directors' report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit from ordinary activities after taxation	17,914	16,203
Minority interest	(508)	0
Net profit for the financial year	17,406	16,203

DIVIDENDS

The dividends on ordinary shares paid by the Company since 31 December 2004 are as follows:

	RM'000
In respect of the financial year ended 31 December 2004, as shown in the Directors' Report of that year:	
- final gross dividend of 13 sen per share, less income tax of 28%, paid on 6 July 2005	5,654
- final gross dividend of 3 sen per share, tax exempt, paid on 6 July 2005	1,812
	7,466

The Directors now recommend the payment of a final gross dividend of 19 sen per share, less income tax, amounting to RM8,262,994 subject to the approval of the members at the forthcoming Annual General Meeting, which will be paid on 7 July 2006 to shareholders registered on the Company's Register of Members at the close of business on 20 June 2006.

DIRECTORS' REPORT

RESERVES AND PROVISIONS

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

SHARE CAPITAL

During the financial year, there were no new ordinary shares issued by the Company.

EMPLOYEES' SHARE OPTION SCHEME

The Company's Employees' Share Option Scheme ("ESOS") was approved by the shareholders on 17 September 1999, became effective on 7 February 2001 for a period of five years and expired on 6 February 2006 as disclosed in Note 23 to the financial statements. The Directors have henceforth resolved not to renew the ESOS upon its expiration.

Details of the ESOS are set out in Note 23(a) to the financial statements.

No employees of the Company and its subsidiaries were granted options during the financial year.

DIRECTORS

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

Dato' Dr. Ir. Mohamad Zawawi Ismail
Wan Mohamed Fusil bin Wan Mahmood
Mohd Puzi bin Ahamad
Ramli bin Amat
Dato' Wan Abdullah bin Mohamad
Nor Hayati Mohd Kasim
Chung Thian Sinn
Voon Seng Chuan
Zaiton Mohd Hassan
Fathil Sulaiman Ismail

DIRECTORS' BENEFITS

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

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

DIRECTORS’ REPORT

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM1.00 each			
	At 1.1.2005 '000	Bought '000	Sold '000	At 31.12.2005 '000
Wan Mohamed Fusil bin Wan Mahmood[1]	3,976	0	0	3,976
Mohd Puzi bin Ahamad[2]	4,049	0	0	4,049
Ramli bin Amat[3]	515	0	(15)	500
Dato' Wan Abdullah bin Mohamad	28	0	0	28
Nor Hayati Mohd Kasim	28	0	0	28
Fathil Sulaiman Ismail	1,797	0	0	1,797

(1) Including interests held under his respective nominee accounts with Bumiputra-Commerce Trustee Berhad, Citicorp Nominees (Tempatan) Sdn. Bhd. & Alliancegroup Nominees (Tempatan) Sdn. Bhd.

(2) Including interests held under his nominee accounts with Bumiputra-Commerce Trustee Berhad and Citicorp Nominees (Tempatan) Sdn. Bhd.

(3) Including interests held under his nominee account with Bumiputra-Commerce Nominees (T) Sdn. Bhd.

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS *(continued)*

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

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

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

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

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

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

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

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

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

In the opinion of the Directors:

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

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

DIRECTORS' REPORT

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 20 April 2006.

WAN MOHAMED FUSIL BIN WAN MAHMOOD	**MOHD PUZI BIN AHAMAD**
DIRECTOR	DIRECTOR

statement by directors

pursuant to section 169(15) of the companies act, 1965

We, Wan Mohamed Fusil bin Wan Mahmood and Mohd Puzi bin Ahamad, two of the Directors of Mesiniaga Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 75 to 117 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 20 April 2006.

WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

MOHD PUZI BIN AHAMAD
DIRECTOR

statutory declaration

pursuant to section 169(16) of the companies act, 1965

I, Mohd Puzi bin Ahamad, the Director primarily responsible for the financial management of Mesiniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 75 to 117 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MOHD PUZI BIN AHAMAD
DIRECTOR

Subscribed and solemnly declared by the abovenamed, Mohd Puzi bin Ahamad, at Subang Jaya in Malaysia on 20 April 2006 before me.

COMMISSIONER FOR OATHS

report of
the auditors
to the members of mesiniaga berhad

We have audited the financial statements set out on pages 75 to 117. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia so as to give a true and fair view of:

   (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

   (ii) the state of affairs of the Group and of the Company as at 31 December 2005 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

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

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

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SHIRLEY GOH
(No. 1778/08/06 (J))
Partner of the firm

20 April 2006

income statements

for the finanial year ended 31 December 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Revenue	5	**331,168**	297,380	**319,397**	288,735
Changes in inventories of finished goods		**(14,475)**	(1,613)	**(15,541)**	(1,799)
Finished goods purchased		**(234,043)**	(222,213)	**(226,171)**	(215,864)
Staff cost	6	**(39,919)**	(35,583)	**(39,041)**	(34,651)
Depreciation of property, plant and equipment		**(4,375)**	(4,147)	**(4,348)**	(4,096)
Travelling expenses		**(2,940)**	(2,943)	**(2,477)**	(2,778)
Office administrative expenses		**(4,144)**	(4,056)	**(4,148)**	(3,935)
Impairment of investment in associated company		**(3,021)**	0	**(3,445)**	0
Other operating income		**565**	559	**849**	1,058
Other operating expenses		**(3,248)**	(3,366)	**(1,696)**	(2,036)
Profit from operations	7	**25,568**	24,018	**23,379**	24,634
Finance cost	8	**(339)**	(785)	**(339)**	(785)
Share of results of associates		**105**	249	**0**	0
Profit from ordinary activities before taxation		**25,334**	23,482	**23,040**	23,849
Taxation:	9				
- Company and subsidiaries		**(7,390)**	(7,129)	**(6,837)**	(6,960)
- associates		**(30)**	(72)	**0**	0
		(7,420)	(7,201)	**(6,837)**	(6,960)
Profit from ordinary activities after taxation		**17,914**	16,281	**16,203**	16,889
Minority interest		**(508)**	(227)	**0**	0
Net profit for the financial year		**17,406**	16,054	**16,203**	16,889
Earnings per share (sen)	10				
- basic		**28.8**	26.6		
- diluted		**N/A**	26.5		
Gross dividends per share (sen)	11	**19**	16	**19**	16

The notes on pages 82 to 117 form part of these financial statements.

balance sheets

as at 31 December 2005

		Group		Company	
	Note	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	**57,166**	55,107	**57,050**	55,065
Investment in subsidiaries	13	**0**	0	**1,200**	1,200
Investment in associates	14	**3,155**	6,308	**3,155**	6,600
Deferred tax assets	15	**141**	185	**0**	0
		60,462	61,600	**61,405**	62,865
CURRENT ASSETS					
Inventories	16	**10,463**	24,938	**7,308**	22,849
Receivables, deposits and prepayments	17	**171,511**	164,090	**169,055**	162,165
Tax recoverable		**130**	987	**0**	794
Deposits with a licensed financial institution	18	**26,791**	10,037	**24,000**	8,500
Cash and bank balances	18	**1,628**	7,401	**962**	6,081
		210,523	207,453	**201,325**	200,389
Less: CURRENT LIABILITIES					
Payables	19	**92,073**	78,902	**90,878**	78,526
Short term borrowings (unsecured and interest bearing)	20	**0**	21,467	**0**	21,467
Bank overdraft (unsecured and interest bearing)	18	**205**	907	**205**	907
Taxation		**640**	1,015	**503**	1,015
		92,918	102,291	**91,586**	101,915
NET CURRENT ASSETS		**117,605**	105,162	**109,739**	98,474

The notes on pages 82 to 117 form part of these financial statements.

BALANCE SHEETS
as at 31 December 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Less: NON-CURRENT LIABILITIES					
Post-employment benefit obligations	21	**2,292**	1,732	**2,292**	1,732
Finance lease liabilities	22	**411**	0	**411**	0
Deferred tax liabilities	15	**1,768**	1,671	**1,768**	1,671
		4,471	3,403	**4,471**	3,403
		173,596	163,359	**166,673**	157,936
Represented by:					
CAPITAL AND RESERVES					
Share capital	23	**60,402**	60,402	**60,402**	60,402
Share premium		**4,126**	4,126	**4,126**	4,126
Revaluation reserve		**12,425**	12,425	**12,425**	12,425
Capital reserve on consolidation		**40**	40	**0**	0
Retained earnings		**92,700**	82,760	**89,720**	80,983
SHAREHOLDERS' EQUITY		**169,693**	159,753	**166,673**	157,936
MINORITY INTERESTS		**3,903**	3,606	**0**	0
		173,596	163,359	**166,673**	157,936

The notes on pages 82 to 117 form part of these financial statements.

consolidated statement of changes in equity

for the finanial year ended 31 December 2005

		Issued and fully paid ordinary shares of RM1.00 each		Non-distributable			Distributable	
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Revaluation reserve RM'000	Capital reserve on consolidation RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2004		60,323	60,323	3,880	6,346	40	74,171	144,760
Revaluation surplus of property, plant and equipment, net of tax		0	0	0	6,079	0	0	6,079
Final dividends:								
- 31 December 2003	11	0	0	0	0	0	(7,465)	(7,465)
Net profit for the financial year		0	0	0	0	0	16,054	16,054
Issue of shares pursuant to ESOS	23	79	79	246	0	0	0	325
At 31 December 2004		60,402	60,402	4,126	12,425	40	82,760	159,753
At 1 January 2005		60,402	60,402	4,126	12,425	40	82,760	159,753
Final dividends:								
- 31 December 2004	11	0	0	0	0	0	(7,466)	(7,466)
Net profit for the financial year		0	0	0	0	0	17,406	17,406
At 31 December 2005		60,402	60,402	4,126	12,425	40	92,700	169,693

The notes on pages 82 to 117 form part of these financial statements.

company statement of
changes in equity
for the finanial year ended 31 December 2005

	Note	Issued and fully paid ordinary shares of RM1.00 each Number of Shares	Nominal value	Non-distributable Share premium	Revaluation reserve	Distributable Retained earnings	Total
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2004		60,323	60,323	3,880	6,346	71,559	142,108
Revaluation surplus of property, plant and equipment, net of tax		0	0	0	6,079	0	6,079
Final dividends:							
- 31 December 2003	11	0	0	0	0	(7,465)	(7,465)
Net profit for the financial year		0	0	0	0	16,889	16,889
Issue of shares pursuant to ESOS	23	79	79	246	0	0	325
At 31 December 2004		60,402	60,402	4,126	12,425	80,983	157,936
At 1 January 2005		60,402	60,402	4,126	12,425	80,983	157,936
Final dividends:							
- 31 December 2004	11	0	0	0	0	(7,466)	(7,466)
Net profit for the financial year		0	0	0	0	16,203	16,203
At 31 December 2005		60,402	60,402	4,126	12,425	89,720	166,673

The notes on pages 82 to 117 form part of these financial statements.

cash flow statements

for the finanial year ended 31 December 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit attributable to shareholders		**17,406**	16,054	**16,203**	16,889
Adjustments for non-cash items:					
Taxation		**7,420**	7,201	**6,837**	6,960
Minority interest		**508**	227	**0**	0
Amortisation of goodwill		**207**	207	**0**	0
Depreciation of property, plant and equipment		**4,375**	4,147	**4,348**	4,096
Write-off property, plant and equipment		**124**	0	**124**	0
Gross dividends income from a subsidiary		**0**	0	**(306)**	(306)
Impairment of investment in an associate		**3,021**	0	**3,445**	35
Interest expense		**339**	785	**339**	785
Interest income		**(205)**	(109)	**(136)**	(65)
Retirement benefits		**623**	441	**623**	441
Share of results of associates		**(105)**	(249)	**0**	0
		33,713	28,704	**31,477**	28,835
Changes in working capital:					
Inventories		**14,475**	1,613	**15,541**	1,799
Receivables		**(7,421)**	(27,890)	**(6,890)**	(28,925)
Payables		**12,832**	1,399	**12,013**	1,506
Net cash generated from operations		**53,599**	3,826	**52,141**	3,215
Interest paid		**(339)**	(785)	**(339)**	(785)
Tax paid		**(6,767)**	(7,096)	**(6,372)**	(6,731)
Net cash generated from/(used in) operating activities		**46,493**	(4,055)	**45,430**	(4,301)

The notes on pages 82 to 117 form part of these financial statements.

CASH FLOW STATEMENTS

for the finanial year ended 31 December 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(5,617)**	(3,370)	**(5,516)**	(3,359)
Interest received		**205**	109	**136**	65
Purchase of shares in a new subsidiary	13	**0**	0	**0**	(70)
Net dividends received from a subsidiary		**0**	0	**220**	220
Net cash used in investing activities		**(5,412)**	(3,261)	**(5,160)**	(3,144)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to shareholders of the Company		**(7,466)**	(7,465)	**(7,466)**	(7,465)
Dividends paid to minority interests		**(211)**	(212)	**0**	0
Proceeds from issuance of shares					
- exercise of share options		**0**	325	**0**	325
- to minority interest		**0**	30	**0**	0
(Repayment)/proceeds from short term borrowings		**(21,467)**	21,467	**(21,467)**	21,467
Repayment of finance lease liabilities		**(254)**	(115)	**(254)**	(115)
Net cash (used in)/from financing activities		**(29,398)**	14,030	**(29,187)**	14,212
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		**11,683**	6,714	**11,083**	6,767
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**16,531**	9,817	**13,674**	6,907
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	18	**28,214**	16,531	**24,757**	13,674

The notes on pages 82 to 117 form part of these financial statements.

notes to the
financial statements
for the finanial year ended 31 December 2005

1 GENERAL INFORMATION

The Company is principally involved in the sale and service of information technology products and related services. The principal activities of the subsidiaries are described in Note 13 to the financial statements. There have been no significant changes in the activities of the Group and of the Company during the financial year.

The average number of employees during the financial year was 668 (2004: 622) employees in the Group and 348 (2004: 498) employees in the Company.

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

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.

As at the end of the financial year, all assets and liabilities of the Company are denominated in Ringgit Malaysia except otherwise disclosed.

2 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared under the historical cost convention, modified by the revaluation of certain freehold land and building.

The financial statements comply with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia requires the use of 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 financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company, all its subsidiaries and its associates made up to the end of the financial year. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The cost of acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill or reserve on consolidation. See accounting policy Note (b) on goodwill.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill on acquisition.

(b) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries and associates acquired over the Group's share of the fair value of their identifiable net assets at the date of acquisition.

Goodwill on acquisition is amortised using the straight line method over its estimated useful life or 20 years, whichever is shorter. At each balance sheet date, 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 (e) on impairment of assets.

Reserve on consolidation represents the excess of the fair value of identifiable net assets acquired over the cost of acquisition. In the Group's balance sheet, reserve on consolidation is treated as a permanent item.

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Freehold land and buildings are subsequently shown at valuation, based on the valuation by independent professional valuers once in every five years, less subsequent depreciation. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Surpluses arising on revaluation are credited to the revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to the income statement.

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on a straight line basis so as to write off the cost of each asset over their estimated useful lives at the following annual rates:

Buildings	2%
Machines	25% to 50%
Office equipment, furniture and fittings	12.5% to 50%

Depreciation on capital work-in-progress commences when the asset is ready for its intended use.

At each balance sheet date, 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 (e) on impairment of assets.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

Repairs and maintenance are charged to the income statements during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

(d) Investments

Investments in subsidiaries, associates and other non-current investments are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note (e) on impairment of assets.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Impairment of assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

(f) Associates

Associates are companies in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies. Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising in the income statement the Group's share of the results of associates for the financial year. The Group's investments in associates are carried in the balance sheet at an amount that reflects its share of the net assets of the associates and includes goodwill (net of accumulated amortisation) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost, which includes purchase price and other import charges, is determined on a weighted average basis.

(h) Trade receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Foreign currencies

(i) Reporting currency

The financial statements are presented in Ringgit Malaysia.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at exchange rates prevailing at balance sheet date. All exchange differences are taken to the income statement.

(iii) Closing rates

The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	2005 RM	2004 RM
1 US Dollar	**3.81**	3.83
1 Singapore Dollar	**2.32**	2.36
1 New Zealand Dollar	**2.64**	2.76
1 Brunei Dollar	**2.32**	2.36

(j) Finance leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and other employee benefits are accrued in the period in which the associated services are rendered by employees and Executive Directors of the Group.

(ii) Post employment benefits

Defined contribution plan

The Group's contributions to a defined contribution plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. The Group contributes to the Employees Provident Fund, the national defined contribution plan.

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

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

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the income statement is determined by the corridor method in accordance with MASB 29 and is charged or credited to income over the average remaining service lives of the related employees participating in the defined benefit plan.

Upon initial adoption of MASB 29 on 1 January 2003, the increase in defined benefit liability is recognised as an expense on a straight line basis over 5 years in accordance with the transitional provision of the Standard.

(iii) Equity compensation benefits

Details of the Group's Employee Share Option Scheme are set out in Note 23 (a) to the financial statements. The Group does not make a charge to the income statement in connection with share options granted. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium.

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including real property gains taxes payable on disposal of properties.

Deferred tax is recognised 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.

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

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of temporary difference can be controlled and it is probable that the temporary difference will not reverse in the forseeable future.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

(m) Revenue recognition

Revenue comprises the invoiced value for the sale of goods and services, net of sales taxes, rebates and discounts, after eliminating sales within the Group. Revenue from the sale of goods is recognised upon delivery of goods sold or when significant risks and rewards of ownership of goods are transfered to the buyer. Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

(n) Dividends

Dividends are recognised when the Group's right to receive payment is established.

(o) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Financial instruments

(i) Description

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

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

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

(ii) Financial instruments recognised on the balance sheet

The particular recognition method adopted for other financial instruments recognised on the balance sheet is disclosed in the individual accounting policy statements associated with each item.

(iii) Fair value estimation for disclosure purposes

The historical cost carrying amounts of trade receivables and trade payables subject to normal trade credit terms approximate their fair values. The carrying amounts of other receivables and other payables are reasonable estimates of fair value because of their short maturity. The carrying amounts of deposits, cash and bank balances approximate their fair values due to the relatively short term maturity of these instruments.

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

(q) Share capital

(i) Classification

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

(ii) Share issue costs

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

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Borrowings

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

Interest relating to a financial instrument classified as a liability is reported within finance cost in the income statement.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Foreign currency exchange risk

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

(b) Interest rate risk

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

(c) Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(d) Liquidity and cash flow risk

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

5 REVENUE

	Group		Company	
	2005 RM'000	**2004 RM'000**	**2005 RM'000**	**2004 RM'000**
Sale of:				
- hardware	**141,089**	174,421	**133,069**	166,927
- software	**51,219**	31,162	**49,046**	31,162
- services	**138,860**	91,797	**137,282**	90,646
	331,168	297,380	**319,397**	288,735

6 STAFF COST

	Group		Company	
	2005 RM'000	**2004 RM'000**	**2005 RM'000**	**2004 RM'000**
Wages, salaries, bonus and other employment benefits	**35,308**	31,627	**36,371**	31,327
Defined contribution retirement plan (Note 21)	**3,988**	3,515	**2,047**	2,883
Defined benefit retirement plan (Note 21)	**623**	441	**623**	441
	39,919	35,583	**39,041**	34,651

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

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

6 STAFF COST *(continued)*

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

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Non-executive Directors				
- fees	**153**	152	**153**	152
- defined benefit retirement plan	**0**	1	**0**	1
- others	**27**	8	**27**	8
- estimated money value of benefits-in-kind	**0**	0	**0**	0
Executive Directors				
- salaries and bonus	**968**	909	**704**	730
- defined contribution retirement plan	**100**	102	**86**	87
- defined benefit retirement plan	**46**	79	**46**	79
- estimated money value of benefits-in-kind	**277**	107	**108**	107
	1,571	1,358	**1,124**	1,164

7 PROFIT FROM OPERATIONS

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

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Amortisation of goodwill in an associate	**207**	207	**0**	0
Auditors' remuneration	**91**	79	**70**	60
Depreciation of property, plant and equipment	**4,375**	4,147	**4,348**	4,096
Gross dividend income from a subsidiary	**0**	0	**(306)**	(306)
Impairment of investment in an associate	**3,021**	0	**3,445**	35
Interest income	**(205)**	(109)	**(136)**	(65)
Net realised foreign exchange (gain)/loss	**(40)**	(25)	**8**	18
Property, plant and equipment written off	**124**	0	**124**	0
Rental income from rental of premises	**(71)**	(70)	**(98)**	(97)
Rental of premises	**116**	87	**48**	17

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

7 PROFIT FROM OPERATIONS *(continued)*

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Allowance/(writeback) for doubtful debts:				
- subsidiaries	**0**	0	**0**	(467)
- trade receivables	**8**	(573)	**29**	(485)
- associates	**3**	623	**3**	623
Write off of doubtful debts	**25**	0	**0**	0

8 FINANCE COST

	Group and Company	
	2005 RM'000	2004 RM'000
Interest expense on:		
- bank overdraft	**58**	50
- short term borrowings	**270**	720
- lease financing	**11**	15
	339	785

9 TAXATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current tax:				
Current year - Malaysian income tax	**7,262**	7,325	**6,740**	7,136
Underaccrual in prior years (net)	**17**	0	**0**	0
	7,279	7,325	**6,740**	7,136
Deferred tax:				
Origination and reversal of temporary differences (Note 15)	**141**	(124)	**97**	(176)
	7,420	7,201	**6,837**	6,960

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

9 TAXATION *(continued)*

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

	Group		Company	
	2005	2004	2005	2004
	%	%	%	%
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate				
Malaysian tax rate	**28.00**	28.00	**28.00**	28.00
Tax effects of:				
- expenses not deductible for tax purposes	**1.36**	2.00	**1.68**	1.18
- current year deferred tax asset not recognised	**0.14**	0.77	**0**	0
- tax incentive for small and medium scale companies	**(0.31)**	(0.11)	**0**	0
- underaccrual in prior years (net)	**0.07**	0	**0**	0
- recognition of previously unrecognised deferred tax asset	**0.02**	0	**0**	0
Average effective tax rate	**29.28**	30.66	**29.68**	29.18

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

	Group	
	2005	2004
	RM'000	RM'000
Tax savings as a result of the utilisation of tax losses / unabsorbed capital allowances brought forward for which the related credit is recognised during the year:		
(i) Tax losses	**0**	100
(ii) Unabsorbed capital allowances	**3**	7

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

9 TAXATION *(continued)*

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

	Group	
	2005	**2004**
	RM'000	**RM'000**
Unutilised tax losses	**1,586**	1,474
Unabsorbed capital allowances	**6**	4
	1,592	1,478
Deferred tax assets not recognised at 28%	**446**	414

Subject to the agreement by the tax authorities, the Company has sufficient tax credits available under Section 108(6) of the Malaysian Income Tax Act, 1967 to frank the payment of net dividends out of all its retained earnings as at 31 December 2005 if paid out as dividends.

In addition, the Company has tax exempt income as at 31 December 2005 arising from the Income Tax (Amendment) Act, 1999, relating to tax on income earned in 1999 being waived and first tier exempt dividend income amounting to approximately RM1,016,520.32 and RM832,500 (2004: RM2,828,580 and RM832,500) respectively available for distribution as tax exempt dividends to shareholders. This tax exempt income is subject to agreement by the tax authorities.

10 EARNINGS PER SHARE

(a) Basic earnings per share

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

		Group	
		2005	**2004**
Net profit attributable to shareholders	(RM'000)	**17,406**	16,054
Weighted average number of ordinary shares in issue	('000)	**60,402**	60,387
Basic earnings per share	(sen)	**28.8**	26.6

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

10 EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, being share options granted to employees.

In the diluted earnings per share calculation in respect of share options granted to employees, a calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the 'bonus' element to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit attributable to the shareholders for the share options calculation.

		Group	
		2005	**2004**
Net profit attributable to shareholders	(RM'000)	**N/A**	16,054
Weighted average number of ordinary shares in issue	('000)	**N/A** *	60,387
Adjustment for share options	('000)	**N/A** *	208
Weighted average number of ordinary shares for diluted earnings per share	('000)	**N/A** *	60,595
Diluted earnings per share	(sen)	**N/A**	26.5

* No disclosure is made for diluted earnings per share as it is anti-dilutive.

11 DIVIDENDS

Dividends paid during the financial year are as follows:

	Group and Company	
	2005	**2004**
	RM'000	**RM'000**
Final dividends of:		
13 sen per share, less income tax at 28% (2004: 13 sen per share, less income tax at 28%)	**5,654**	5,653
3 sen per share, tax exempt (2004: 3 sen per share, tax exempt)	**1,812**	1,812
	7,466	7,465

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

11 DIVIDENDS *(continued)*

The Directors have recommended the payment of a final gross dividend of 19 sen per share, less income tax, amounting to RM8,262,994 subject to the approval of the members at the forthcoming Annual General Meeting.

The financial statements do not reflect the proposed final dividends for the financial year ended 31 December 2005, which will only be accrued as a liability in the financial year ending 31 December 2006, after approval by the shareholders.

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furniture and fittings, at cost RM'000	Total RM'000
Group							
2005							
Cost/Valuation							
At 1 January 2005	3,874	17,458	6,848	26,373	4,259	23,713	82,525
Additions	0	0	0	0	1,334	5,224	6,558
Assets written off	0	0	0	0	0	(7,326)	(7,326)
At 31 December 2005	3,874	17,458	6,848	26,373	5,593	21,611	81,757
Accumulated depreciation							
At 1 January 2005	0	0	228	6,332	3,559	17,299	27,418
Charge for the financial year	0	0	137	525	552	3,161	4,375
Assets written off	0	0	0	0	0	(7,202)	(7,202)
At 31 December 2005	0	0	365	6,857	4,111	13,258	24,591
Net book value							
At 31 December 2005	3,874	17,458	6,483	19,516	1,482	8,353	57,166

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furniture and fittings, at cost RM'000	Total RM'000
Group							
2004							
Cost/Valuation							
At 1 January 2004	3,874	11,059	6,478	26,373	4,594	20,886	73,264
Revaluation surplus	0	6,399	0	0	0	0	6,399
Additions	0	0	370	0	0	3,000	3,370
Assets written off	0	0	0	0	0	(508)	(508)
Reclassifications	0	0	0	0	(335)	335	0
At 31 December 2004	3,874	17,458	6,848	26,373	4,259	23,713	82,525
Accumulated depreciation							
At 1 January 2004	0	0	78	5,805	2,863	15,033	23,779
Charge for the financial year	0	0	150	527	696	2,774	4,147
Assets written off	0	0	0	0	0	(508)	(508)
At 31 December 2004	0	0	228	6,332	3,559	17,299	27,418
Net book value							
At 31 December 2004	3,874	17,458	6,620	20,041	700	6,414	55,107

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furniture and fittings, at cost RM'000	Total RM'000
Company							
2005							
Cost/Valuation							
At 1 January 2005	3,874	17,458	6,848	26,373	4,259	22,755	81,567
Additions	0	0	0	0	1,334	5,123	6,457
Assets written off	0	0	0	0	0	(7,326)	(7,326)
At 31 December 2005	3,874	17,458	6,848	26,373	5,593	20,552	80,698
Accumulated depreciation							
At 1 January 2005	0	0	228	6,332	3,559	16,383	26,502
Charge for the financial year	0	0	137	525	552	3,134	4,348
Assets written off	0	0	0	0	0	(7,202)	(7,202)
At 31 December 2005	0	0	365	6,857	4,111	12,315	23,648
Net book value							
At 31 December 2005	3,874	17,458	6,483	19,516	1,482	8,237	57,050

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furniture and fittings, at cost RM'000	Total RM'000
Company							
2004							
Cost/Valuation							
At 1 January 2004	3,874	11,059	6,478	26,373	4,594	19,867	72,245
Revaluation surplus	0	6,399	0	0	0	0	6,399
Additions	0	0	370	0	0	2,989	3,359
Assets written off	0	0	0	0	0	(436)	(436)
Transfers	0	0	0	0	(335)	335	0
At 31 December 2004	3,874	17,458	6,848	26,373	4,259	22,755	81,567
Accumulated depreciation							
At 1 January 2004	0	0	78	5,805	2,863	14,096	22,842
Charge for the financial year	0	0	150	527	696	2,723	4,096
Assets written off	0	0	0	0	0	(436)	(436)
At 31 December 2004	0	0	228	6,332	3,559	16,383	26,502
Net book value							
At 31 December 2004	3,874	17,458	6,620	20,041	700	6,372	55,065

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The freehold land and buildings were last revalued on 30 September 2003 by CH Williams Talhar and Wong using the comparison method to reflect fair value.

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

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

	Group and Company	
	2005	**2004**
	RM'000	**RM'000**
Freehold land	**3,805**	3,805
Freehold building	**19,227**	19,748

Included in property, plant and equipment of the Group and Company are machines acquired under finance lease agreements, with net book value of RM 984,000 (2004: RM134,000).

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2005	**2004**
	RM'000	**RM'000**
Unquoted shares, at cost	**1,850**	1,850
Accumulated impairment losses	**(650)**	(650)
	1,200	1,200

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

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

13 INVESTMENT IN SUBSIDIARIES *(continued)*

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

Name of company	Principal activities	Group's effective interest 2005 %	2004 %
Mesiniaga Techniques Sdn. Bhd.	Provision of human resources to the holding company	**100**	100
Mesiniaga Services Sdn. Bhd.	Provision of outsourcing services	**100**	100
Mesiniaga MSC Sdn. Bhd.	Provision of human resources to the holding company	**100**	100
Mesiniaga SCS Sdn. Bhd.	Provision of management training and consulting services	**60**	60
VA Dynamics Sdn. Bhd.	Sales of networking cables and related products	**51**	51
Navigis Sdn.Bhd.	Provision of management training, consulting and outsourcing services	**70**	70

All the above subsidiaries are audited by PricewaterhouseCoopers, Malaysia.

14 INVESTMENT IN ASSOCIATES

	Group 2005 RM'000	2004 RM'000
Share of net assets other than goodwill of associates	**3,155**	3,111
Goodwill on acquisition	**0**	3,197
	3,155	6,308

NOTES TO THE FINANCIAL STATEMENTS
for the finanial year ended 31 December 2005

14 INVESTMENT IN ASSOCIATES *(continued)*

	Company	
	2005	**2004**
	RM'000	**RM'000**
Unquoted shares, at cost	**6,785**	6,785
Accumulated impairment losses	**(3,630)**	(185)
	3,155	6,600

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

		Group's effective interest	
Name of company	**Principal activities**	**2005**	**2004**
		%	**%**
PWR Powerlan (Malaysia) Sdn. Bhd. #	Dormant	**30**	30
Advantage Systems Sdn. Bhd. #	Provision of data connectivity and communication services	**30**	30
SJA-Infotech Sdn. Bhd.	Development and maintenance of web-site	**35**	35

Not audited by PricewaterhouseCoopers, Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

15 DEFERRED TAX ASSETS/LIABILITIES

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deferred tax assets	**141**	185	**0**	0
Deferred tax liabilities:				
- subject to income tax	**(1,001)**	(904)	**(1,001)**	(904)
- subject to capital gains tax	**(767)**	(767)	**(767)**	(767)
	(1,768)	(1,671)	**(1,768)**	(1,671)
	(1,627)	(1,486)	**(1,768)**	(1,671)
At 1 January	**(1,486)**	(1,290)	**(1,671)**	(1,527)
(Charged)/credited to income statement (Note 9):				
- property, plant and equipment	**(953)**	(115)	**(953)**	(118)
- accruals	**705**	154	**699**	154
- post employment benefit	**157**	140	**157**	140
- capital allowances	**(21)**	(7)	**0**	0
- allowance	**(29)**	50	**0**	0
- tax losses	**0**	(98)	**0**	0
	(141)	124	**(97)**	176
Charged to equity	**0**	(320)	**0**	(320)
At 31 December	**(1,627)**	(1,486)	**(1,768)**	(1,671)

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

15 DEFERRED TAX ASSETS/LIABILITIES *(continued)*

	Group		Company	
	2005	**2004**	**2005**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Subject to income tax:				
Deferred tax assets (before offsetting)				
- post employment benefit obligations	**642**	485	**642**	485
- allowances	**137**	166	**0**	0
- tax losses	**0**	0	**0**	0
- accruals	**866**	161	**859**	160
- capital allowances	**0**	21	**0**	0
	1,645	833	**1,501**	645
Offsetting	**(1,504)**	(648)	**(1,501)**	(645)
Deferred tax assets (after offsetting)	**141**	185	**0**	0
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	**(2,505)**	(1,552)	**(2,502)**	(1,549)
Offsetting	**1,504**	648	**1,501**	645
Deferred tax liabilities (after offsetting)	**(1,001)**	(904)	**(1,001)**	(904)
Subject to capital gains tax				
Deferred tax liabilities				
- Revaluation of land	**(767)**	(767)	**(767)**	(767)

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

16 INVENTORIES

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
At cost:				
Equipment	**4,905**	21,479	**4,478**	21,479
Spare parts	**1,254**	1,069	**1,254**	1,069
Supplies	**502**	162	**39**	32
Cables	**1,246**	1,420	**0**	0
	7,907	24,130	**5,771**	22,580
At net realisable value:				
Equipment	**1,536**	267	**1,536**	267
Spare parts	**0**	0	**0**	0
Supplies	**1**	2	**1**	2
Cables	**1,019**	539	**0**	0
	2,556	808	**1,537**	269
	10,463	24,938	**7,308**	22,849

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Trade receivables	**170,179**	162,295	**166,700**	159,352
Allowance for doubtful debts	**(477)**	(469)	**(461)**	(432)
	169,702	161,826	**166,239**	158,920
Other receivables	**1,631**	1,887	**1,391**	1,839
Deposits and prepayments	**171**	351	**134**	341
Amounts due from subsidiaries	**0**	0	**1,284**	1,039
Amounts due from associates	**1,111**	1,127	**1,111**	1,127
Allowance for doubtful debts	**(1,104)**	(1,101)	**(1,104)**	(1,101)
	7	26	**7**	26
	171,511	164,090	**169,055**	162,165

NOTES TO THE FINANCIAL STATEMENTS
for the finanial year ended 31 December 2005

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

The currency exposure profile of trade receivables is as follows:

	Group		Company	
	2005	**2004**	**2005**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**169,122**	161,814	**165,697**	158,920
Brunei Dollar	**32**	0	**0**	0
US Dollar	**548**	9	**542**	0
Singapore Dollar	**0**	3	**0**	0
	169,702	161,826	**166,239**	158,920

Credit terms of trade receivables range from 30 days to 60 days.

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

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	**2004**	**2005**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	**1,628**	7,401	**962**	6,081
Deposits with a licensed financial institution	**26,791**	10,037	**24,000**	8,500
	28,419	17,438	**24,962**	14,581
Bank overdraft (unsecured and interest bearing)	**(205)**	(907)	**(205)**	(907)
	28,214	16,531	**24,757**	13,674

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

The Group and Company's effective weighted average interest rate of deposits at the end of the financial year is 2.65% (2004: 2.68%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

18 CASH AND CASH EQUIVALENTS *(continued)*

Deposits of the Group and Company as at 31 December 2005 are time deposits, which have an average maturity period of 20 days (2004: 20 days).

The Group and Company's effective weighted average interest rate of bank overdraft at the end of the financial year is 7.37% (2004: 7.25%) per annum.

Cash and cash equivalents are denominated in Ringgit Malaysia.

19 PAYABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade payables	**83,006**	72,677	**80,854**	72,194
Payroll liabilities	**3,703**	1,108	**3,008**	743
Accruals	**4,438**	5,079	**4,223**	4,936
Finance lease liabilities (Note 22)	**314**	38	**314**	38
Amounts due to subsidiaries	**0**	0	**1,867**	615
Amounts due to associates	**612**	0	**612**	0
	92,073	78,902	**90,878**	78,526

The currency exposure profile of trade payables is as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia	**76,793**	70,389	**75,826**	70,293
US Dollar	**5,590**	2,179	**5,028**	1,901
Singapore Dollar	**613**	98	**0**	0
New Zealand Dollar	**10**	11	**0**	0
	83,006	72,677	**80,854**	72,194

Credit terms of trade payables range from 7 days to 90 days.

Amounts due to subsidiaries and associates are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS
for the finanial year ended 31 December 2005

20 SHORT TERM BORROWINGS (UNSECURED AND INTEREST BEARING)

	Group and Company	
	2005	2004
	RM'000	RM'000
Unsecured and interest bearing:		
Onshore foreign loan	0	5,673
Bankers acceptances	0	8,660
Promissory notes	0	2,134
Revolving credit	0	5,000
	0	21,467

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

	Group and Company	
	2005	2004
	%	%
Onshore foreign loan	0	3.4 to 3.5
Bankers acceptances	0	3.2 to 3.3
Promissory notes	0	3.0
Revolving credit	0	4.8

The currency exposure profile of the short-term borrowings are as follows:

	Group and Company	
	2005	2004
	RM'000	RM'000
Ringgit Malaysia	0	15,794
US Dollar	0	5,673
	0	21,467

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

21 POST-EMPLOYMENT BENEFIT OBLIGATIONS

(a) Defined contribution plan

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

(b) Defined benefit plan

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

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

The latest actuarial valuation of the plan as at 31 December 2004 was carried out on 14 February 2005.

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At 1 January	**1,732**	1,291	**1,732**	1,291
Charged to the income statement	**623**	441	**623**	441
Contributions and benefits paid	**(63)**	0	**(63)**	0
At 31 December	**2,292**	1,732	**2,292**	1,732

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

21 POST-EMPLOYMENT BENEFIT OBLIGATIONS *(continued)*

(b) Defined benefit plan *(continued)*

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

	Group		Company	
	2005	**2004**	**2005**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 31 December				
Present value of funded obligations	**4,411**	3,993	**4,411**	3,993
Fair value of plan assets	**(941)**	(964)	**(941)**	(964)
Status of funded plan	**3,470**	3,029	**3,470**	3,029
Unrecognised actuarial loss*	**(718)**	(607)	**(718)**	(607)
Unrecognised transitional liability*	**(460)**	(690)	**(460)**	(690)
Liability in the balance sheet	**2,292**	1,732	**2,292**	1,732

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

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

	Group		Company	
	2005	**2004**	**2005**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current service cost	**208**	159	**208**	159
Interest cost	**258**	197	**258**	197
Expected return on plan assets	**(85)**	(86)	**(85)**	(86)
Actuarial gain/(loss) recognised during the financial year	**12**	(59)	**12**	(59)
Amortisation of transitional liability	**230**	230	**230**	230
Total defined benefit retirement plan	**623**	441	**623**	441
Defined contribution retirement plan	**3,988**	3,515	**2,047**	2,883
Total included in staff cost (Note 6)	**4,611**	3,956	**2,670**	3,324

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

21 POST-EMPLOYMENT BENEFIT OBLIGATIONS *(continued)*

(b) Defined benefit plan *(continued)*

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

	Group		Company	
	2005	2004	2005	2004
	%	%	%	%
At 31 December				
Discount rates	**6.5**	6.5	**6.5**	6.5
Expected return on plan assets	**7.0**	7.0	**7.0**	7.0
Expected rate of salary increases				
- prior to age 30	**10.0**	10.0	**10.0**	10.0
- from age 30 to 39	**7.0**	7.0	**7.0**	7.0
- thereafter	**6.0**	6.0	**6.0**	6.0

	RM'000	RM'000	RM'000	RM'000
Actual return on plan assets	**(23)**	108	**(23)**	108

22 FINANCE LEASE LIABILITIES

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

	Group and Company	
	2005	2004
	RM'000	RM'000
Minimum lease payments:		
Repayable within 12 months	**351**	43
Repayable after 12 months		
- between 1 and 2 years	**344**	0
- between 2 and 5 years	**102**	0
	797	43
Future finance charges on finance leases	**(72)**	(5)
Present value of the finance lease liability	**725**	38

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

22 FINANCE LEASE LIABILITIES *(continued)*

	Group and Company	
	2005	2004
	RM'000	RM'000
Current (Note 19)	**314**	38
Non-current	**411**	0
	725	38

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

23 SHARE CAPITAL

	Group and Company	
	2005	2004
	RM'000	RM'000
Ordinary shares of RM1.00 each:		
Authorised:	**100,000**	100,000
Issued and fully paid:		
At 1 January	**60,402**	60,323
Issued during the financial year under the Employees' Share Option Scheme	**0**	79
At 31 December	**60,402**	60,402

There were no issuances of new ordinary shares during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

23 SHARE CAPITAL *(continued)*

(a) Employees' Share Option Scheme

The Company's Employees' Share Option Scheme ("ESOS") was approved by the shareholders on 17 September 1999, became effective on 7 February 2001 for a period of five years and expired on 6 February 2006. The Directors have henceforth resolved not to renew the ESOS upon its expiration.

The main features of the ESOS are as follows:

- The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company.

- The option price under the ESOS is set at a discount of not more than ten (10) percent on the weighted average market price of the shares of the Company for the five (5) market days immediately preceding the Date of Offer. The Exercise Price per new share shall in no event be less than its par value.

- Eligible participants of the ESOS are full-time and confirmed employees of the Group who have served the Group for one (1) continuous year on or prior to the Date of Offer. An Executive Director of the Company shall only be eligible to participate in the Scheme if he is holding a full-time executive position and the specific allotment to be made to the Executive Director has been approved by the Company in a members' general meeting.

- No Eligible Employee shall at any one point in time participate or be eligible to participate in more than one (1) employees' share option scheme implemented by any company within the Group.

No additional options were granted during the financial year.

	2005 RM'000	2004 RM'000
Number of share options vested at balance sheet date	**5,057**	3,888

There were no options exercised during the financial year and all these options lapsed after the financial year end in line with the expiration of the ESOS.

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

23 SHARE CAPITAL *(continued)*

Details relating to options exercised during the previous financial year are as follows:

Exercise date	Fair value of shares at shares issue date	Exercise price	Number of shares
			2004
	RM/share	RM/share	'000
January 2004	4.96 - 5.15	3.69	3
February 2004	4.76 - 5.00	4.25 - 4.65	18
March 2004	4.32 - 5.00	3.69 - 4.65	37
April 2004	4.08 - 4.60	3.69	15
May 2004	4.02 - 4.48	3.69	2
July 2004	3.70 - 4.14	3.69	2
October 2004	3.60 - 3.80	3.44	2
			79

	2005 RM'000	2004 RM'000
Ordinary share capital - at par	**0**	79
Share premium	**0**	246
Proceeds received on exercise of share options	**0**	325
Fair value at exercise date of shares issued	**0**	364

The fair value of shares issued on the exercise of options is the mean market price at which the Company's share were traded on the Bursa Malaysia Securities Berhad on the day prior to the exercise of the options.

No employees of the Company and its subsidiaries were granted options during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

24 FINANCIAL INSTRUMENTS

(a) Fair values

There is no disclosure of fair values for investments in subsidiaries and associates as they are excluded from MASB Standard 24 "Financial Instruments: Disclosure and Presentation".

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

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

(i) Trade and other receivables and payables

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

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

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

25 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.

(a) The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties.

The significant related party transactions are as follows:

Related party	Relationship	2005 RM'000	2004 RM'000
Purchase of goods from:			
- Advantage System Sdn. Bhd.	An associate of the company	**2,064**	796
Sales of goods/services to:			
- Advantage System Sdn. Bhd.	An associate of the company	**3**	409

NOTES TO THE FINANCIAL STATEMENTS

for the finanial year ended 31 December 2005

25 SIGNIFICANT RELATED PARTY DISCLOSURES *(continued)*

Individually significant outstanding balances arising from the sale/purchase of goods and services during the financial year are as follows:

Related party	Type of transaction	2005 RM'000	2004 RM'000
Payables:			
- Advantage System Sdn. Bhd.	Purchase of goods	**611**	254

26 SEGMENTAL REPORTING

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

27 CONTINGENT LIABILITIES (UNSECURED)

As at 31 December 2005, the contingent liabilities arising in the ordinary course of business of the Group and Company are as follows:

	Group and Company	
	2005 RM'000	2004 RM'000
Bank guarantees for contracts undertaken by the Company	**19,192**	29,200

28 EVENT SUBSEQUENT TO YEAR END

The Company's Employees' Share Option Scheme ('ESOS') has expired on 6 February 2006 and the Directors have resolved not to renew the ESOS. Accordingly all unexercised options lapsed on 6 February 2006.

29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 20 April 2006.

properties owned by the group

as at 31 December 2005

Address	Description	Usage	Tenure	Terms of Tenant's leases or under leases	Approximate age	Present Capital Value (RM'000)
HS(D) 65056, PT 12204, Mukim Damansara, Daerah Petaling, Selangor (1A, Jalan SS16/1, 47500 Subang Jaya)	Commercial Land comprising a 15-storey office Building	Office Building	Freehold	Nil	Twelve (12) Years	36,973
4th Floor, Unit 08-04, Lot No. 8 Jalan 4/146, Bandar Tasik Selatan, Wilayah Persekutuan, Kuala Lumpur	Shoplot	Retention Store	99 Years Leasehold expiring on 29.06.2087	Nil	Five (5) Years	268
5th Floor, Unit 08-05, Lot No. 8 Jalan 4/146, Bandar Tasik Selatan, Wilayah Persekutuan, Kuala Lumpur	Shoplot	Retention Store	99 Years Leasehold expiring on 29.06.2087	Nil	Five (5) Years	277
Lot 1047, Sek. 13, Daerah Timur Laut, Georgetown, Pulau Pinang (Mutiara Mesiniaga, No. 56, Jalan Larut, 10050 Georgetown, Pulau Pinang)	Commercial Land comprising a 4-storey office Building	Office Building	Freehold	Nil	Five (5) Years	9,835

shareholding statistics

SHAREHOLDING STRUCTURE as at 28 April 2006

Authorised Share Capital	:	RM 100,000,000
Issued & Paid-up Capital	:	RM 60,402,000
Class of Shares	:	There is only one class of shares, namely Ordinary Shares of RM 1.00 each

ANALYSIS OF SHAREHOLDINGS as at 28 April 2006

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	13	0.50	510	0.00
100 - 1,000	1,462	55.70	1,408,800	2.33
1,001 - 10,000	1,011	38.51	3,758,253	6.22
10,001 - 100,000	104	3.96	2,858,300	4.73
100,001 - 3,020,100 (Less than 5% of issued shares)	29	1.10	24,298,156	40.23
3,020,101 and above (5% and above of issued shares)	6	0.23	28,077,981	46.49
TOTAL	**2,625**	**100.00**	**60,402,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS (Excluding Bare Trustee & Deemed Interests) as at 28 April 2006

No.	Names	Direct Shareholdings	%
1	Amanah Raya Nominees (Tempatan) Sdn Bhd <A/c For Skim Amanah Saham Bumiputera>	7,229,823	11.97
2	Fathil Sulaiman Bin Ismail	4,887,439	8.09
3	Employees Provident Fund Board	4,335,100	7.18
4	Hor Yee @ Ho Cheong Fatt	4,328,940	7.17
5	Permodalan Nasional Berhad	3,884,626	6.43
6	Safiah Sulaiman Binti Ismail	3,412,053	5.65

SHAREHOLDING STATISTICS

DIRECTORS DIRECT & DEEMED INTERESTS as at 28 April 2006

No.	Names	Direct Shareholdings	Deemed Interest	%
1	Dato' Dr. Ir. Mohamad Zawawi Ismail	0	0	0
2	Wan Mohd. Fusil Wan Mahmood	2,225,940	1,750,000 [1]	6.58
3	Mohd. Puzi Ahamad	1,867,940	2,181,000 [2]	6.70
4	Ramli Amat	63	500,000 [3]	0.83
5	Dato' Wan Abdullah Mohamad	28,000	0	0.05
6	Nor Hayati Mohd. Kasim	28,000	0	0.05
7	Chung Thian Sinn	0	0	0
8	Voon Seng Chuan	0	0	0
9	Zaiton Mohd. Hassan	0	0	0
10	Fathil Sulaiman Ismail	4,887,439	0	8.09

[1] Interest held under his nominee accounts with Bumiputera-Commerce Trustee Berhad, Alliancegroup Nominees (Tempatan) Sdn Bhd and Citicorp Nominees (Tempatan) Sdn Bhd

[2] Interest held under his nominee accounts with Bumiputera-Commerce Trustee Berhad and Citicorp Nominees (Tempatan) Sdn Bhd

[3] Interest held under his nominee account with Bumiputera-Commerce Nominees (Tempatan) Sdn Bhd

30 LARGEST SHAREHOLDERS as at 28 April 2006

No	Name	Holdings	(%)
1	Amanah Raya Nominees (Tempatan) Sdn Bhd <A/c For Skim Amanah Saham Bumiputera>	7,229,823	11.97
2	Fathil Sulaiman bin Ismail	4,887,439	8.09
3	Employees Provident Fund Board	4,335,100	7.18
4	Hor Yee @ Ho Cheong Fatt	4,328,940	7.17
5	Permodalan Nasional Berhad	3,884,626	6.43
6	Safiah Sulaiman Binti Ismail	3,412,053	5.65
7	IBM World Trade Corporation	3,013,400	4.99
8	Pharida Sulaiman @ Philomena Sulaiman	2,699,976	4.47
9	Wan Mohamed Fusil Wan Mahmood	2,225,940	3.69
10	Amanah Raya Nominees (Tempatan) Sdn. Bhd <A/c for Amanah Saham Malaysia>	2,213,400	3.66

SHAREHOLDING STATISTICS

30 LARGEST SHAREHOLDERS *(continued)* as at 28 April 2006

No	Name	Holdings	(%)
11	Malaysian Assurance Alliance Berhad (As Beneficial Owner)	2,092,000	3.46
12	Bumiputera-Commerce Trustee Berhad <a/c For Mohd. Puzi Ahamad>	2,000,000	3.31
13	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Amanah Saham Didik)	1,721,000	2.85
14	Bumiputera-Commerce Trustee Berhad <a/c For Wan Mohamed Fusil Wan Mahmood >	1,000,000	1.66
15	Mohd. Puzi Ahamad	956,475	1.58
16	Mohd. Puzi Ahamad	911,465	1.51
17	Amanah Raya Nominees (Tempatan) Sdn. Bhd <A/c for Amanah Saham Wawasan 2020>	716,100	1.19
18	Alliancegroup Nominees (Tempatan) Sdn Bhd <A/c For Wan Mohamed Fusil Wan Mahmood >	550,000	0.91
19	Bumiputera-Commerce Trustee Berhad <a/c For Ramli Amat>	500,000	0.83
20	Low Kong Boo	440,000	0.73
21	HSBC Nominees (Tempatan) Sdn. Bhd. <A/c For Employees Provident Fund Board>	415,200	0.69
22	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Mayban Dana Yakin)	300,000	0.50
23	Mayban Securities Nominees (Tempatan) Sdn Bhd <A/c For Noor Azman @ Noor Hizam bin Mohd Nordin>	300,000	0.50
24	Wong Ta Nooy @ Wong Keng Yong	299,000	0.50
25	Ho Wai Kok	236,500	0.39
26	Nor Hayati Binti Abd Malik	227,000	0.38
27	Ho Wai Hoe	221,000	0.37
28	Lim Poh Tiong	220,000	0.36
29	Citicorp Nominees (Tempatan) Sdn Bhd <Wan Mohamed Fusil Wan Mahmood>	200,000	0.33
30	Citicorp Nominees (Tempatan) Sdn Bhd <Mohd. Puzi Ahamad>	181,000	0.30
	Total	**51,717,437**	**85.62**

notice of
annual general meeting

NOTICE IS HEREBY GIVEN that the Twenty Fourth Annual General Meeting of the Company will be held at the Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Tuesday, 13 June 2006 at 2.30 p.m. for the following purposes:

Agenda

1. To receive and adopt the Audited Accounts for the year ended 31 December 2005 together with the Reports of Directors and Auditors thereon. **Resolution 1**

2. To approve a First and Final Gross Dividend of 19% less tax at 28%, for the year ended 31 December 2005. **Resolution 2**

3. To approve Directors' Fees for the year ended 31 December 2005. **Resolution 3**

4. To re-elect the following Directors retiring pursuant to Article 104 of the Company's Articles of Association:
   i. Wan Mohamed Fusil Bin Wan Mahmood **Resolution 4**
   ii. Fathil Sulaiman Ismail **Resolution 5**

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

6. As Special Business, to consider and, if thought fit, to pass the following Ordinary Resolution:

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

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
19 May 2006

Note:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
3. All forms of proxy should be deposited at the Company's Share Registrar's Office at Symphony Share Registrars Sdn. Bhd., Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
4. The proposed Ordinary Resolution No. 7 under item 6 if passed, will authorised the Directors of the Company to allot and issue up to ten per cent (10%) of the issued capital of the Company for time being for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting of the Company.

additional statements

1. As stated in the Notice of Annual General Meeting on page 122 of this Annual Report, the Directors standing for re-election are:

   Pursuant to Article 104 of the Company's Articles of Association:
   i. Wan Mohamed Fusil Bin Wan Mahmood
   ii. Fathil Sulaiman Bin Ismail

   Ramli Bin Amat is retiring at the forthcoming Annual General Meeting and is not offering himself for a re-election.

2. Details of Board Meetings and the attendance of Directors at those meetings are as stated on page 57.

3. The Twenty Fourth Annual General Meeting of the Company will be held at the Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Tuesday 13 June 2006 at 2.30 p.m.

4. Details of the Directors standing for re-election are as stated in the Directors' profile column in pages 34 to 37. As for their Securities holdings in the Company are as stated on page 120.

notice of dividend entitlement

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the forthcoming Annual General Meeting, a first and final dividend of 19% less tax at 28% will be paid on 7 July 2006 to shareholders whose names appear in the Record of Depositors on 20 June 2006.

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

a. Securities transferred into the Depositor's Securities account before 5.00 p.m. on 20 June 2006 in respect of transfers; and

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

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
19 May 2006

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Mesiniaga

proxy form

I/We ____

of ____

being a member of the abovementioned Company, hereby appoint ______________________

____

of ____

or failing him ____

of ____

as my/our proxy to vote for me/us and on my/our behalf at the **Twenty Fourth Annual General Meeting** of the Company, to be held on **Tuesday 13 June 2006 at 2.30 p.m.** and at any adjournment thereof. The proxy is to vote on the resolutions set out in the Notice of Meeting as indicated, with an "X" in the appropriate space. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

Resolution	For	Against
1		
2		
3		
4		
5		
6		
7		

Signature of Shareholder ______________________

No. of Shares held ______________________

Note :

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

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STAMP

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

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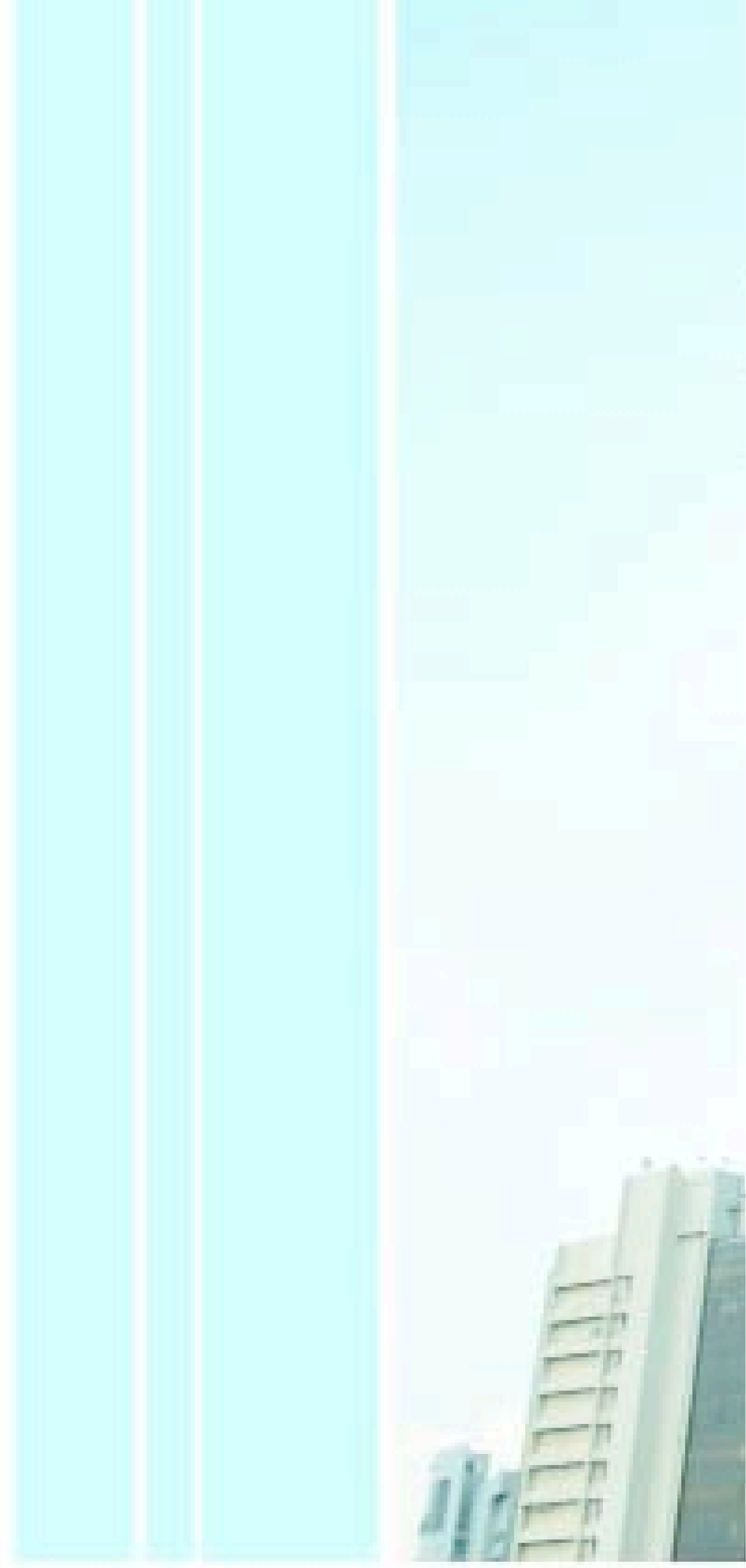
cover rationale

reaching new horizons

OUR COVER for this year's annual report embodies the spirit of our new vision and mission. Our city skyline along with the world-famous national landmark Petronas Twin Towers, signifies our established presence within the country's ICT industry, and our vision in aspiring to be the 'Malaysian IT Partner of Choice'.

After being in business for a quarter of a century, Mesiniaga is now embarking on a Business Transformation Process as an effort to revitalize ourselves. The theme "reaching new horizons" symbolizes our drive to go beyond our laurels, to aim for new pinnacles and explore new opportunities in advancing our business. We believe that our most important asset is our people. Their ability to work cohesively as an innovative, collaborative, and dynamic team in providing comprehensive business solutions, will result in greatest added value being delivered to our clients.



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