CORPORATE STRUCTURE

100%

MESINIAGA SERVICES SDN. BHD
Provision of outsourcing services

100%

MESINIAGA MSC SDN. BHD.
Provision of human resources to the holding company

100%

MESINIAGA TECHNIQUES SDN. BHD.
Provision of human resources to the holding company

70%

NAVIGIS SDN. BHD.
Provision of management training, consulting and outsourcing services

60%

MESINIAGA-SCS SDN. BHD.
Provision of management training and consulting services

51%

VA DYNAMICS SDN BHD
Sales of networking cables and related products

35%

SJA INFOTECH SDN. BHD.
Development & maintenance of websites

30%

PWR POWERLAN (MALAYSIA) SDN BHD
Dormant

30%

ADVANTAGE SYSTEMS SDN. BHD.
Provision of data connectivity and communication services


Mesiniaga

AWARDS AND ACHIEVEMENTS

Mesiniaga continued our proud award-winning tradition in 2006 by clinching various performance and achievement awards. Not only were we honoured by our global technology partners, we were also recognised by the Malaysian IT industry when we won a highly prestigious award.

1. Mesiniaga proud to be named PIKOM National ICT Service Provider of the Year 2006!
It was indeed a proud moment for Mesiniaga when it won the PIKOM National Award for ICT Service Provider of the Year 2006 during the PIKOM National ICT Awards and Dinner 2006 held at Mandarin Oriental Kuala Lumpur. Each nominee was evaluated based on the significant impact of our projects to the industry and the value of our solutions.

2. Mesiniaga reselected again for IBM Platinum Club Award 2006!
Mesiniaga again bagged the IBM Platinum Club Award for 2006. This is Mesiniaga's fourth entry into what is considered an elite group among IBM's partners.

3. Mesiniaga Achieves Cisco Gold Partner Status for the 4th time!

Mesiniaga's high standards was highlighted when it secured the Cisco Gold Partner status in Malaysia for the fourth time in a row. According to Cisco, "Mesiniaga has again met all requirements for achieving GOLD certification, including personnel, support, specialisation and customer".

4. Mesiniaga's outstanding achievement during Cisco Partners Award Nite 2006!

Mesiniaga was awarded the 'Outstanding Leadership in a Significant Public Sector Deal FY06' The award recognises Mesiniaga's major win at a local university for the Campus Network Upgrade project.

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5. Mesiniaga wins HP Top Business Partner for Commercial Business Award 2006

Mesiniaga Berhad was awarded the Hewlett-Packard Top Business Partner for overall Commercial Business award, a clear indication of Mesiniaga's support and strong commitment towards promoting HP products.

6. Mutiara Mesiniaga receives honorary mention during PAM Awards

Mutiara Mesiniaga, our branch office in Penang received an Honorary Mention under the Commercial Building category during the prestigious Persatuan Arkitek Malaysia (PAM) Architectural Awards 2006. A jury's citation of the building: "Green building with a strong sense of corporate statement that stands out from among its mediocre urban fabric".

Corporate Events

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1. Mesiniaga signs MoU with MoHE

Mesiniaga is one of the companies partnering with the Ministry of Higher Education (MoHE) to provide training for students in community colleges in an effort to provide them with practical working experience. The practical training will be converted to credit hours as part of their coursework.

2. Mesiniaga holds 24th AGM

Mesiniaga held its 24th Mesiniaga Annual General meeting at Auditorium Ismail Sulaiman, Menara Mesiniaga.

3. Press Conference on Transformation Strategy

Mesiniaga held a press conference to brief members of the press on the new Mesiniaga Transformation Strategies. Mesiniaga CEO, Wan Fusil reveals that the main thrust of the Transformation Process is reflected in the new Mission Statement, 'Delivering Business Solutions of Greatest Added Value'.

4. Mesiniaga CEO briefs analysts

Mesiniaga took the initiative to brief a number of analysts from various securities company on the companies future business direction and strategy especially with regards to the company's Transformation Strategy.

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5. Mesiniaga Signs Up with Juniper as Elite Partner

Mesiniaga signs up with Juniper as part of its strategy to offer its customers business solutions of greatest added value. Juniper Networks, a NASDAQ-listed company specialises in delivering secure dependable infrastructure for customers with strategic networking requirements.

6. IT Enabling the Malaysian Oil & Gas Services Industry

Members of the Malaysian Oil & Gas Services Council (MOGSC) were invited to Menara Mesiniaga for a session on how IT can benefit the Oil & Gas Services Industry. The 45-member delegation was headed by YM Tengku Dato' Ibrahim Petra, President of MOGSC.

7. Discovering how IT can empower your business at the BVD

Part of Mesiniaga's strategy in delivering value to customers include holding the Business Value Discovery Program (BVD). We held the BVD program for a number of companies such as Kurnia Insurance and MAS to help them understand the value of their IT investments and discover key areas where technology can contribute to infrastructure optimisation and business agility.

8. Mesiniaga in the Microsoft Higher Education Solution Conference

Mesiniaga held a demonstration on the mock Mellyno University where its Vice Chancellor, Dean and Professor resolved student performance issues using solutions provided by Mesiniaga

Corporate Events

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9. Mesiniaga LOVE Booths

As Microsoft's technology partner, Mesiniaga participated in the biggest event in their history, the Launch of Office, Vista and Exchange (LOVE) 2007. The two LOVE booths set up by Mesiniaga, the Business Intelligence booth and the Unified Messaging booth proved to be very popular with visitors.

10. Showcasing customised solutions at IBM Solutions Day

Mesiniaga participated in the IBM Solutions Day 2006 by showcasing our customised solutions for a government department. Visitors were also able to see our comprehensive range of solutions and services that can empower their businesses.

11. Mesiniaga Triumphs at IBM Go Kart Race

Mesiniaga employee, Nik Hisham blazed his way to a first place finish at the IBM Race Ahead with System X go-kart race held in conjunction with their AMD Product Announcement.

12. Mesiniaga Emerged Champion in JOSD Bowling Tournament

The Mesiniaga Bowling Team emerged as jubilant champions in the JOS Distribution Bowling Tournament from a total of more than 40 participating teams. JOS Distribution is a key business partner for Mesiniaga.

Employee Events

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1. A Retro Good Time!
Mesiniagans had a roaring good time at their Retro-themed Year-Start KickOff. The event saw Mesiniagans shedding their office wear for 'old school cool' fashion. During the event, Fusil also elaborated on the on-going business transformation process and how this renewal will bring Mesiniaga to greater heights.

2. Good Brain Workout
Mesiniagans were bitten by the Sudoku bug when we ran the company-wide Sudoku Competition. Response was so good that the competition ran on for four weeks.

3. Understanding the Mesiniaga Solutions
The Mesiniaga Solutions Fair was a runaway success where employees from all functions refreshed their knowledge on Mesiniaga's business offerings. Presented through fun and innovative means to promote experiential learning, the two-day event had workshops and booths for staff to have a complete learning experience.

4. Mesiniaga Appreciation Day
It has been a long-standing tradition for the company to have an appreciation day where employees can send tokens of appreciation to their colleagues, superiors and subordinates.

Employee Events

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5. A Day of Laughter and Sunshine

In line with Mesiniaga's strategy to provide a fun and exciting work place, our Penang employees experienced a day of laughter and sunshine when the Penang Recreation Club (PRC) organised a fun-filled family gathering in Teluk Bahang.

6. A Night of Transformation

During the Mid-Year KickOff, a number of Mesiniaga employees were transformed into Superheroes for the night based on their outstanding contributions and character. Fusil's speech for the night highlighted Mesiniaga's new business model and the new functional structure of the organisation.

7. Dress Down for Mesiniaga Employees

Mesiniaga underwent another transformation when employees are allowed to dress down for work. This policy is adopted partly out of respect to Mesiniaga customers and partners, a large number of whom have adopted a dress down policy.

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8. Nerve-wracking Moments at Mesiniaga WWR Expedition
A number of Mesiniaga employees had the ride of their life when they went for a White Water Rafting Expedition initiated by the Mesiniaga Sports and Social Club.

9. The Transformed Faces of Mesiniaga Employees
In conjunction with Mesiniaga undergoing a Transformation, the company also offered its employees to undergo a beauty makeover session.10 Mesiniaga beauties participated in the session organised by the Pink Professionals and one, Kartini Ismail even walked away with a digital camera as a prize.

10. A Unique Open House Experience
For the second year in a row, Mesiniaga treated its employees and customers to a unique experience during our Open House. Guests were treated not just to good food and great company but also excellent jockey and chef service by Mesiniaga's own employees.

Thought Leadership Events

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1. Mesiniaga at the IBM Women in Power-Inspiring Potential Seminar
Over 70 female managers and top talents who are well recognised leader within the IT industry had the opportunity to hear Zuraida Dato' Jamaluddin, Mesiniaga's Director of Sales talk about life as a woman in the IT industry and the various challenges that she faces in the course of her career.

2. Mesiniaga at APIIT .Net Day 2006
Mesiniaga was represented at the Asia Pacific Institute of IT (APIIT) .Net Day 2006 by Chua Wen Ching who is an alumnus of APIIT and also one of the founders of the event aimed at establishing communication between APIIT and the Malaysian Independent Developers (MIND) Community, an IT professional user community.

3. Mesiniaga at INETA APAC initiatives
Chua Wen Ching, a Mesiniaga employee who is also INETA APAC's Head of Academics gave various talks to students from within the APAC region on Microsoft Technologies. His talks on games development using Microsoft .Net technology were well-received at regional events such as the Singapore Management University (SMU) 2nd SGDN.Students User Group Meeting, Games Industry Forum in MMU, Cyberjaya and the INTI Malaysia International Conference on Network and Mobile Computing.

4. A Mesiniaga perspective of the IT industry at UiTM seminar
Mesiniaga was invited to give an overview of the global and Malaysian IT industry as well as the future potential and growth of the IT services to the MBA and BBA students of UiTM during the Service Industry: Growth, Potential and Challenges in Enhancing Competitiveness seminar.

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5. Mesiniaga shares information on IT employment trends
TechNation Day, an event that is a collaboration between 3 unique communities, the Malaysian Independent Developers community (MIND), SQL Server Practitioners Alliance Network (SPAN) and Extraordinary League of IT Experts and Professionals (ELITE) saw a representative from Mesiniaga sharing information on IT employment trends and career tips in the fast expanding IT industry.

6. Mesiniaga at the biggest academic event in Singapore!
Mesiniaga was represented at the Singapore DevCon 2006 organised by the SgDotNet community by Chua Wen Ching, one of the 15 Microsoft Valuable Professionals (MVPs) in Malaysia. His session proved to be very popular with attendees numbering close to 150.

7. Mesiniaga hosts the Malaysia IASA Chapter Meeting
Mesiniaga hosted the International Association of Software Architects (IASA) Malaysian Chapter Meeting in November where Rosmawati Haron, our Solutions Specialist gave a presentation on the Business Value in Solutions Architecture.

8. Mesiniaga at the Contractor Alliance Management Seminar
Cheah Kam Yen, a Project Manager from Mesiniaga was one of the speakers at the Contractors Alliance Management Seminar. The seminar was aimed at educating companies in establishing relations and safeguarding dealings with contractors.

It is vitally important for a business these days to have in place a sound corporate social responsibility (CSR) framework. YBhg. Dato' Zarinah Anwar, Chairman of the Securities Commission said in her keynote address at the Malaysian Corporate Social Responsibility and Governance Conference, "… more and more companies are moving beyond mere philanthropy and integrating CSR into their core business strategy and practice." This came from the realisation that in the current business climate, economic, social and environmental goals are no longer mutually exclusive.

The basic precepts of CSR are not new to Mesiniaga. Since the company started, we have built and implemented a number of initiatives that would fall under the purview of the CSR framework focus areas such as the environment, community, workplace and marketplace.

The Environment

Bioclimatic orientated buildings

Both Menara Mesiniaga in Subang Jaya and Mutiara Mesiniaga in Penang are bioclimatic orientated buildings. The design incorporates passive energy features such as solar shading and optimum positioning of service cores. The building design also maximises natural lighting and ventilation. This means that our energy consumption is minimised thereby reducing the building's impact on the environment.

The Community

1. Mesiniaga Academy

Mesiniaga gives its full support to government initiatives in alleviating graduate unemployment issue by establishing the Mesiniaga Academy. The academy's main objective is to offer fresh graduates in IT a chance to have work experience while undergoing comprehensive trainings in management skills.


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2. Mesiniaga supports prevention of child sexual abuse

Mesiniaga advocates social programs that promote the protection of children. We choose to champion Protect and Save the Children (P.S. the Children), an NGO that works towards the prevention of child sexual abuse. Apart from donating computers to the organisation for their use, we also provide support by offering our facilities and services to run their programs. Mesiniaga regularly provides the venue to P.S. the Children for their various workshops. Mesiniaga also provides the organisation with the human resources needed to aid them in planning their business strategy and help them with project management.

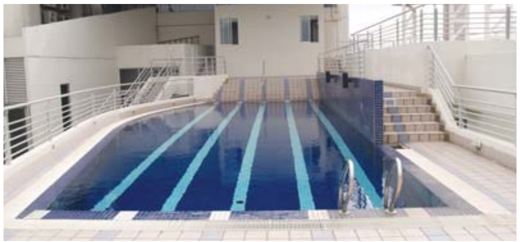
3. Running for Cancer Research

Mesiniaga sponsored a number of Mesiniagans to participate in the Terry Fox Run for Cancer Research. The objective of the Run is to create awareness as well as raise support for cancer research.

4. Providing opportunity for the learning-disabled

The company supports certain activities that are in aid of GOLD (Generating Opportunities for Learning Disabled) such as the purchase of greeting cards hand-crafted by the learning-disabled students from Sekolah Menengah Kebangsaan Bandar Sunway.

The Workplace



Employee Welfare

The company places high importance on promoting a healthy lifestyle to our employees. Menara Mesiniaga is equipped with facilities such as a gym and swimming pool for the convenience of our employees.

Apart from this we have certain policies in place to safeguard the wellbeing of our employees such as Smoking Policy, Fire Safety Policy, First Aid Policy and the Health and Safety Policy. Certain measures are implemented to support these policies. They include designating Menara Mesiniaga as a No Smoking Building and forming a Health and Safety Council.

The company also has an active Mesiniaga Sports and Social Club (MSSC) that regularly plans and initiates a number of recreational activities in an effort to provide a fun and exciting work environment and encourage employee participation. Initiatives include White Water Rafting Expeditions, Futsal Tournaments, Book Club and the Mesiniaga Appreciation Day.

Mesiniaga is also committed to providing equal opportunities to potential and existing employees without regard to factors such as race, religion or gender. We value the diversity of our people and with this in view, maintain a workplace that is free from harassment of any kind in the course of an employee's work.

Employee Training

Acknowledging the need to nurture our most important asset, our employees, the company runs comprehensive training programs aimed at empowering our people with skills and capabilities for them to advance in their chosen career paths.

Apart from sending our people for professional certification courses conducted by various professional bodies, we also conduct both technical and soft skills training in-house or jointly organised with a number of accredited training agencies.

The Marketplace

Mesiniaga is committed to conducting our business with integrity. The Mesiniaga Business Conduct Guidelines is aimed at helping our employees address ambiguous issues and make the best possible decisions in the course of their work.

"MESINIAGA IS A GOLD CERTIFIED PARTNER AND A LARGE ACCOUNT RESELLER FOR MICROSOFT. AS A MICROSOFT GOLD CERTIFIED PARTNER, MESINIAGA GETS EARLY ACCESS TO MICROSOFT PLATFORMS, TOOLS AND TECHNOLOGIES ENABLING THEM TO DELIVER PRODUCTS USING THE LATEST TECHNIQUES."

"Mesiniaga is one of the few selected Microsoft partners in the region who are classified as Microsoft Competency Centre (MCC). The main areas of competency building at the Microsoft Competency Centre include Business Intelligence, .NET based Application Development, Communication and Collaboration. Mesiniaga has shown themselves to be a valued partner of Microsoft."

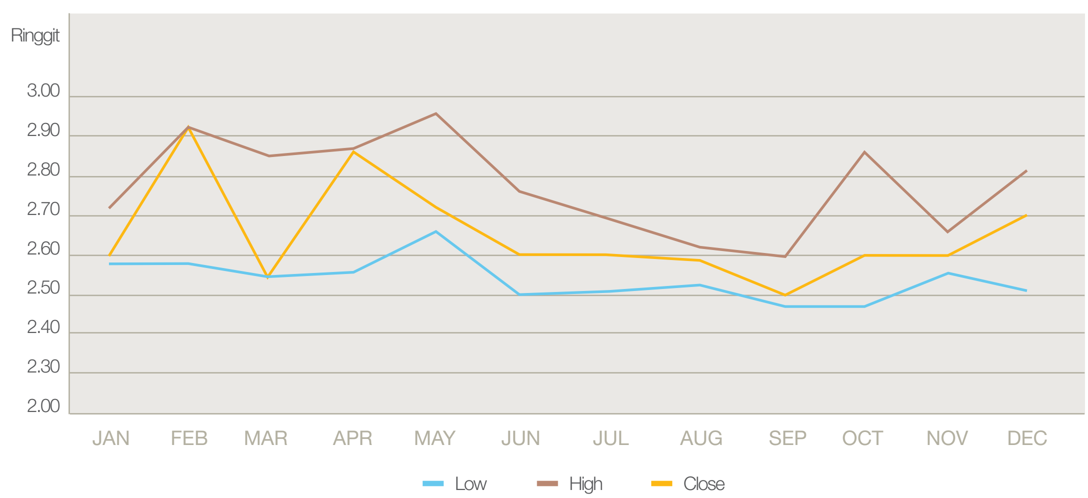
Vincent Ler, Director

ENTERPRISE AND PARTNER GROUP
Microsoft Malaysia Sdn. Bhd.

Mesiniaga is a strategic partner to Microsoft and meets its high standards and expectations of a partner.

SHARE PRICE MOVEMENT IN YEAR 2006

MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Low	2.58	2.58	2.55	2.56	2.66	2.50	2.51	2.53	2.48	2.48	2.55	2.51
High	2.72	2.92	2.86	2.87	2.95	2.78	2.69	2.62	2.60	2.86	2.65	2.81
Close	2.60	2.92	2.55	2.86	2.72	2.60	2.60	2.59	2.50	2.60	2.60	2.70



CODE

Pursuant to the introduction of the Malaysian Code on Corporate Governance and its incorporation into the Bursa Malaysia Listing Requirements which was put into effect on 30 June 2001, the Board recognises the importance for the Company to practise the Corporate Governance standards in their pursuit of discharging their roles and responsibilities to protect and enhance shareholder value and the financial performance of the Company. The Group has complied with the Best Practices as recommended in Part 2 of the Best Practices in Corporate Governance without exception. The following is a summary of the Company's practice of the Code on Corporate Governance:

THE BOARD OF DIRECTORS

The Board is entrusted with leading and overseeing the business of the Group. The Board is responsible for the Group's progress and for ensuring that the Group is well managed. It also sets the group's strategic direction and objectives. The Board is also responsible in approving performance targets, monitoring the Management's achievements, providing overall policy guidance and ensuring that policies and procedures for internal control systems are in place.

Throughout 2006, the Board of Directors met four times. Details of the meetings are as follows:

Date & Time	20 Apr 2006 10.10 a.m	13 Jun 2006 9.00 a.m.	12 Sep 2006 2.00 p.m	14 Dec 2006 2.30 p.m.
Dato' Dr. Mohamad Zawawi Ismail	•	•	Resigned	Resigned
Wan Mohamed Fusil Wan Mahmood	•	•	•	•
Mohd Puzi Ahamad	•	•	•	•
Ramli Amat	•	•	Retired	Retired
Dato' Wan Abdullah Mohamad	•	•	•	◦
Nor Hayati Mohd. Kasim	•	•	•	•
Chung Thian Sinn	•	•	•	•
Voon Seng Chuan	◦	•	•	•
Zaiton Mohd. Hassan	◦	•	•	•
Fathil Sulaiman Ismail	•	•	•	•

Key: • Attended ◦ Absent with apologies

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

Board Balance

The Board consists of two Executive Directors and six Non-Executive Directors, three of whom are Independent Non-Executive Directors.

As at 31 December 2006, the representation of the members of the Board is as follows:-

		%
Executive Directors	2/8	25.0
Non-Independent Non-Executive Directors	3/8	37.5
Independent Non-Executive Directors	3/8	37.5

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

Together, the Directors bring a wide range of business, commercial and financial experience relevant to the Company. A brief description on the background of each Director is presented in the Directors Profile column on page 22 to 25.

Supply of Information

The Board is provided with written reports and supporting information ahead of meetings of the Board and in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be sufficiently well informed before the meeting.

At each Directors Meeting, a special briefing on the Company's operations by the Company's Senior Managers was also presented. The Special Briefings by the Senior Managers was to allow the Board Members to actively and effectively participate in determining the Company's direction.

All Directors have access to the service of the Company Secretary and if so required, could also engage independent professional advice at the Company's expense.

Appointments to the Board

There were no new directors appointed to the Board during the year.

Re-election

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

Directors' Training

All Board Members have attended the mandatory accreditation programme (MAP) organised by Bursa Securities. Subsequently, with the exception of Voon Seng Chuan and Wan Mohamed Fusil Wan Mahmood, all Board Members continued and completed the training programmes under the Continuing Education Programme (CEP) within the stipulated timeframe. Both affected directors have undertaken to make themselves available for trainings in Year 2007.

Trainings attended by the Directors encompass fields of laws and regulations, strategic and risk management, valuation and investment.

DIRECTORS' REMUNERATION

The remuneration of Executive Directors is determined by the Remuneration Committee, which is headed by Nor Hayati Mohd. Kasim. Considerations such as Director's responsibilities, experience and market rates are taken into account when deciding remuneration.

Details of the remuneration for the Directors are as follows:

	Basic Salary RM	Fees RM	Bonus RM	Benefit-in-kind RM	Pension RM	Others RM	Total RM
Executive Directors	703,800	0	50,370	193,606	0	137,576	1,085,352
Non-Executive Directors	0	136,500	0	0	0	26,880	163,380

Directors' Remuneration in Bands

	No. of Executive Directors	No. of Non-Executive Directors
Below RM50,000	0	8
RM400,000 to RM449,999	1	0
RM600,000 to RM649,999	1	0

BOARD COMMITTEES

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

The various Board Committees and their composition are as listed on pages 18 to 19.

SHAREHOLDERS

Dialogue between the Company and Investors

The Chief Executive Officer holds discussions with analysts and shareholders from time to time especially after the announcement of the Company's quarterly financial results. The Company's web site www.mesiniaga.com.my is also accessible for further information.

Mr Chung Thian Sinn has been designated as the Senior Independent Director to receive public and employees' concerns and enquiries relating to Corporate Governance matters.

The Annual General Meeting

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

The Statement of Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 53 of this Annual Report.

Internal Control

The Directors acknowledge their responsibility for the Company's system of internal controls which covers financial, operational and compliance controls, as well as risk management. The internal control system is designed and maintained to ensure that the risks faced by the business in pursuit of its objectives are identified and managed at known acceptable levels.

The Internal Audit Department undertakes the internal audit functions in the Company. The Company will be continuously reviewing the adequacy and integrity of its system of internal control.

RELATIONSHIP WITH AUDITORS

The role of the Audit Committee is as stated on pages 55 to 57. Through the Audit Committee of the Board, the Company has established transparent and appropriate relationships with the Company's Auditors, both Internal and External. The committee meets at least once every year with the External Auditors without the presence of any Executive Members of the Board or Senior Management.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of the income statement and cash flow of the Company for the financial year.

The Directors consider that, in preparing the financial statements of the Company for the year ended 31 December 2006, the Company has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have also considered that all applicable accounting standards have been followed and confirm that the financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Company maintains adequate accounting records which disclose with reasonable accuracy the financial position of the Company to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 1965.

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

STATEMENT ON INTERNAL CONTROL

The Board has overall responsibility for the Company's system of internal control. This requires the establishment of an appropriate framework and control environment, involving the financial, organisational and operational aspects of the Company.

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

The key elements of the framework of the Company's internal controls are as follows:

1. Defined lines of authority, responsibility and accountability within the Company;
2. Documented internal procedures;
3. The existence of an Internal Audit Department to provide the Board with assurance regarding the adequacy and integrity of internal control systems within the Company. The Internal Audit Department performs ongoing reviews of processes and activities within the Company and reports to the Audit and Examination Committee of Directors (AECD). The AECD has full access to both internal and external auditors.

The Company had identified transactions in respect of which certain amounts were recognised as revenue during the financial year ended 31 December 2005 for which significant risks and rewards of ownership had only transferred during the current financial year ended 31 December 2006. The Board of Directors had subsequently initiated a review of the Group's revenue recognition processes. Arising from this, the Group's prior year financial statements have been restated to reflect the recognition of revenue in the appropriate year. The details of the adjustment are reflected in item 29 of Notes to the Accounts.

In view of this the Board has further enhanced the revenue recognition processes to mitigate future risks.

The Board remains committed towards the establishment of a sound system of internal control and therefore recognises that the system must continuously evolve to support growth. In striving for continuous improvement, the Company will put in place appropriate actions plans, when necessary, to further enhance the Company's system of internal control.

The above internal control framework does not cover associate companies.

The Board of Directors
Mesiniaga Berhad

CHAIRPERSON

ZAITON MOHD. HASSAN
(Independent Non-Executive Director)

MEMBERS

CHUNG THIAN SINN
(Independent Non-Executive Director)

NOR HAYATI MOHD KASIM
(Independent Non-Executive Director)

SECRETARY

SIM SOON PHENG

TERMS OF REFERENCE

Terms of Reference for the Audit Committee

Size and Composition

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

At least one member of the Committee:

a. must be a member of the Malaysian Institute of Accountants; or

b. if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and:-

    i. he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

    ii. he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

    iii. Fulfils such requirements as prescribed by Bursa Securities.

The Chairman of the Committee shall be an Independent Director.

Frequency of Meetings

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

THE AUDIT COMMITTEE

Secretary

The Secretary of the Audit Committee shall be the Head of Internal Audit of the Company. All meetings shall be minuted.

Purpose of the Committee

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

Functions and Duties

The functions and duties of the Audit Committee are:

(1) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal.

(2) To review the scope, functions and resources of the internal audit function.

(3) To review the internal audit programme and monitor its implementation.

(4) To review the internal audit reports and follow-up on the action taken to implement the recommendations of the internal auditor.

(5) To review the year end financial statements, prior to the approval by the Board of Directors.

(6) To review and approve the release of the quarterly results.

(7) To review the related party transactions and conflict of interest situations within the company or group.

(8) Perform other related duties as directed by the Board of Directors.

Meetings Held

Date	Zaiton Mohd. Hassan	Chung Tian Sinn	Nor Hayati Mohd. Kasim
24/02/2006	•	•	•
08/05/2006	•	•	•
11/08/2006	•	•	•
17/11/2006	•	•	•

Key: • Attended • Absent with apologies

Summary Of Activities

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

Summary of Internal Audit function

1. Preparation of annual audit plan.
2. Perform field audit and assessment for compliance with policies and procedures and operating effectiveness and controls.
3. Presentation of reports on audits carried out.
4. Maintenance of effective audit programmes.
5. Planning and co-ordination of ISO quality audit.
6. Preparation of Audit Committee meeting reports for its review.
7. Secretarial function to the Audit Committee.
8. Provide full cooperation to the external auditors in carrying out their audit.
9. Any other functions as instructed by the Audit Committee and the Board of Directors.

OTHER INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

UTILISATION OF PROCEEDS

No funds were raised by the Company from any corporate proposal during the financial year.

SHARE BUY BACK

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no Options issued and exercised throughout the year 2006 and the Company did not implement any other Options, Warrants or Convertible Securities.

AMERICAN DEPOSITORY RECEIPT ("ADR")/GLOBAL DEPOSITORY RECEIPT ("GDR")

During the financial year, the Company did not enter into any ADR/GDR transactions.

SANCTIONS AND/OR PENALTIES

There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

NON-AUDIT FEES

An amount of RM9,960 was paid for tax services provided by PWC Taxation Services Sdn. Bhd.

VARIATION IN RESULTS

There was no significant difference between the Audited and Unaudited Results.

PROFIT GUARANTEE

The Company has never provided any Profit Guarantee.

MATERIAL CONTRACTS

There were no material contracts by the Company and its subsidiaries involving Directors or substantial shareholders' interest during the financial year.

CONTRACTS RELATING TO LOAN

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

CONFLICT OF INTEREST

Unless otherwise disclosed, the directors were not aware of any conflict of interest among the directors with the Company, existing at the end of the Financial Year 2006.

REVALUATION OF LANDED PROPERTIES

The freehold land and buildings are revalued by independent professional valuers once in every five years.

The Company did not carry out any revaluation exercise on its landed properties during the financial year.

The latest valuation was done in Year 2004.

EMPLOYEES SHARE OPTION SCHEME

The Company did not implement any Employees Share Options Scheme in the Financial Year 2006.

CONTENTS

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 2006.

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 for the year attributable to:		
Equity holders of the Company	14,727	13,856
Minority interest	836	0
Profit for the year	15,563	13,856

DIVIDENDS

The dividends on ordinary shares paid by the Company since 31 December 2005 are as follows:

	RM'000
In respect of the financial year ended 31 December 2005 as shown in the Directors' Report of that year:	
- final gross dividend of 19 sen per share, less income tax of 28%, paid on 7 July 2006	
	8,263

The Directors now recommend the payment of a final gross dividend of 19 sen per share, less income tax, amounting to RM8,377,757 subject to the approval of the members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Wan Mohamed Fusil bin Wan Mahmood
Mohd Puzi bin Ahamad
Dato' Wan Abdullah bin Mohamad
Nor Hayati Mohd Kasim
Chung Thian Sinn
Voon Seng Chuan
Zaiton Mohd Hassan
Fathil Sulaiman Ismail
Ramli bin Amat (retired on 13 June 2006)
Dato' Dr. Mohamad Zawawi Ismail (resigned on 27 July 2006)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM1.00 each			
	At 1.1.2006 '000	Bought '000	Sold '000	At 31.12.2006 '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
Dato' Wan Abdullah bin Mohamad	28	0	0	28
Nor Hayati Mohd Kasim	28	0	(20)	8
Fathil Sulaiman Ismail	1,797	3,090	0	4,887

(1) Including interests held under nominee accounts with CIMB Trustee Berhad, Citicorp Nominees (Tempatan) Sdn. Bhd. & Alliancegroup Noms (Tempatan) Sdn. Bhd.

(2) Including interests held under nominee accounts with CIMB Trustee Berhad and Citicorp Nominees (Tempatan) Sdn. Bhd.

DIRECTORS' INTERESTS IN SHARES (cont'd)

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (cont'd)

In the opinion of the Directors:

(a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in Note 29 to the financial statements; and

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

In accordance with a resolution of the Board of Directors dated 16 April 2007.

WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

MOHD PUZI BIN AHAMAD
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 73 to 108 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 2006 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 for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 16 April 2007.

WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

MOHD PUZI BIN AHAMAD
DIRECTOR

STATUTORY DECLARATION PURSUANT TO
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 73 to 108 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 16 April 2007 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 73 to 108. 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 for Entities Other than Private Entities 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 2006 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

THAYAPARAN A/L S. SANGARAPILLAI
(No. 2085/09/08 (J))
Partner of the firm

16 April 2007

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

		Group		Company	
	Note	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	5	**316,226**	322,493	**299,818**	310,722
Changes in inventories of finished goods		**(11,038)**	1,995	**(11,860)**	929
Finished goods and services purchased		**(221,297)**	(243,241)	**(212,204)**	(235,369)
Staff cost	6	**(44,880)**	(40,072)	**(41,362)**	(39,194)
Depreciation of property, plant and equipment		**(5,107)**	(4,375)	**(5,061)**	(4,348)
Travelling expenses		**(3,998)**	(2,940)	**(3,280)**	(2,477)
Office administrative expenses		**(4,533)**	(4,144)	**(4,370)**	(4,148)
Impairment of investment in associated company		**0**	(3,021)	**0**	(3,445)
Other operating income		**444**	565	**934**	849
Other operating expenses		**(2,667)**	(3,095)	**(1,970)**	(1,543)
Profit from operations	7	**23,150**	24,165	**20,645**	21,976
Finance cost	8	**(658)**	(339)	**(658)**	(339)
Share of results of associates		**57**	105	**0**	0
Profit before taxation		**22,549**	23,931	**19,987**	21,637
Tax expense	9	**(6,986)**	(7,028)	**(6,131)**	(6,445)
Profit for the year		**15,563**	16,903	**13,856**	15,192
Attributable to:					
Equity holders of the Company		**14,727**	16,395	**13,856**	15,192
Minority interest		**836**	508	**0**	0
Profit for the year		**15,563**	16,903	**13,856**	15,192
Basic earnings per share (sen)	10	**24.38**	27.14		
Gross dividends per share (sen)	11	**19**	16		

The notes on pages 73 to 108 form part of these financial statements.

BALANCE SHEETS
AS AT 31 DECEMBER 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**54,942**	57,166	**54,764**	57,050
Investment in subsidiaries	13	**0**	0	**1,200**	1,200
Investment in associates	14	**3,147**	3,155	**3,155**	3,155
Deferred tax assets	15	**166**	141	**0**	0
		58,255	60,462	**59,119**	61,405
Current Assets					
Inventories	16	**15,895**	26,933	**11,918**	23,778
Receivables, deposits and prepayments	17	**153,210**	151,497	**151,474**	149,041
Tax recoverable		**2,522**	1,121	**2,522**	991
Deposits with a licensed financial institution	18	**8,354**	26,791	**6,000**	24,000
Cash and bank balances	18	**2,117**	1,628	**696**	962
		182,098	207,970	**172,610**	198,772
TOTAL ASSETS		**240,353**	268,432	**231,729**	260,177
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
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		**0**	40	**0**	0
Retained earnings		**96,651**	90,147	**92,760**	87,167
		173,604	167,140	**169,713**	164,120
Minority interest		**4,457**	3,903	**0**	0
TOTAL EQUITY		**178,061**	171,043	**169,713**	164,120
Non-current liabilities					
Post-employment benefits obligations	21	**2,683**	2,292	**2,683**	2,292
Finance lease liabilities	22	**92**	411	**92**	411
Deferred tax liabilities	15	**1,509**	1,768	**1,461**	1,768
		4,284	4,471	**4,236**	4,471

BALANCE SHEETS
AS AT 31 DECEMBER 2006 (cont'd)

	Note	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Current liabilities					
Payables	19	**47,081**	92,073	**47,129**	90,878
Short term borrowings (unsecured and interest bearing)	20	**5,002**	0	**5,002**	0
Bank overdraft (unsecured and interest bearing)	18	**5,158**	205	**5,158**	205
Taxation		**767**	640	**491**	503
		58,008	92,918	**57,780**	91,586
TOTAL LIABILITIES		**62,292**	97,389	**62,016**	96,057
TOTAL EQUITY AND LIABILITIES		**240,353**	268,432	**231,729**	260,177

The notes on pages 73 to 108 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (cont'd)

		Attributable to equity holders of the Company								
		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	Minority Interest RM'000	Total RM'000
At 1 January 2005										
- as previously reported		60,402	60,402	4,126	12,425	40	82,760	159,753	3,606	163,359
- prior year adjustment	29	0	0	0	0	0	(1,542)	(1,542)	0	(1,542)
At 1 January 2005(restated)		60,402	60,402	4,126	12,425	40	81,218	158,211	3,606	161,817
Final dividends:										
- 31 December 2004	11	0	0	0	0	0	(7,466)	(7,466)	0	(7,466)
Profit for the year		0	0	0	0	0	16,395	16,395	508	16,903
Dividends paid to minority interest		0	0	0	0	0	0	0	(211)	(211)
At 31 December 2005		60,402	60,402	4,126	12,425	40	90,147	167,140	3,903	171,043
At 1 January 2006										
- as previously reported		60,402	60,402	4,126	12,425	40	92,700	169,693	3,903	173,596
- prior year adjustment	29	0	0	0	0	0	(2,553)	(2,553)	0	(2,553)
- effects of adopting FRS 3	28	0	0	0	0	(40)	40	0	0	0
At 1 January 2006(restated)		60,402	60,402	4,126	12,425	0	90,187	167,140	3,903	171,043
Final dividends:										
- 31 December 2005	11	0	0	0	0	0	(8,263)	(8,263)	0	(8,263)
Profit for the year		0	0	0	0	0	14,727	14,727	836	15,563
Dividends paid to minority interest		0	0	0	0	0	0	0	(282)	(282)
At 31 December 2006		60,402	60,402	4,126	12,425	0	96,651	173,604	4,457	178,061

The notes on pages 73 to 108 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

		Issued and fully paid ordinary shares of RM1.00 each		Non-distributable		Distributable	
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2005							
- as previously reported		60,402	60,402	4,126	12,425	80,983	157,936
- prior year adjustment	29	0	0	0	0	(1,542)	(1,542)
At 1 January 2005(restated)		60,402	60,402	4,126	12,425	79,441	156,394
Final dividends:							
- 31 December 2004	11	0	0	0	0	(7,466)	(7,466)
Profit for the year		0	0	0	0	15,192	15,192
At 31 December 2005		60,402	60,402	4,126	12,425	87,167	164,120
At 1 January 2006							
- as previously reported		60,402	60,402	4,126	12,425	89,720	166,673
- prior year adjustment	29	0	0	0	0	(2,553)	(2,553)
At 1 January 2006(restated)		60,402	60,402	4,126	12,425	87,167	164,120
Final dividends:							
- 31 December 2005	11	0	0	0	0	(8,263)	(8,263)
Profit for the year		0	0	0	0	13,856	13,856
At 31 December 2006		60,402	60,402	4,126	12,425	92,760	169,713

The notes on pages 73 to 108 form part of these financial statements.

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
OPERATING ACTIVITIES					
Profit for the year		**15,563**	16,903	**13,856**	15,192
Adjustments to reconcile profit for the year to cash from operations:					
Taxation		**6,986**	7,028	**6,131**	6,445
Amortisation of goodwill		**0**	207	**0**	0
Depreciation of property, plant and equipment		**5,107**	4,375	**5,061**	4,348
Write-off of property, plant and equipment		**55**	124	**20**	124
Gross dividends income from a subsidiary		**0**	0	**(408)**	(306)
Gross dividends income from an associate		**0**	0	**(65)**	0
Impairment of investment in an associate		**0**	3,021	**0**	3,445
Interest expense		**658**	339	**658**	339
Interest income		**(228)**	(205)	**(176)**	(136)
Retirement benefits		**689**	623	**689**	623
Share of results of associates		**(57)**	(105)	**0**	0
		28,773	32,310	**25,766**	30,074
Changes in working capital:					
Inventories		**11,038**	(1,995)	**11,860**	(929)
Receivables		**(1,713)**	10,452	**(2,433)**	10,983
Payables		**(45,004)**	12,832	**(44,101)**	12,013
Cash from operations		**(6,906)**	53,599	**(8,908)**	52,141
Interest paid		**(658)**	(339)	**(658)**	(339)
Tax paid		**(8,661)**	(6,767)	**(7,853)**	(6,372)
Net cash (used in)/ generated from operating activities		**(16,225)**	46,493	**(17,419)**	45,430

The notes on pages 73 to 108 form part of these financial statements.

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (cont'd)

	Note	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(2,938)**	(5,617)	**(2,795)**	(5,516)
Interest received		**228**	205	**176**	136
Net dividends received from a subsidiary		**0**	0	**294**	220
Net dividends received from an associate		**0**	0	**46**	0
Net cash used in investing activities		**(2,710)**	(5,412)	**(2,279)**	(5,160)
FINANCING ACTIVITIES					
Dividends paid to shareholders of the Company		**(8,263)**	(7,466)	**(8,263)**	(7,466)
Dividends paid to minority interests		**(282)**	(211)	**0**	0
Proceeds/(repayment) from short term borrowings		**5,002**	(21,467)	**5,002**	(21,467)
Repayment of finance lease liabilities		**(423)**	(254)	**(261)**	(254)
Net cash used in financing activities		**(3,966)**	(29,398)	**(3,522)**	(29,187)
NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		**(22,901)**	11,683	**(23,220)**	11,083
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**28,214**	16,531	**24,757**	13,674
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	18	**5,313**	28,214	**1,537**	24,757

The notes on pages 73 to 108 form part of these financial statements.

1 GENERAL INFORMATION

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

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 nature of the principal activities of the Group and of the Company during the financial year.

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

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

2 BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies' Act 1965, Financial Reporting Standards and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies. For example, land and buildings and investment properties are stated at fair value.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

2 BASIS OF PREPARATION (cont'd)

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

The new accounting standards, amendments to published standards and IC Interpretations to existing standards effective for the Group and Company's financial year beginning on 1 January 2006 are as follows:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

Amendment to FRS 119_{2004} Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures – in relation to the ''asset ceiling" test

IC 107	Introduction of the Euro
IC 110	Government Assistance – No Specific Relation to Operating Activities
IC 112	Consolidation – Special Purpose Entities
IC 113	Jointly Controlled Entities – Non-Monetary Contributions by Ventures
IC 115	Operating Leases – Incentives
IC 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
IC 125	Income Taxes - Changes in Tax Status of an Entity or its Shareholders
IC 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC 129	Disclosure – Services Concessions Arrangement
IC 131	Revenue – Barter Transactions Involving Advertising Services
IC 132	Intangible Assets – Website Costs

2 **BASIS OF PREPARATION (cont'd)**

(a) Standards, amendments to published standards and IC Interpretations that are effective (continued)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All new and revised applicable accounting standards (where applicable) adopted by the Group and Company require retrospective application other than:

FRS 2	-	retrospective application on all equity instruments granted after 31 December 2004 and not vested as at 1 January 2006;
FRS 3	-	prospectively for business combination agreements dated on or after 1 January 2006;
FRS 5	-	prospectively for non-current assets or disposal groups that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued on or after 1 January 2006;
FRS 116	-	the exchange of property, plant and equipment is accounted at fair value prospectively; and
FRS 121	-	prospective accounting for goodwill and fair value adjustments as part of foreign operations.

A summary of the impact of the new accounting standards, amendments to the published standards and IC Interpretations to existing standards on the financial statements of the Group and the Company is set out in Note 28 to the financial statements.

(b) Standards, amendments to published standards and IC Interpretations to existing standards that are not yet effective and have not been early adopted

The new standards, amendments to published standards and IC Interpretations that are mandatory for the Group's financial year beginning on 1 January 2007, which the Group has not early adopted, are set out below. The Group has not disclosed the financial impact of the application of this standard following the transitional provision which provides exemption from early disclosure of the financial impact prior to its effective date.

- FRS 117 Leases (effective for accounting period beginning on or after 1 October 2006). This standard requires the classification of leasehold land as prepaid lease payment. The Group will apply this standard from financial year beginning on 1 January 2007, where applicable.
- FRS 124 Related Party Disclosures (effective for accounting period beginning on or after 1 October 2006). This standard will affect the identification of related parties and some other related party disclosures. The Group will apply this standard from financial year beginning 1 January 2007.
- FRS 139 Financial Instruments : Recognition and Measurement (effective date yet to be determined by MASB). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective.
- Amendment to FRS 119_{2004} Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures (effective for accounting periods beginning on or after 1 January 2007). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The Group will apply this amendment from financial year beginning 1 January 2007, where applicable.

(c) Standards that are not yet effective and not relevant or material for the Group's operations

- FRS 6 Exploration for and Evaluation of Mineral Resources (effective for accounting year beginning on or after 1 January 2007). FRS 6 is not relevant to the Group's operations as the Group does not carry out exploration for and evaluation of mineral resources.

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

The Group has taken advantage of the exemption provided by FRS122$_{2004}$ and FRS 3 to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these Standards.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in income statement.

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

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisition of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. See accounting policy on goodwill in Note 3(c). Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Associated companies

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

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

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

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

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not conterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the new fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purposes of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combinations, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment and depreciation

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

Land and buildings are subsequently shown at revaluation, based on valuations by external independent valuers, less subsequent depreciation for buildings and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity, all other decreases are charged to the income statement.

Freehold land has an infinite life and therefore is not depreciated. Depreciation on capital work-in-progress commences when the asset is ready for its intended use.

Depreciation of other property, plant and equipment is calculated on a straight-line basis to write off the cost of each asset to its residual value over their expected useful lives, at the following annual rates:

Building	2%
Machines	14% - 33%
Office equipment, furnitures and fittings	7% - 33%

Fully depreciated assets still in use are retained in the financial statements.

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefit embodied in the items of property, plant and equipment.

All items of property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statements and the unutilised portion of the revaluation surplus on those items is taken directly to retained earnings.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Impairment of non-financial assets

The carrying amounts of assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

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

An impairment loss is recognised in income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. Cost, which includes purchase price and incidental charges, is determined on a weighted average basis.

(g) Financial instruments

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which has an insignificant risk of changes in value, net of outstanding bank overdrafts.

(j) Other Non-current Investments

Non-current investments other than investment in subsidiaries and associates are stated at cost less impairment losses.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(k) Trade payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(l) Share capital

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

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

(m) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Foreign currencies (cont'd)

(ii) Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rate prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(n) 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 lower of the fair value of the leased property and the estimated present value of the minimum lease payments at the date of inception. Each lease payment is allocated between the liability and charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charges is charged to the income statement over the lease period.

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

(o) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Employee benefits (cont'd)

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(iii) Defined benefit plans

The Company operates a funded defined benefit plan, which is an approved defined benefit plan under Section 150 of the Income Tax Act, 1967.

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

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

Plan assets in excess of the defined obligation are subject to the asset limitation specified in FRS 119_{2004}.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the income statement is determined by the corridor method in accordance with FRS 119_{2004} and is charged or credited to income over the average remaining service lives of the related employees participating in the defined benefit plan.

Past service costs are recognised immediately in income, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

(p) Income tax

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liabilities method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Income tax (cont'd)

Deferred tax is measured at tax rate that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(q) Revenue Recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of taxes, rebates and discounts, and after elimination sales within the Group. Revenue arising from the sale of hardware and software is recognised upon delivery of goods or when significant risk and rewards of ownership of goods are transferred to the customers. Revenue arising from the rendering of services is recognised in the period the services are rendered.

Dividend income is recognised when the right to receive payment is established. Rental income is recognised on an accrual basis. Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

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 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 and borrowings. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

(c) Credit risk

Credit risk arises when sales are made on 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.

(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	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sale of:				
- hardware	**172,326**	131,726	**162,677**	123,706
- software	**36,169**	51,219	**34,018**	49,046
- services	**107,731**	139,548	**103,123**	137,970
	316,226	322,493	**299,818**	310,722

6 STAFF COST

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Wages, salaries, bonus and other employment benefits	**40,019**	35,461	**38,498**	36,524
Defined contribution retirement plan (Note 21)	**4,172**	3,988	**2,175**	2,047
Defined benefit retirement plan (Note 21)	**689**	623	**689**	623
	44,880	40,072	**41,362**	39,194

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

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-executive Directors				
- fees	**137**	153	**137**	153
- others	**27**	27	**27**	27
Executive Directors				
- salaries and bonus	**1,001**	968	**754**	704
- defined contribution retirement plan	**103**	100	**91**	86
- defined benefit retirement plan	**47**	46	**47**	46
	1,315	1,294	**1,056**	1,016

Estimated money value of benefits-in-kind of Directors of the Group and Company is RM338,000 and RM194,000 (2005: RM277,000 and RM108,000) respectively.

7 PROFIT FROM OPERATIONS

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

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amortisation of goodwill in an associate	**0**	207	**0**	0
Auditors' remuneration	**108**	91	**80**	70
Depreciation of property, plant and equipment	**5,107**	4,375	**5,061**	4,348
Gross dividend income from a subsidiary	**0**	0	**(408)**	(306)
Gross dividend income from an associates	**0**	0	**(65)**	0
Impairment of investment in an associate	**0**	3,021	**0**	3,445
Interest income	**(228)**	(205)	**(176)**	(136)
Net realised foreign exchange (gain)/loss	**(18)**	(40)	**8**	8
Property, plant and equipment written off	**55**	124	**20**	124
Rental income from rental of premises	**(102)**	(71)	**(102)**	(98)
Rental of premises	**178**	116	**81**	48
Allowance for doubtful debts:				
- trade receivables	**737**	8	**753**	29
- associates	**0**	3	**0**	3
Write off of doubtful debts	**0**	25	**0**	0

8 FINANCE COST

	Group and Company	
	2006	**2005**
	RM'000	**RM'000**
Interest expense on:		
- bank overdraft	**57**	58
- short term borrowings	**417**	270
- lease financing	**184**	11
	658	339

9 TAX EXPENSE

	Group		Company	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
Current tax:				
Current year - Malaysian income tax	**7,048**	6,870	**6,216**	6,348
Underaccrual in prior years (net)	**222**	17	**222**	0
	7,270	6,887	**6,438**	6,348
Deferred tax:				
Reversal and origination of temporary differences (Note 15)	**(284)**	141	**(307)**	97
	6,986	7,028	**6,131**	6,445

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

	Group		Company	
	2006 %	**2005 %**	**2006 %**	**2005 %**
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	**1.84**	1.46	**1.56**	1.79
- current year deferred tax asset not recognised	**0.95**	0.15	**0**	0
- tax incentive for small and medium scale companies	**(1.07)**	(0.33)	**0**	0
- under accrual in prior years (net)	**0.99**	0.07	**1.11**	0
- recognition of previously unrecognised deferred tax asset	**0.27**	0.02	**0**	0
Average effective tax rate	**30.98**	29.37	**30.67**	29.79

9 TAX EXPENSE (cont'd)

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

	Group	
	2006	**2005**
	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	**62**	0
(ii) Unabsorbed capital allowances	**0**	3

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	
	2006	**2005**
	RM'000	**RM'000**
Unutilised tax losses	**2,243**	1,586
Unabsorbed capital allowances	**84**	6
	2,327	1,592
Deferred tax assets not recognised	**675**	446

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 2006 if paid out as dividends.

In addition, the Company has tax exempt income as at 31 December 2006 arising from the Income Tax (Amendment) Act, 1999, relating to tax on income earned in 1999 being waived and first tier exempt dividend income amounting to approximately RM1,016,520 and RM832,500 (2005: RM1,016,520 and RM832,500) respectively available for distribution as tax exempt dividends to shareholders. This tax exempt income is subject to agreement by the tax authorities.

10 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	
	2006 RM'000	2005 RM'000
Net profit attributable to ordinary equity holder of the Company (RM'000)	**14,727**	16,395
Weighted average number of ordinary shares in issue ('000)	**60,402**	60,402
Basic earnings per share (sen)	**24.38**	27.14

11 DIVIDENDS

Dividends paid during the financial year are as follows:

	Group and Company	
	2006 RM'000	2005 RM'000
Final dividends in respect of financial year 2005/2004:		
19 sen per share, less income tax at 28% (2005: 13 sen per share, less income tax at 28%)	**8,263**	5,654
Nil (2005: 3 sen per share, tax exempt)	**0**	1,812
	8,263	7,466

The Directors have recommended the payment of a final gross dividend of 19 sen per share, less income tax, amounting to RM8,377,757 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 2006, which will only be accrued as a liability in the financial year ending 31 December 2007, 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, furnitures and fittings, at cost RM'000	Total RM'000
Group							
2006							
Cost/Valuation							
At 1 January 2006	3,874	17,458	6,848	26,373	5,593	21,611	81,757
Additions	0	0	0	0	59	2,879	2,938
Assets written off	0	0	0	0	(14)	(406)	(420)
At 31 December 2006	3,874	17,458	6,848	26,373	5,638	24,084	84,275
Accumulated depreciation							
At 1 January 2006	0	0	365	6,857	4,111	13,258	24,591
Charge for the financial year	0	0	137	527	924	3,519	5,107
Assets written off	0	0	0	0	(14)	(351)	(365)
At 31 December 2006	0	0	502	7,384	5,021	16,426	29,333
Net book value							
At 31 December 2006	3,874	17,458	6,346	18,989	617	7,658	54,942

12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	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, furnitures 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

12 **PROPERTY, PLANT AND EQUIPMENT (cont'd)**

	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, furnitures and fittings, at cost RM'000	Total RM'000
Company							
2006							
Cost/Valuation							
At 1 January 2006	3,874	17,458	6,848	26,373	5,593	20,552	80,698
Additions	0	0	0	0	59	2,736	2,795
Assets written off	0	0	0	0	(14)	(221)	(235)
At 31 December 2006	3,874	17,458	6,848	26,373	5,638	23,067	83,258
Accumulated depreciation							
At 1 January 2006	0	0	365	6,857	4,111	12,315	23,648
Charge for the financial year	0	0	137	527	924	3,473	5,061
Assets written off	0	0	0	0	(14)	(201)	(215)
At 31 December 2006	0	0	502	7,384	5,021	15,587	28,494
Net book value							
At 31 December 2006	3,874	17,458	6,346	18,989	617	7,480	54,764

12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	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, furnitures 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

12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The freehold land and building were revalued on 30 September 2003 by CH Williams Talhar & Wong Sdn. Bhd. 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 value of the revalued freehold land and building had these assets been carried at cost less accumulated depreciation are as follows:

	Group and Company	
	2006	**2005**
	RM'000	**RM'000**
Freehold land	**3,805**	3,805
Building	**18,706**	19,227

Included in property, plant and equipment of the Group and Company are machines acquired under finance lease agreements, with net book value of RM615,000 (2005: RM984,000).

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2006	**2005**
	RM'000	**RM'000**
Unquoted shares, at cost	**1,850**	1,850
Accumulated impairment losses	**(650)**	(650)
	1,200	1,200

13 INVESTMENT IN SUBSIDIARIES (cont'd)

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

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

Name of company	Principal activities	Group's effective interest 2006 %	Group's effective interest 2005 %
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 2006 RM'000	Group 2005 RM'000
Share of net assets of associates	**3,147**	3,155

	Company 2006 RM'000	Company 2005 RM'000
Unquoted shares, at cost	**6,785**	6,785
Accumulated impairment losses	**(3,630)**	(3,630)
	3,155	3,155

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

Name of company	Principal activities	Group's effective interest 2006 %	Group's effective interest 2005 %
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 website	**35**	35

Not audited by PricewaterhouseCoopers, Malaysia.

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	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	**166**	141	**0**	0
Deferred tax liabilities:				
- subject to income tax	**(742)**	(1,001)	**(694)**	(1,001)
- subject to capital gains tax	**(767)**	(767)	**(767)**	(767)
	(1,509)	(1,768)	**(1,461)**	(1,768)
At 1 January	**(1,627)**	(1,486)	**(1,768)**	(1,671)
(Charged)/credited to income statement (Note 9):				
- property, plant and equipment	**610**	(974)	**633**	(953)
- accruals	**(382)**	705	**(345)**	699
- post employment benefit obligations	**19**	157	**19**	157
- allowance	**37**	(29)	**0**	0
	284	(141)	**307**	(97)
At 31 December	**(1,343)**	(1,627)	**(1,461)**	(1,768)
Subject to income tax:				
Deferred tax assets (before offsetting)				
- post employment benefit obligations	**661**	642	**661**	642
- allowances	**174**	137	**0**	0
- accruals	**484**	866	**514**	859
	1,319	1,645	**1,175**	1,501
Offsetting	**(1,153)**	(1,504)	**(1,175)**	(1,501)
Deferred tax assets (after offsetting)	**166**	141	**0**	0

15 DEFERRED TAX ASSETS/LIABILITIES (cont'd)

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	**(1,895)**	(2,505)	**(1,869)**	(2,502)
Offsetting	**1,153**	1,504	**1,175**	1,501
Deferred tax liabilities (after offsetting)	**(742)**	(1,001)	**(694)**	(1,001)
Subject to capital gains tax				
Deferred tax liabilities				
- Revaluation of land	**(767)**	(767)	**(767)**	(767)

16 INVENTORIES

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Equipment	**11,042**	23,741	**10,684**	22,675
Spare parts	**1,216**	1,069	**1,216**	1,069
Supplies	**413**	164	**18**	34
Cable	**3,224**	1,959	**0**	0
	15,895	26,933	**11,918**	23,778

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables	**152,369**	150,165	**148,823**	146,686
Allowance for doubtful debts	**(1,214)**	(477)	**(1,214)**	(461)
	151,155	149,688	**147,609**	146,225
Other receivables	**578**	1,631	**276**	1,391
Deposits and prepayments	**843**	171	**757**	134
Amounts due from subsidiaries	**0**	0	**2,198**	1,284
Amounts due from associates	**634**	1,111	**634**	1,111
Allowance for doubtful debts	**0**	(1,104)	**0**	(1,104)
	634	7	**634**	7
	153,210	151,497	**151,474**	149,041

The currency exposure profile of trade receivables is as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Ringgit Malaysia	**151,144**	149,108	**147,609**	145,683
Brunei Dollar	**0**	32	**0**	0
US Dollar	**11**	548	**0**	542
	151,155	149,688	**147,609**	146,225

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	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and bank balances	**2,117**	1,628	**696**	962
Deposits with a licensed financial institution	**8,354**	26,791	**6,000**	24,000
	10,471	28,419	**6,696**	24,962
Bank overdraft (unsecured and interest bearing)	**(5,158)**	(205)	**(5,158)**	(205)
	5,313	28,214	**1,538**	24,757

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 3.00% (2005: 2.65%) per annum.

Deposits of the Group and Company as at 31 December 2006 are time deposits, which have an average maturity period of 20 days (2005: 20 days).

The Group and Company's effective weighted average interest rate of bank overdraft at the end of the financial year is 7.90% (2005: 7.37%) per annum.

Cash and cash equivalents are denominated in Ringgit Malaysia.

19 PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade payables	**39,061**	83,006	**37,872**	80,854
Payroll liabilities	**1,954**	3,703	**1,279**	3,008
Accruals	**5,700**	4,438	**5,525**	4,223
Finance lease liabilities (Note 22)	**366**	314	**366**	314
Amounts due to subsidiaries	**0**	0	**2,087**	1,867
Amounts due to associates	**0**	612	**0**	612
	47,081	92,073	**47,129**	90,878

19 PAYABLES (cont'd)

The currency exposure profile of trade payables is as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Ringgit Malaysia	**33,808**	76,793	**33,154**	75,826
US Dollar	**5,140**	5,590	**4,718**	5,028
Singapore Dollar	**113**	613	**0**	0
New Zealand Dollar	**0**	10	**0**	0
	39,061	83,006	**37,872**	80,854

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.

20 SHORT TERM BORROWINGS (UNSECURED AND INTEREST BEARING)

	Group and Company	
	2006 RM'000	2005 RM'000
Unsecured and interest bearing:		
Bankers acceptances	**5,002**	0

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

	Group and Company	
	2006 RM'000	2005 RM'000
Bankers acceptances	**4.15 to 4.27**	0

The short-term borrowings are denominated in Ringgit Malaysia.

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 contributions have been paid, the Group has no further payment obligations.

(b) Defined benefit plan

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

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

The latest actuarial valuation of the plan as at 31 December 2006 was carried out on 16 March 2007.

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

	Group		Company	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
At 1 January	**2,292**	1,732	**2,292**	1,732
Charged to the income statement	**689**	623	**689**	623
Contributions and benefits paid	**(298)**	(63)	**(298)**	(63)
At 31 December	**2,683**	2,292	**2,683**	2,292

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

	Group		Company	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
At 31 December				
Present value of funded obligations	**4,450**	4,411	**4,450**	4,411
Fair value of plan assets	**(1,124)**	(941)	**(1,124)**	(941)
Status of funded plan	**3,326**	3,470	**3,326**	3,470
Unrecognised actuarial loss*	**(413)**	(718)	**(413)**	(718)
Unrecognised transitional liability*	**(230)**	(460)	**(230)**	(460)
Liability in the balance sheet	**2,683**	2,292	**2,683**	2,292

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

21 POST-EMPLOYMENT BENEFIT OBLIGATIONS (cont'd))

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

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current service cost	**221**	208	**221**	208
Interest cost	**285**	258	**285**	258
Expected return on plan assets	**(60)**	(85)	**(60)**	(85)
Actuarial gain recognised during the financial year	**13**	12	**13**	12
Amortisation of transitional liability	**230**	230	**230**	230
Total defined benefit retirement plan	**689**	623	**689**	623
Defined contribution retirement plan	**4,172**	3,988	**2,175**	2,047
Total included in staff cost (Note 6)	**4,861**	4,611	**2,864**	2,670

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

	Group		Company	
	2006	**2005**	**2006**	**2005**
	%	**%**	**%**	**%**
At 31 December				
Discount rates	**6.0**	6.5	**6.0**	6.5
Expected return on plan assets	**6.5**	7.0	**6.5**	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

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Actual return on plan assets	**232**	(23)	**232**	(23)

22 FINANCE LEASE LIABILITIES

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

	Group and Company	
	2006	**2005**
	RM'000	**RM'000**
Minimum lease payments:		
Repayable within 12 months	**377**	351
Repayable after 12 months		
- between 1 and 2 years	**100**	344
- between 2 and 5 years	**0**	102
	477	797
Future finance charges on finance leases	**(19)**	(72)
Present value of the finance lease liability	**458**	725
Current (Note 19)	**366**	314
Non-current	**92**	411
	458	725

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	
	2006	**2005**
	RM'000	**RM'000**
Ordinary shares of RM1.00 each:		
Authorised:	**100,000**	100,000
Issued and fully paid:		
At 1 January and 31 December	**60,402**	60,402

24 FINANCIAL INSTRUMENTS

(a) Fair values

There is no disclosure of fair values for investments in subsidiaries and associates as they are excluded from FRS 132 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.

The related party transactions described above were carried out on terms and conditions obtainable in transactions with unrelated parties.

The significant related party transactions are as follows:

Related party	Relationship	2006 RM'000	2005 RM'000
Purchase of goods from:			
- Advantage System Sdn. Bhd.	An associate of the company	**1,248**	2,064
Sales of goods/services to:			
- Advantage System Sdn. Bhd.	An associate of the company	**5**	3

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	2006 RM'000	2005 RM'000
Payables:			
- Advantage System Sdn. Bhd.	Purchase of goods	**130**	611

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 CAPITAL COMMITMENTS

Capital expenditure not provided for the financial statements are as follows:

	Group and Company	
	2006 RM'000	2005 RM'000
Authorised by the Directors and contracted	**4,410**	0
Analysed for:		
- property, plant and equipment	**4,410**	0

28 CHANGES IN ACCOUNTING POLICIES AND ADOPTION OF NEW AND REVISED FRS

(a) FRS 3: Business Combination, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138.

(i) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as consolidation reserve)

Under FRS 3, any excess of the Group's interest in the new fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss. In accordance with transitional provisions of FRS 3, the consolidation reserve as at 1 January 2006 of RM40,000 was derecognised with a corresponding increase in retained earnings.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The impact on the Group's financial statements in particular the Group's retained earnings as at 1 January 2006 is detailed in Note 29.

28 CHANGES IN ACCOUNTING POLICIES AND ADOPTION OF NEW AND REVISED FRS (cont'd)

(b) FRS 101: Presentation of Financial Statement

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

Prior to 1 January 2006, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates accounted for using equity method are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

These changes in presentation have been applied retrospectively and has no impact on the Group's financial statements.

29 PRIOR YEAR ADJUSTMENT

	As previously reported RM'000	Revenue recognition adjustment (Note 29(a)) RM'000	Adoption of FRS 3 (Note 28(a)) RM'000	As restated RM'000
Group				
Income Statement for the year ended 31 December 2005				
Revenue	331,168	(8,675)	0	322,493
Profit from operations	25,568	(1,403)	0	24,165
Profit before tax	25,334	(1,403)	0	23,931
Taxation	(7,420)	392	0	(7,028)
Profit after tax	17,914	(1,011)	0	16,903
Earnings per share (sen)	28.82	(1.68)	0	27.14
Balance Sheet				
Inventories at 31 December 2005	10,463	16,470	0	26,933
Receivables at 31 December 2005	171,511	(20,014)	0	151,497
Retained earnings at 1 January 2005	82,760	(1,542)	0	81,218
Retained earnings at 1 January 2006	92,700	(2,553)	40	90,187
Capital reserve on consolidation at 1 January 2006	40	0	(40)	0

29 PRIOR YEAR ADJUSTMENT (cont'd)

	As previously reported RM'000	Revenue recognition adjustment (Note 29(a)) RM'000	Adoption of FRS 3 (Note 28(a)) RM'000	As restated RM'000
Company				
Income Statement for the year ended 31 December 2005				
Revenue	319,397	(8,675)	0	310,722
Profit from operations	23,379	(1,403)	0	21,976
Profit before tax	23,040	(1,403)	0	21,637
Taxation	(6,837)	392	0	(6,445)
Profit after tax	16,203	(1,011)	0	15,192
Balance Sheet				
Inventories at 31 December 2005	7,308	16,470	0	23,778
Receivables at 31 December 2005	169,055	(20,014)	0	149,041
Retained earnings at 1 January 2005	80,983	(1,542)	0	79,441
Retained earnings at 1 January 2006	89,720	(2,553)	0	87,167

(a) The Company had identified transactions in respect of which certain amounts were recognised as revenue during the financial year ended 31 December 2005 for which significant risks and rewards of ownership had only transferred during the current financial year ended 31 December 2006.

The Board of Directors had subsequently initiated a review of the Group's and Company's revenue recognition processes. Arising from this, the Group's and Company's prior year financial statements have been restated to reflect the recognition of revenue in the appropriate year.

30 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 16 April 2007.

PROPERTIES OWNED BY THE GROUP
AS AT 31 DECEMBER 2006

Address	Description	Usage	Tenure	Terms of Tenant's leases or under leases	Approximate age	Net Book Value (RM'000)
HS(D) 65056, PT 12204, Mukim Damansara, Daerah Petaling, Selangor (1A, Jalan SS16/1, 47500 Subang Jaya)	Commercial Land comprising a 15-storey Office Building	Office Building	Freehold	Nil	Thirteen (13) Years	36,445
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	Six (6) Years	26
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	Six (6) Years	271
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	Six (6) Years	9,711

SHAREHOLDING STATISTICS

SHAREHOLDING STRUCTURE
as at 30 March 2007

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

ANALYSIS OF SHAREHOLDINGS
as at 30 March 2007

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	13	0.51	510	0.00
100 – 1,000	1,362	52.89	1,313,900	2.18
1,001 – 10,000	1,037	40.27	3,926,153	6.50
10,001 – 100,000	126	4.89	2,967,700	4.91
100,001 – 3,020,100 (Less than 5% of issued shares)	31	1.21	24,231,356	40.12
3,020,101 and above (5% and above of issued shares)	6	0.23	27,962,381	46.29
TOTAL	**2,575**	**100.00**	**60,402,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS (Excluding Bare Trustees & Deemed Interests)
as at 30 March 2007

No.	Names	Direct Shareholdings	%
1	Amanah Raya Nominees (Tempatan) Sdn Bhd <Skim Amanah Saham Bumiputera>	7,229,823	11.97
2	Fathil Sulaiman Bin Ismail	4,887,439	8.09
3	Hor Yee @ Ho Cheong Fatt	4,328,940	7.17
4	Employees Provident Fund Board	4,219,500	6.99
5	Permodalan Nasional Berhad	3,884,626	6.43
6	Safiah Sulaiman Binti Ismail	3,412,053	5.65

DIRECTORS DIRECT & DEEMED INTERESTS
as at 30 March 2007

No.	Names	Direct Shareholdings	Deemed Interest	%
1	Wan Mohd. Fusil Wan Mahmood	2,225,940	1,750,000 [1]	6.58
2	Mohd. Puzi Ahamad	1,867,940	2,181,000 [2]	6.70
3	Dato' Wan Abdullah Mohamad	28,000	0	0.05
4	Nor Hayati Mohd. Kasim	0	0	0.00
5	Chung Thian Sinn	0	0	0.00
6	Voon Seng Chuan	0	0	0.00
7	Zaiton Mohd. Hassan	0	0	0.00
8	Fathil Sulaiman Ismail	4,887,439	0	8.09

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

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

30 LARGEST SHAREHOLDERS
as at 30 March 2007

No.	Names	Holdings	(%)
1	Amanah Raya Nominees (Tempatan) Sdn Bhd <Skim Amanah Saham Bumiputera>	7,229,823	11.97
2	Fathil Sulaiman bin Ismail	4,887,439	8.09
3	Hor Yee @ Ho Cheong Fatt	4,328,940	7.17
4	Employees Provident Fund Board	4,219,500	6.99
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 <Amanah Saham Malaysia>	2,071,100	3.43

30 LARGEST SHAREHOLDERS
as at 30 March 2007 (cont'd)

No.	Names	Holdings	(%)
11	Malaysian Assurance Alliance Berhad (As Beneficial Owner)	2,028,400	3.36
12	CIMB Trustee Berhad <Mohd. Puzi Ahamad>	2,000,000	3.31
13	Amanah Raya Nominees (Tempatan) Sdn. Bhd. <Amanah Saham Didik>	1,721,000	2.85
14	CIMB Trustee Berhad <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 <Amanah Saham Wawasan 2020>	675,200	1.12
18	AllianceGroup Nominees (Tempatan) Sdn Bhd <Wan Mohamed Fusil Wan Mahmood >	550,000	0.91
19	Low Kong Boo	440,000	0.73
20	HSBC Nominees (Tempatan) Sdn. Bhd. <Nomura Asset Management Sg For Employees Provident Fund>	415,200	0.69
21	Ho Wai Kok	307,000	0.51
22	Wong Ta Nooy @ Wong Keng Yong	304,000	0.50
23	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Mayban Dana Yakin)	300,000	0.50
24	RHB Capital Nominees (Tempatan) Sdn Bhd <Pledged Securities Account For Noor Azman @ Noor Hizam bin Mohd Nurdin>	300,000	0.50
25	Ho Wai Hoe	280,000	0.46
26	Neoh Choo Ee & Company, Sdn Berhad	230,000	0.38
27	Nor Hayati Binti Abd Malik	227,000	0.38
28	Lim Poh Tiong	220,000	0.36
29	Citicorp Nominees (Tempatan) Sdn Bhd <Pledged Securities Account For Wan Mohamed Fusil Wan Mahmood>	200,000	0.33
30	Citicorp Nominees (Tempatan) Sdn Bhd <Pledged Securities Account For Mohd. Puzi Ahamad>	181,000	0.30

NOTICE IS HEREBY GIVEN that the Twenty Fifth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Thursday, 14 June 2007 at 2.30 pm for the following purposes:

Agenda

1. To receive and adopt the Audited Accounts for the year ended 31 December 2006 together with the Reports of Directors and Auditors thereon. **Resolution 1**
2. To approve a First and Final Gross Dividend of 19% less tax, for the year ended 31 December 2006. **Resolution 2**
3. To approve Directors' Fees for the year ended 31 December 2006. **Resolution 3**
4. To re-elect the following Directors retiring pursuant to Article 104 of the Company's Articles of Association:
   i. Dato' Wan Abdullah Mohamad **Resolution 4**
   ii. Mohd Puzi Ahamad **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
15 May 2007

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
3. All forms of proxy must be deposited at the Company's Share Registrar's Office at Symphony Share Registrars Sdn. Bhd., 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 authorise the Directors of the Company to allot and issue up to ten per cent (10%) of the issued capital of the Company for the 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 113 of this Annual Report, the Directors standing for re-election are:

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

   i. Dato' Wan Abdullah Mohamad

   ii. Mohd Puzi Ahamad

   Zaiton Mohd Hassan is retiring at the forthcoming Annual General Meeting and is not offering herself for a re-election.

2. Details of Board Meetings and the attendance of Directors at those meetings are as stated on page 49.

3. The Twenty Fifth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Thursday 14 June 2007 at 2.30 pm

4. Details of the Directors standing for re-election are as stated in the Directors' profile column in pages 22 to 25. Their Securities holdings in the Company are as stated on page 111.

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 27% will be paid on 7 July 2007 to shareholders whose names appear in the Record of Depositors on 20 June 2007.

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 pm on 20 June 2007 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
15 May 2007

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 Fifth Annual General Meeting of the Company, to be held on Thursday, 14 June 2007 at 2.30 pm 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 must 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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