Mesiniaga

ANNUAL REPORT 2017

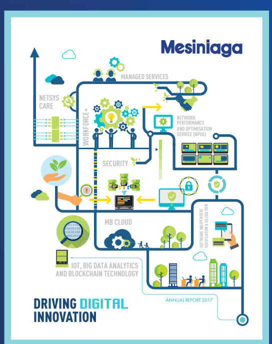
DRIVING DIGITAL INNOVATION

36TH ANNUAL GENERAL MEETING

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

TIME : 2.30pm

DATE : 12 June 2018



DRIVING DIGITAL INNOVATION

On this year's cover, the different variety of our services are being showcased, as a lot of initiatives and strategies are being derived to make sure Mesiniaga is able to assist our customers through digital transformation. In order to achieve our year on year target, we will continue to be optimistic in bringing out the best on growth, sustainability and the drive to thrive for greater heights of success.

OUR VISION

TO BE THE MALAYSIAN IT PARTNER OF CHOICE

OUR MISSION

HELPING CUSTOMERS SUCCEED

WHAT'S INSIDE

OVERVIEW

PERFORMANCE

GOVERNANCE

FINANCIALS

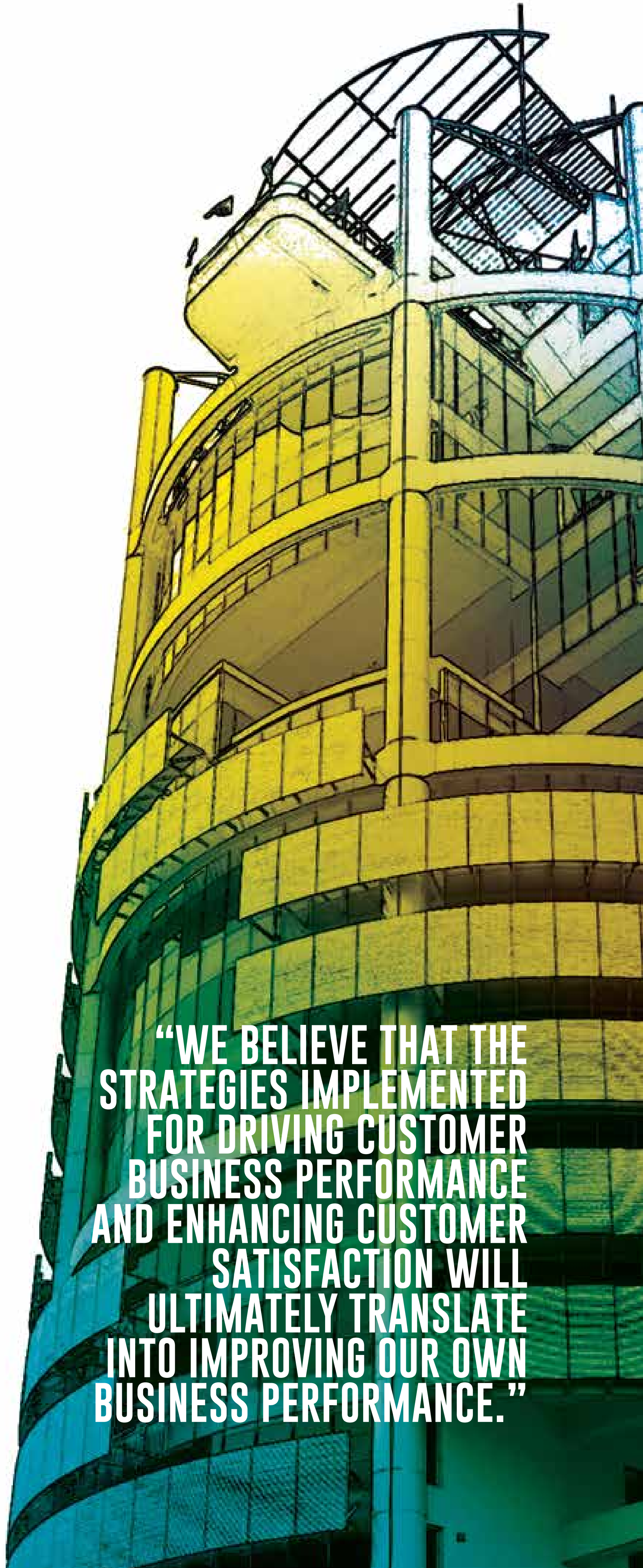
ADDITIONAL INFORMATION

CORPORATE **PROFILE**

Mesiniaga has been in the technology business for more than three decades. We started out as a company selling IBM office products and have now evolved into a multi-platform business solutions provider with a paid-up capital of RM60.4 million. Within the last 36 years, the technology landscape has changed tremendously. New trends have emerged resulting in a sea of change in the way companies do business. Across the board, companies these days are constantly on the lookout for solutions that will give them an edge over their competitors. As such, we are constantly striving for ways to provide our customers with an experience that will allow them to achieve their business objectives.

WE ARE NOW A GROUP OF MORE THAN

1,200 EMPLOYEES



"WE BELIEVE THAT THE STRATEGIES IMPLEMENTED FOR DRIVING CUSTOMER BUSINESS PERFORMANCE AND ENHANCING CUSTOMER SATISFACTION WILL ULTIMATELY TRANSLATE INTO IMPROVING OUR OWN BUSINESS PERFORMANCE."

CORPORATE **PROFILE**

This is the reason we have made it our Mission to Help Customers Succeed, by delivering technology and business solutions to improve customers' business efficiency, productivity and competitive edge, as well as to create new business opportunities for them. In order to fulfil our Mission, it is imperative that we understand their business needs, environments and challenges. This is achieved through close engagement with customers, applying industry best practices and maintaining a business-oriented approach.

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

We believe that the strategies implemented for driving customer business performance and enhancing customer satisfaction will ultimately translate into improving our own business performance. This will allow us to reward our shareholders for their faith in us. In order to fulfil this promise, we have also made a commitment to improve our productivity yield. We are now a group of more than 1200 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 within the IT industry.

VALUES

RESPECT
Good conduct towards people, roles, procedures and processes

INTEGRITY
Positive virtues with strong business ethics and professionalism

COMMITMENT
Dedicated to keep our promises to our customers

INNOVATION
Relevant and differentiated products and services in the market

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

LEADING PARTNERSHIP STATUS

- Dell EMC Gold Partner
- IBM Software Group Silver Partner
- IBM System Premier Partner
- Microsoft Gold Partner for Messaging, Datacenter & Cloud Productivity
- VMWare Enterprise Partner
- Oracle Gold Partner
- HP Inc. Authorised Partner
- HP Enterprise Gold Partner
- Hitachi Data Systems Gold Partner
- Commvault Authorised Partner
- Lenovo PCG - End Client Product Platinum Partner
- Lenovo DCG - Enterprise Product Gold Partner
- Veritas Silver Partner
- Nutanix Authorised Partner
- Symantec Platinum Partner
- Trend Micro Gold Partner
- Fortinet Authorised Partner
- Cisco Gold Partner
- Juniper Elite Partner
- Huawei Gold Partner
- Procera Networks Inc. Authorised Partner
- F5 Networks Authorised Partner
- Brocade Registered Partner
- Blackberry Gold Partner
- TrustSphere Authorised Partner
- Fusionex Authorised Partner

INCORPORATED ON

17 DEC 1981

PAID-UP CAPITAL OF

RM 60.4 MILLION

HEADQUARTERS:

SUBANG JAYA

LISTED ON BURSA SECURITIES (MAIN MARKET) ON

17 NOV 1999

30

NATIONWIDE SERVICE LOCATIONS

SABAH

- Beaufort
- Kota Kinabalu
- Labuan
- Lahad Datu
- Sandakan
- Tawau

SARAWAK

- Bintulu
- Kuching
- Limbang
- Miri
- Sibu
- Sri Aman

NORTHERN REGION

- Alor Setar
- Ipoh
- Langkawi
- Pulau Pinang
- Seberang Prai
- Taiping
- Teluk Intan

CENTRAL REGION

- Subang Jaya

SOUTHERN REGION

- Batu Pahat
- Johor Bahru
- Kluang
- Melaka
- Segamat [IP Core]
- Seremban

EAST COAST

- Kota Bharu
- Kuala Terengganu
- Kuantan
- Temerloh

STAFF STRENGTH OF MORE THAN

1,200

EMPLOYEES

KEY OFFICE LOCATIONS:

MESINIAGA, PULAU PINANG

MESINIAGA, JOHOR BAHRU

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Wan Mohamed Fusil
Executive Chairman and Chief Executive Officer

Mohd Puzi Ahamad
Executive Director and Chief Financial Officer
Deceased 14 July 2017

Fathil Ismail
Non-Independent Non-Executive Director

Voon Seng Chuan
Independent Non-Executive Director

Abd Talib Baba
Independent Non-Executive Director

Wong Fook Hon
Independent Non-Executive Director

Dato' Ab Rashid Mat Adam
Independent Non-Executive Director

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

NOMINATION AND REMUNERATION COMMITTEE

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Abd Talib Baba *(Chairperson)*
Wong Fook Hon
Dato' Ab Rashid Mat Adam

INVESTMENT COMMITTEE

Voon Seng Chuan *(Chairperson)*
Mohd Puzi Ahamad
(Deceased 14 July 2017)
Wong Fook Hon
Fathil Ismail

COMPANY SECRETARY

Jasni Abdul Jalil *(Macs 01359)*

COMPANY REGISTRATION NUMBER

79244-V

REGISTERED OFFICE

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

AUDITORS

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

PRINCIPAL BANKERS

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

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7849 0777
Fax : 03-7841 8151

STOCK EXCHANGE LISTING

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

CORPORATE **STRUCTURE**

Mesiniaga

51%

VA DYNAMICS SDN. BHD.
Sales of networking cables and related products.

80%

MESINIAGA MOBILITY SDN. BHD.
Enhancement of value by developing, marketing and operating a mobile workforce management system.

100%

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

100%

MESINIAGA ALLIANCES SDN. BHD.
Provision of strategic information technology outsourcing services.

100%

MESINIAGA MSC SDN. BHD.
Dormant.

100%

MESINIAGA SERVICES SDN. BHD.
Dormant.

100%

MESINIAGA SSO SDN. BHD.
Under members voluntary winding-up.

100%

MESINIAGA TECHNIQUES SDN. BHD.
Dissolved.

JOURNEY TO DRIVE CUSTOMERS' SUCCESS THROUGH TECHNOLOGY

MANAGEMENT
DISCUSSION AND ANALYSIS

Datuk Wan Mohamed Fusil
Executive Chairman and
Chief Executive Officer

Dear Valued Shareholders,

It is with great pleasure that I share with you highlights of our financial results in 2017. The rough and ever-changing business environment presented a constant challenge for us but ultimately, 2017 has proven to be our best year of the last 5 years. We remained steadfast and continued to deliver great service to our customers, a feat only achievable due to the commitment and diligence of the management and employees of Mesiniaga. I am pleased to present the Management Discussion and Analysis of Mesiniaga Berhad's business for 2017.

OPERATING ENVIRONMENT

The Malaysian economy recorded a stronger growth of 5.9% in the fourth quarter of 2017 with private sector spending continued to be a significant influence. Expansion in both private and public sector expenditure increased domestic demand by 6.9% in the fourth quarter of the year. Better labour market conditions boosted private consumption by 7.2% enabling private sector wages to be sustained amid stronger employment growth. The external sector also contributed positively as real exports expanded at a faster pace supported by stronger demand from major trading partners.

Within the IT industry, many companies in Malaysia have taken an interest in big data, blockchain, automation, machine learning, Internet of Things and digital marketing as a result of recent awareness and drive towards digital adoption. However, it appears that the market is still searching on the possible applications of these innovations and it is expected that the year 2018 will see more investments into these areas.

MANAGEMENT **DISCUSSION AND ANALYSIS**

WE AIM TO EXTEND OUR SERVICE OFFERINGS WITHIN OUR CUSTOMERS' BUSINESS OPERATING ENVIRONMENTS THROUGH DIFFERENTIATED PRODUCTS AND SOLUTIONS.

OUR BUSINESS

Mesiniaga is an enterprise solutions integrator focused on turnkey projects that requires specialised IT skills and project management. At the same time, our business is sustained by recurring multi-year maintenance and services contracts from a base of satisfied customers. We aim to extend our service offerings within our customers' business operating environment through differentiated products and solutions. This will grant us an advantage over our competitors and allow growth through product reliability, innovation and a total solutions approach.

Our key offerings include cloud management, security solutions, network services, hardware and software design, application development and testing, system maintenance, outsourcing of IT services and overall IT solutions' design and infrastructure.

We are principally focused on four core customer segments: the Public Sector, Telecommunications, Enterprise and Northern states. Within the Enterprise segment, we engage with oil and gas companies, government-linked companies, the financial services industry and educational institutions. Under the Northern states segment, we deal with manufacturing, healthcare, education and state government-linked accounts.

OUR STRATEGIC INITIATIVES

The year 2017 saw a continuation of our Four Disciplines of Execution (4DX) framework to monitor the progress of the 3 year business strategy we developed in 2016. These initiatives included the alignment of our products and services through our Product Differentiation Initiatives (PDI), our efforts to ensure delivery excellence via Keeping our Promises (KOP) and Reducing Delivery Costs (RDC) and lastly, to provide exceptional sales coverage and customer satisfaction through our Sales Effectiveness Initiatives (SEI).

Mesiniaga's long term plans are focused on building upon our annuity business income. This means driving recurring revenue in maintenance and managed services while exploring new business models that give our customers better payment options over a long-term service contract with us.

In tandem with our strategy of expanding the annuity business, we launched Mesiniaga Bright Side in November 2017, a corporate innovation lab in collaboration with the Malaysian Global Innovation & Creativity Centre (MaGIC) and several other partners. Aimed at accelerating cultural change within Mesiniaga, we aspire to develop a workforce geared towards a more innovative mindset in line with the changing technology and business landscape.

FINANCIAL AND OPERATIONAL PERFORMANCE

The Group recorded a revenue of RM 226.3 million for the year ended 31 December 2017, compared to RM 227.9 million in 2016. The Group posted a profit before tax (PBT) of RM 14.6 million in 2017, compared to a PBT of RM 4.9 million in the previous year. The increment in PBT was achieved as a result of the growth in our services revenue which attracts higher margin, continuous expense review, the gain in disposal of fixed asset and the implementation of stricter hiring process. In the hiring process, all new and replacement positions are subjected to the approval by the Hiring Council. In addition, the implementation of our RDC initiative, where each business function is tasked with reducing costs by 20%, has had a positive impact on our PBT as it resulted in better control of and more efficient delivery costs.

BUSINESS RISKS

It is our utmost priority to identify, evaluate, manage and report the risks and uncertainties that can affect Mesiniaga in order to improve our business processes. Here, we highlight key foreseeable risks to the Group's strategic directions, operations and financials as well as our approach to mitigate these risks.

STRATEGIC

Market & Customer Satisfaction Risks

The IT industry is expected to undergo consolidation as new technologies and borderless competition bring forth threats as well as opportunities. Vast technological advancements and the rapidly changing needs of customers will result in the market becoming even more competitive which we foresee will affect the Group's revenue. Consequently, it is necessary for the Group to improve its business strategies to increase our share of our customers' business. We have also taken decisive measures to drive efficiency and innovation by continuously assessing new technological developments. Simultaneously, we are upgrading our core capabilities to provide a better service experience.

FINANCIAL

Foreign Exchange Risk

Foreign exchange risk is a common financial exposure especially when multinational dealings are involved. The Group recognises that the uncertainty of the global economy and the fluctuations of the Ringgit against the US Dollar can negatively affect cash flow and financial performance. Knowing this, we have taken continuous effort in hedging certain currencies and mitigating forex exposure involving contractual terms with our customers and suppliers. We are also optimising our borrowings in local currency while imposing other relevant controls on funding matters thereby preserving our profitability and ensuring sustainable growth.

Cash Flow Risk

Another common risk is cash deficiency even within a growing and thriving business and Mesiniaga is continuously finding opportunities to maintain a healthy cash flow. This includes our RDC initiative by optimising business processes, an effort that is parallel to one of our four strategic initiatives within the 4DX framework.

“THE GROUP POSTED A PROFIT BEFORE TAX (PBT) OF RM14.6 MILLION IN 2017, COMPARED TO RM4.9 MILLION IN THE PREVIOUS YEAR.”

PERFORMANCE

TECHNOLOGY

Cyber Risk

The Group considers this a heightened risk following the increase in malicious and high profile attacks against major corporations worldwide and we endeavour to mitigate this risk to our business. We understand that cyber-attacks can undermine customers' confidence in the Company especially since critical information and intellectual assets are being converted into digital form and therefore, effective measures have been taken to upgrade our systems.

OPERATIONAL

People Risk

While IT is the backbone of our business, it is the people in management and operations that sustains our ability to deliver and satisfy our customers. Failure to attract, develop and retain talented employees of the appropriate calibre will compromise the execution of the Group's business strategy.

Our Human Resources Department is constantly sourcing and developing suitable talents by improving recruitment, staff development, employee engagement, training and retention processes to combat the perennial challenge of retaining key talents within the Company.

MOVING FORWARD

The World Bank projects Malaysia's economy to continue to grow at a strong pace of 5.2% in 2018, a slightly lower projection compared to the 5.8% growth in 2017. This is predicated upon strengthening domestic demand, improved labour market conditions and wage growth, as well as improved external demand for Malaysia's manufactured products and commodity exports. Capital expenditure has also increased due to higher private and public investment.

Despite the reports of good growth in 2018, Mesiniaga expects that government spending to be slow-moving in the first half of the year due to the impending general election scheduled for this year. From our experience of previous election years, the corporate sector also tends to be cautious until political stability is attained and assured. In spite of this, we foresee the year 2018 to be another positive year as our strategy of increasing our annuity income will alleviate this anticipated drop in capital expenditure while our existing annuity business covers the cost of operations in 2018.

Technology-wise, the overall direction for IT infrastructure in 2018 is moving towards cloud computing, therefore Mesiniaga is aligning itself with this trend through our subscription-based hybrid cloud service coupled with on-premise propositions. As more companies migrate onto cloud platforms, our Network Business Unit is prepared to meet this inevitable demand for more bandwidth. In order to cater to our customers' growth and need for network infrastructure, our PDI key offering will be the optimisation of network requirements.

On the software development front, we will be easing off on customised application development as we believe that we can create greater business value for customers by focusing on the productisation of outcome-based solutions. This will also optimise our use of resources by removing the need to scale up or down our software development teams according to projects.

Finally, for maintenance and managed services, we will be looking into expanding our solutions portfolio by making it more accessible to our customers. We are aiming to provide a customisable service in which our customers themselves will be able to design specific IT maintenance and operation solutions with the use of automation.

In 2018, Mesiniaga will be increasing its investment into the research and development of big data, blockchain, machine learning and outcome-based products to meet the demands of the industry. This R&D will be done via Mesiniaga Bright Side as well as our Telecommunications segment and Products and Innovation Department.

As much as we are proud of the success achieved in 2017 through hard work and the dedication of everyone involved, we are even more excited at creating greater success in 2018.

ACKNOWLEDGEMENTS

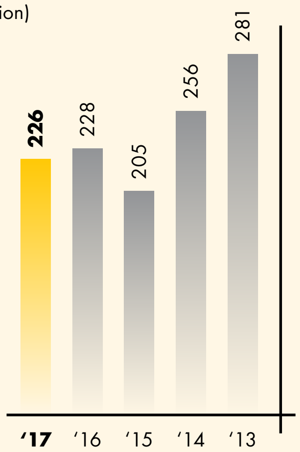
Many parties have helped us get to where we are today and we are truly grateful for their invaluable support. I wish to extend my heartfelt appreciation to my fellow members of the Board as well as our customers and business partners for their confidence in us especially amidst these trying times. To all our loyal employees, I thank you for your hard work, sacrifices and commitment to ensuring that Mesiniaga becomes a high-performance company. My deep appreciation also goes to our shareholders for your continued faith and trust in us. As we venture forth to embrace new opportunities and face challenges, we call upon all our stakeholders to continue lending us their unwavering trust and support. Thank you.

Datuk Wan Mohamed Fusil
Executive Chairman and
Chief Executive Officer

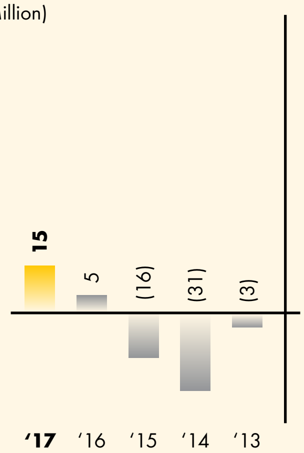
FIVE-YEAR
PERFORMANCE STATISTICS

REVENUE	PROFIT BEFORE TAX	NET CURRENT ASSETS
-0.9%	+200%	+21.1 %

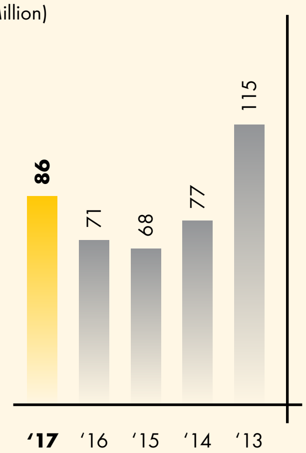
Revenue
(RM Million)



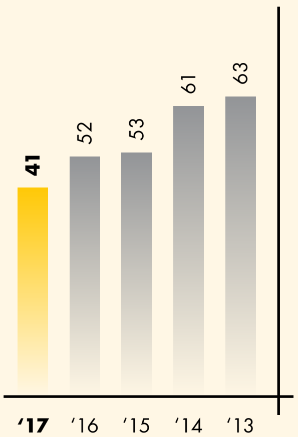
Profit Before Tax
(RM Million)



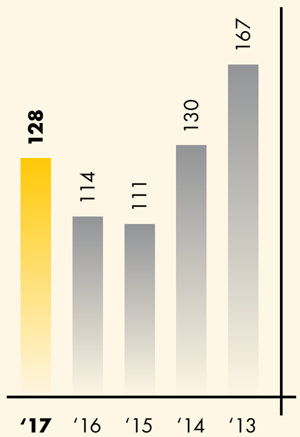
Net Current Assets
(RM Million)



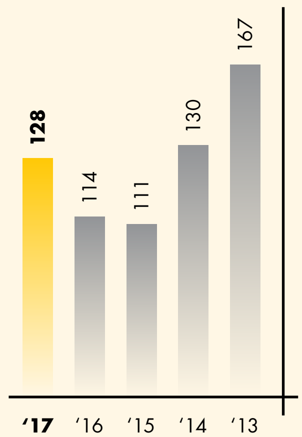
Fixed Assets
(RM Million)



Net Tangible Assets
(RM Million)



Shareholders' Equity
(RM Million)



BOARD OF **DIRECTORS**

DATUK WAN MOHAMED FUSIL, DMSM

Executive Chairman and Chief Executive Officer

Aged 67, Male, Malaysian

Datuk Wan Mohamed Fusil was appointed to the Board on 17 December 1981 as part of the team who founded the Company. He was elected Chairman of the Board on 14 June 2007. Datuk Wan Fusil was appointed as the Chief Executive Officer of Mesiniaga on 25 February 2016. Prior to joining Mesiniaga, Datuk Wan Fusil was with IBM Malaysia. During his tenure with IBM Malaysia, he served in various managerial positions. This included serving as Country Manager - Information Products Division.

Datuk Wan Fusil is one of the first serving Board Members of Multimedia Development Corporation (MDEC) and is also one of the founding members of the Association of Computer and Multimedia Industry Malaysia (PIKOM). He had 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).

MOHD PUZI AHAMAD, RA (M), FCCA

Executive Director and Chief Financial Officer

Aged 65, Male,
Malaysian
(Deceased on 14 July 2017)

Mohd Puzi Ahamad was appointed to the Board on 17 December 1981 as part of the team who founded the Company. Prior to joining Mesiniaga, 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).

BOARD OF **DIRECTORS**

VOON SENG CHUAN

Independent Non-Executive Director

Aged 59, Male, Malaysian

Voon Seng Chuan was appointed to the Board as a Non-Independent Non-Executive Director on 24 October 2000. On 1 April 2013, he was re-designated as an Independent Non-Executive Director. He also sits on the Board of AMMB Holdings Berhad, AmBank (M) Berhad and is currently a Director of Silverlake International Ltd., Silverlake International (HK) Limited and Corporate Learning Consortium Sdn. Bhd.

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

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

FATHIL ISMAIL

Non-Independent Non-Executive Director

Aged 53, Male, Malaysian

Fathil Ismail was appointed to the Board on 1 June 2002. Between 2008 and 2013, he helmed the Company as Managing Director. Beginning 1 January 2014, he continues to sit on the Board as a Non-Independent Non-Executive Director. An accountant by training, Fathil served with Ernst & Young and subsequently with the Corporate Finance Department of Arab Malaysian Merchant Bank before pursuing private enterprise. He was a founding partner and the Managing Director of Genesis Healthcare (now known as ING Employee Benefits) for six years until late 2001. Fathil is an alumnus of Malay College Kuala Kangsar and graduated from the Association of Chartered Certified Accountants (ACCA).

BOARD OF **DIRECTORS**

ABD TALIB BABA, RA (M), FCCA

Independent Non-Executive Director

Aged 72, Male, Malaysian

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

WONG FOOK HON

Independent Non-Executive Director

Aged 73, Male, Malaysian

Wong Fook Hon was appointed to the Board on 1 August 2008. Wong started his career in IBM Malaysia as a Systems Engineer in 1970. Throughout his 29-year career in IBM Malaysia, Wong also expanded his work portfolio to include becoming the Director of Management Services and Director of Marketing.

His last position in IBM Malaysia before retiring in 1999 was as the Director of Finance. Wong holds a Master of Engineering in Aeronautics.

BOARD OF **DIRECTORS**

IR. DR. MUHAMAD FUAD ABDULLAH

Non-Independent Non-Executive Director

Aged 64, Male, Malaysian

Ir. Dr. Muhamad Fuad Abdullah was appointed to the Board on 16 July 2010. He began his career in 1977 as an Electrical Engineer with the Malaysian Public Works Department. After spending six years in the technical area, he took on the position of Engineering Logistics Manager in Uniphone Sdn. Bhd. He then served as a tutor in Universiti Kebangsaan Malaysia (UKM) in 1992 and thereafter became the Vice President of Kolej UNITI in 1996. He was also CEO of Kausar Corporation Sdn. Bhd. and later the Managing Director of Five-H Associates Sdn. Bhd. He is currently a Board member of Institut Kefahaman Islam Malaysia, Universiti Sains Islam Malaysia (USIM), USIM Tijarah Holdings Sdn. Bhd., PNB Commercial Sdn. Bhd., Gagasan Nadi Cergas Berhad and Universiti Tun Abdul Razak Sdn. Bhd. He is a Professional Engineer with Practising Certificate (PEPC), a Fellow of the Institution of Engineers Malaysia (FIEM), an ASEAN Chartered Professional Engineer (ACPE), an APEC Engineer (APEC Eng.) and an International Professional Engineer [IntPE(MY)]. Ir. Dr. Muhamad Fuad holds a Bachelor of Science and an M.Phil. in Electrical Engineering from University of Southampton. He also holds a Bachelor of Arts (Jayyid) in Syariah from Jordan University and a Ph.D. in Muslim Civilisation from the Aberdeen University.

DATO' AB RASHID MAT ADAM, DIMP

Independent Non-Executive Director

Aged 67, Male, Malaysian

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

None of the Board Members have relationships among each other or with any of the substantial shareholders of the Company except for Fathil Ismail who has a kin relationship with Safiah Ismail, a substantial shareholder of the Company. They also do not have any conflict of interest with the Company as well as were never convicted of anything other than traffic offences within the past 10 years. Other than the directorship positions held by Voon Seng Chuan and Ir. Dr. Muhamad Fuad Abdullah in other public companies as stated in their profiles, all of the Directors do not hold any directorship positions in any public companies other than Mesiniaga Berhad.

Details of the Directors' membership in the Board Committees are listed in the Corporate Information on page 06.

Tribute to the Late MOHD PUZI AHAMAD

The IT industry was saddened by the demise of the late Mohd Puzi Ahamad, Executive Director and Chief Financial Officer of Mesiniaga Berhad on 14 July 2017.

The late Mohd Puzi Ahamad was appointed to the Board on 17 December 1981 as part of the team who founded the Company. A trained accountant, he was a Fellow Member of the Association of Chartered Certified Accountants (ACCA) and a member of the Malaysian Institute of Accountants (MIA).

Under his capable leadership, he had heightened internal work processes and honed a culture of excellence. His tact had been vital in Mesiniaga's steady advancement through challenging years. At the helm of the Company's success, he was a leader who celebrated achievements and recognised employees' talents and good work. The late Puzi was a father figure to his Division and a role model to all employees.

Employees recalled the late Puzi as being benevolent and thoughtful with great humility. His generosity knew no boundaries and he gave back to society in many ways. He was the main sponsor for Darul Mahabbah Tahfiz, led the "One Big Happy Family", an NGO that supports cancer patients nationwide and established the Kelab Islah & Amal Mesiniaga ("KIAM") in 2007.

His aspiring personality is certainly missed but his generosity and big heartedness will always be remembered.

SENIOR
LEADERSHIP TEAM

DATUK WAN MOHAMED FUSIL | 67
Executive Chairman and Chief Executive Officer

ARIFFIN ABD MAJID | 54
Chief Financial Officer

WONG KENG HOE | 52
Director of Sales

NORDIN MAT ISA | 52
Director of Products and Services

PATRICIA FONG MUI CHAN | 53
General Manager, Corporate Strategy and Special Function

DATUK WAN MOHAMED FUSIL | 67

Executive Chairman and Chief Executive Officer

Refer to Board of Director's Profile on page 16.

ARIFFIN ABD MAJID | 54

Chief Financial Officer
Appointed on 4 September 2017

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

NORDIN MAT ISA | 52

Director of Products and Services

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

WONG KENG HOE | 52

Director of Sales
Appointed on 5 February 2018

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

PATRICIA FONG MUI CHAN | 53

General Manager, Corporate Strategy and Special Function

Patricia has been with the Company since 1989 when she became a Trainee Programmer Analyst. After nine years of serving as a programmer analyst and subsequently a systems analyst, she took on the post of Development Services Manager in 1998. From then on, she has held various managerial positions including for Sales Support, Implementation Services, Systems Integration and Solutions Integration. In December 2010, she was promoted to General Manager in charge of an extensive portfolio comprising Solutions Integration, Internal Systems and Application Development. She is now the General Manager for Corporate Strategy and Special Function. Her responsibilities are designing and providing management reports for strategic decision making, plan and control which include budget monitoring, governance in pricing and business processes. Patricia graduated with a Bachelor in Computer Science from Universiti Sains Malaysia.

JOURNEY TO ENHANCE CUSTOMER SATISFACTION

COMPANY HAPPENINGS

8 FEBRUARY 2017

Mesiniaga Chinese New Year Celebration



1 MARCH 2017

Eye Health Talk and Eye Screening


28 MARCH 2017

Year Start Kick Off Meeting



5 APRIL 2017

Blood Donation Drive



3 MAY 2017

Mesiniaga Health Carnival

13 MAY 2017

2016 Hundred Percent Club (HPC) Award Dinner

1 JUNE 2017

Mesiniaga 35th Annual General Meeting

15 JUNE 2017

Majlis Iftar Mesiniaga with Darul Mahabbah Tahfiz students

COMPANY
HAPPENINGS

21 JULY 2017

Mid-Year Kick Off Meeting

21 JULY 2017

Mesiniaga "Riang Ria Raya" Hari Raya Celebration

24 AUGUST 2017

Merdeka Zumba

21 NOVEMBER 2017

Mesiniaga's Bright Side Innovation Lab Launch

MEDIA APPEARANCES

8 FEBRUARY 2017


SURUHANJAYA SYARIKAT MALAYSIA AWARDS MESINIAGA BERHAD TO MODERNISE ITS IT INFRASTRUCTURE IN INCORPORATION AND REGISTRATION OF COMPANIES

Tuesday 07/02/2017

SUBANG JAYA, Feb 7 (Bernama) -- Mesiniaga Berhad, a Solution Integrator with 35 years' experience, has announced that it has been selected by Suruhanjaya Syarikat Malaysia (SSM) to support the build of a new and advanced Data Exchange Gateway (DEG) for SSM's registration systems in Malaysia. As part of an organisation-wide transformation program, this move allows SSM to revamp its IT infrastructure and software ecosystem, opting for an open standard based enterprise service bus which will be the heart of its IT network.

SSM is Malaysia's sole statutory body that incorporates companies and registers limited liability partnerships as well as businesses. As the leading authority for the improvement of corporate governance, SSM ensures compliance with business registration and corporate legislation through comprehensive enforcement and monitoring activities.

With the aim of eliminating all manual registration handling and transitioning to an automated online process, Mesiniaga will support SSM in its effort to realise the Digital Transformation agenda including existing IT system, expanding on some technical capabilities and maintaining the rollout of this new IT infrastructure for the next five years. This new gateway is set to simplify and speed up the


theSundaily

Mesiniaga to support SSM's IT transformation

PETALING JAYA: Mesiniaga Bhd has been appointed by the Companies Commission of Malaysia (SSM) to support the building of a new Data Exchange Gateway for SSM's registration systems in Malaysia.

The transformation programme aims to eliminate all manual registration handling and transition to an automated online process.

"As part of an organisation-wide transformation programme, this move allows SSM to revamp its IT infrastructure and software ecosystem, opting for an open standard based enterprise service bus which will be the heart of its IT network," Mesiniaga said in a statement yesterday.

SSM is Malaysia's sole statutory body that incorporates companies and registers limited liability partnerships as well as businesses. It also ensures compliance with business registration and

8 MARCH 2017


The Star ONLINE

Mesiniaga cautions of RM8.23mil potential liability if it loses civil suit

Recommended for you

18 APRIL 2017


theSundaily

Mesiniaga wins contract extension worth RM145.9m

PETALING JAYA: Mesiniaga Bhd has accepted a letter of award from Telekom Malaysia Bhd for a contract extension worth RM145.93 million.

Mesiniaga said the new contract will have a positive effect on the earnings per share.

1 JUNE 2017


THE EDGE MARKETS
MAKE BETTER DECISIONS

Mesiniaga declares five sen dividend

Samantha Ho / theedgemarkets.com

June 01, 2017 15:50 pm MYT

20 JUNE 2017


theSundaily

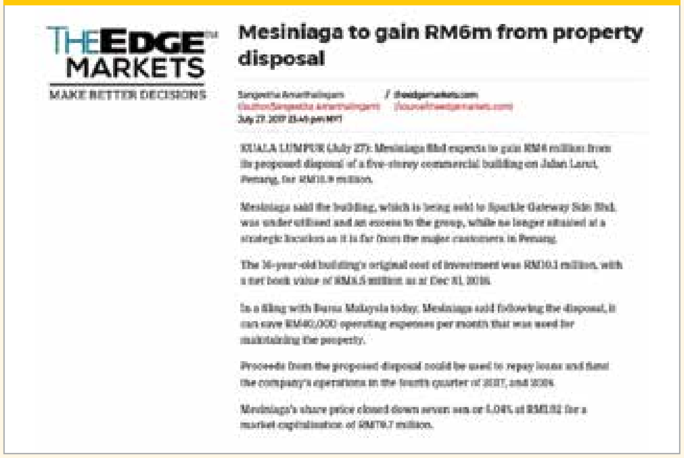
Mesiniaga bags RM10.22m IT job

PETALING JAYA: Mesiniaga Bhd has accepted a RM10.22 million letter of award from Universiti Sains Malaysia (USM).

EXCLUSIVE STORIES

MEDIA
APPEARANCES

27 JULY 2017



THE EDGE MARKETS
MAKE BETTER DECISIONS

Mesiniaga to gain RM6m from property disposal

Sangeetha Amarthalingam / theedgemarkets.com
July 27, 2017 23:40 pm MYT

KUALA LUMPUR (July 27): Mesiniaga Bhd expects to gain RM6 million from its proposed disposal of a five-storey commercial building on Jalan Larut, Penang, for RM10.9 million.

Mesiniaga said the building, which is being sold to Sparkle Gateway Sdn Bhd, was under utilised and an excess to the group, while no longer situated at a strategic location as it is far from the major customers in Penang.

The 36-year-old building's original cost of investment was RM10.1 million, with a net book value of RM4.5 million as at Dec 31, 2016.

In a filing with Bursa Malaysia today, Mesiniaga said following the disposal, it can save RM40,000 operating expenses per month that was used for maintaining the property.

Proceeds from the proposed disposal could be used to repay loans and fund the company's operations in the fourth quarter of 2017, and 2018.

Mesiniaga's share price closed down seven sen or 5.08% at RM1.82 for a market capitalisation of RM79.7 million.

7 AUGUST 2017

MESINIAGA TARGETS RM250M REVENUE

Core maintenance and services business to drive performance

AMIR HISYAM RASID
KUALA LUMPUR
bt@mediaprima.com.my

MESINIAGA Bhd, an information technology (IT) products and related services provider, expects a total revenue of RM250 million for its financial year 2017, mainly driven by its core business of maintenance and services.

The company, which has struggled over the past years before recovering, is on a growth mode this year, in line with the bullish IT industry.

"This year will be a good year for us. Our transformation initiatives have come to fruition. Our first quarter results were better than last year's," said Mesiniaga director of products and services Nordin Mat Isa.

8 AUGUST 2017

The Star ONLINE

Mesiniaga posts 32.5% higher earnings

Mesiniaga explains that the jump in profit is "mainly due to incr... from the services segments which traditionally have higher mar...

PETALING JAYA: Mesiniaga Bhd (/business/marketwa... qcounter=MESINIAGA) (http://charts.thestar.com.m... recorded revenue of RM60.2mil in its second quarter e...

21 NOVEMBER 2017

BERNAMA.com

Mesiniaga-MaGIC Collaboration To Launch Intrapreneurship Programme

22 NOVEMBER 2017

Kerjasama Mesiniaga, MaGIC hasil produk inovatif

27 NOVEMBER 2017

MESINIAGA, MaGIC PROMOTE CULTURE OF INNOVATION

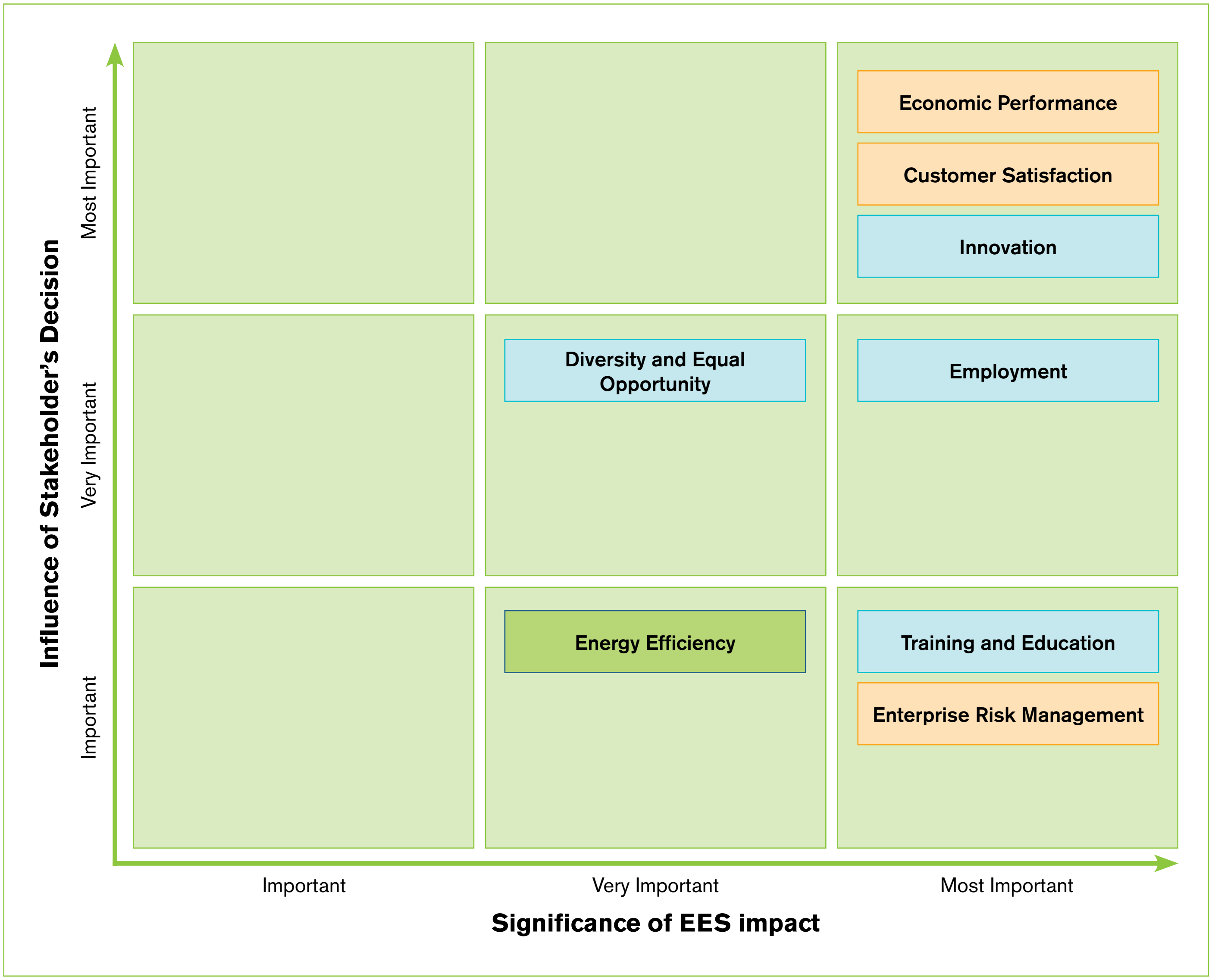
Firm and agency plan to launch eight mart-ready products by end-2018

SUSTAINABILITY STATEMENT

"The proverb "**No man is an island**" aptly describes the nature between society and the business environment. As responsible corporate citizens, the Board is mindful of the need to have and support a sustainable growth strategy that takes into account economic, environmental and social aspects while balancing the concerns of its key stakeholders."

MATERIALITY ASSESSMENT

We have identified these Economic, Environmental and Social issues (EES) affecting our business based on a methodology developed by the Global Reporting Initiative (GRI). These issues were assessed and prioritised according to our operational context, corporate strategy and stakeholder expectation.



STAKEHOLDER ENGAGEMENT

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

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

ECONOMIC

1. Economic Performance

Economic performance is testimony to the effectiveness of our assets and capital management. We are accountable to our investors and stakeholders and we achieve this by combining a visionary strategy with prudent asset and capital management while striving towards long-term profitability.

The figures below provide highlights of our economic performance in 2017. For more details, please refer to the Financial Statement on pages 65 to 131.

	2017 (RM'000)	**2016** (RM'000)
Revenue	226,255	227,883
Profit Before Tax	14,558	4,926
Net Current Asset	86,363	70,791

2. Customer Satisfaction

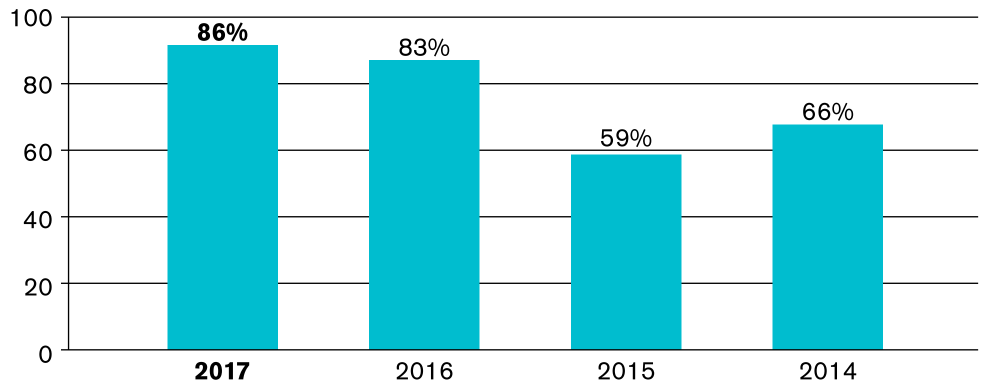
Our vision of becoming the Malaysian IT Partner of Choice ties in with our mission of helping our customers succeed at every touch point. They are our primary stakeholders, their awareness, purchase, use and repurchase of our services and products are vital to our Company's existence. Our focus is on ensuring excellence in service by cultivating strong and enduring relationships with our customers. This division also provides precise and timely resolution of any issues the customer may be experiencing.

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

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

As shown, our customer satisfaction levels have improved over the years and we will be continuing to work on enhancing the customer experience.

Mesiniaga Customer Satisfaction Index Score



3. Enterprise Risk Management

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

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

Overview of Mesiniaga Berhad's Risk Performance

Our risk management process is heavily influenced by the Four Disciplines of Execution Framework (4DX) which the Group has implemented to increase performance through focused objectivity. As of FY2017, the Group has achieved a reduction of 47% on Average Total Risk Rating compared to FY2016. By continuing to execute this adapted 4DX framework, the Group is targeting to maintain at least a 30% reduction of its Average Total Risk Rating in FY2018.

Mesiniaga Berhad's Risk Management Structure

Board of Directors (BOD)	• Oversees and maintains the sound structure of Group Risk Management and Internal Controls' initiatives and practices • Fosters a risk intelligent culture through corporate strategy and governance processes • Defines and approves the risk management framework & policy and sets risk appetites
Board Audit & Risk Management Committee (ARMC)	• Assists the Board in governing the Group Risk Management and Internal Controls' initiatives and practices • Updates the Board on the significant changes that affect the risk profile of the Group
Group Risk Steering Committee	• Consists of all members of the Group Senior Management Team and chaired by the Chief Executive Officer • Drives the risk management framework, strategies and coordinates the decision-making process • Defines risk priorities and regularly assesses the risk profile of the organisation
Group Audit & Risk Department	• Secretariat of the Group Risk Management Committee • Proposes and documents risk management policies, standards and processes • Builds risk awareness culture and facilitates risk management meetings and assessments within the Group
Group Risk Working Committee	• Consists of all members of the Group's Managerial Level Team • Consolidates and updates the risks from Risk Owners at an operational level • Communicates the recommendations and decisions made to Risk Owners
Group Risk Owner	• Discusses and assesses operational risks on a quarterly basis • Formulates unit / department's risk management strategies • Assigns risk management responsibilities and accountabilities within their respective units • Reviews and discusses the risks, controls and strategies / action plans

For more information, please refer to the Management Discussion and Analysis and Statement on Risk Management and Internal Controls on pages 10 to 14 and pages 54 to 57 respectively.

4. Business Ethics & Compliance

The Group's corporate governance stance observes ethical conduct and practices in compliance with all regulatory requirements. We have a zero tolerance policy towards any unethical, illegal and corrupt work malpractices and are committed to professionalism, fairness and ethical business dealings.

Mesiniaga's Corporate Values

Mesiniaga's core culture is instilled at every corporate level and encompasses Respect, Integrity, Commitment, Innovation and Teamwork. A summary of the Corporate Values can be found on page 04.

Mesiniaga's Business Conduct Guidelines

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

Issues	Guidelines & Ethics
Recording and Reporting Information	• Accurately • Honestly
General Standards	• Avoid misrepresentation • Avoid reciprocal dealing
Fairness in the Field	• No disparaging competitors • No premature disclosure and selling against competitive orders
Multiple Relationships with Other Organisations	• Avoid discussing any proprietary or confidential information • Follow published marketing and services guidelines
Information About Others	• Treated with sensitivity and discretion • Limited to the ways that information should be acquired and used
Bribes, Gifts & Entertainment	• Following the correct receiving and giving etiquette • Being aware of and adhering to the laws and regulations between customers and suppliers
Fraudulent Act	• Ensures that policies and procedures are in place to cover the prevention, deterrence and detection of fraud
Conflicts of Interest	• Assisting competitors, competing against Mesiniaga, performing outside work that uses Mesiniaga's time and assets and acting as a supplier for Mesiniaga are prohibited
Personal Financial Interests	• No financial interest in any organisation that does business with Mesiniaga including suppliers, competitors, customers and distributors
Using Inside Information	• Refrain from using inside or non-public information about Mesiniaga or another company for their own financial benefit
Ethics Practice Policy	• Whistleblowing process and guidelines

Ethics Practice Policy

The Group has placed a whistleblowing policy known as the Ethics Practice Policy to deal with the disclosure of improprieties within the company. It is applicable to all employees of Mesiniaga, external parties who have business relationships with the Group and members of the public. The main objective is to enable employees to raise serious concerns about unethical and unlawful conduct, malpractice and any other wrongdoings that may occur within the organisation. If necessary, the Committee will appoint an investigating team and decide the next course of action. This policy also protects the employees internally against any adverse and detrimental actions as a result of whistleblowing including the protection of their identity in accordance with the Whistleblower Protection Act 2010.

Anti-Corruption

The Mesiniaga Business Conduct Guidelines outline Mesiniaga's zero tolerance policy towards corruption where any activities must comply with company policies and any applicable laws in the country. The Audit & Risk Department governs this through internal auditing, risk management, follow-ups and ISO 9001:2015 Quality Management System reviewing processes. The head of this department reports directly to the Audit & Risk Management Committee (ARMC) on a quarterly basis.

Anti-Competitive Behaviour

The Guidelines also specifies anti-trust and anti-competition rules and regulations which stipulate that contracts and arrangements between Mesiniaga and external parties need to be reviewed and advised by the Group's Legal Department. As of 2017, no cases relating to corruption and competition have been reported.

ENVIRONMENTAL

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

5. Energy Efficiency

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

We have also made every effort to reduce electricity usage by making the most of natural daylight and natural ventilation within our buildings. Additionally, several energy saving initiatives have been put in place:

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

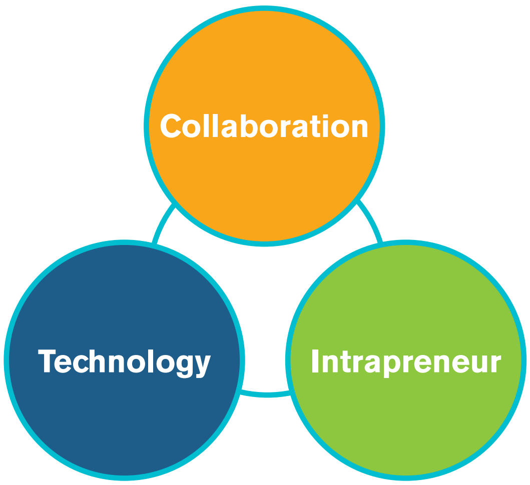
By practicing these initiatives, we have managed to save more than RM110,000 (equivalent to 216,000 KWH) in 2017.

Month	2016 (RM)	2017 (RM)	Savings (RM)
January	62,486.30	60,918.15	1,568.15
February	62,507.60	56,984.55	5,523.05
March	72,022.70	66,967.50	5,055.20
April	72,357.60	59,227.73	13,129.87
May	70,348.25	64,123.55	6,224.70
June	71,922.05	55,800.00	16,122.05
July	69,370.15	63,188.00	6,182.15
August	79,172.35	64,054.44	15,117.91
September	72,012.10	57,118.45	14,893.65
October	72,644.65	63,358.10	9,286.55
November	74,840.05	62,720.20	12,119.85
December	62,247.10	57,181.20	5,065.90
		Total savings	**110,289.03**

SOCIAL

6. Innovation

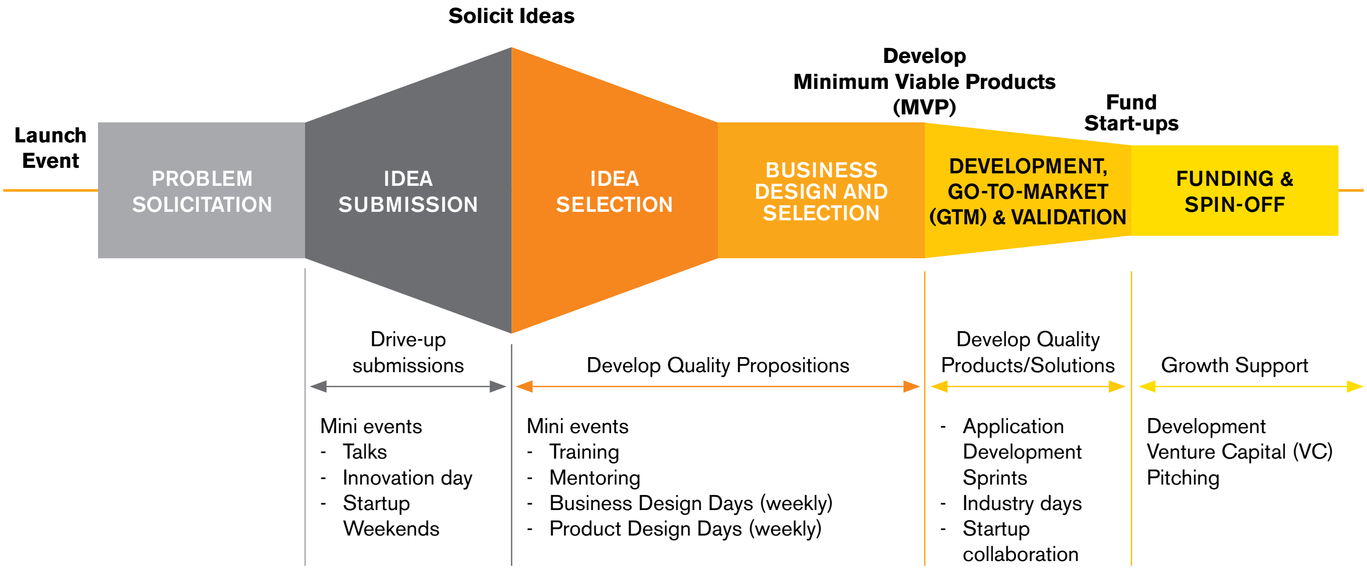
In today's Fourth Industrial Revolution, innovation leads to wealth creation and therefore business sustainability and growth. In a time of technological revolution, commoditisation and irrelevance threatens our existing line of products and solutions, hence we are pursuing an outcome-based innovative solution for our existing customers and beyond. This is realised through our corporate innovation lab, Mesiniaga Bright Side. Its key agenda is to spearhead the growth of innovation by changing the culture and mind set within Mesiniaga using 3 key pillars:



Collaboration – assembling an eco-system of technology partners, corporate partners and government accelerators to expose Mesiniagans to new concepts, technology, business models, development approaches and designs. Its purpose is to ensure that any innovative ideas get validated thoroughly to gain a higher chance of succeeding in the market. We already have a strategic partnership with the Malaysian Global Innovation & Creativity Centre (MaGIC) and we are aiming to collaborate with other established corporate innovation labs in the future.

Technology – being up to date with the current demand in technology and adopting the latest technical knowledge to prepare for future development in innovation. Emerging technologies that we will focus on include Cloud, IoT, Blockchain and Artificial Intelligence.

Intrapreneurship – making ideation accessible to every Mesiniagan so that they are trained to develop an idea, build up a business case and plan for it to be operated as a new product for the Company. Not only will this generate sustainability and keep us relevant in the market, retention of employees is expected to increase as we evolve and embrace the changing nature of the technology industry.



Overview of Program Flow

2 months

Early Stage Planning

- Begins with engagement with Office of Strategic Initiative (OSI) for validation.
- Once validated, OSI will assist in Business Plan Creation.
- Business Assessment Council (BAC) review before approval of funds.

Skill Requirements

- Statistics
- Finance & Business Planning
- Product Design
- Creative Problem-Solving
- Branding & Marketing

MVP Development

- Product development begins in earnest.
- Deliberately limited time for MVP development.
- Goal: to launch businesses by end of 2018.

Skill Requirements

- User Experience Design
- Project Management
- Technical Skills Necessary (self-study)

Soliciting for Investment

- Applicant will be engaging with investors and organisations for investment.
- Influencing people and products for funding.
- May be guided and mentored by Senior Leadership Team.

Skill Requirements

- Networking Skills
- Negotiation
- Communications (pitching mentorship)

Overview of Bright Side Curriculum

Key to how we instill presence of our innovation initiative is by continuously engaging Mesiniagans through fun events that encourage creativity and entrepreneurship.

NOV 2017 21

Mesiniaga Bright Side Innovation Lab Launch

NOV 2017 28

Ten Types of Innovation Workshop

NOV 2017 28

Sembang-Sembang Star Wars The Last Jedi

DEC 2017 19

Visit to Google Malaysia

DEC 2017 20

Disruption Workshop

JAN 2018 19

Jom Kongsi Idea!

JAN 2018 24

Bright Side Launch @ Penang

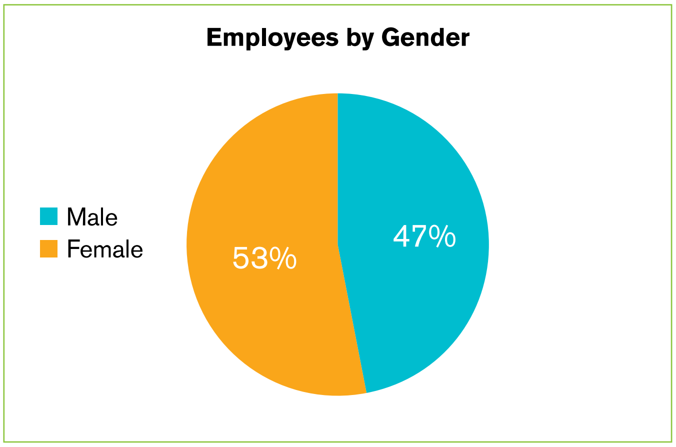
FEB 2018 02

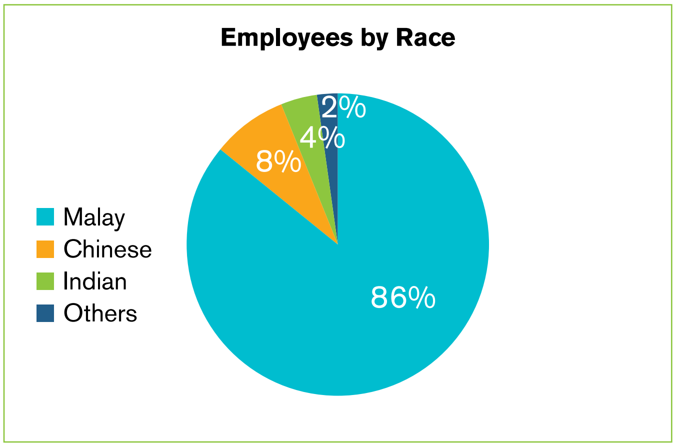
Mesiniaga Startup Weekend

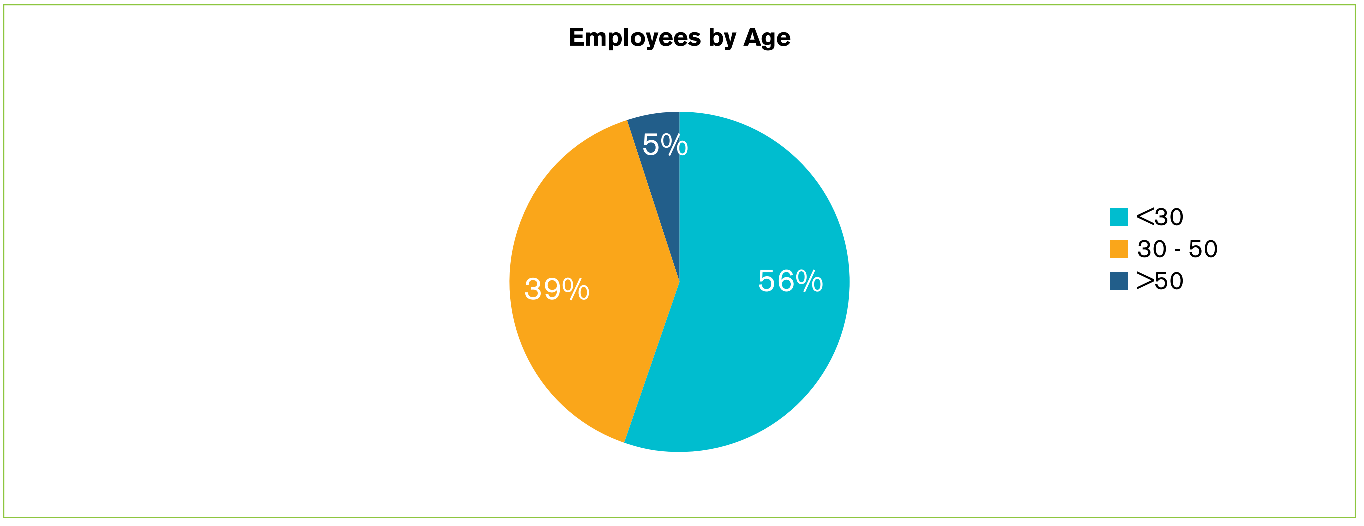


7. Diversity in Workforce

We believe that diversity can positively contribute to enriching and creating a thriving working environment. With this in thought, we continue to commit towards providing equal opportunities regardless of race, gender or religious background. As of December 2017, we have more than 1,200 employees, out of which 86% are Malays, 8% are Chinese, 4% are Indians and 2% are from other ethnic groups. Women comprise 53% of the total headcount and 31% at the senior management level.





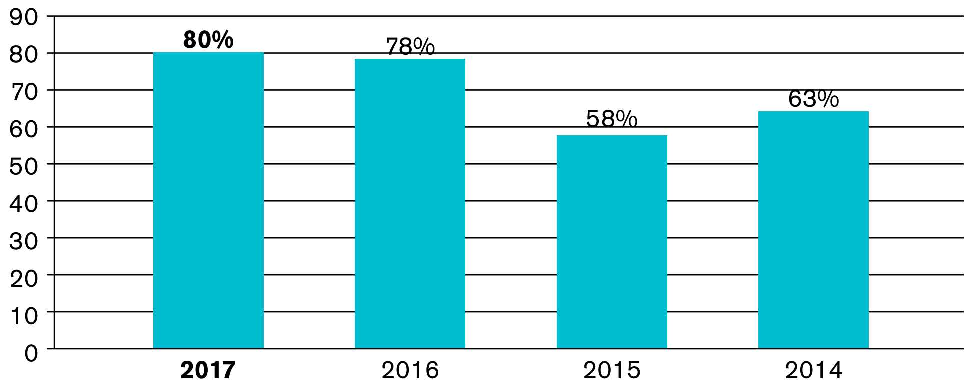


Our millennial workforce has surpassed Gen X at 56%, ushering in fresh perspectives and opening the door to innovative thinking and untapped areas of success. For millennials, often known to be “out-of-the-box thinkers,” their actionable strategies fall in line with a major portion of today’s market.

Our yearly Employee Engagement Survey (EES) is a great platform for our employees to share their thoughts about Mesiniaga and how we can continue to improve. We scored 80% in 2017, an improvement of 2% from the previous EES in 2016, and we observed outstanding scores in the key areas of communication, performance management and goals, objective and strategy.

The turnover rate (excluding Intel) has been relatively stable since 2016 between 22% and 23%. We are also pleased to report that retention rates for top talents increased tremendously from 83% in 2016 to 94% in 2017.

Mesiniaga Employee Engagement Score



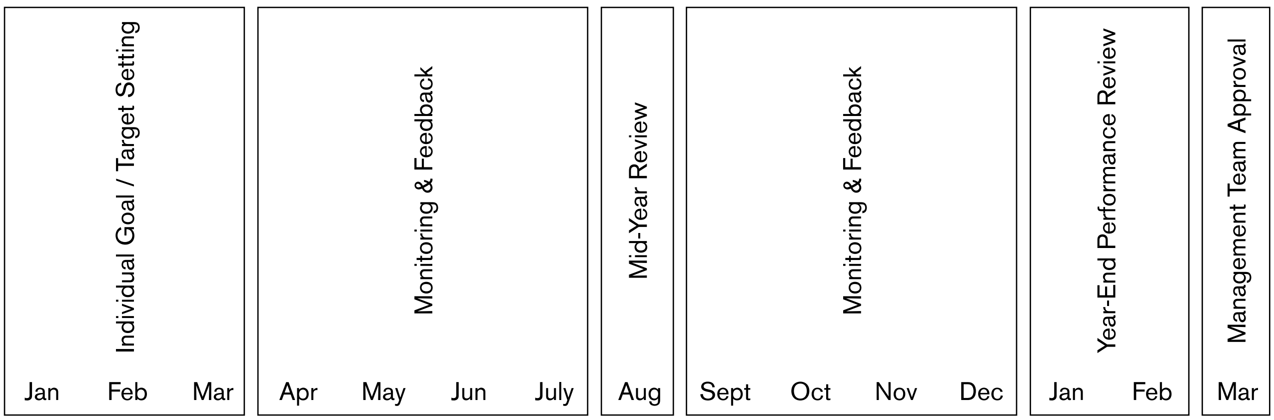
8. Performance Management

In 2014, Mesiniaga launched a Performance Management program aligned with the Company's Mission and Vision. All full time employees are required to participate in the program except for Intel employees who adhere to their own evaluation system. The principles of the program, later rebranded as My Mesiniaga Commitment (MMC), are listed as below:

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

<u>MMC Yearly Plan Timeline</u>

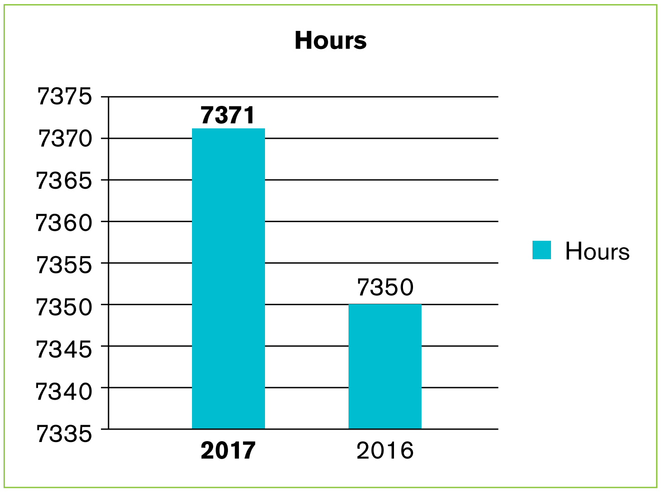
From 2015 to 2017, about 90% of Mesiniaga employees received their performance and career evaluations via MMC.

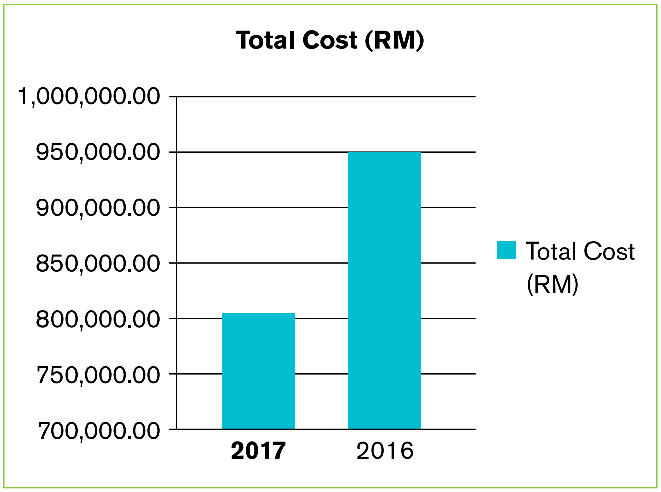


9. Training and Development

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

Although training outcomes are subjective and cannot be measured monetarily, in 2017, Mesiniaga invested around RM804,000.00 into comprehensive training programs, most of which were technical and professional certification courses. To ensure that our people are able to create value, the training programs are received at all levels in Mesiniaga via public classes or in-house with accredited training agencies. As recorded in 2017, 7371 hours have been spent training employees, slightly higher than the 7350 hours of the previous year.





Average hours of training per year per employee

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

$$\frac{\text{7371 hours}}{\text{1200 employees}} = \text{6 hours per person}$$

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

Managerial	i. Crucial Conversation ii. The 8 Critical Skills of Successful Managers iii. Evolve iv. Coaching for Performance
Executive	i. 7 Habits of Highly Effective People ii. Think on Your Feet iii. Oscar Presentation
Non-Executive	i. Think on Your Feet ii. Corporate Grooming & Business Etiquette

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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

Pursuant to Paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad, the Corporate Governance Report sets out how the Company has applied the Principles of the Malaysian Code on Corporate Governance (MCCG 2017) and observed the Practices supporting the Principles for the year under review.

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

Providing leadership in meeting the objectives and goals of the Company

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

With the goal of achieving our Company's stated vision and mission, we are committed to continue our efforts to be the "Malaysian IT Partner of Choice" by helping our customers succeed. We pledge to strive for the highest level of good governance in the Company and its Group, and to not only meet but exceed the expectations of all our stakeholders particularly our shareholders. The Board of Directors ("the Board") firmly believes that adopting and operating in accordance with the highest standards of corporate governance are vital for sustainable performance and economic value creation for all our stakeholders. The values adopted by the Company are:-

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

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

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

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

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

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

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

Demarcation of responsibilities between the Board, Board Committees and Management

The Board Charter which establishes clear functions, roles and responsibilities of the Board of the Company is published on the Company's website www.mesiniaga.com.my. The Board Charter is subject to periodical review. The Board Charter currently in used was adopted by the Board on 3 August 2016. The Board Charter however has yet to be reviewed since its adoption.

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

Mesiniaga has always enjoyed a good reputation within the industry for having good ethics and fair dealings. It has been the responsibility of the Group to uphold this reputation, as well as the responsibility of each employee to behave in the prescribed manner, as required by the Mesiniaga Business Conduct Guidelines (BCG). The policy and procedures as outlined in the BCG are based on the principles of the Malaysian Code on Corporate Governance. The main objective of the BCG is to encourage and enable employees to whistle-blow and raise serious concerns of illegal activities, such as corruption, and other wrongdoings that may occur within the organisation. This BCG is available in the Employee e-Handbook for the reference of all employees in the Group's effort to continue promoting accountability, transparency and ethical practices.

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

II. Board Composition

Board decision making process

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

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

The Board also recognises the need to enhance Board diversity, as it is essential to the efficient functioning of the Board and indicates good governance practices. The Board has attained diversification in terms of experience, skills, expertise, competencies, ethnicity and age to enable the Company to maximise its business and governance performance. Moving forward and in line with the recommendation to have gender diversity on the Board, every effort would be taken to recruit suitable female Directors on to the Board. The representation of the members of the Board is as follows:-

		%
Executive Directors	1	14.3
Non-Independent Non-Executive Directors	2	28.6
Independent Non-Executive Directors	4	57.1

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

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

Shareholders' approval would be sought for the re-election of Wong Fook Hon, Abd Talib Baba and Dato' Ab Rashid Mat Adam at the forthcoming Annual General Meeting (AGM). Dato' Ab Rashid Mat Adam has just concluded his cumulative nine years' service and together with Wong Fook Hon and Abd Talib Baba whom had contributed significantly during their tenure of service. The Board is in the opinion that their continued presence with the respective expertise will be to the advantage of the Company.

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

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

The Board fully embraces gender diversity within the Company. As at 31 December 2017, 53% of the Company's employment strength consist of women. The Board has yet to identify a suitable woman candidate to be appointed as a Board member. The Board is taking reasonable steps in appointing at least a woman on its Board of Directors in the near future.

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

The Nomination and Remuneration Committee is chaired by Voon Seng Chuan who is an Independent Director. In exercising his role, he leads the succession planning and appointment of board members including the future Chairman and CEO besides coordinating the annual review on board effectiveness in ensuring the performance of individual Director is independently assessed.

Effectiveness of the Board

In the year under review, self and peer assessment among the Board members were conducted and the Board is in the opinion that all Board members are suitably qualified and capable of continuing serving as Board members.

III. Remuneration

Level and composition of remuneration

The NRC reviews the performance and remuneration of Executive Directors and make recommendations to the Board on an annual basis. In relation to the remuneration of the Non-Executive Directors, the Committee reviews the remuneration package of Executive Directors by comparing with peer companies and make recommendations to the Board.

The NRC oversees the implementation of the policy and procedure on remuneration including reviewing and recommending matters relating to the remuneration of the Board in general particularly the remuneration of the Executive Director and Senior Management. Its Term of Reference are as stated on page 62 of this annual report.

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit and Risk Management Committee (ARMC) is headed by Abd Talib Baba, who is an Independent Non-Executive Director and all members of the ARMC are Independent Non-Executive Directors making it in full compliance with MCCG 2017.

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

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

While the Chair of ARMC is a fellow member of Association of Chartered Certified Accountants (ACCA) and is a registered member of Malaysia Institute of Accountants (MIA), the other two members though not having financial background have sufficient experience that enables them to be financially literate and understand matters under the purview of the ARMC including the financial reporting process. All members of the ARMC had participated in various continuous professional development to keep themselves abreast of relevant development in accounting standards, practices and rules.

II. Risk Management and Internal Control Framework

Mitigating and managing risk

An effective risk management and internal control framework has been established as stated in the Statement on Risk Management and Internal Control on page 54 of this annual report.

The features of the risk management and internal control are as stated in the Statement on Risk Management and Internal Control on page 54 of this annual report. A synopsis of the key risk areas as identified and monitored by the ARMC are as stated on the Management Discussion and Analysis pages 13 to 14.

The risk management framework adopted by the Company is tailored on the local condition based on an international recognised framework. The report on risk management is presented to the Board on a quarterly basis and the Board is in the opinion that the risk management function is adequately in place.

Effective governance, risk management and internal control framework

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

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

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with stakeholders

The Group welcomes all queries from shareholders and these queries could be channeled directly to the Chief Executive Officer or through the Company's website www.mesiniaga.com.my. Upon requests and especially after the announcement of the Group's quarterly results, the Chief Executive Officer provides updates on Group's performance to analysts and shareholders from time to time.

II. Conduct of General Meetings

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

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

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

The Company has been holding its Annual General Meeting at its own premise since 1998. The Company has no intention to introduce voting in absentia or remote shareholders participation for the time being.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO **FINANCIAL STATEMENTS**

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

In preparing the financial statements of the Company for the year ended 31 December 2017, the Directors have:

- Ensured the Company has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement;
- Considered all applicable accounting standards have been followed; and
- Confirmed the financial statements have been prepared on the going concern basis.

The Directors have responsibility to ensure that the 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 2016.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

BOARD RESPONSIBILITY

The Board acknowledges its responsibility for the Group's risk management system and internal control framework to safeguard shareholders' assets. Such processes do not only focus on financial but also on operational and compliance.

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

ASSURANCE MECHANISM

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

INTERNAL AUDIT

The internal audit function of the Group is carried out by the Audit and Risk Department that reports directly to the Chairman of the ARMC. The principal role of the Audit and Risk Department is to provide independent assurance and assessment on the effectiveness and soundness of internal control mechanisms and ensure that they are in place. All findings are reported to the ARMC and recommended actions are placed upon the respective management for implementation. Such process had been in place for the financial year ended 31 December 2017 and it is an on-going process for the Group. The Audit and Risk Department adopts a risk-based approach in its audit plans and examination.

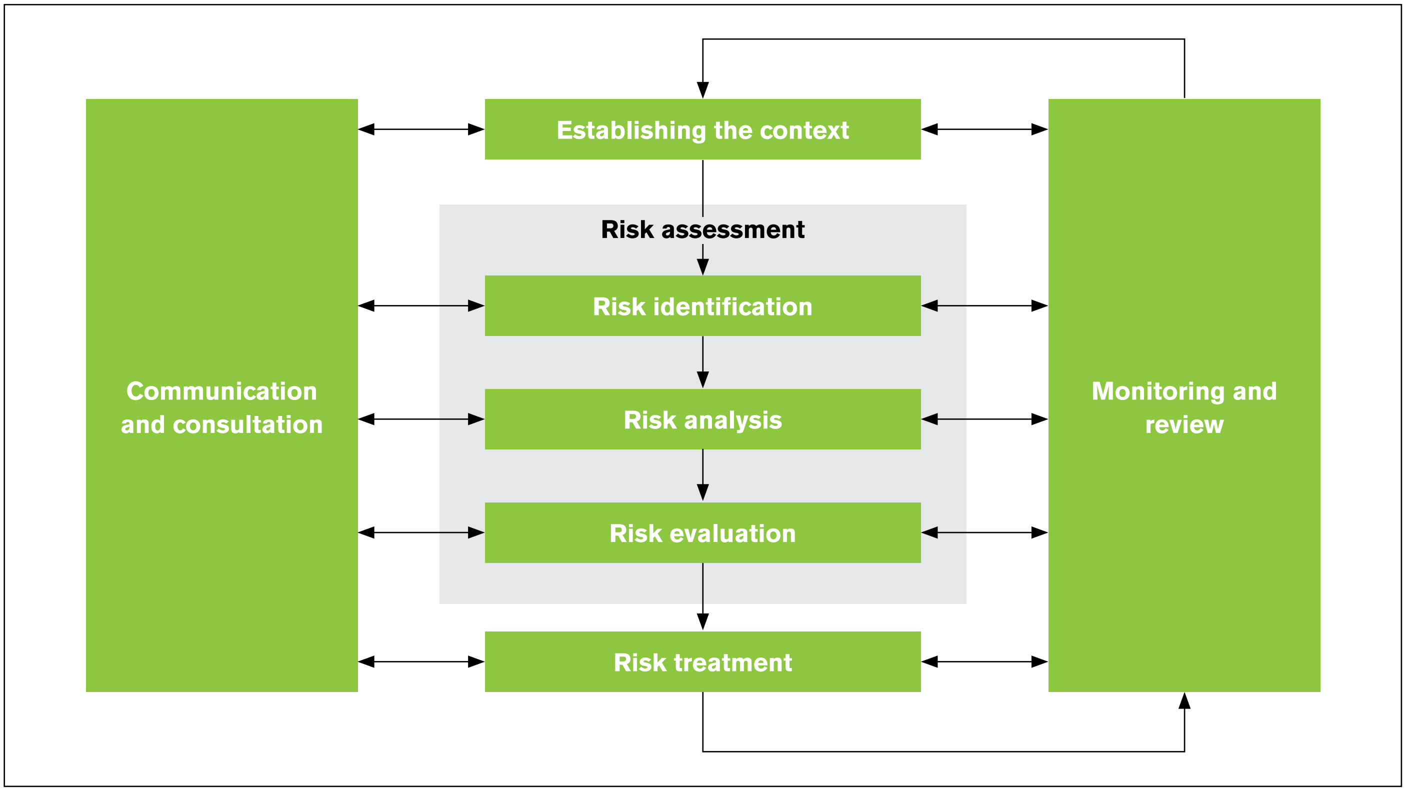
The internal audit function is guided by IPPF (International Professional Practices Framework) issued by the Global Institute of Internal Auditors. Additionally and separately, the Audit and Risk Department performs on-going reviews of processes and activities within the Company in compliance with the ISO 9001:2015 standards. The audit plan for FYE 2017 which was based on the areas of significant risk exposure to the Group, was approved by the ARMC in November 2016.

RISK MANAGEMENT

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

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

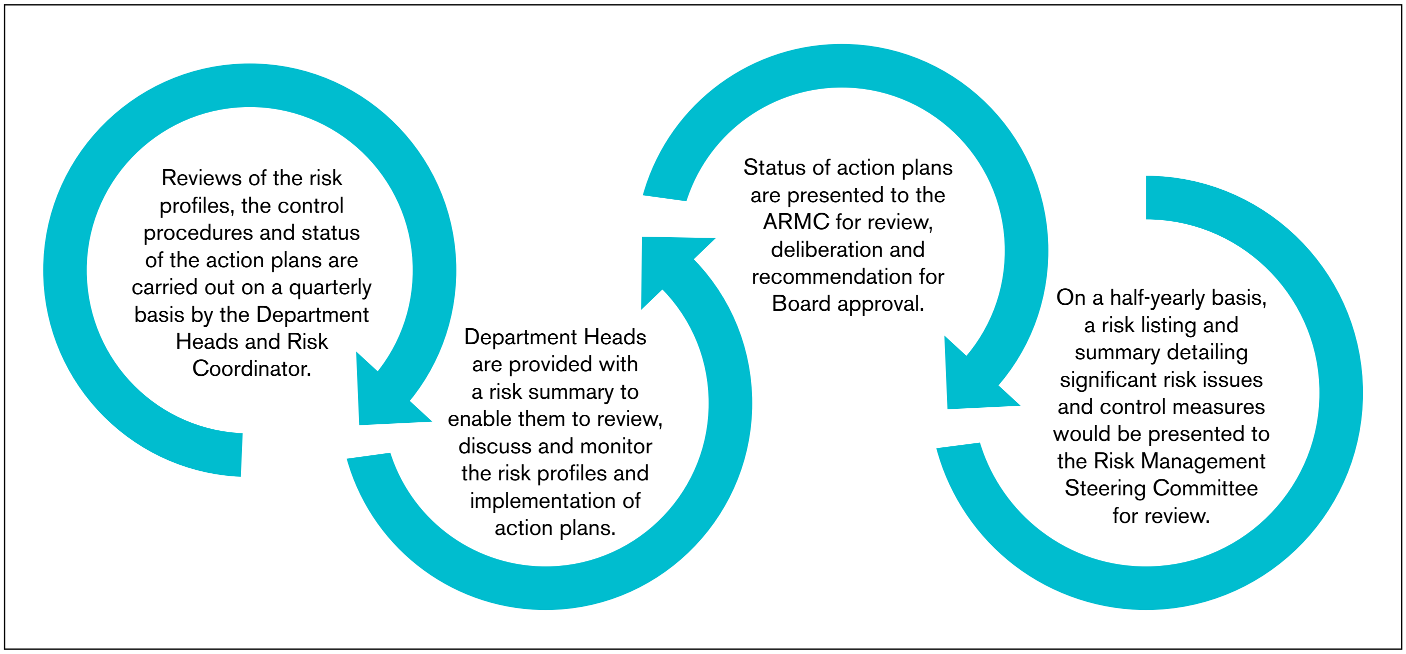
The ARMC determines the Company's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets. Progress on risk management activities was reported at every ARMC meeting in 2017 by the risk coordinator. The processes of risk management are illustrated as per below:



Amongst others, the duly identified and monitored risks by the ARMC include financial risk, market risk, regulatory risk, cyber risk, operational risk, strategic risk, people risk, technology risk, and governance and integrity risk.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The key aspects of the risk management process are:-



INTERNAL CONTROL

The Group's internal control system encompasses the policies, procedures, processes, tasks and other aspects of the Group and is reflected in a controlled environment which comprises the organisation structure, governance activities including policies, procedures and the Mesiniaga Code of Business Conduct Guidelines.

Controlled environment includes the following:-

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

ASSURANCE FROM MANAGEMENT

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

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

In addition, the Board remains committed to ensure a sound system of risk management and internal control and therefore, recognises that the systems must continuously evolve to support business growth and would take any appropriate action plans, when necessary, to further enhance the Group's risk management and internal control systems.

The Group strives to ensure that proper processes are in place and would further enhance these practices in accordance with the requirements of:-

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

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The Statement on Risk Management and Internal Control has been reviewed by the external auditors as required in Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control system of the Group.

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

This Statement is presented by the ARMC on 2 April 2018 and approved by the Board on 2 April 2018.

BOARD OF DIRECTORS
MESINIAGA BERHAD

AUDIT AND RISK MANAGEMENT COMMITTEE

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

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

COMPOSITION OF THE ARMC

Abd Talib Baba
Chairman, Independent Non-Executive Director

Wong Fook Hon
Member, Independent Non-Executive Director

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

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

NUMBER OF ARMC MEETINGS AND DETAILS OF ATTENDANCE

During the financial year ended 31 December 2017, the ARMC held a total of five (5) meetings. The details of the attendance of each ARMC members are as follows:-

DATE	23.02.2017	30.03.2017	30.05.2017	03.08.2017	02.11.2017
Abd Talib Baba	Y	Y	Y	Y	Y
Wong Fook Hon	Y	X	Y	Y	Y
Dato' Ab Rashid Mat Adam	Y	Y	Y	Y	Y

Key: Y - Attended
X - Absent with apologies

TERMS OF REFERENCE FOR THE AUDIT AND RISK MANAGEMENT COMMITTEE

Size and Composition

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

At least one member of the Committee:-

a. must be a member of the Malaysian Institute of Accountants; or
b. if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three years' working experience and:
   i. he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
   ii. he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
c. fulfils such requirements as prescribed by Bursa Securities.

The Chairperson of the Committee shall be an Independent Director.

Frequency of Meetings

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

Secretary

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

Purpose of the Committee

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

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2017, the ARMC carried out the following activities:-

1) Financial Reporting

a) Reviewed the unaudited quarterly financial reports and year-end financial statements of Mesiniaga for financial year ended 31 December 2017 before they were presented to the Board for approval for release to Bursa Securities and Securities Commission Malaysia accordingly; and
b) Discussed with the management and external auditors in its review of the unaudited quarterly financial reports and year-end financial statements on the:-
   - changes in or implementation of accounting policies and practices;
   - significant adjustment arising from the audit;
   - significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
   - going concern assumption; and
   - compliance with accounting standards and other legal requirements.

2) Audit Reports

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

3) External Audit

a) Reviewed the Audit Planning Memorandum by the external auditors covering the nature and scope of audit planned for the financial year under review;
b) Reviewed the external auditors' audit report and the significant audit findings underlying their report;
c) Reviewed the Annual Financial Statement of the Company and Group prior to submission to the Board Approval;
d) Discussed with the external auditors without the presence of the Management on 2 November 2017, to provide an avenue to the external auditors to express any concerns, including areas related to their ability to perform work without restraint or interference;
e) Evaluated the external auditors' independency and objectivity, as well as their ability to serve the Group in terms of technical competencies and manpower resource sufficiency;
f) Reviewed the reasonableness of the proposed audit fees charged against the size complexity of the Group; and
g) Assessed the performance and effectiveness of the external auditors of the Company for the ensuing year at the Annual General Meeting.

4) Internal Audit

The Audit and Risk Committee's responsibilities in respect of the Internal Audit Function include:-

a) Reviewed and approved the Internal Audit Charter. The Internal Audit Charter may also be presented to the Board;
b) Reviewed and approved the risk-based audit plan, internal audit budget and resource plan;
c) Reviewed the updates on the Audit Plan in respect of the changes to the plan and timeline;
d) Ensured the adequacy of the scope of audit and addressing resource and scope limitations;
e) Deliberated on internal audit reports and recommendations raised, and ensuring its implementation; and
f) Communicated reports of investigations to the Board, where appropriate.

5) Risk Management and Internal Control

a) Reviewed the Statement on Risk Management and Internal Control (SORMIC) of the Group for inclusion in the Annual Report for the year ended 31 December 2017;
b) Ensured a proper risk management framework was in place;
c) Deliberated on quarterly risk profile report during ARMC meetings; and
d) Acknowledged any ISO certification changes and development.

6) Related Party Transaction

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

Summary of Audit and Risk Department Functions

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

The internal audit functions are established to add value and improve the Group's operations by providing independent, objective assurance and consulting activities through its audit of Group's key operations and also to ensure consistency in the control environment and the application of policies and procedures.

The internal audit reports and Management's response are first circulated to the Chief Executive Officer, Chief Financial Officer as well as to the relevant Head of Departments prior to tabling them at the ARMC meetings.

During the financial year ended 31 December 2017, the Head of Audit and Risk Department and/or his representative attended the ARMC meetings to report on a quarterly basis, at a minimum, on their findings of the effectiveness of the governance, risk management and internal control processes within the Group.

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

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

Audit & Risk Management Cost

The total costs incurred by Audit and Risk Department in discharging its functions and responsibilities in 2017 amounted to RM299,250.00 against RM269,000.00 in 2016 comprising of mainly salaries, training and travelling expenses.

Continues Improvement

For the financial year ended 31 December 2017, the ARMC members have participated in workshops and seminars as part of their commitment for continues improvement. The details of the workshop and seminars attended are as follows:-

Seminar/Workshop	Date	Organiser	ARMC Member Attended
Effective Internal Audit Function	19 September 2017	Bursa Securities Malaysia with Institute of Internal Auditors Malaysia (IIAM)	Abd Talib Baba Dato' Ab Rashid Mat Adam
Driving Financial Integrity & Performance – Enhancing Financial Literacy	1 August 2017	Bursa Securities Malaysia	Dato' Ab Rashid Mat Adam Wong Fook Hon

NOMINATION AND REMUNERATION COMMITTEE

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

The NRC is pleased to present the NRC report for the financial year ended 31 December 2017 in compliance with paragraph 15.08A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

COMPOSITION OF THE NRC

Voon Seng Chuan
Chairman, Independent Non-Executive Director

Wong Fook Hon
Member, Independent Non-Executive Director

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

Rosmawati Haron
Secretary, Head of Human Resources Department

NUMBER OF NRC MEETING AND DETAILS OF ATTENDANCE

DATE	09.03.2017
Voon Seng Chuan	Y
Wong Fook Hon	Y
Ir. Dr. Muhamad Fuad Abdullah	Y

Key: Y – Attended

TERMS OF REFERENCE FOR THE NOMINATION AND REMUNERATION COMMITTEE

Size and Composition

The Committee shall be appointed by the Board of Directors of Mesiniaga from amongst their members and shall consist of not less than three members, exclusively of non-executive directors, a majority of whom must be independent.

The Chairperson of the Committee shall be an Independent Director.

Frequency of Meetings

Meetings shall be held at least once a year. The quorum for a meeting shall be at least two directors.

Secretary

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

Purpose of the Committee

The Nomination and Remuneration Committee is empowered to review and make recommendations for membership to the Board. The Committee also reviewed the performance and remuneration of Executive Directors and make recommendations to the Board on an annual basis. In relation to the remuneration of the Non-Executive Directors, the Committee reviews the remuneration package by comparing with peer companies and make recommendations to the Board.

Functions and Duties

1. Administer the selection and assessment of Directors;
2. Ensuring that Board composition meets the needs of the Company;
3. Develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors;
4. Assess and recommend to the Board the candidature of Directors, appointment of Directors to Board Committees, review of Board's succession plans and training programmes for the Board;
5. Establish formal and transparent remuneration policies and procedures to attract and retain Directors;
6. Review the performance of Executive Directors based on KPIs; and
7. Perform other related duties as directed by the Board of Directors.

Summary of Activities

1. Reviewed the performance of the Executive Directors;
2. Formulated the KPI for the Chief Executive Officer for Year 2017;
3. Recommended the remuneration package for the Executive Directors; and
4. Conducted Directors' evaluation exercise.

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.

NON-AUDIT FEES

An amount of RM94,092.20 was paid for tax services provided by PwC Taxation Services Sdn. Bhd.

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 was 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 2017.

EMPLOYEES SHARE OPTION SCHEME

The Company did not implement any employee share options scheme in the financial year 2017.

INTERNAL AUDIT EXPENSES

The costs incurred for the internal audit function in respect of FY2017 was RM299,250.00.

FINANCIAL **STATEMENTS**

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

DIRECTORS

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

Datuk Wan Mohamed Fusil bin Wan Mahmood
Voon Seng Chuan
Fathil Sulaiman bin Ismail
Abd Talib bin Baba
Wong Fook Hon
Dato' Ab Rashid bin Mat Adam
Ir. Dr. Muhamad Fuad bin Abdullah
Mohd Puzi bin Ahamad (Deceased 14 July 2017)

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

PRINCIPAL ACTIVITIES

The Company is principally involved in the sale of information technology products and services. The principal activities of the subsidiaries and joint venture are described in Note 15 and Note 16 to the financial statements respectively. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	17,129	17,202
Attributable to:		
- Equity holders of the Company	16,420	17,202
- Non-controlling interests	709	0
	17,129	17,202

RESERVES AND PROVISIONS

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

DIRECTORS' BENEFITS

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

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

INDEMNITY AND INSURANCE

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Number of ordinary shares			
	At 1.1.2017 '000	Bought '000	Sold '000	At 31.12.2017 '000
Datuk Wan Mohamed Fusil bin Wan Mahmood[1]	3,726	0	6	3,720
Fathil Sulaiman bin Ismail	6,398	0	0	6,398
Wong Fook Hon	1	0	0	1
Voon Seng Chuan	309	0	0	309

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

SHARE CAPITAL

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM4,126,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issues or the relative entitlement of any of the Members as a result of this transition.

DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since 31 December 2016 are as follows:

	RM'000
In respect of the financial year ended 31 December 2017:	
- Interim single tier dividend 5 sen per share, paid on 6 September 2017	3,020

The Directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2017.

DIRECTORS' REMUNERATION

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

OTHER STATUTORY INFORMATION

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

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

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

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

  (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

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

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

(c) At the date of this report:

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

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

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

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

(f) In the opinion of the Directors:

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

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

SUBSIDIARIES

Details of subsidiaries are set out in Note 15 to the financial statements.

AUDITORS' REMUNERATION

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

AUDITORS

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 2 April 2018. Signed on behalf of the Board of Directors.

DATUK WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

ABD TALIB BIN BABA
DIRECTOR

Subang Jaya

STATEMENT
BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Datuk Wan Mohamed Fusil bin Wan Mahmood and Abd Talib bin Baba, two of the Directors of Mesiniaga Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 76 to 131 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and financial performance of the Group and of the Company for the financial year ended 31 December 2017 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 2 April 2018.

DATUK WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

ABD TALIB BIN BABA
DIRECTOR

Subang Jaya

STATUTORY **DECLARATION**
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Ariffin bin Abd Majid, the Officer primarily responsible for the financial management of Mesiniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 76 to 131 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

ARIFFIN BIN ABD MAJID
OFFICER

Subscribed and solemnly declared by the abovenamed, Ariffin bin Abd Majid, at Subang Jaya, Selangor Darul Ehsan in Malaysia on 2 April 2018.

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MESINIAGA BERHAD
(INCORPORATED IN MALAYSIA) (COMPANY NO. 79244-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Mesiniaga Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 76 to 131.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

Key audit matters

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters

Revenue Recognition
Refer to Note 2.19 and Note 5 in the financial statements.
 	
The Group and the Company have reported revenue of RM226.3 million and RM215.4 million respectively during the financial year.
 	
Revenue for the Group and the Company are derived from contracts with multiple element components. Hardware and software revenue is recognised upon delivery or when significant risk and rewards of ownership are transferred to customers, whereas services revenue is recognised in the period services are rendered.
 	
We focused on this area because the allocation of revenue to each component of sale (hardware, software and services), when sold together in a multiple element arrangement required the application of judgement.
	We performed the following audit procedures:
	• We read and understood the key terms and conditions of significant new revenue agreements entered into during the financial year.
	• We tested the design and operating effectiveness of controls over the:
	  • approval of revenue contracts and budgets; and
	  • management's assessment of the allocation of revenue between various multi element components.
	• We tested the amount of allocated revenue recognised (services, hardware and software) to acceptance documents from customers;
	• For allocated services revenue where services are rendered over a period of time, we assessed the accuracy of revenue recognised by performing a recomputation based on:
	  • the progress of the contract;
	  • formal acceptance documents from customers; and
	• Tested the appropriateness of all manual journal entries impacting revenue by assessing the basis for the journals and reviewing supporting documents.
	
	We did not identify any material exceptions from performing the procedures above.

Impairment assessment for accrued unbilled revenue
Refer to Note 2.19 and Note 19 in the financial statements.
 	
As at 31 December 2017, the Group's and Company's accrued unbilled revenue amounted to RM44.5 million.
 	
Accrued unbilled revenue represents unbilled value of goods delivered and services rendered. Whereas accrued unbilled revenue is recognised upon delivery of goods and rendering of services, subsequent billings are raised based on contractual billing milestones.
 	
We focused on this area as actual billing milestones could be significantly later than when accrued unbilled revenue is recognised. As the basis of revenue recognition requires judgement over the probability of meeting certain future performance milestones, actual outcomes may differ due to subsequent changes in specific risk and performance of the actual contract.
	We performed the following audit procedures:
	
	• We reviewed the aging report of accrued unbilled revenue and checked, on a sample basis, long outstanding balances to contractual billing milestones dates;
	• We tested management's assessment of accrued unbilled revenue recoverability by performing the following:
	  • discussed contract progress with project managers including examining project related documents; and
	  • compared expected billings to contractual arrangements.
	• We checked subsequent realisation of accrued unbilled revenue to contractual billings after the year end.
	
	We did not identify any material exception from performing the procedures above.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Management Discussion and Analysis, Five-Year Performance Statistics, Statement on Corporate Governance, Statement of Directors Responsibility in Relation to Financial Statements, Statements of Risk Management and Internal Control, Audit and Risk Management Committee, Nomination and Remuneration Committee, Other Information Required by the Listing Requirement of Bursa Securities, Directors Report and other sections of the 2017 annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

IRVIN GEORGE LUIS MENEZES
02932/06/2018 J
Chartered Accountant

Kuala Lumpur
2 April 2018

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	5	226,255	227,883	215,441	217,545
Changes in inventories of finished goods		4,299	(3,232)	3,990	(2,555)
Finished goods purchased		(86,398)	(77,405)	(78,323)	(70,566)
Information technology services purchased		(42,651)	(49,435)	(56,529)	(64,370)
Staff cost	6	(80,210)	(76,292)	(64,257)	(62,169)
Depreciation and amortisation		(5,202)	(5,111)	(4,193)	(4,146)
Travelling expenses		(2,089)	(2,489)	(1,612)	(1,777)
Office administrative expenses		(4,871)	(6,914)	(4,600)	(6,221)
Other operating expenses		(79)	(2,022)	(2,916)	(2,494)
Other operating income		6,416	237	8,222	2,155
Profit from operations		15,470	5,220	15,223	5,402
Finance cost	8	(1,553)	(938)	(1,553)	(938)
Finance income	8	628	624	245	211
Share of results of a joint venture company		13	20	0	0
Profit before zakat and taxation	7	14,558	4,926	13,915	4,675
Zakat		0	(250)	0	(250)
Taxation					
- Company and subsidiaries	9	2,571	(595)	3,287	0
Profit for the financial year		17,129	4,081	17,202	4,425
Other comprehensive income:					
<u>Item that will not be reclassified to profit or loss:</u>					
Actuarial gain/(loss) on defined benefit plan (net of tax)	24	507	(328)	507	(328)
Total comprehensive income for the financial year		17,636	3,753	17,709	4,097
Profit for the financial year attributable to:					
Equity holders of the Company		16,420	3,246	17,202	4,425
Non-controlling interests		709	835	0	0
Profit for the financial year		17,129	4,081	17,202	4,425
Total comprehensive income for the financial year attributable to:					
Equity holders of the Company		16,927	2,918	17,709	4,097
Non-controlling interests		709	835	0	0
Total comprehensive income for the financial year		17,636	3,753	17,709	4,097
Earnings per share (sen)	10	27.18	5.37		

The notes on pages 82 to 131 are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	40,977	52,060	40,027	50,639
Intangible assets	12	515	1,348	0	0
Investment property	13	0	0	0	0
Investment in subsidiaries	15	0	0	1,914	1,914
Investment in joint venture	16	121	108	80	80
Finance lease receivables	20	687	807	687	807
Trade and other receivables	19	6,299	1,358	6,299	1,358
Deferred tax assets	17	3,513	231	3,235	0
		52,112	55,912	52,242	54,798
Current assets					
Inventories	18	8,473	4,191	5,656	1,666
Trade and other receivables	19	116,268	106,622	112,453	103,311
Tax recoverable		566	804	0	36
Deposits with licensed financial institutions	21	16,717	19,673	5,916	7,214
Cash and bank balances	21	23,951	7,675	21,952	4,926
		165,975	138,965	145,977	117,153
Asset held for sale	14	0	1,322	0	1,322
		165,975	140,287	145,977	118,475
TOTAL ASSETS		218,087	196,199	198,219	173,273
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the company					
Share capital	26	64,528	60,402	64,528	60,402
Share premium	27	0	4,126	0	4,126
Retained earnings		63,304	49,630	52,071	37,615
Retirement benefit reserves		233	0	233	0
		128,065	114,158	116,832	102,143
Non-controlling interests	15	9,111	9,872	0	0
Total equity		137,176	124,030	116,832	102,143
Non-current liabilities					
Post-employment benefit obligations	24	771	1,712	771	1,712
Finance lease liabilities	25	528	961	528	961
		1,299	2,673	1,299	2,673
Current liabilities					
Trade and other payables	22	63,025	46,059	63,751	45,060
Borrowings	23	16,278	23,432	16,278	23,397
Taxation		309	5	59	0
TOTAL CURRENT LIABILITIES		79,612	69,496	80,088	68,457
TOTAL LIABILITIES		80,911	72,169	81,387	71,130
TOTAL EQUITY AND LIABILITIES		218,087	196,199	198,219	173,273

The notes on pages 82 to 131 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Note	Attributable to owners of the parent: Issued and fully paid ordinary shares: Number of shares 000	Issued and fully paid ordinary shares: Share capital RM'000	Share premium (Note 27) RM'000	Retirement benefit reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2016		60,402	60,402	4,126	0	46,712	111,240	10,507	121,747
Profit for the financial year		0	0	0	0	3,246	3,246	835	4,081
Other comprehensive loss for the financial year	24	0	0	0	0	(328)	(328)	0	(328)
Total other comprehensive income for the financial year		0	0	0	0	2,918	2,918	835	3,753
Transactions with owners:									
Dividend paid to non-controlling interest		0	0	0	0	0	0	(1,470)	(1,470)
At 31 December 2016		60,402	60,402	4,126	0	49,630	114,158	9,872	124,030
At 1 January 2017		60,402	60,402	4,126	0	49,630	114,158	9,872	124,030
Transition to no-par value regime on 31 January 2017	26	0	4,126	(4,126)	0	0	0	0	0
Profit for the financial year		0	0	0	0	16,420	16,420	709	17,129
Other comprehensive income for the financial year	24	0	0	0	507	0	507	0	507
Total other comprehensive income for the financial year		0	0	0	507	16,420	16,927	709	17,636
Reclassification		0	0	0	(274)	274	0	0	0
Transactions with owners:									
Dividend paid	31	0	0	0	0	(3,020)	(3,020)	0	(3,020)
Dividend paid to non-controlling interest		0	0	0	0	0	0	(1,470)	(1,470)
At 31 December 2017		60,402	64,528	0	233	63,304	128,065	9,111	137,176

The notes on pages 82 to 131 are an integral part of these financial statements.

COMPANY STATEMENT OF
CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Company	Note	Issued and fully paid ordinary shares: Number of shares 000	Issued and fully paid ordinary shares: Share capital RM'000	Share premium (Note 27) RM'000	Retirement benefit reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2016		60,402	60,402	4,126	0	33,518	98,046
Profit for the financial year		0	0	0	0	4,425	4,425
Other comprehensive expense for the financial year	24	0	0	0	0	(328)	(328)
Total other comprehensive income for the financial year		0	0	0	0	4,097	4,097
At 31 December 2016		60,402	60,402	4,126	0	37,615	102,143
At 1 January 2017		60,402	60,402	4,126	0	37,615	102,143
Transition to no-par value regime on 31 January 2017	26	0	4,126	(4,126)	0	0	0
Profit for the financial year		0	0	0	0	17,202	17,202
Other comprehensive income for the financial year	24	0	0	0	507	0	507
Total other comprehensive income for the financial year		0	0	0	507	17,202	17,709
Reclassification		0	0	0	(274)	274	0
Dividend paid	31	0	0	0	0	(3,020)	(3,020)
At 31 December 2017		60,402	64,528	0	233	52,071	116,832

The notes on pages 82 to 131 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year		17,129	4,081	17,202	4,425
<u>Adjustments for</u>:					
Zakat		0	250	0	250
Taxation		(2,571)	595	(3,287)	0
Depreciation and amortisation:					
- property, plant and equipment		4,712	4,570	4,193	4,122
- investment property		0	24	0	24
- intangible assets		490	517	0	0
Property, plant and equipment written off		0	38	0	38
Dividend income from subsidiaries		0	0	(1,530)	(1,630)
Share results of a joint venture company		(13)	(20)	0	0
Interest expense		1,553	938	1,553	938
Interest income on fixed deposits		(628)	(624)	(245)	(211)
Retirement benefits		245	249	245	249
Gain on sales of property, plant and equipment		(6,188)	(39)	(6,188)	(39)
Impairment of intangible asset		343	0	0	0
Impairment of amount due from a subsidiary		0	0	3,391	668
Diminution of investment in a subsidiary		0	0	0	71
Impairment/(reversal) of trade receivables (net)		126	(350)	95	(356)
Unrealised foreign exchange (gain)/loss		(2,138)	1,229	(2,137)	1,228
(Write-back)/write down of inventory		(81)	18	(173)	110
		12,979	11,476	13,119	9,887
Changes in working capital:					
Inventories		(4,201)	3,211	(3,817)	2,445
Subsidiaries		0	0	(525)	(574)
Receivables		(14,593)	(25,218)	(16,924)	(26,887)
Payables		17,745	2,799	19,469	3,253
Cash generated from/(used in) operations		11,930	(7,732)	11,322	(11,876)
Retirement benefits paid		(519)	(556)	(519)	(556)
Tax (paid)/refunded		(329)	(432)	36	125
Zakat paid		0	(250)	(49)	(250)
Net cash generated from/(used in) operating activities		11,082	(8,970)	10,790	(12,557)

STATEMENTS OF **CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions on intangible assets		0	(911)	0	0
Purchase of property, plant and equipment		(1,998)	(3,750)	(1,949)	(2,895)
Interest received		628	624	245	211
Dividends received from subsidiaries		0	0	1,530	1,630
Proceeds from disposal of property, plant and equipment		15,879	51	15,879	51
(Investment)/Divestment in deposits maturing more than three months		(8,021)	977	(175)	0
Net cash generated from/(used in) investing activities		6,488	(3,009)	15,530	(1,003)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to non-controlling interests		(1,470)	(1,470)	0	0
Dividends paid to shareholders		(3,020)	0	(3,020)	0
Repayment of finance lease liabilities		(532)	(452)	(532)	(452)
Interest paid on finance lease liabilities		(100)	(84)	(100)	(84)
Drawdown of borrowings		66,283	63,180	66,283	63,180
Repayment of borrowings		(71,944)	(45,484)	(71,944)	(45,484)
Interest paid on borrowings		(1,453)	(854)	(1,453)	(854)
Drawdown of restricted deposits		(515)	(2,737)	(515)	(2,737)
Net cash (used in)/generated from financing activities		(12,751)	12,099	(11,281)	13,569
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		4,819	120	15,039	9
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		21,622	21,502	9,403	9,394
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	21	26,441	21,622	24,442	9,403

The notes on pages 82 to 131 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1 GENERAL INFORMATION

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

The principal activities of the Company are sale of information technology products and services. The principal activities of the subsidiaries and joint venture are described in Note 15 and Note 16 to the financial statements respectively. There have been no significant changes in the nature of these activities during the financial year.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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

The Company has applied the following amendments for the first time for the financial year beginning on 1 January 2017:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'
- Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 'Disclosures of Interests in Other Entities'

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective and have not yet been early adopted:

(i) Effective from financial year beginning after 1 January 2018 with earlier application permitted

- Amendments to MFRS 140 'Classification on 'Change in Use' – Assets transferred to, or from, Investment Properties' clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meets, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management's intention in isolation is not sufficient to support a transfer of property.

  The amendments also clarify the same principle applies to assets under construction.

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

- MFRS 9 'Financial Instruments' will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch prospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective and have not yet been early adopted: (continued)

(i) Effective from financial year beginning on or after 1 January 2018 with earlier application permitted (continued)

- MFRS 9 'Financial Instruments' will replace MFRS 139 "Financial Instruments: Recognition and Measurement" (continued)

  MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

  In relation to MFRS 9 "Financial Instruments", the Company expects the adoption of the above standards and interpretations will have no material impact on the financial statement in the period of the initial application.

- MFRS 15 'Revenue from contracts with customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:
  - Identify contracts with customers
  - Identify the separate performance obligations
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligations; and
  - Recognise the revenue as each performance obligation is satisfied.

  Key provisions of the new standard are as follows:
  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  - As with any new standard, there are also increased disclosures.

  Under MFRS 15, the Company recognises revenue when a performance obligation is satisfied which is when the control of the goods and services underlying the particular performance obligation is transferred to the customers. Given the scope of work required to implement the recognition and disclosure requirements under the new standard, the Company has performed the assessment using the 5-step model. Based on work performed to date, the Company does not currently expect the impact of these changes to be significant.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective and have not yet been early adopted: (continued)

(ii) Effective from financial year beginning on or after 1 January 2019 with earlier application permitted

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

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

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

  IC Interpretation 23 will be applied retrospectively.

The effect of the other standards, amendments to published standards and interpretations to existing standards are currently being assessed by the Directors of the Company.

2.2 CONSOLIDATION

(a) Subsidiaries

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

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

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

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

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

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(c) Disposal of subsidiaries

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

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION (CONTINUED)

(d) Joint arrangements

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

Joint ventures

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

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

2.4 SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Managing Director. Management has determined there is only one reportable segment based on the information reviewed by the Managing Director.

2.5 FOREIGN CURRENCIES

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges.

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

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially stated at cost, net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment.

Land and buildings are subsequently shown at fair value, less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

Depreciation on assets under construction commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.9 on impairment of non-financial assets.

2.7 INVESTMENT PROPERTY

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment property is measured initially at its cost, including related transaction costs. Costs of the investment property are net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the investment property.

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Investment property is depreciated on the straight-line basis to allocate the cost to their residual values over their estimated useful lives. The principal annual rates used for building is 2% per annum.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 INTANGIBLE ASSET

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

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

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

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

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

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

2.10 FINANCIAL ASSETS

(a) Classification

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL ASSETS (CONTINUED)

(b) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss.

(c) Subsequent measurement - gains and losses

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

(d) Subsequent measurement - impairment

Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

(e) De-recognition

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 OFFSETTING FINANCIAL INSTRUMENTS

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

2.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs, which include purchase price and other incidental charges, are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates, discounts and the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of purchased inventory. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

2.13 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

2.14 SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity.

(b) Share issue costs

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

(c) Dividend distribution

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 SHARE CAPITAL (CONTINUED)

(d) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

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

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

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

2.15 BORROWINGS

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Borrowing costs are recognised in profit or loss in the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 CURRENT AND DEFERRED INCOME TAX

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

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

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

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

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

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

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

2.17 EMPLOYEE BENEFITS

(a) Short-term employee benefits

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 EMPLOYEE BENEFITS (CONTINUED)

(b) Defined contribution plans

The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Defined benefit plans

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

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

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

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

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

(d) Termination benefits

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

2.18 PROVISIONS

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 PROVISIONS (CONTINUED)

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

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

2.19 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, returns, rebates and discounts and amounts collected on behalf of third parties and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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

2.20 LEASES

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

(a) Accounting as lessee

Finance leases

Leases of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 LEASES (CONTINUED)

(a) Accounting as lessee (continued)

Finance leases (continued)

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

Operating leases

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

(b) Accounting as lessor

Finance leases

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

Finance lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return.

2.21 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 CONTINGENT ASSETS AND LIABILITIES

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

2.23 TRADE AND OTHER RECEIVABLES

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

Trade and other receivables are recognised initially at fair value, with the amount of goods and services tax (GST) included.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.24 TRADE PAYABLES

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value, with the amount of goods and services tax (GST) included.

Trade payables are subsequently measured at amortised cost using the effective interest method.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

The table illustrates the impact on the loss for the year, equity and net assets resulting from currency sensitivities as at 31 December 2017, if Ringgit Malaysia had weakened/strengthened by 1% against the US dollar with other variables held constant.

	Group and Company	
	2017 RM'000	2016 RM'000
(Increase)/decrease on profit/(loss) for the year		
1 percent increase in US Dollar exchange rate	(259)	(316)
1 percent decrease in US Dollar exchange rate	259	316

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk

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

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

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial asset				
Fixed rate – deposits with financial institutions	16,717	19,673	5,916	7,214
Financial liability				
Floating rate - borrowings	16,278	23,432	16,278	23,397
Fixed rate - finance lease liabilities	961	1,393	961	1,393

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

(b) Credit risk

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

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

(i) Receivables

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

(i) Receivables (continued)

The Group's customers are mainly significant entities in the information, communication, telecommunication and utilities industries. At the reporting date, the Group has significant concentration of credit risk that may arise from exposure to one (2016: one) major customer which accounted for 33% (2016: 10%) of the trade receivables and accrued unbilled revenue balances. The Group considers the risk of material loss in the event of non-performance by a customer to be unlikely.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Counterparties without external credit rating:				
- Existing customers with no defaults in the past	90,061	87,953	89,108	87,032
- New customers	3,145	2,607	2,616	2,251
	93,206	90,560	91,724	89,283

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

(ii) Amounts due from subsidiaries

Amounts due from subsidiaries consists of advances and amount due arising from trade activities. The Company monitors the results of the subsidiaries regularly. As at 31 December 2017, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that amounts due from subsidiaries are stated at recoverable amounts. As at 31 December 2017, an amount of RM30,609,309 (2016: RM27,218,460) was provided for as the amount due from a subsidiary was assessed to be impaired.

(iii) Deposits and bank balances

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

(iii) Deposits and bank balances (continued)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
AAA	40,636	27,316	27,838	12,110
AA	22	22	22	22
	40,658	27,338	27,860	12,132

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

(c) Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

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

	2017		
	Total RM'000	Within 1 year RM'000	1 - 5 year RM'000
Group			
Financial Liabilities			
Trade and other payables, excluding statutory liabilities and short term finance lease	59,233	59,233	0
Borrowings	16,408	16,408	0
Finance lease liabilities	1,065	493	572
Total undiscounted financial liabilities	76,706	76,134	572

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (continued)

	2017		
	Total RM'000	Within 1 year RM'000	1 - 5 year RM'000
Company			
Financial Liabilities			
Trade and other payables, excluding statutory liabilities and short term finance lease	56,925	56,925	0
Borrowings	16,408	16,408	0
Finance lease liabilities	1,065	493	572
Total undiscounted financial liabilities	74,398	73,826	572

	2016		
	Total RM'000	Within 1 year RM'000	1 - 5 year RM'000
Group			
Financial Liabilities			
Trade and other payables, excluding statutory liabilities and short term finance lease	42,821	42,821	0
Borrowings	23,570	23,570	0
Finance lease liabilities	1,597	532	1,065
Total undiscounted financial liabilities	67,988	66,923	1,065
Company			
Financial Liabilities			
Trade and other payables, excluding statutory liabilities and short term finance lease	40,495	40,495	0
Borrowings	23,570	23,570	0
Finance lease liabilities	1,597	532	1,065
Total undiscounted financial liabilities	65,662	64,597	1,065

The Group has undrawn banking facilities amounting to RM40,887,222 (2016: RM45,359,812) as at 31 December 2017.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(d) Financial instruments by category

	2017 RM'000	2016 RM'000
Group		
Financial assets classified as loan and receivables, as per statement of financial position		
Trade and other receivables, excluding prepayments	102,806	100,097
Deposits, cash and bank balances	40,668	27,348
	143,474	127,445
Financial liabilities classified as other financial liabilities at amortised cost, as per statement of financial position		
Trade and other payables, excluding statutory liabilities	59,665	43,253
Borrowings	16,278	23,432
	75,943	66,685
Company		
Financial assets classified as loan and receivables, as per statement of financial position		
Trade and other receivables, excluding prepayments	98,395	96,804
Amounts due from subsidiaries	616	91
Deposits, cash and bank balances	27,868	12,140
	126,879	109,035
Financial liabilities classified as other financial liabilities at amortised cost, as per statement of financial position		
Trade and other payables, excluding statutory liabilities	57,357	40,927
Amounts due to subsidiaries	3,708	2,383
Borrowings	16,278	23,397
	77,343	66,707

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(e) Fair value estimation

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

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

There were no amounts measured at fair value in the statement of financial position as at 31 December 2017 and 31 December 2016. Other than as disclosed, the carrying amounts of the financial instruments are a reasonable approximation of fair value due to its relatively short-term nature or that they are floating rate instruments.

3.2 CAPITAL MANAGEMENT

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

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

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

	2017 RM'000	2016 RM'000
The Group		
Total borrowings (Note 23)	16,278	23,432
Deposits, cash and bank balances (Note 21)	(40,668)	(27,348)
Net debt	0	0
Total equity	137,176	124,030
Total capital	112,786	120,114
Gearing ratio (%)	0	0

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions.

(i) Revenue recognition

The key areas of judgement in respect of recognising revenue are the timing of recognition and the fair value allocation between services, hardware and software revenue, specifically in relation to recognition and deferral of revenue on support contracts where management assumptions and estimates are necessary.

(ii) Deferred tax assets

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

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

5 REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue from:				
- services	125,499	124,443	125,294	124,135
- hardware	80,668	88,071	70,059	78,041
- software	20,088	15,369	20,088	15,369
	226,255	227,883	215,441	217,545

6 STAFF COST (INCLUDING DIRECTORS' EMOLUMENTS)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries, bonuses and other employment benefits	72,136	68,641	59,046	57,113
Defined contribution retirement plan	7,829	7,386	4,966	4,791
Defined benefit retirement plan (Note 24)	245	249	245	249
Termination benefits	0	16	0	16
	80,210	76,292	64,257	62,169

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' remuneration:				
<u>Non-executive Directors:</u>				
- fees	248	234	248	234
- others	25	19	25	19
<u>Executive Directors:</u>				
- salaries	984	1,080	984	1,080
- other emoluments	209	164	209	164
- defined contribution plan	63	65	63	65
Total Directors' remuneration	1,529	1,562	1,529	1,562

7 PROFIT/(LOSS) BEFORE TAXATION

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Auditors' remuneration:				
- Audit	226	215	162	162
- Non-audit	44	49	29	18
Depreciation:				
- property, plant and equipment	4,712	4,570	4,193	4,122
- investment property	0	24	0	24
Amortisation of intangible assets	490	517	0	0
Impairment on intangible assets	343	0	0	0
Plant and equipment written off	0	38	0	38
Dividend income from subsidiaries	0	0	(1,530)	(1,630)
Interest income:				
- finance leases	(106)	(118)	(106)	(118)
Net realised foreign exchange gain	(302)	(486)	(290)	(468)
Unrealised foreign exchange (gain)/loss	(2,138)	1,229	(2,137)	1,228
Gain on disposal of property, plant and equipment	(6,188)	(39)	(6,188)	(39)
Rental expense	338	359	191	179
Rental income	(77)	(76)	(77)	(76)
Write(back)/down of inventory	(81)	18	(173)	110
Diminution of investment in subsidiary	0	0	0	71
Impairment/(reversal of impairment) of trade receivables (net)	126	(350)	95	(356)
Impairment of amounts due from subsidiary	0	0	3,391	668

8 FINANCE INCOME/(COST)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Finance income				
Interest income on:				
- deposits with licensed banks	628	624	245	211
Finance cost				
Finance cost on:				
- bank borrowings	1,453	854	1,453	854
- finance lease liabilities	100	84	100	84
	1,553	938	1,553	938

9 TAXATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current taxation:				
Current financial year	832	543	59	0
Under provision in prior year	39	40	49	0
	871	583	108	0
Deferred taxation (Note 17)	(3,442)	12	(3,395)	0
Tax expense	(2,571)	595	(3,287)	0

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before zakat and taxation	14,558	4,926	13,915	4,675
Taxation calculated at the applicable Malaysian tax rate of 24% (2016: 24%)	3,494	1,182	3,340	1,122
Tax effects of:				
- income not subject to tax	(90)	0	(457)	(391)
- income subject to different tax rate	(1,485)	0	(1,485)	0
- expenses not deductible for tax purposes	374	271	1,077	365
- current year temporary difference not recognised	997	198	0	0
- recognition of previously unrecognised deferred taxes	(3,235)	0	(3,235)	0
- utilisation of previously unutilised tax losses and temporary differences	(2,665)	(1,096)	(2,576)	(1,096)
- under provision in prior year	39	40	49	0
Tax expense	(2,571)	595	(3,287)	0

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

	Group and Company		
	Before tax RM'000	Tax charged RM'000	After tax RM'000
Actuarial gain on defined benefit plan	667	(160)	507

9 TAXATION (CONTINUED)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deductible temporary differences	1,360	8,930	0	8,599
Unutilised tax losses	31,092	43,951	3,850	19,464
	32,452	52,881	3,850	28,063

The deductible temporary differences and unutilised tax losses are available indefinitely for offset against future taxable profits of the Group and the Company subject to agreement with the tax authorities. These tax benefits will only be obtained if the Group and Company derives future assessable income of a nature and amount sufficient for the tax benefits to be utilised. Deferred tax assets have not been recognised in respect of tax losses and deductible temporary differences of certain entities within the Group having a history of losses or where future taxable income is not probable and not be able to reliably estimated.

10 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	
	2017	2016
Profit attributable to equity holders of the Company (RM'000)	16,420	3,246
Weighted average number of ordinary shares in issue ('000)	60,402	60,402
Total basic earnings per share attributable to the ordinary equity holders of the company	27.18	5.37

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

11 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Building RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Cost					
At 1 January 2017	23,442	32,748	54,991	157	111,338
Additions	0	142	1,856	0	1,998
Disposal	(3,875)	(6,229)	(40)	0	(10,144)
At 31 December 2017	19,567	26,661	56,807	157	103,192
Accumulated depreciation					
At 1 January 2017	0	14,358	44,763	157	59,278
Charge for the financial year	0	641	4,071	0	4,712
Disposal	0	(1,735)	(40)	0	(1,775)
At 31 December 2017	0	13,264	48,794	157	62,215
Net book value					
At 31 December 2017	19,567	13,397	8,013	0	40,977
Cost					
At 1 January 2016	23,442	32,630	53,165	283	109,520
Additions	0	118	4,575	0	4,693
Disposal	0	0	(2)	(126)	(128)
Plant and equipment written off	0	0	(2,747)	0	(2,747)
At 31 December 2016	23,442	32,748	54,991	157	111,338
Accumulated depreciation					
At 1 January 2016	0	13,695	43,580	258	57,533
Charge for the financial year	0	663	3,892	15	4,570
Disposal	0	0	0	(116)	(116)
Plant and equipment written off	0	0	(2,709)	0	(2,709)
At 31 December 2016	0	14,358	44,763	157	59,278
Net book value					
At 31 December 2016	23,442	18,390	10,228	0	52,060

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM'000	Building RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Cost					
At 1 January 2017	23,442	32,748	35,230	155	91,575
Additions	0	142	1,807	0	1,949
Disposal	(3,875)	(6,229)	(36)	0	(10,140)
At 31 December 2017	19,567	26,661	37,001	155	83,384
Accumulated depreciation					
At 1 January 2017	0	14,358	26,423	155	40,936
Charge for the financial year	0	641	3,552	0	4,193
Disposal	0	(1,735)	(37)	0	(1,772)
At 31 December 2017	0	13,264	29,938	155	43,357
Net book value					
At 31 December 2017	19,567	13,397	7,063	0	40,027
Cost					
At 1 January 2016	23,442	32,630	34,236	283	90,591
Additions	0	118	3,720	0	3,838
Disposal	0	0	0	(128)	(128)
Plant and equipment written off	0	0	(2,726)	0	(2,726)
At 31 December 2016	23,442	32,748	35,230	155	91,575
Accumulated depreciation					
At 1 January 2016	0	13,695	25,667	256	39,618
Charge for the financial year	0	663	3,444	15	4,122
Disposal	0	0	0	(116)	(116)
Plant and equipment written off	0	0	(2,688)	0	(2,688)
At 31 December 2016	0	14,358	26,423	155	40,936
Net book value					
At 31 December 2016	23,442	18,390	8,807	0	50,639

The net book value of assets under finance lease as at 31 December 2017 amounted to RM798,174 (2016: RM1,206,214).

12 INTANGIBLE ASSETS

Group	Internally developed software RM'000
Cost	
At 1 January 2017 / 31 December 2017	2,374
Accumulated depreciation	
At 1 January 2017	1,026
Charge for the financial year	490
At 31 December 2017	1,516
Accumulated impairment	
At 1 January 2017	0
Charge for the financial year	343
At 31 December 2017	343
Net book value	
At 31 December 2017	515
Cost	
At 1 January 2016	1,463
Additions	911
At 31 December 2016	2,374
Accumulated depreciation	
At 1 January 2016	509
Charge for the financial year	517
At 31 December 2016	1,026
Net book value	
At 31 December 2016	1,348

The useful life of the internally developed software is 4 years (2016 : 4 years). The amount of staff cost capitalised in current financial year is RM Nil (2016 : 910,857).

13 INVESTMENT PROPERTY

	Group and Company	
	2017 RM'000	2016 RM'000
Building		
At 1 January	0	1,346
Depreciation for the financial year	0	(24)
Reclassified to asset held for sale	0	(1,322)
At 31 December	0	0

14 ASSET CLASSIFIED AS HELD FOR SALE

	Group and Company	
	2017 RM'000	2016 RM'000
Non-current asset held for sale		
Building	0	1,322

As at 31 December 2016, a building was classified as non-current asset held for sale as it is the intention of the Group to recover the carrying value of the asset through a sale transaction. The sale was completed on 31 March 2017.

15 INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	2,006	2,006
Less: Accumulated impairment losses	(92)	(92)
	1,914	1,914

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

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Names of subsidiaries	Principal activities	Group's effective interest 2017 %	Group's effective interest 2016 %
VA Dynamics Sdn. Bhd.	Sales of networking cables and related products	51	51
CustomCodes Sdn. Bhd.	Provision of design, development and implementation of business solutions related to business intelligence, business analytics, customised applications and software products	100	100
Mesiniaga Alliances Sdn. Bhd.	Provision of strategic information technology outsourcing services	100	100
Mesiniaga Services Sdn. Bhd.	Dormant	100	100
Mesiniaga MSC Sdn. Bhd.	Dormant	100	100
Mesiniaga Techniques Sdn. Bhd.	Dissolved	100	100
Mesiniaga SSO Sdn. Bhd.	Under members voluntary winding up	100	100

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

Summarised financial information on subsidiary with material non-controlling interests

Set out below are the summarised financial information for the subsidiary, VA Dynamics Sdn. Bhd., that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	2017 RM'000	2016 RM'000
Current		
Assets	19,076	20,570
Liabilities	(664)	(652)
Total current net assets	18,412	19,918
Non-current		
Assets	281	237
Net assets	18,693	20,155

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised statement of comprehensive income

	For the financial year ended 31 December	
	2017 RM'000	2016 RM'000
Revenue	10,642	10,048
Profit before taxation	2,025	2,297
Tax expense	(486)	(594)
Profit for the financial year and total comprehensive income	1,539	1,703
Profit and total comprehensive income attributable to non-controlling interest	709	835
Accumulated non-controlling interest	9,111	9,872
Dividends paid to non-controlling interests	1,470	1,470

Summarised statement of cash flows

	For the financial year ended 31 December	
	2017 RM'000	2016 RM'000
Cash flow from operating activities		
Cash flow generated from operations	382	2,951
Income tax paid	(536)	(614)
Net cash generated from operating activities	(154)	2,337
Net cash generated from/(used in) investing activities	(7,465)	1,387
Net cash used in financing activities	(3,000)	(3,000)
Net increase in cash and cash equivalents	(10,619)	724
Cash and cash equivalents at beginning of financial year	12,243	11,519
Cash and cash equivalents at end of financial year	1,624	12,243

16 INVESTMENT IN JOINT VENTURE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares, at cost	80	80	80	80
Share of post-acquisition reserves	41	28	0	0
	121	108	80	80

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

16 INVESTMENT IN JOINT VENTURE (CONTINUED)

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

Name of joint ventures	Principal activities	Group's effective interest 2017 %	2016 %
Mesiniaga Mobility Sdn. Bhd. ("MMSB")	Develop, market and operate a mobile workforce management system.	80	80

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

17 DEFERRED TAX ASSETS

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets:				
Deferred tax assets to be recovered within 12 months	3,513	231	3,235	0
At 1 January	231	243	0	0
Credited/(Charged) to profit or loss: (Note 9)				
- property, plant and equipment	(997)	(539)	(1,017)	(492)
- post-employment benefit obligations	(66)	5	(66)	5
- tax losses	851	198	851	198
- provisions	287	203	260	168
- advance billings	3,942	0	3,942	0
- others	(575)	121	(575)	121
	3,442	(12)	3,395	0
Charged to other comprehensive income: (Note 9)				
- post-employment benefit obligations	(160)	0	(160)	0
At 31 December	3,513	231	3,235	0
Subject to income tax:				
Deferred tax assets: (before offsetting)				
- post-employment benefit obligations	185	411	185	411
- tax losses	1,049	198	1,049	198
- provisions	760	473	454	194
- advance billings	3,942	0	3,942	0
- others	0	62	0	62
	5,936	1,144	5,630	865
Offsetting	(2,423)	(913)	(2,395)	(865)
Deferred tax assets (after offsetting)	3,513	231	3,235	0

17 DEFERRED TAX ASSETS (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(1,910)	(913)	(1,882)	(865)
- others	(513)	0	(513)	0
	(2,423)	(913)	(2,395)	(865)
Offsetting	2,423	913	2,395	865
Deferred tax liabilities (after offsetting)	0	0	0	0

18 INVENTORIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At net realisable value:				
Cables	590	718	0	0
Equipment	769	80	769	80
Software for re-sale	0	0	0	0
Spare parts	227	746	227	746
At cost:				
Cables	2,227	1,807	0	0
Equipment	721	418	721	418
Software for re-sale	3,939	95	3,939	95
Spare parts	0	327	0	327
	8,473	4,191	5,656	1,666

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade receivables	54,792	56,879	51,037	54,120
Accrued unbilled revenue	44,487	40,857	44,487	40,857
Less: Impairment of receivables	(664)	(538)	(633)	(538)
	98,615	97,198	94,891	94,439
Finance lease receivables (Note 20)	984	411	984	411
Other receivables	3,051	2,246	2,379	1,636
Prepayment	13,462	6,525	13,442	6,507
Deposits	156	242	141	227
Amounts due from subsidiaries	0	0	31,225	27,309
Impairment of amounts due from a subsidiary	0	0	(30,609)	(27,218)
	0	0	616	91
	116,268	106,622	112,453	103,311
Non-current				
Prepayments	6,299	1,358	6,299	1,358
	122,567	107,980	118,752	104,669

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

Credit terms of trade receivables range from 30 days to 90 days (2016: 30 days to 90 days).

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

Prepayments consist of prepaid services which costs are incurred upfront for services to be rendered over a range of 1 to 5 years. (2016: 1 to 5 years).

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

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

Aging analysis of trade receivables and accrued unbilled revenue

The aging analysis of the Group's and of the Company's trade receivables and accrued unbilled revenue for the financial year are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired	93,206	90,560	91,724	89,283
1 to 30 days past due and not impaired	2,482	3,065	2,014	2,627
31 to 90 days past due and not impaired	1,902	2,507	226	1,561
More than 91 days past due and not impaired	1,025	1,066	927	968
More than 91 days past due and impaired	664	538	633	538
	99,279	97,736	95,524	94,977
Less: Impairment of receivables	(664)	(538)	(633)	(538)
	98,615	97,198	94,891	94,439

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. A significant number of these debtors are significant entities within the human resource, electrical and electronics, information, telecommunication and technology industries.

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

As at 31 December 2017, the Group and the Company have trade receivables amounting to RM5,409,000 (2016: RM6,638,000) and RM3,167,000 (2016: RM5,156,000) 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 good track record with the Group and the Company. Based on past experience, 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 credit quality and the balances are still considered recoverable.

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables that are impaired

The Group's and the Company's trade receivables that are impaired as at 31 December 2017 and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables - nominal amounts	664	538	633	538
Less: Impairment of receivables	(664)	(538)	(633)	(538)
	0	0	0	0

Trade receivables that are individually determined to be impaired at the reporting date mainly relate to balances which have been significantly long outstanding.

The movement of allowance accounts is used to record the impairment of trade receivables are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	538	1,043	538	1,043
Impairment	282	385	251	379
Reversal of impairment	(156)	(735)	(156)	(735)
Written off	0	(155)	0	(149)
At 31 December	664	538	633	538

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Amounts due from subsidiaries

The movement of allowance accounts is used to record the impairment of amounts due from subsidiaries are as follows:

	Company	
	2017 RM'000	2016 RM'000
At 1 January	27,218	26,550
Impairment of trade receivables	3,391	668
At 31 December	30,609	27,218

20 FINANCE LEASE RECEIVABLES

	Group and Company	
	2017	2016
	RM'000	RM'000
Gross receivables	1,785	1,392
Less: Unearned finance income	(114)	(174)
Present value of lease receivables	1,671	1,218

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

	Group and Company	
	2017	2016
	RM'000	RM'000
Receivable within 12 months	1,054	494
Receivable after 12 months:		
- between 1 and 2 years	731	838
- between 2 and 5 years	0	60
	1,785	1,392
Less: Unearned finance income	(114)	(174)
	1,671	1,218
Current (Note 19)	984	411
Non-current	687	807
	1,671	1,218

The weighted average effective interest rates for finance lease receivables are 5.38% (2016: 7.96%) per annum. The finance lease receivables are denominated in Ringgit Malaysia.

21 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	23,951	7,675	21,952	4,926
Deposits with licensed financial institutions	16,717	19,673	5,916	7,214
Total deposits, cash and bank balances	40,668	27,348	27,868	12,140
Less: Bank overdraft	0	(35)	0	0
Less: Restricted cash	(3,252)	(2,737)	(3,251)	(2,737)
Less: Deposits maturing more than three (3) months	(10,975)	(2,954)	(175)	0
Cash and cash equivalents	26,441	21,622	24,442	9,403

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

The Group's and the Company's effective weighted average interest rate of deposits at the end of the financial year is 2.74% (2016: 2.28%) per annum. Deposits, cash and bank balances are denominated in Ringgit Malaysia.

Deposits of the Group's and Company have an average maturity period of between 123 to 349 days (2016: 45 to 103 days).

22 TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade payables	38,887	37,348	38,050	36,431
Advance billings	16,422	2,997	16,422	2,997
Payroll liabilities	3,379	3,068	2,652	2,222
Accruals	3,904	2,214	2,486	595
Finance lease liabilities (Note 25)	433	432	433	432
Amounts due to subsidiaries	0	0	3,708	2,383
	63,025	46,059	63,751	45,060

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	43,115	29,331	44,274	28,472
United States Dollar	19,706	16,475	19,273	16,335
Singapore Dollar	204	253	204	253
	63,025	46,059	63,751	45,060

Credit terms of trade payables range from 7 days to 90 days (2016: 7 days to 90 days). The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

23 BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current:				
Unsecured and interest bearing:				
Short-term bank borrowings	16,278	23,397	16,278	23,397
Bank overdraft	0	35	0	0
Total borrowings	16,278	23,432	16,278	23,397

The average interest rate of short-term bank borrowings is at 5.01% (2016: 5.00%)

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

	Group 2017 RM'000	Company 2017 RM'000
At 1 January 2017	23,432	23,397
Drawdown of borrowings	66,283	66,283
Repayment of borrowings	(71,944)	(71,944)
Repayment of bank overdraft	(35)	0
Payment of interest	1,453	1,453
Non cash changes:		
- Currency translation differences	(1,458)	(1,458)
- Interest expense	(1,453)	(1,453)
At 31 December 2017	16,278	16,278

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	9,519	8,320	9,519	8,285
United States Dollar	6,759	15,112	6,759	15,112
Total borrowings	16,278	23,432	16,278	23,397

24 POST-EMPLOYMENT BENEFIT OBLIGATIONS

Defined contribution plan

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

Defined benefit plan

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

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

The latest actuarial valuation of the plan was carried out as at 31 December 2015 with an update performed as at 31 December 2016.

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

	Group and Company		
2017	**Defined benefit obligation RM'000**	**Fair value of planned assets RM'000**	**Net defined benefit liability RM'000**
At 1 January	(4,283)	2,571	(1,712)
Charged to income statement:			
Service cost	(164)	0	(164)
Interest (cost) / income	(246)	165	(81)
	(410)	165	(245)
Charged to other comprehensive income:			
Re-measurement of gain	0	667	667
Payment made:			
Contribution paid by the employer	0	519	519
Benefits paid	741	(741)	0
At 31 December	(3,952)	3,181	(771)

24 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	Group and Company		
2016	**Defined benefit obligation RM'000**	**Fair value of planned assets RM'000**	**Net defined benefit liability RM'000**
At 1 January	(5,012)	3,321	(1,691)
Charged to income statement:			
Service cost	(155)	(14)	(169)
Interest cost	(257)	177	(80)
	(412)	163	(249)
Charged to other comprehensive income:			
Re-measurement of gain	(156)	(172)	(328)
Payment made:			
Contribution paid by the employer	0	556	556
Benefits paid	1,297	(1,297)	0
At 31 December	(4,283)	2,571	(1,712)

Plan assets comprised the following:

	Group and Company			
	2017 RM'000	**%**	**2016 RM'000**	**%**
At 31 December				
Equity instruments	1,611	51	1,357	53
Government bonds	833	26	729	28
Cash and cash equivalents and others	737	23	485	19
Total	3,181	100	2,571	100

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

24 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

	Group and Company	
	2017	2016
At 31 December		
Discount rate	5.8%	5.8%
Rate of price inflation	3.0%	3.0%
Expected rate of salary increases		
- up to age 34	7%	7%
- from age 35 to 44	7%	7%
- from age 45 and above	5%	5%
Turnover (per annum):		
- up to age 44	6%	6%
- from age 45 to 54	3%	3%
Retirement age:		
- normal retirement age, 60	50%	50%
- early retirement age, 55	50%	50%

Significant actuarial assumptions and sensitivity analysis

	Core assumption	Sensitivity analysis	Effect on defined benefit obligation RM'000
Discount rate	5.8%	1.0% decrease	1,954
Mortality	M9903 Life Tables	Age adjusted by + 1 year	(310)

Method and assumptions used in sensitivity analysis

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

25 FINANCE LEASE LIABILITIES

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

	Group and Company	
	2017	2016
	RM'000	RM'000
Minimum lease payments:		
Repayable within 12 months	493	532
Repayable after 12 months:		
- between 1 and 2 years	472	793
- between 2 and 5 years	100	272
	1,065	1,597
Future finance charges on finance leases	(104)	(204)
Present value of the finance lease liability	961	1,393
Current (Note 22)	433	432
Non-current	528	961
	961	1,393

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

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

	Group and Company
	2017
	RM'000
At 1 January 2017	1,393
Repayment of finance lease liabilities	(532)
Non cash changes:	
- Finance cost on lease	100
At 31 December 2017	961

26 SHARE CAPITAL

	Group and Company			
	2017 Number of shares	2017 RM'000	2016 Number of shares	2016 RM'000
Authorised:				
Ordinary shares of RM1.00 each	0	0	100,000	100,000
Ordinary shares issued and fully paid:				
At 1 January - ordinary shares of RM1.00 each:	60,402	60,402	60,402	60,402
Transition to no-par value regime on 31 January 2017 under Companies Act 2016	0	4,126	0	0
At 31 December - ordinary shares with no-par value (2016: par value of RM1.00 each)	60,402	64,528	60,402	60,402

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM4,126,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

27 SHARE PREMIUM

	Group and Company	
	2017 RM'000	2016 RM'000
At 1 January	4,126	4,126
Transition to no-par value regime on 31 January 2017 under Companies Act 2016 (Note 26)	(4,126)	0
At 31 December	0	4,126

28 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

	Company	
	2017 RM'000	2016 RM'000
Subsidiary companies		
Purchase of goods	107	16
Purchase of services	15,962	15,175
Sales of services	34	76
Secondment fees	13,229	14,031

28 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Company	
	2017 RM'000	2016 RM'000
Amounts due from subsidiaries	616	91
Amounts due to subsidiaries	3,708	2,383

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

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

(c) Key management compensation

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries and other short-term employees benefits	2,528	2,808	2,528	2,808
Defined contribution plan	196	223	196	223
	2,724	3,031	2,724	3,031

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

29 NON-CASH TRANSACTION

	Group and Company	
	2017 RM'000	2016 RM'000
Acquisition of plant and equipment by means of finance leases	0	943

30 SEGMENT REPORTING

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

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

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

Revenues of approximately RM79.0 million (2016: RM63.7 million) are derived from a single external customer. These revenues are attributable to sales and service of information technology products segment.

31 DIVIDEND

Dividends paid during the financial year are as follows:

	2017 RM'000	2016 RM'000
Interim dividends in respect of financial year 2017:		
- RM0.05 per share, tax exempt single tier paid on 6 September 2017	3,020	0

32 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 2 April 2018.

PROPERTIES OWNED **BY THE GROUP**

AS AT 31 DECEMBER 2017

Address	Description	Usage	Tenure	Terms of Tenant's Leases or Under Leases	Appropriate Age	Net Book Value (RM'000)
Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor	Commercial land comprising of 15-storey office building	Office building	Freehold	Nil	Twenty four (24) years	32,964

SHAREHOLDING STATISTICS

Shareholding Structure as at 30 MARCH 2018
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 30 MARCH 2018

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	54	2.00	1,418	0.00
100 – 1,000	982	36.38	868,260	1.44
1,001 – 10,000	1,324	49.06	5,797,532	9.60
10,001 – 100,000	296	10.97	8,202,353	13.58
100,001 – 3,020,099 (Less than 5% of issued shares)	40	1.48	24,137,196	39.96
3,020,100 and above (5% and above issued shares)	3	0.11	21,395,241	35.42
Total	2,699	100.00	60,402,000	100.00

Substantial Shareholders (Excluding Bare Trustees and Deemed Interests) as at 30 MARCH 2018

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

Directors Direct and Deemed Interests as at 30 MARCH 2018

No.	Names	Direct Shareholdings	Deemed Interest	%
1	DATUK WAN MOHAMED FUSIL WAN MAHMOOD	475,940	2,994,100	5.74
2	FATHIL SULAIMAN ISMAIL	6,397,939	0	10.59
3	VOON SENG CHUAN	308,500	0	0.51
4	ABD TALIB BABA	0	0	0
5	WONG FOOK HON	1,000	0	0
6	DATO' AB RASHID MAT ADAM	0	0	0
7	IR. DR. MUHAMAD FUAD ABDULLAH	0	0	0

SHAREHOLDING **STATISTICS**

30 Largest Shareholders as at 30 MARCH 2018

No.	Name	Holdings	(%)
1	AMANAHRAYA TRUSTEES BERHAD <SKIM AMANAH SAHAM BUMIPUTERA>	11,335,249	18.77
2	FATHIL SULAIMAN ISMAIL	6,397,939	10.59
3	SAFIAH SULAIMAN ISMAIL	3,662,053	6.06
4	HOR YEE @ HO CHEONG FATT	2,828,940	4.68
5	PHARIDA SULAIMAN @ PHILOMENA SULAIMAN	2,699,976	4.47
6	DB (MALAYSIA) NOMINEE (ASING) SDN BHD <DEUTSCHE BANK AG SINGAPORE FOR YEOMAN 3-RIGHTS VALUE ASIA FUND (PTSL)>	2,155,900	3.57
7	CIMB ISLAMIC TRUSTEE BERHAD <MOHD PUZI AHAMAD>	2,000,000	3.31
8	MOHD PUZI AHAMAD	1,918,940	3.18
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL BIN WAN MAHMOOD>	1,400,000	2.32
10	CITIGROUP NOMINEES (ASING) SDN BHD <UBS AG FOR NEON LIBERTY WEI JI MASTER FUND LP>	1,164,200	1.93
11	CIMB ISLAMIC TRUSTEE BERHAD <WAN MOHAMED FUSIL BIN WAN MAHMOOD>	1,000,000	1.66
12	WONG TA NOOY @ WONG KENG YONG	1,000,000	1.66
13	SRI SUSAYATI BINTI RAMLAN	620,000	1.03
14	LIM POH TIONG	560,000	0.93
15	CHOY CHOONG YEEN	481,500	0.80
16	WAN MOHAMED FUSIL BIN WAN MAHMOOD	475,940	0.79
17	LIM POH TIONG	419,000	0.69
18	PUBLIC NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WONG PHOOI YIN (E-TAI)>	401,000	0.66
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL BIN WAN MAHMOOD (473685)>	400,000	0.66
20	TOH KAM CHOY	396,000	0.66
21	AFFIN HWANG NOMINEES (ASING) SDN BHD <DBS VICKERS SECS (S) PTE LTD FOR LIM MEE HWA>	395,000	0.61
22	VOON SENG CHUAN	308,500	0.51
23	NOR HASLINA BINTI MD. DAHARI	267,600	0.44
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR YEOH MEI YING (E-TAI)>	225,200	0.37
25	GOH SEE WEE	200,000	0.33
26	KHALIJAH @ KHADIJAH BINTI JAMARI	200,000	0.33
27	LIM SENG QWEE	200,000	0.33
28	SIEW KIM MAN	196,000	0.32
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD <CIMB BANK FOR WAN MOHAMED FUSIL BIN WAN MAHMOOD (MY1107)>	194,100	0.32
30	PROCRAFT SDN BHD	194,100	0.32

NOTICE OF 36TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Sixth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Tuesday, 12 June 2018 at 2.30 pm. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2017 together with the Report of Directors and the Independent Auditors Report thereon.

2. To approve Directors' Remuneration of up to RM336,000.00 for the year ended 31 December 2018. **Resolution 1**

3. To re-elect the following Directors retiring pursuant to Article 104 of the Company's Article of Association:-

   a. Datuk Wan Mohamed Fusil **Resolution 2**
   b. Fathil Ismail **Resolution 3**

4. To re-elect Sim Hong Kee retiring pursuant to Article 108 of the Company's Article of Association. **Resolution 4**

5. To retain the following Directors to act as Independent Non-Executive Director whom had served the Board for a cumulative term of more than nine (9) years:-

   a. Wong Fook Hon **Resolution 5**
   b. Abd Talib Baba **Resolution 6**
   c. Dato' Ab Rashid Mat Adam **Resolution 7**

6. To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 8**

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
30 April 2018

Note:

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-Sixth Annual General Meeting of the Company, the Company shall be requesting the Record of Depositors as at 4 June 2018. Only a depositor whose name appears on the Record of Depositors as at 4 June 2018 shall be entitled to attend and vote at the meeting, as well as for the appointment of proxy(ies) to attend and vote on his/her stead.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
4. All forms of proxy must be deposited at the Company's Share Registrar's Office at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

STATEMENT ACCOMPANYING THE NOTICE OF THE 36TH ANNUAL GENERAL MEETING

a. As stated in the Notice of Annual General Meeting on page 135 of this Annual Report, the Directors standing for re-election are:-

Pursuant to Article 104 of the Company's Article of Association:-
a. Datuk Wan Mohamed Fusil
b. Fathil Ismail

Pursuant to Article 108 of the Company's Article of Association:-
a. Sim Hong Kee

The following Directors have served the Board as Independent Non-Executive Director whom had served the Board for a cumulative term of more than nine (9) years. The Board proposed that they be retained to act as Independent Non-Executive Director until the next Annual General Meeting. They are:-
a. Wong Fook Hon
b. Abd Talib Baba
c. Dato' Ab Rashid Mat Adam

b. On the recommendation of the Remuneration Committee, the Board proposes that the remuneration fees payable to the Non-Executive Directors to be up to RM336,000.00.

c. Details of Board Meetings and the attendance of Directors at those meetings are as follows:-

Director	24.02.2017	06.04.2017	31.05.2017	11.07.2017	08.08.2017	20.11.2017	21.12.2017
Datuk Wan Mohamed Fusil	Y	Y	Y	Y	Y	Y	Y
Mohd Puzi Ahamad	Y	Y	Y	X			
Voon Seng Chuan	Y	Y	Y	Y	Y	Y	Y
Fathil Ismail	Y	Y	Y	Y	Y	Y	Y
Abd Talib Baba	Y	Y	Y	Y	Y	Y	Y
Wong Fook Hon	Y	X	Y	Y	Y	Y	Y
Dato' Rashid Mat Adam	Y	Y	Y	Y	Y	Y	Y
Ir. Dr. Muhamad Fuad	Y	Y	Y	Y	Y	Y	Y

Key: Y – Attended X – Absent with Apologies

d. The Thirty-Sixth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on 12 June 2018 at 2.30 p.m.

e. Details of the Directors standing for re-election are as stated in the Directors' profile column on pages 16 to 23. Their securities holdings in the Company are as stated on page 133. Sim Hong Kee is due to be appointed as an Independant Non-Executive Director of the Company effective 1 May 2018. The following are his details:-

Sim Hong Kee (63) is to be appointed to the Board as an Independant Non-Executive Director on 1 May 2018. A trained accountant, he had served IBM in various capacities where he held various significant positions and were responsible in the areas of finance planning, pricing, treasury operations, real estate, joint venture evaluation operations and formation, leasing operations and accounting. In between his 31 years of service with IBM, he joined Oracle Malaysia as the Finance and Human Resource Director from 1995 to 1997. In 1997, he re-joined IBM and was appointed as the Chief Financial Officer. In 1999, he took a role of Country Marketing Operations to lead the region's Y2K transition preparation to ensure smooth transition in all Countries in the region. He retired from IBM in 2015 and currently serves as an Advisor at Creador Sdn. Bhd. and IRCare Sdn. Bhd. respectively. He is a Chartered Accountant who had completed his Malaysian Certified Public Accountant examination in 1980 and is a registered member of the Malaysian Institute of Accountant (MIA), carrying the designation of C. A. (M). He does not hold any shares in the Company.

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
30 April 2018

PROXY **FORM**

Mesiniaga

I/We ____ of ______________________________
______________________ being a member of the abovementioned Company, hereby appoint __________________
______________________________ of ____ or failing him
____ of ____
as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Sixth Annual General Meeting of the Company, to be held on **Tuesday, 12 June 2018 at 2.30pm** and at any adjournment thereof. The proxy is to vote on the resolutions set out in the Notice of Meeting as indicated, with an "X" in the appropriate space. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

RESOLUTION	FOR	AGAINST
To approve Directors' remuneration for the year ended 31 December 2018.		
To re-elect the following Directors retiring pursuant to Article 104 of the Company's Article of Association:-		
a. Datuk Wan Mohamed Fusil		
b. Fathil Ismail		
To re-elect the following Director retiring pursuant to Article 108 of the Company's Article of Association:-		
a. Sim Hong Kee		
To retain the following Directors to act as Independent Non-Executive Director whom had served the Board for a cumulative term of more than nine (9) years:-		
a. Wong Fook Hon		
b. Abd Talib Baba		
c. Dato' Ab Rashid Mat Adam		
To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration.		

Signature of Shareholder ______________________________

Number of shares held	

Note:

For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-Sixth Annual General Meeting of the Company, the Company shall be requesting the Record of Depositors as at 4 June 2018. Only a depositor whose name appears on the Record of Depositors as at 4 June 2018 shall be entitled to attend and vote at the meeting as for appointment of proxy(ies) to attend and vote on his/her stead.

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney. All forms of proxy must be deposited at the Company's Share Registrar's Office at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

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AFFIX
STAMP

SYMPHONY SHARE REGISTRARS SDN. BHD.

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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SCAN HERE FOR MORE INFORMATION

www.mesiniaga.com.my

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