | | |
| At 1 January 2010 | 26,262 | 35,809 | 5,629 | 31,262 | 151 | 99,113 |
| Additions | 0 | 27 | 0 | 4,223 | 4 | 4,254 |
| Assets written off | 0 | 0 | 0 | (391) | 0 | (391) |
| At 31 December 2010 | 26,262 | 35,836 | 5,629 | 35,094 | 155 | 102,976 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2010 | 0 | 9,887 | 5,629 | 24,019 | 13 | 39,548 |
| Charge for the financial year | 0 | 717 | 0 | 2,807 | 39 | 3,563 |
| Assets written off | 0 | 0 | 0 | (366) | 0 | (366) |
| At 31 December 2010 | 0 | 10,604 | 5,629 | 26,460 | 52 | 42,745 |
| **Net book value** | | | | | | |
| At 31 December 2010 | 26,262 | 25,232 | 0 | 8,634 | 103 | 60,231 |

## 12 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 | 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 |

# Notes to the Financial Statements
for the financial year ended 31 December 2010

## 12 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 | Motor vehicle, at cost RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **2010** | | | | | | |
| **Cost/Valuation** | | | | | | |
| At 1 January 2010 | 26,262 | 35,809 | 5,629 | 25,850 | 151 | 93,701 |
| Additions | 0 | 27 | 0 | 1,523 | 4 | 1,554 |
| Assets written off | 0 | 0 | 0 | (335) | 0 | (335) |
| At 31 December 2010 | 26,262 | 35,836 | 5,629 | 27,038 | 155 | 94,920 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2010 | 0 | 9,887 | 5,629 | 22,007 | 13 | 37,536 |
| Charge for the financial year | 0 | 717 | 0 | 1,549 | 39 | 2,305 |
| Assets written off | 0 | 0 | 0 | (310) | 0 | (310) |
| At 31 December 2010 | 0 | 10,604 | 5,629 | 23,246 | 52 | 39,531 |
| **Net book value** | | | | | | |
| At 31 December 2010 | 26,262 | 25,232 | 0 | 3,792 | 103 | 55,389 |

## 12 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 | Motor vehicle, at cost RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **2009** | | | | | | |
| **Cost/Valuation** | | | | | | |
| At 1 January 2009 | 26,262 | 35,771 | 5,629 | 26,102 | 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 | 5,629 | 25,850 | 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 | 0 | 3,843 | 138 | 56,165 |

## 12 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 2009.

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 | |
|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 |
| Freehold land | 3,805 | 3,805 |
| Building | 16,623 | 17,144 |

Included in property, plant and equipment of the Group and Company are equipment acquired under finance lease agreements, with net book value of RM Nil (2009: RM3,661).

## 13 INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 |
| Unquoted shares, at cost | 2,331 | 1,981 |
| Accumulated impairment losses | (650) | (650) |
| | 1,681 | 1,331 |

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

## 13 INVESTMENT IN SUBSIDIARIES (CONT'D)

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

| | | Group's effective interest | |
|---|---|---|---|
| **Name of company** | **Principal activities** | **2010 %** | **2009 %** |
| Mesiniaga Techniques Sdn. Bhd. | Dormant | 100 | 100 |
| Mesiniaga Services Sdn. Bhd. | Provision of maintenance and managed services | 100 | 100 |
| Mesiniaga MSC Sdn. Bhd. | Provision of solution services and technology research and development | 100 | 100 |
| Mesiniaga SSO Sdn. Bhd. (previously known as Mesiniaga SCS Sdn. Bhd.) | Dormant | 100 | 100 |
| Navigis Sdn.Bhd. | Dormant | 100 | 100 |
| VA Dynamics Sdn. Bhd. | Sales of networking cables and related products | 51 | 51 |
| PT Mesiniaga Sdn. Bhd. | Investment holding company | 51 | 51 |
| Mesiniaga Alliances Sdn. Bhd.# | Provision of strategic information technology outsourcing services | 100 | 0 |

All the above subsidiaries are audited by PricewaterhouseCoopers, Malaysia.

\# On 14 May 2010, the Company incorporated Mesiniaga Alliances Sdn. Bhd. with a paid up capital of RM100,000, comprising 100,000 ordinary shares of RM1.00 each.

## 14 INVESTMENT IN ASSOCIATES

| | Company | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Unquoted shares, at cost | 150 | 185 |
| Accumulated impairment losses | (150) | (185) |
| | 0 | 0 |

Detail of the associate, incorporated in Malaysia, is as follows:

| | | Group's effective interest | |
|---|---|---|---|
| Name of company | Principal activities | 2010 % | 2009 % |
| PWR Powerlan (Malaysia) Sdn. Bhd. | Dormant | 30 | 30 |

## 15 DEFERRED TAX ASSETS/LIABILITIES

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 RM'000** | **2009 RM'000** | **2010 RM'000** | **2009 RM'000** |
| Deferred tax assets | 195 | 120 | 60 | 0 |
| Deferred tax liabilities | (1,146) | (884) | 0 | (141) |
| At 1 January | (764) | (356) | (141) | (48) |
| (Charged)/credited to income statement (Note 9): | | | | |
| - property, plant and equipment | (347) | (105) | (19) | 255 |
| - accruals | 130 | 7 | 130 | 6 |
| - post employment benefit obligations | 15 | (113) | 15 | (113) |
| - allowance | 15 | (197) | 75 | (241) |
| | (187) | (408) | 201 | (93) |
| At 31 December | (951) | (764) | 60 | (141) |
| Subject to income tax: | | | | |
| Deferred tax assets (before offsetting) | | | | |
| - post employment benefit obligations | 582 | 567 | 582 | 567 |
| - allowances | 424 | 409 | 285 | 210 |
| - accruals | 133 | 3 | 132 | 2 |
| | 1,139 | 979 | 999 | 779 |
| Offsetting | (944) | (859) | (939) | (779) |
| Deferred tax assets (after offsetting) | 195 | 120 | 60 | 0 |
| Deferred tax liabilities (before offsetting) | | | | |
| - property, plant and equipment | (2,090) | (1,743) | (939) | (920) |
| Offsetting | 944 | 859 | 939 | 779 |
| Deferred tax liabilities (after offsetting) | (1,146) | (884) | 0 | (141) |

## 16 INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Equipment | 3,944 | 6,165 | 3,939 | 6,165 |
| Spare parts | 4,874 | 3,074 | 1 | 1 |
| Supplies | 159 | 317 | 0 | 19 |
| Cable | 4,187 | 2,792 | 2 | 0 |
| | 13,164 | 12,348 | 3,942 | 6,185 |

## 17 RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Trade receivables | 69,939 | 56,875 | 48,973 | 40,484 |
| Allowance for impairment | (803) | (996) | (758) | (637) |
| | 69,136 | 55,879 | 48,215 | 39,847 |
| Accrued unbilled revenue | 85,338 | 62,508 | 85,338 | 62,508 |
| Finance lease receivable (Note 18) | 4,321 | 2,904 | 4,321 | 2,904 |
| Other receivables | 1,321 | 1,769 | 732 | 1,289 |
| Deposits and prepayments | 843 | 809 | 787 | 751 |
| Amounts due from subsidiaries | 0 | 0 | 5,102 | 18,474 |
| | 160,959 | 123,869 | 144,495 | 125,773 |

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

Credit terms of trade receivables range from 30 days to 90 days (2009: 30 days to 60 days).

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. Accrued unbilled revenue, other receivables and amount due from subsidiaries are neither past due nor impaired.

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

## 17 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

Ageing analysis of trade receivables

| | Group | Company |
|---|---|---|
| | 2010<br>RM'000 | 2010<br>RM'000 |
| Neither past due nor impaired | 135,707 | 120,230 |
| 1 to 30 days past due and not impaired | 6,943 | 4,121 |
| 31 to 90 days past due and not impaired | 5,742 | 4,640 |
| More than 91 days past due and not impaired | 6,082 | 4,562 |
| More than 91 days past due and impaired | 803 | 758 |
| | 155,277 | 134,311 |
| Less: Provision for impairment for receivables | (803) | (758) |
| | 154,474 | 133,553 |

### Trade receivables that are neither past due nor impaired

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

### Trade receivables that are past due but not impaired

As at 31 December 2010, the Group and Company has trade receivables amounting to RM18,767,000 and RM13,323,000 respectively that are past due at the reporting date but not impaired.

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

## 17 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

### Trade receivables that are impaired

The Group and Company's trade receivables that are impaired as at 31 December 2010 and the movement of the allowance accounts to record the impairment are as follows:

| | Individually impaired | |
|---|---|---|
| | Group 2010 RM'000 | Company 2010 RM'000 |
| Trade receivables - nominal amounts | 803 | 758 |
| Less: Allowance for impairment losses | (803) | (758) |
| | 0 | 0 |

These primarily relate to a few industrial customers which are in financial difficulty, and represent the amount in excess of value of collaterals which have been claimed. The Directors believe that the unimpaired amounts are still collectable.

Movement in allowance for impairment losses:

| | Group | Company |
|---|---|---|
| | 2010 RM'000 | 2010 RM'000 |
| At 1 January | 996 | 637 |
| Reversal for impairment losses | (193) | 121 |
| | 803 | 758 |

## 18 FINANCE LEASE RECEIVABLES

| | Group and Company | |
|---|---|---|
| | 2010 RM'000 | 2010 RM'000 |
| Gross receivables | 4,714 | 4,736 |
| Less: Unearned finance income | (285) | (460) |
| Present value of lease receivables | 4,429 | 4,276 |

## 18 FINANCE LEASE RECEIVABLES (CONT'D)

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

| | Group and Company | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Receivable within 12 months (Note 17) | 4,321 | 2,904 |
| Receivable after 12 months | | |
| - between 1 and 2 years | 177 | 1,765 |
| - between 2 and 5 years | 216 | 67 |
| | 4,714 | 4,736 |
| Less: Unearned finance income | (285) | (460) |
| | 4,429 | 4,276 |
| Current (Note 17) | 4,321 | 2,904 |
| Non-current | 393 | 1,832 |
| | 4,714 | 4,736 |

The weighted average effective interest rates for finance lease receivables are 5% per annum. The finance lease receivables are denominated in Ringgit Malaysia. Fair values of the lease receivables approximated their carrying amounts.

## 19 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Cash and bank balances | 29,592 | 20,423 | 26,003 | 16,291 |
| Deposits with licensed financial institutions | 7,426 | 11,257 | 91 | 4,491 |
| | 37,018 | 31,680 | 26,094 | 20,782 |

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 2.7% (2009: 1.90%) per annum.

Deposits of the Group and Company as at 31 December 2010 are time deposits, which have an average maturity period of 90 days (2009: 30 days).

Cash and cash equivalents are denominated in Ringgit Malaysia.

## 20 PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Trade payables | 53,476 | 30,271 | 45,602 | 25,970 |
| Payroll liabilities | 10,282 | 4,640 | 4,778 | 2,208 |
| Accruals | 3,293 | 1,224 | 2,377 | 684 |
| Finance lease liabilities (Note 22) | 5,744 | 4,114 | 5,744 | 4,114 |
| Vendor financing (Note 23) | 749 | 3,166 | 749 | 3,166 |
| Amounts due to subsidiaries | 0 | 0 | 8,266 | 20,780 |
| | 73,544 | 43,415 | 67,516 | 56,922 |

The currency exposure profile of trade payables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Ringgit Malaysia | 50,439 | 26,324 | 43,020 | 22,666 |
| US Dollar | 3,037 | 3,947 | 2,582 | 3,304 |
| | 53,476 | 30,271 | 45,602 | 25,970 |

All other liabilities are denominated in Ringgit Malaysia.

Credit terms of trade payables range from 7 days to 90 days (2009: 7 days to 90 days).

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

## 21 POST-EMPLOYMENT BENEFITS OBLIGATIONS

### (a) Defined contribution plan

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

### (b) Defined benefit plan

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

## 21 POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONT'D)

### (b) Defined benefit plan (cont'd)

The assets of the funded plan are held in separate trustee administered funds.

The latest actuarial valuation of the plan as at 31 December 2010 was carried out on 24 March 2010.

The movements during the year in the amounts recognised in the statements of financial position are as follows:

| | Group and Company | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| At 1 January | 2,648 | 2,617 |
| Charged to the income statement | 0 | 381 |
| Contributions and benefits paid | (320) | (350) |
| At 31 December | 2,328 | 2,648 |

Actuarial benefit charge was recognised within administrative expenses in the statements of comprehensive income. The amounts recognised in the statements of financial positions may be analysed as follows:

| | Group and Company | | | | |
|---|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2008 RM'000 | 2007 RM'000 | 2006 RM'000 |
| At 31 December | | | | | |
| Present value of funded obligations | 4,694 | 4,363 | 5,394 | 4,860 | 4,450 |
| Fair value of plan assets | (3,183) | (2,401) | (2,103) | (2,124) | (1,124) |
| Liability | 1,511 | 1,962 | 3,291 | 2,736 | 3,326 |
| Unrecognised transition liability* | 0 | 0 | 0 | 0 | (230) |
| Unrecognised actuarial gain/(loss)* | 817 | 686 | (674) | (168) | (413) |
| Net liability | 2,328 | 2,648 | 2,617 | 2,568 | 2,683 |

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

## 21 POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONT'D)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Current service cost | 188 | 177 | 188 | 177 |
| Interest cost | 258 | 239 | 258 | 239 |
| Expected return on plan assets | (120) | (100) | (120) | (100) |
| Actuarial gain recognised during the financial year | (326) | 65 | (326) | 65 |
| Total defined benefit retirement plan | 0 | 381 | 0 | 381 |
| Defined contribution retirement plan | 6,817 | 5,840 | 2,181 | 2,158 |
| Total included in staff cost (Note 6) | 6,817 | 6,221 | 2,181 | 2,539 |

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

| | Group and Company | |
|---|---|---|
| | 2010 % | 2009 % |
| 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 | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Actual return on plan assets | 119 | 171 |

## 22 FINANCE LEASE LIABILITIES

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

| | Group and Company | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Minimum lease payments: | | |
| Repayable within 12 months | 5,760 | 4,325 |
| Repayable after 12 months | | |
| - between 1 and 2 years | 5,527 | 249 |
| - between 2 and 5 years | 4,133 | 16 |
| | 15,420 | 4,590 |
| Future finance charges on finance leases | (17) | (228) |
| Present value of the finance lease liability | 15,403 | 4,362 |
| Current (Note 20) | 5,744 | 4,114 |
| Non-current | 9,659 | 248 |
| | 15,403 | 4,362 |

The finance lease liabilities are secured as the rights to the leased assets revert to the lessor in the event of default. Fair value of finance lease liabilities approximated the carrying amount on the statements of financial position.

## 23 OTHER LONG TERM LIABILITIES

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

| | Group and Company | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Vendor financing: | | |
| Repayable within 12 months | 749 | 3,166 |
| Repayable after 12 months | | |
| - between 1 and 2 years | 0 | 749 |
| - between 2 and 5 years | 0 | 0 |
| | 749 | 3,915 |
| Current (Note 20) | 749 | 3,166 |
| Non-current | 0 | 749 |
| | 749 | 3,915 |

The vendor financing is interest free and is repayable by way of quarterly instalments. The vendor financing is conditioned to a sale associated with the vendor's goods and services to a particular customer. Fair value of vendor financing approximated its carrying amount on the statement of financial position.

## 24 SHARE CAPITAL

| | Group and Company | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Ordinary shares of RM1.00 each | | |
| Authorised: | 100,000 | 100,000 |
| Issued and fully paid: | | |
| At 1 January and 31 December | 60,402 | 60,402 |

## 25 RETAINED EARNINGS

Under the single-tier tax system which came into effect from the year of assessment 2009, 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 2009 and pay single-tier dividends.

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

As at 31 December 2010, 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 2010 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 (2009: 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.

## 26 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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** | **2010 RM'000** | **2009 RM'000** |
| Fellow subsidiary companies | | |
| - Purchase of goods | 555 | 2,220 |
| - Purchase of services | 49,860 | 41,961 |
| - Sales of services | 554 | 6,567 |

## 26 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 Group. The key management compensation (excluding Directors' remuneration) is disclosed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 RM'000** | **2009 RM'000** | **2010 RM'000** | **2009 RM'000** |
| Salaries and other short-term employees benefits | 1,081 | 904 | 786 | 615 |
| Defined contribution plan | 126 | 122 | 91 | 89 |
| Defined benefit plan | 0 | 70 | 0 | 49 |
| | 1,207 | 1,096 | 877 | 753 |

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

## 27 SEGMENTAL REPORTING

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

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

## 28 CHANGES IN ACCOUNTING POLICIES

The following describes the impact of the new standards, amendments to the published standards and IC interpretations adopted by the Group and the Company for financial year beginning on 1 January 2010.

### FRS 7 "Financial Instruments: Disclosures"

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 "Financial Instruments: Disclosure and Presentation". FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

## 28 CHANGES IN ACCOUNTING POLICIES (CONT'D)

### FRS 7 "Financial Instruments: Disclosures" (cont'd)

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group and the Company's financial statements for the financial year ended 31 December 2010.

### FRS 8 "Operating Segments"

FRS 8, which replaces FRS 114 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance.

The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers, whenever applicable. Following the adoption of FRS 8, the reportable segments have been reduced to one segment in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performances of the operating segments has been identified as the Managing Director. Refer to Note 3(r) for further details.

### FRS 101 "Presentation of Financial Statements (Revised)"

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

### FRS 139 "Financial Instruments: Recognition and Measurement"

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of the fair value reserve as at 1 January 2010. Comparatives for financial instruments have been adjusted and therefore the corresponding balances are not comparable.

## 28 CHANGES IN ACCOUNTING POLICIES (CONT'D)

The effects of the changes in accounting policy on the Group and Company's financial statements are as follows:

(a) As disclosed in the Statement of changes in Equity:

| | Group | Company |
|---|---|---|
| | 2010 RM'000 | 2010 RM'000 |
| Opening Retained earnings | 98,288 | 75,988 |
| Decrease in receivables | (1,479) | (1,479) |
| Restated Retained earnings | 96,809 | 74,509 |

(b) For the year ended 31 December 2010:

| | RM'000 | RM'000 |
|---|---|---|
| Finance income | 897 | 897 |

## 29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 April 2011.

## 30 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group and the Company as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

| | Group | Company |
|---|---|---|
| | 2010<br>RM'000 | 2010<br>RM'000 |
| Realised | 100,362 | 75,686 |
| Unrealised | (959) | 25 |
| | 99,403 | 75,711 |

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

# Properties Owned by the Group

As At 31 December 2010

| 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 | Seventeen (17) years | 36,424 |
| 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 | Ten (10) years | 9,211 |
| 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 and store | Office building | Freehold | Nil | Three (3) years | 5,859 |

# Shareholding Statistics

## Shareholding Structure as at 15 April 2011

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

## Analysis of Shareholdings as at 15 April 2011

| Size of Shareholding | No. of Shareholders | % of Shareholders | No. of Shares | % of Issued Share Capital |
|---|---|---|---|---|
| Less than 100 | 30 | 0.94 | 1,012 | 0.00 |
| 100 - 1,000 | 1,189 | 37.40 | 1,124,798 | 1.86 |
| 1,001 - 10,000 | 1,608 | 50.58 | 6,916,953 | 11.45 |
| 10,001 - 100,000 | 305 | 9.59 | 8,618,300 | 14.27 |
| 100,001 - 3,020,100 (Less than 5% of issued shares) | 43 | 1.35 | 18,844,756 | 31.20 |
| 3,020,101 and above (5% and above of issued shares) | 4 | 0.14 | 24,896,181 | 41.22 |
| **TOTAL** | **3,179** | **100.00** | **60,402,000** | **100.00** |

## Substantial Shareholders (Excluding Bare Trustees and Deemed Interests) as at 15 April 2011

| No. | Names | Direct Shareholdings | % |
|---|---|---|---|
| 1 | PERMODALAN NASIONAL BERHAD | 11,335,249 | 18.77 |
| 2 | FATHIL SULAIMAN ISMAIL | 6,569,939 | 10.88 |
| 3 | SAFIAH SULAIMAN ISMAIL | 3,662,053 | 6.06 |
| 4 | HOR YEE @ HO CHEONG FATT | 3,328,940 | 5.51 |

# Shareholding Statistics

## Directors Direct and Deemed Interests as at 15 April 2011

| No. | Names | Direct Shareholdings | Deemed Interest | % |
|---|---|---|---|---|
| 1 | DATUK WAN MOHAMED FUSIL WAN MAHMOOD | 1,775,940 | 2,050,000 [1] | 6.33 |
| 2 | MOHD PUZI AHAMAD | 1,737,940 | 2,181,000 [2] | 6.49 |
| 3 | FATHIL SULAIMAN ISMAIL | 6,599,939 | 0 | 10.88 |
| 4 | VOON SENG CHUAN | 200,000 | 0 | 0.33 |
| 5 | ABD TALIB BABA | 0 | 0 | 0.00 |
| 6 | WONG FOOK HON | 11,000 | 0 | 0.02 |
| 7 | DATO' AB RASHID MAT ADAM | 0 | 0 | 0.00 |
| 8 | IR. DR. MUHAMAD FUAD ABDULLAH | 0 | 0 | 0.00 |

[1] Interest held under his nominee accounts with CIMB Trustee Berhad, Alliancegroup Nominees (Tempatan) Sdn. Bhd., Citicorp Nominees (Tempatan) Sdn. Bhd. and CIMSEC 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 15 April 2011

| No. | Names | Holdings | % |
|---|---|---|---|
| 1 | PERMODALAN NASIONAL BERHAD | 11,335,249 | 18.77 |
| 2 | FATHIL SULAIMAN ISMAIL | 6,569,939 | 10.88 |
| 3 | SAFIAH SULAIMAN ISMAIL | 3,662,053 | 6.06 |
| 4 | HOR YEE @ HO CHEONG FATT | 3,328,940 | 5.51 |
| 5 | PHARIDA SULAIMAN @ PHILOMENA SULAIMAN | 2,699,976 | 4.47 |
| 6 | CIMB TRUSTEE BERHAD {MOHD PUZI AHAMAD} | 2,000,000 | 3.31 |
| 7 | WAN MOHAMED FUSIL WAN MAHMOOD | 1,775,940 | 2.94 |
| 8 | MOHD PUZI AHAMAD | 1,737,940 | 2.88 |
| 9 | CIMB TRUSTEE BERHAD {WAN MOHAMED FUSIL WAN MAHMOOD} | 1,000,000 | 1.66 |
| 10 | WONG TA NOOY @ WONG KENG YONG | 700,000 | 1.16 |
| 11 | CITICORP NOMINEES (ASING) SDN BHD {UBS AG FOR NEON LIBERTY WEI JI MASTER FUND LP} | 654,000 | 1.08 |
| 12 | SRI SUSAYATI RAMLAN | 620,000 | 1.03 |

## 30 Largest Shareholders
## as at 15 April 2011 (Cont'd)

| No. | Names | Holdings | % |
|---|---|---|---|
| 13 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD {PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL WAN MAHMOOD} | 550,000 | 0.91 |
| 14 | LOW KONG BOO | 430,000 | 0.71 |
| 15 | HO WAI KOK | 407,000 | 0.67 |
| 16 | CITICORP NOMINEES (TEMPATAN) SDN BHD {PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL WAN MAHMOOD (473685)} | 400,000 | 0.66 |
| 17 | HO WAI HOE | 389,000 | 0.64 |
| 18 | DB (MALAYSIA) NOMINEE (ASING) SDN BHD {EXEMPT AN FOR BRITISH AND MALAYAN TRUSTEES LIMITED (YEOMAN 3-RIGHTS)} | 375,000 | 0.62 |
| 19 | NEOH CHOO EE & COMPANY SDN BHD | 354,100 | 0.59 |
| 20 | LIM POH TIONG | 340,000 | 0.56 |
| 21 | NOR HASLINA MD DAHARI | 250,000 | 0.41 |
| 22 | SHEILA ELEANOR DE COSTA | 223,000 | 0.37 |
| 23 | CIMSEC NOMINEES (TEMPATAN) SDN BHD {CIMB BANK FOR GAN NYAP LIOU @ GAN NYAP LIOW (MY0747)} | 215,000 | 0.36 |
| 24 | CHOY CHOONG YEEN | 200,000 | 0.33 |
| 25 | VOON SENG CHUAN | 200,000 | 0.33 |
| 26 | MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD {PLEDGED SECURITIES FOR NORDIN MAT ISA (MARGIN)} | 200,000 | 0.33 |
| 27 | TOH KAM CHOY | 198,000 | 0.33 |
| 28 | HSBC NOMINEES (ASING) SDN BHD {EXEMPT AN FOR BNP PARIBAS SECURITIES SERVICES (SYDNEY-AUD)} | 185,000 | 0.31 |
| 29 | AFFIN NOMINEES (TEMPATAN) SDN BHD {PLEDGED SECURITIES ACCOUNT FOR LOO SWEE LIN} | 183,000 | 0.30 |
| 30 | CITICORP NOMINEES (TEMPATAN) SDN BHD {PLEDGED SECURITIES ACCOUNT FOR MOHD PUZI AHAMAD (473678)} | 181,000 | 0.30 |

# Notice of 29th Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Twenty Ninth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Wednesday, 15 June 2011 at 2.30pm for the following purposes:

**Agenda**

1. To receive the Audited Accounts for the year ended 31 December 2010 together with the Reports of Directors and Auditors thereon.

2. To approve a First and Final Gross Dividend of 20 sen less tax at 25% for the year ended 31 December 2010. **Resolution 1**

3. To approve Directors' Fees for the year ended 31 December 2010. **Resolution 2**

4. To re-elect the following Directors retiring pursuant to Article 104 of the Company's Articles of Association:
   i. Voon Seng Chuan **Resolution 3**
   ii. Abdul Talib Baba **Resolution 4**

5. To re-elect Ir. Dr. Muhamad Fuad Abdullah retiring pursuant to Article 108 of the Company's Articles of Association. **Resolution 5**

6. To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 6**

**BY ORDER OF THE BOARD**

**JASNI ABDUL JALIL (MACS 01359)**
Company Secretary
Subang Jaya
20 May 2011

**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 126 of this Annual Report, the Directors for re-election pursuant to Article 104 are :

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

   i. Voon Seng Chuan
   ii. Abdul Talib Baba

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

   i. Ir. Dr. Muhamad Fuad Abdullah

2. Details of Board Meetings and the attendance of Directors at those meetings are as stated on page 53.

3. The Twenty Ninth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Wednesday, 15 June 2011 at 2.30pm.

4. Details of the Directors standing for re-election are as stated in the Directors' profile column on pages 26 to 30. Their securities holdings in the Company are as stated on page 124.

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# 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 20 sen less tax at 25% will be paid on 7 July 2011 to shareholders whose names appear in the Record of Depositors on 21 June 2011.

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 21 June 2011 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
20 May 2011

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# 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 Ninth Annual General Meeting of the Company,** to be held on **Wednesday, 15 June 2011 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.

| RESOLUTIONS | FOR | AGAINST |
|---|---|---|
| 1. Declaration of Dividend | | |
| 2. Approval of Directors’ Fees | | |
| 3. Re-election of Voon Seng Chuan as Director | | |
| 4. Re-election of Abdul Talib Baba as Director | | |
| 5. Re-election of Ir. Dr. Muhamad Fuad Abdullah as Director | | |
| 6. Re-appointment of Messrs PricewaterhouseCoopers as the Company’s Auditors | | |

Signature of Member / Common Seal

| Number 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 D13, Pusat Dagangan 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor, Malaysia

Fold Here

**Mesiniaga Berhad** (79244-V)

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

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

**www.mesiniaga.com.my**