

Mesiniaga



reaching new horizons
annual report 2005



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chairman's letter
to shareholders



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ceo's
business
review



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our culture



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our values

our profile



< BUSINESS TRACK RECORD >

< OUR STRONG CUSTOMER BASE >

< FINANCIAL STABILITY >

< OUR PEOPLE >

Mesiniaga was born out of a bold idea, inspired by a vision to create a successful local company in the then fledgling computing industry. The notion of a local ICT company, playing a pioneering role in the emerging ICT landscape, seemed a much unconventional strategy for many at that time.

But Mesiniaga proved the detractors wrong, brushing aside their pessimism and pushing forward, as a bold new company, in an exciting new industry. The company was to grow from strength to strength, ultimately manifesting itself as a spawning ground for the development of home grown ICT excellence and capability.

In the early 70's, IBM was looking for means to respond to Malaysia's New Economic Policy (NEP) to increase Bumiputra participation in corporate equity ownership. The result was a strategic plan to cultivate local entrepreneurial talent by creating a Bumiputra company that would serve as IBM's sole Malaysian hardware dealer and agent. And so Mesiniaga came into being on 17 December 1981.

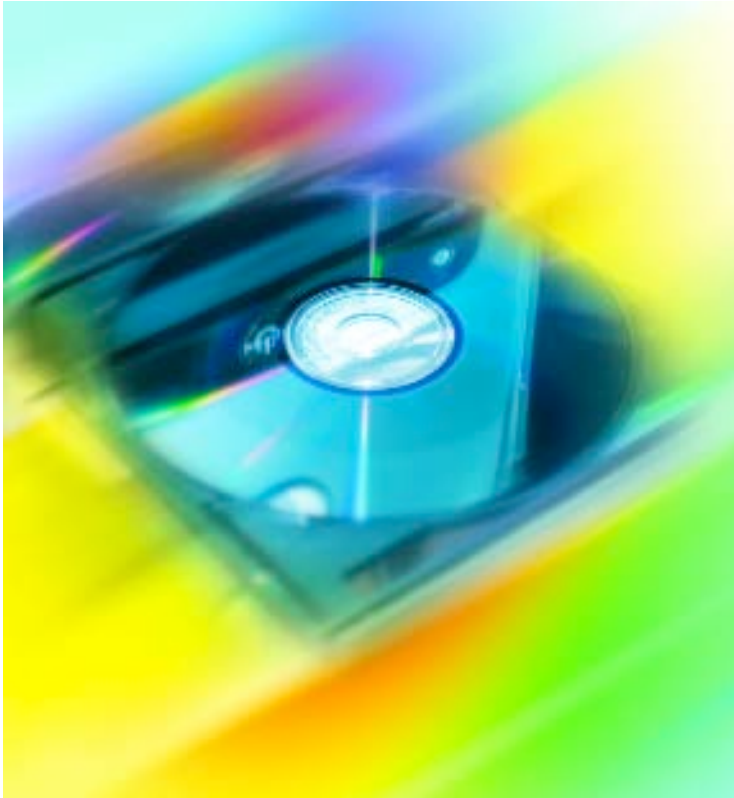
Ismail Sulaiman, formerly General Manager of IBM Malaysia, together with a team of senior ex-IBM personnel, helmed the company. As a pioneer in the field, Mesiniaga embodied the values of boldness, the infusion of energy and creativity, and a passion for success. Though small in stature, Mesiniaga had big ambitions and was charging forward to claim its place in the industry. Through the determined spirit of Ismail and his young team, the company grew from strength to strength. With every passing year, the business flourished and today, almost 25 years later, Mesiniaga is a 600-strong ICT player; a giant standing tall, towering over the ICT landscape it had helped shaped.

Mesiniaga started with a paid-up capital of RM500, 000, which has grown to RM60.4 Million. The company was listed on the KLSE main board (now known as Bursa Malaysia) on 17 November 1999 and was the first local ICT company to hit the 5 million and 10 million mark in profits.

From serving as an IBM hardware vendor, Mesiniaga today has evolved into a comprehensive ICT solutions provider and integrator, delivering a complete range of offerings. Mesiniaga's current portfolio ranges from providing the basic building blocks of any IT architecture to providing cutting edge, best-of-breed business answers that empower productivity, competitive advantage and profitability. Our solutions are classified into several spheres based on the value we deliver to customers - Build, Manage, Protect, Accelerate, Advise and Support.

Indeed Mesiniaga has come far. But our sights are set on new horizons. Our desire to grow remains as strong as ever. Mesiniaga looks to the future with optimism and confidence, and remains poised for greater accomplishments in the future! We are a growing company, growing with today's business landscape that we helped to build.





OUR INDISPUTABLE TRACK RECORD

Since our inception, Mesiniaga has remained profitable, displaying solid year-on-year growth, with strong bottom lines. Drawing from our organisational experience and competence and our human talent, our business has grown consistently, recording excellent revenue, profit and expansion. In the ICT industry, where most businesses don't last long, our staying power is an achievement. We are stable and possess a strong foundation built on a track record of almost 25 years of excellence.



STRONG CUSTOMER BASE

The government, the oil and gas industry, the manufacturing and telecommunications sectors, financial services and education...we serve customers from a vast range of businesses. We are a cross-functional and cross-industry solutions provider and integrator - successfully meeting the diverse ICT needs of a variety of local and international organisations. Their continued confidence is a measure of our competence and ability and continued business growth.



SUPPORTED BY GLOBAL TECHNOLOGY PARTNERS

Mesiniaga today is the strategic partner of several world-renowned technology vendors. Apart from IBM, Mesiniaga is a strategic partner to Microsoft and Cisco. We have achieved Cisco Gold Partner Status 3 years in a row, the highest level awarded to partners. In the pursuit of offering comprehensive solutions to our customers, Mesiniaga is also partnered with other technology vendors such as Citrix (Silver Advisor), Trend Micro, Lotus and F5.

Our strong business relationships with various technology partners serve as a testament to our versatility in delivering the best solutions, quality products and services for any business.



EXCELLENT HUMAN TALENT

Our people are our unrivalled competitive edge. Comprising a rich and diverse blend of talents, Mesiniaga has some of the best people who possess vast expertise and experience. Many of our staff possess industry recognised professional certifications, which acknowledge them as highly skilled specialists in their respective areas.

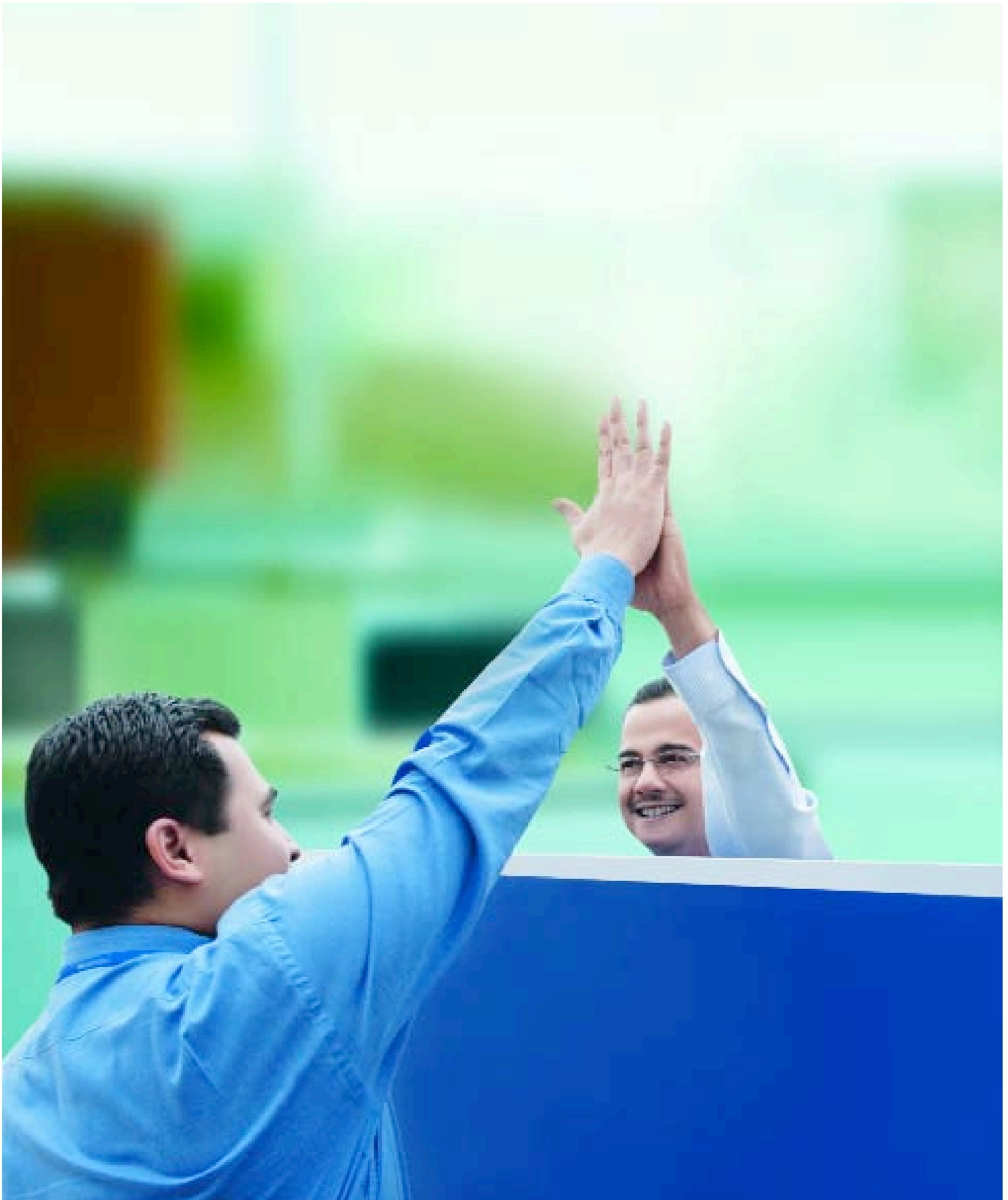
Through our people competence, we are able to deliver organisation-wide excellence, high performance and high quality output from all units, all departments and every Mesiniagan. Ideas, innovation and creativity - these are our most precious, unrivalled competitive factors. They stem from our people. And we continuously hire, train and retain the best talent to maintain our human competitive edge.

< Delivering Business Solutions of Greatest Added Value >

We clearly recognise the distinction between *technical* and *business* solutions. Business solutions are our customers' priority while *technology is merely a means to achieving a business end*. We deliver solutions that meet customers' requirements and empower them with productivity, competitive advantage and profitability. We think beyond technology and embrace the business needs of our customers.

our mission





< To Be The Malaysian IT Partner of Choice >

FOR OUR CUSTOMERS

We will be the primary reference point for our customers' IT needs. This can only be achieved by a perfect alignment of our goals with those of our customers. It involves deeply understanding how our customers create business value and deploying technology in its attainment.

FOR OUR EMPLOYEES

We acknowledge that employees are the lifeblood of our business. We must attract the best talent, enable them to exploit their full potential, deploy them to greatest benefit and merit their continued service and commitment. We recognise that success in meeting employee goals is a precondition to meeting organisation goals. We will be vested in this crucial partnership.

FOR OUR VENDORS

We believe that our approach to customers constitutes deep loyalty that will be reciprocated and mutually benefit our vendors and us. We will demand the greatest commitment from our vendors whilst offering the same to them, both of whose success is contingent upon that of our customers'.

FOR OUR SHAREHOLDERS

We will create the greatest business value for our customers in order to enjoy superior returns on our efforts. These returns will compensate our shareholders for their faith in us. We will also promote employee stock ownership which promises congruence between employee and shareholder goals.

our vision

our values

1 passion for customers' success and satisfaction

Our satisfaction comes from knowing that we have delivered value to our customers, be it internal or external. In everything we do, we strive towards meeting or exceeding expectations. We provide answers that show deep insights and understanding to truly support businesses. Our success isn't measured based on just how well we perform, but how well we can enable our customers to perform. We link our success to our customers.

We aim for organisation-wide respect, showing mutual consideration and courtesy to all parties. Everyone is important, be they our colleagues, superiors, subordinates or external parties such as customers and suppliers. For us, respect is a give-and-take attribute, a door that moves both ways; a two-way street.

2 respect for people we work with

3 innovation in everything we do

We pride ourselves on our ability to think out of the box; to offer fresh perspectives for inspired results. Ours is a culture built on creativity, where ideas are encouraged and nurtured. We constantly seek to improve to realise better results and rewards.

We take responsibility to be the best we can be and to deliver the highest work quality. We motivate ourselves by setting examples for others to follow. We lead the industry with a proactive vision, by being responsive to change and focusing on the future. Everyone has to assume leadership, regardless of his or her position in the company. Everyone is responsible in guiding the company to greater success.

dynamic
leadership

4

5 excel & thrive on
challenges and
accomplishments

We relish the constant pursuit of new horizons and overcoming of challenges. The prospect of new opportunities and barriers inspires us to excel further. We will transcend all barriers to ultimately relish the thrill of achievement and create new possibilities for ourselves. Success increases our desire for greater accomplishment.

corporate history

MILESTONES

1981

- Conceived as IBM's response to the New Economic Policy to encourage Bumiputra Entrepreneurship

1982

- Company was officially operational

1992

- Menara Mesiniaga was completed. Designed by architect Ken Yeang of TR Hamzah & Yeang, to meet the company's aspirations

1993

- Formed Network Services Unit (NSU) to offer networking solutions
- Formed iNet & Workgroup Solutions Team (IWS) to offer collaborative and Web-based business solutions

1994

- Awarded MS ISO 9001 Certification by SIRIM

1995

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

1997

- Recognised as IBM/Lotus Premier Partner

1999

- Listed on KLSE main board (now known as Bursa Malaysia)
- Appointed Microsoft Managed Partner

2003

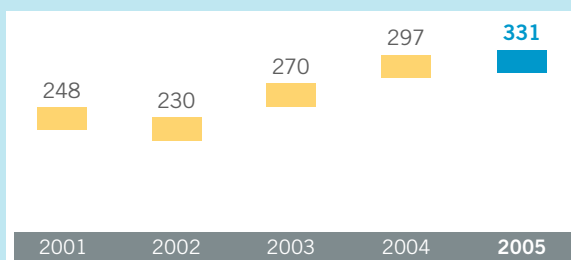
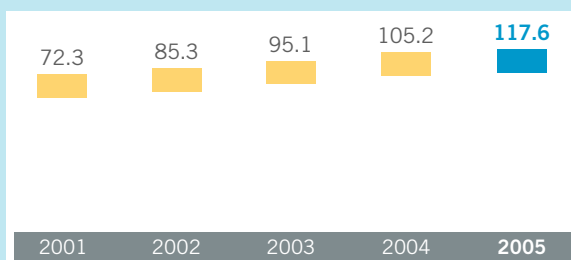
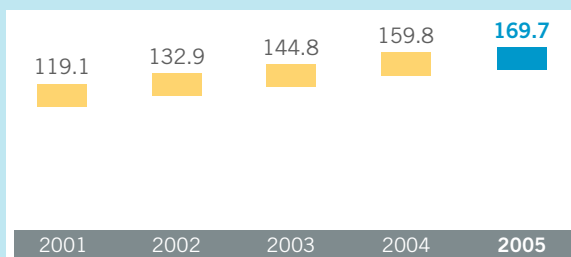
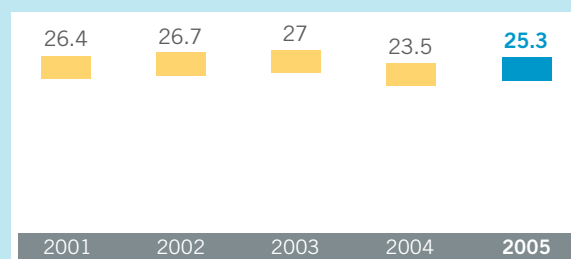
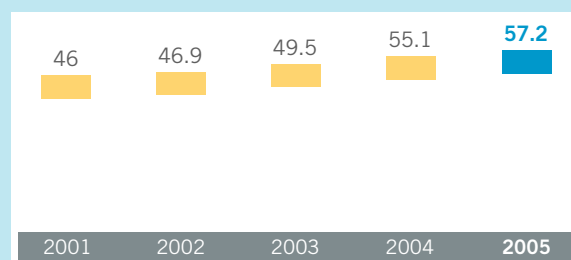
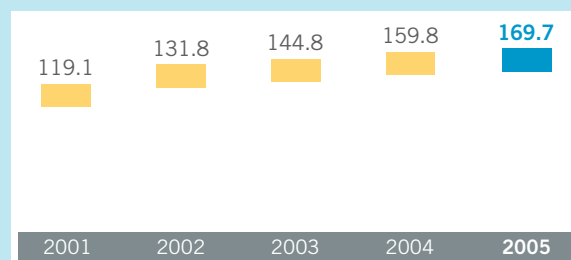
- Company-wide ISO Certification
- Mutiara Mesiniaga in Penang was completed
- Achieved Microsoft Gold Partner
- Became First Malaysian and Bumiputra company to be certified as Cisco Gold Partner

2004

- Appointed as Microsoft Large Account Reseller

2005

- Appointed as Citrix (Silver Advisor) Partner
- Formed Office of Strategic Initiatives (OSI) to drive the corporate strategies
- Established the Mesiniaga Academy to help enhance the quality of the workforce for the country
- Launched the Business Productivity Centre (BPC) in Menara Mesiniaga. A joint venture with Microsoft and the first in Asia to offer an Executive Briefing Center for Microsoft Solutions
- Launched the Mesiniaga's New Website & Solutions Manual

five year
performance statistics**REVENUE** (RM Million)**NET CURRENT ASSETS** (RM Million)**NET TANGIBLE ASSETS** (RM Million)**PROFIT BEFORE TAX** (RM Million)**FIXED ASSETS** (RM Million)**SHAREHOLDERS' EQUITY** (RM Million)

chairman's letter to shareholders



Dato' Dr. Ir. Mohamad Zawawi Ismail



D E A R S H A R E H O L D E R S

On behalf of The Board of Directors, I am pleased to present the Annual Report and Financial Statements for Mesiniaga Berhad for the year ended 31 December 2005.

Year 2005 started well, building on the strong momentum of 2004. We won several awards from our technology partners, further strengthening our credibility as a leading solutions provider and integrator. Among the more notable accolades we received were the IBM Platinum Club Award & IBM Highest Growth Business Partner Award, the IBM ASEAN Global Services Business Partner Leadership Award, the Cisco Best Performance Systems Integrator Award and the Best Customer Experience Award from Microsoft.

We were also recertified as a Cisco Gold partner for the third straight year, a commendable feat for a local company. On the same note of success, we also achieved several major business wins in the maritime industry, in the public sector as well as in the financial services space. These major wins and other

successes contributed to our stronger turnover and margins.

Another notable event was the launch of the Business Productivity Centre (BPC), which marked a new approach in bringing the power and experience of solutions to customers. The first such facility in Malaysia and only the third in the world, the centre provides us with a unique competitive advantage for reaching out to businesses, helping them to enhance their competitiveness and leverage on existing Microsoft implementations.

The second half of the year was even more exciting and where we made significant developments. During this period, we began our Business Transformation process - a renewal of the company to create a stronger, more competitive Mesiniaga.

CHAIRMAN'S LETTER TO SHAREHOLDERS



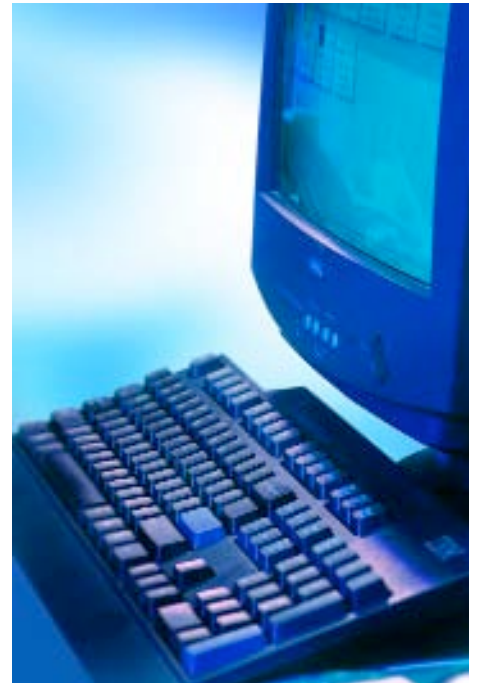
The decision to transform ourselves was made in response to the fast paced and competitive Information Communication Technology (ICT) space. It is a strategic approach to put the company on the fast track to greater growth and stronger performance. Though we may have firmly established ourselves over the past 25 years, we must continue to innovate and evolve the business that we are in. With growing competition, we must always be proactive and vigilant against complacency to maintain our position as Malaysia's leading solutions provider and integrator.

Already, we are seeing that our transformation programme is showing encouraging outcome. There is a renewed inspiration and vigour throughout the company, drawn from the new vision and mission. We are cultivating an innovative and dynamic company

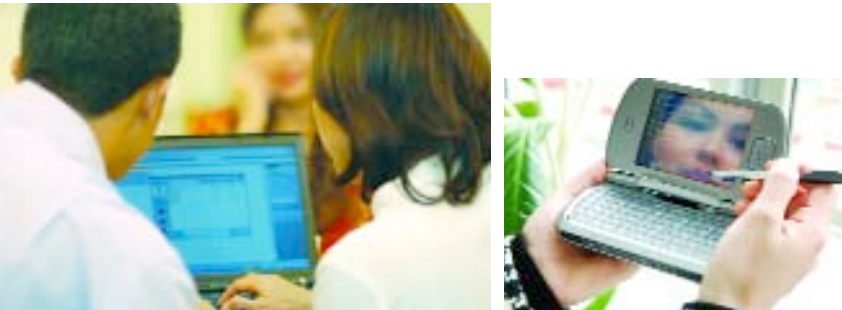
culture and we are developing more aggressive strategies to advance in the marketplace.

Looking at the external business perspective, we are encouraged by the various market trends that offer growth opportunities in Outsourcing areas such as Shared Services, IT Outsourcing (ITOS) and Business Process Outsourcing (BPO). The telecommunication (Telco) and mobility niche markets are growing rapidly. And we are strategically positioned to tap these markets.

Our business is well geared to register another strong financial performance. Our order book and pipeline remains healthy, our technology partners endorse us as their preferred partner, and we are forming new alliances and introducing more solutions to the market.



CHAIRMAN'S LETTER TO SHAREHOLDERS



We will continue to aim at the valuable segments within both government and commercial domains and just as importantly, we have established the means to move forward. In line with the Ninth Malaysia Plan, we hope to see more steady government spending on ICT. At the same time, we look forward to the growth in private sector adoption of new technologies. These factors, together with the company's sound fundamentals and extensive experience, put Mesiniaga in good stead for continued strong performance.

In 2005 we launched the Mesiniaga Academy, a graduate training scheme as a Corporate Social Responsibility (CSR) initiative. This Academy is in response to the government's call to enhance graduates employability, thus helping to alleviate the national problem of unemployed graduates.

Charting this course of success is a capable and experienced management team. They have done a commendable job steering Mesiniaga in the past years and I trust they will continue to be outstanding in the years ahead.

I would like to extend my sincere thanks to my colleagues on the Board, the Management Team, the various committees and the employees for their tireless effort and good work. I would also like to express appreciation to our shareholders for their continued confidence in the Board and Management of Mesiniaga. I assure you that the Mesiniaga Board is fully committed towards growing shareholder value. We will uphold ethical business practices to ensure fair value and strong returns.

In the future, expect to see a more aggressive, vocal and vibrant Mesiniaga. The result will be a company that drives forward with passion and aggression to dominate the marketplace. A company that is more innovative to win customers. A company that is fast and proactive in all business areas, especially in meeting customers' demands.

In 2006, we will be taking significant steps to realise our vision, which is "to be the Malaysian IT Partner of Choice - for customers, vendors and employees!"

Dato' Dr. Ir. Mohamad Zawawi Ismail



ceo's business review



Wan Mohamed Fusil bin Wan Mahmood

D E A R S H A R E H O L D E R S

To reiterate our Chairman's Statement, we have initiated a 3-5 year growth plan in response to the growing competitive marketplace. Changes are being made to strengthen the corporate, organisational and operational aspects of our business so that Mesiniaga can continue to lead as an ICT solutions provider and integrator.

The transformation demonstrates a correlation to our business results. Our financials showed that we had a turnover of RM 331.0 million in 2005, a growth of 11% over 2004, yielding a pre-tax profit of RM 25.3 million. Our profits rose 8% over 2004. This is even after taking into consideration a diminution of RM3.0 million in the value of investment in an associate company.

Indeed, the changes have been good for us and I would like to share how we are creating a better and stronger Mesiniaga.

The change process started at the top with the executive management conceptualising a fresh corporate strategic direction. The goal was to define a new business blueprint that would bring growth and vitalisation in the company.

We exist for one purpose and this is captured in our new Mission: To deliver Business Solutions of Greatest Added Value to our customers. Our business approach is to provide a complete value proposition that truly delivers customer satisfaction. We are enhancing both our technical competencies and business acumen, to create value and return on investments (ROI) to our customers. We are strengthening our identity to support the Mesiniaga brand and its promise in the marketplace.

CEO'S BUSINESS REVIEW



In many ways Mesiniaga has arrived as a premier ICT company in Malaysia today. However, it is time to aim beyond that and set our new Vision to be “The Malaysian IT Partner of Choice” to our customers, employees, vendors and shareholders. To be chosen above others in all instances, requires us to view our stakeholders differently, deliver our offerings uniquely and stretch our limits.

Thus, the theme that we have chosen to underline our vision for the next stage of Mesiniaga's evolution is “Reaching New Horizons”. It seems particularly fitting that while the company celebrates its 25th Anniversary this year, it should also look beyond its laurels to focus on our future challenges.

With this Mission and Vision in place, our improvement plans and activities began to take shape. We rolled out the Business Rejuvenation Plan (BRP), through which we executed proactive

monitoring to maximise sales activities and increase customer coverage at all levels. We put in place mechanisms for intelligent pipeline forecasting that enabled us to track not just our current opportunities, but also manage variances and accuracy to mitigate any shortfalls, and proactively implement counter measures. This contributed to our strong performance in the second half of 2005.

These initial successes led us to the second phase of our renewal process; to further cascade transformation throughout the organisation. We re-engineered and enhanced key processes within the company. Examples of the notable progress made during this period were the creation of the Office of Strategic Initiatives and Corporate Communications Unit, and the development of budget processes for major functions and outlining of investment strategies.



CEO'S BUSINESS REVIEW



While parts of the transformation touched on processes and systems, other areas focused on revitalising our people. We defined and communicated clear organisational shared values and created an environment to inculcate our people to become more innovative, energetic and dynamic.

There have been visible improvements in employee morale and work commitment. A sense of belonging and identity is being strengthened within the company. The concept of 'vested interest' is shared with our employees to warrant appropriate career and financial growth for our employees. This has motivated better work performance and has brought about a sense of positiveness and excitement in the workplace environment.

We are realigning our sales delivery model to become a Value-driven Sales Force. Sales will be a more

concerted and better-supported effort from now on. We will create new cross-capabilities such as Sector Disciplining, Market Intelligence, Product Knowledge as well as Strong Sector Leads and Return on Investment analysis. Another expected development is the creation of the Business Solutions team and the Technology division.

The Business Solutions function will align and package our existing products and services to customers' business requirements. This is done with the understanding that customers buy technology solutions to impact their business operations and help them perform more efficiently, thus improving their bottom lines. The Business Solutions function also extends our capability to develop investment models for the various industries, leading to new business solutions and further ROI modelling to be undertaken.



CEO'S BUSINESS REVIEW

The Technology Division will play the role of innovation - conducting R&D, scouting the global market for potential solutions as well as taking requirements from Sales - to build offerings. The team will work closely with our technology partners to deliver new answers to new situations.

In addition, for 2006, we will incorporate Business Intelligence (BI) and Knowledge Management (KM) tools to enable faster and smarter organisation-wide decision-making. We will tap the wealth of knowledge, expertise and ideas we have accumulated in our 25-year history. Such initiatives will empower our people to work more productively and boost the company's competitiveness. We are value-driven not just in our dealings with our customers but also in our own business approach.

Inevitably, we are establishing clear training programs via Corporate Planning and strategic Human Resource Development (HRD). One of 2006's highlights would be company-wide development of the professionalism and competence of our workforce, to develop commercial and industry skills. The HR focus is to

train and retain our people and to keep the "talent pipeline" flowing with the right skills and attributes, so that we can better perform to customers' expectations.

This change is merely the beginning to taking Mesiniaga to the next level and I trust that you will join me in this journey to see this company reach greater heights and achievements in the future. I would like to take this opportunity to commend my colleagues on the Senior Management Team and the staff for their excellent efforts in 2005.

Last but not least, I appreciate the vote of confidence expressed by our Honourable Chairman, Dato' Dr. Ir. Zawawi Ismail. I thank him for his, and the Board's continued support. We will strive with our fullest capacity and energy to build the business, keep Mesiniaga profitable and further solidify the company's position as a leading ICT solutions provider and integrator in Malaysia.

Wan Mohamed Fusil bin Wan Mahmood



< Value Driven Employees >

We will uphold and progressively drive a culture of delivering business value to our customers, embraced by our employees who have full comprehension of both their customers' environment and challenges. Not only do our employees have a strategic understanding of their customers' industry sectors, but they will further comprehend the IT requirements that businesses demand. We are an organization driven by people who are knowledgeable on our technical solutions, as well as possessing the business acumen to deliver value to customers, through recognising the return on investments made on IT.

our culture



corporate information

DATO' DR. IR. MOHAMAD ZAWAWI ISMAIL

WAN MOHAMED FUSIL WAN MAHMOOD

MOHD PUZI AHAMAD

RAMLI AMAT

DATO' WAN ABDULLAH MOHAMAD

NOR HAYATI MOHD. KASIM

CHUNG THIAN SINN

VOON SENG CHUAN

ZAITON MOHD. HASSAN

FATHIL SULAIMAN ISMAIL

board of directors

NOMINATION COMMITTEE

NOR HAYATI MOHD. KASIM (Chairperson)

CHUNG THIAN SINN

WAN MOHAMED FUSIL WAN MAHMOOD

MOHD PUZI AHAMAD

OPTION COMMITTEE

FATHIL SULAIMAN ISMAIL (Chairperson)

NOR HAYATI MOHD. KASIM

EXECUTIVE REMUNERATION COMMITTEE

NOR HAYATI MOHD. KASIM (Chairperson)

DATO' WAN ABDULLAH MOHAMAD

RAMLI AMAT

NON-EXECUTIVE REMUNERATION COMMITTEE

WAN MOHAMED FUSIL WAN MAHMOOD (Chairperson)

MOHD PUZI AHAMAD

NOR HAYATI MOHD KASIM

AUDIT COMMITTEE

ZAITON MOHD. HASSAN (Chairperson)

CHUNG THIAN SINN

NOR HAYATI MOHD. KASIM

RISK MANAGEMENT COMMITTEE

FATHIL SULAIMAN ISMAIL (Chairperson)

ZAITON MOHD HASSAN

WAN MOHAMED FUSIL WAN MAHMOOD

MOHD PUZI AHAMAD

INVESTMENT COMMITTEE

(Date of formation: 16 September 2005)

FATHIL SULAIMAN ISMAIL (Chairperson)

ZAITON MOHD HASSAN

WAN MOHAMED FUSIL WAN MAHMOOD

MOHD PUZI AHAMAD

CHUNG THIAN SINN

COMPANY SECRETARY

JASNI ABDUL JALIL (MACS 01359)

REGISTERED OFFICE

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

AUDITORS AND REPORTING ACCOUNTANTS

PRICEWATERHOUSECOOPERS
11th Floor, Wisma Sime Darby
Jalan Raja Laut
P.O. Box 10192
50706 Kuala Lumpur
Tel : 03-2693 1077

PRINCIPAL BANKERS

CITIBANK BERHAD

BANK ISLAM MALAYSIA BERHAD

STANDARD CHARTERED BANK
(MALAYSIA) BERHAD

MAYBANK BERHAD

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING

Main Board of BURSA SECURITIES