Mesiniaga

HELPING CUSTOMERS SUCCEED

ANNUAL REPORT **2014**

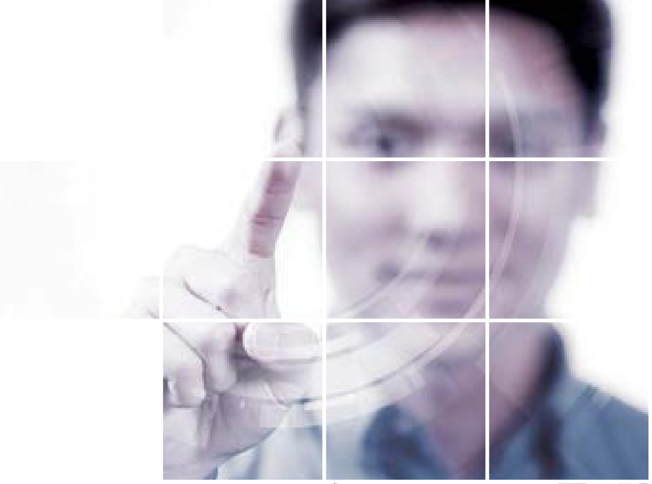
HELPING CUSTOMERS

>\SUCCEED

As we recognise the uncompromising IT industry characterised by the relentless cycle of innovation and commoditisation, we continuously evolve ourselves to offer unique end-to-end solutions and services with greater value. This year's annual report "Cube" cover page resembles a Rubik's cube that depicts our transformational journey which remains adaptive to the needs of our customers' business challenges.

The icons depict our customers in their respective industries, and the key solutions that we offer. A Rubik's cube could form billions of formations; hence we see infinite potential for our products, services and other capabilities to be revolutionised and integrated into solving the IT challenges of our customers. In helping customers succeed, our transformation fulfils the endless possibilities of business for ourselves, as well as for our customers.


Mesiniaga



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OUR VISION

TO BE THE MALAYSIAN IT PARTNER OF CHOICE

OUR MISSION

HELPING CUSTOMERS SUCCEED

33rd ANNUAL GENERAL MEETING

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

TIME
Tuesday,
16 June 2015
2.30PM

Corporate Profile

Mesiniaga has been in the technology business for more than three decades. We started out as a company selling IBM office products and have now evolved into a multi-platform business solutions provider with a paid-up capital of RM60.4 million. Within the last 30 years, the technology landscape has changed tremendously. New trends have emerged resulting in a sea of change in the way companies do business. Across the board, companies these days are constantly on the lookout for solutions that will give them an edge over their competitors. As such, we are constantly striving for ways to provide our customers with an experience that will allow them to achieve their business objectives.

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

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

We believe that the strategies implemented for driving customer business performance and enhancing customer satisfaction will ultimately translate into improving our own business performance. This will allow us to reward our shareholders for their faith in us. In order to fulfil this promise, we have also made a commitment to improve our productivity yield. We are now a group of more than 900 employees. We have invested significantly in developing measurements over our resource utilisation because it is imperative that all our resources are employed to their most optimum potential.

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

Leading Partnership Status

- IBM Premier Partner
- Microsoft Gold Partner
- Cisco Gold Partner
- Symantec Silver Partner
- Juniper Elite Partner
- Trend Micro Affinity Platinum Partner
- VMware Premier Partner
- Oracle Gold Partner
- HP Gold Partner
- Hitachi Data Systems Gold Partner
- Huawei Gold Partner
- Commvault Platinum Partner
- Alcatel – Lucent Advanced Partner
- Procera Networks Inc. Authorised Partner
- Cistera Networks Authorised Partner
- Open Text (Asia) Pte. Ltd. Authorised Partner
- I-Sprint Authorised Partner
- Lenovo Tier 2 Partner

Incorporated on
17th December 1981

Paid up capital of
RM60.4 million

Listed on Bursa Securities (Main Market) on
17th November 1999

Staff strength of more than
900 employees

Delivering Value with End-to-End ICT Solutions and Services

CONCEPT

- **We empathise and facilitate business discussions** with customers to understand their business challenges and needs.
- **We identify opportunities** using proven methods: **Root Cause Identification, Business Impact Analysis & Investment Analysis.**
- Results of these recommendations are presented as a **Concept Proposal.**

DESIGN & BUILD

We implement comprehensive **Systems Integration** solutions from IT **Architecture** to **cutting-edge solutions:**

- Enterprise Architecture
- Network Infrastructure
- Cloud Computing Services
- Custom Applications
- Niched & Productised Solutions
- Business Analytics & Big Data
- Enterprise Mobility
- Security & Advanced Computing Services
- Disaster Recovery & Business Continuity Planning
- Project Management

MANAGE & SUPPORT

We provide various ICT services to **operate or augment IT operations:**

- IT Managed Services, IT Outsourcing
- Managed Network Services
- Managed Security Services
- Business Process Outsourcing
- Maintenance and Support Services

Our services meet the IT Infrastructure Library (ITIL) best practices, the de-facto-standard in service management.

Headquarters

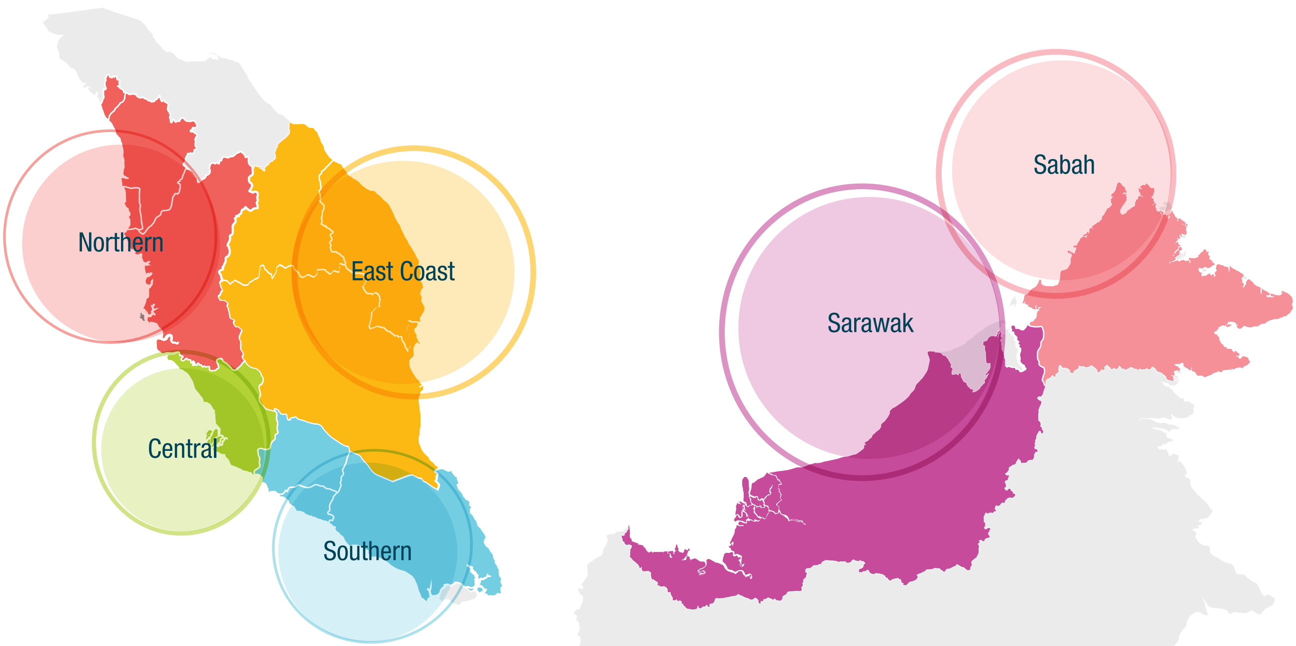
SUBANG JAYA

Key Office Locations

- Mesiniaga Alliances, Bangsar South
- Mesiniaga Warehouse, USJ, Subang Jaya
- Mutiara Mesiniaga, Pulau Pinang
- Mesiniaga Johor Bahru

41

nationwide service locations



Northen Region	Central Region	Southern Region	East Coast	Sarawak	Sabah
Alor Setar	Subang Jaya	Seremban	Kota Bharu	Kuching	Kota Kinabalu
Langkawi	Kuala Lumpur	Melaka	Kuala Terengganu	Sibu	Sandakan
Kangar	Petaling Jaya	Muar	Kerteh	Miri	Lahad Datu
Sungai Petani	Shah Alam	Batu Pahat	Kuantan	Limbang	Labuan
Kulim	Putrajaya	Segamat	Raub	Sri Aman	Tawau
Pulau Pinang	Bangi	Johor Bahru	Temerloh	Bintulu	
Butterworth	Klang				
Seberang Jaya					
Taiping					
Ipoh					
Teluk Intan					

>> Corporate Information

BOARD OF DIRECTORS

- **Datuk Wan Mohamed Fusil**
  (Chairman and Executive Director)
- **Mohamed Fitri Abdullah**
  (Managing Director)
- **Mohd Puzi Ahamad**
  (Chief Financial Officer)
- **Fathil Ismail**
- **Voon Seng Chuan**
- **Abdul Talib Baba**
- **Wong Fook Hon**
- **Dato' Ab Rashid Mat Adam**
- **Ir. Dr. Muhamad Fuad Abdullah**

NOMINATION AND REMUNERATION COMMITTEE

VOON SENG CHUAN *(Chairperson)*
WONG FOOK HON
IR. DR. MUHAMAD FUAD ABDULLAH

AUDIT AND RISK MANAGEMENT COMMITTEE

ABDUL TALIB BABA *(Chairperson)*
WONG FOOK HON
DATO' AB RASHID MAT ADAM

INVESTMENT COMMITTEE

VOON SENG CHUAN *(Chairperson)*
MOHD PUZI AHAMAD
WONG FOOK HON
FATHIL ISMAIL

COMPANY SECRETARY

JASNI ABDUL JALIL *(MACS 01359)*

COMPANY REGISTRATION NUMBER

79244-V

REGISTERED OFFICE

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

AUDITORS

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

PRINCIPAL BANKERS

CITIBANK BERHAD
STANDARD CHARTERED SAADIQ BERHAD
MAYBANK BERHAD
HSBC AMANAH MALAYSIA BERHAD

SHARE REGISTRAR

SYMPHONY SHARE REGISTRARS SDN. BHD.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7849 0777
Fax : 03-7841 8151

STOCK EXCHANGE LISTING

Main Market of BURSA SECURITIES

>> Corporate Structure

Mesiniaga

51%

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

100%

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

100%

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

100%

MESINIAGA SERVICES SDN. BHD.
Dormant.

100%

MESINIAGA MSC SDN. BHD.
Dormant.

100%

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

100%

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

>> Chairman's and Managing Director's Joint Statement

DATUK WAN MOHAMED FUSIL
Chairman

MOHAMED FITRI ABDULLAH
Managing Director

<!Chairman's and Managing Director's Joint Statement>
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>> The management strategically embarked on expanding its service portfolio beyond infrastructure related services comprising of managed services, security services, software development including our own niche software solutions while also diversifying our business into different sectors beyond the Public Sector.

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DEAR VALUED SHAREHOLDERS,

BUSINESS ENVIRONMENT AND GROUP FINANCIAL OVERVIEW

The global economic environment in 2014 experienced a small recovery after the economic slowdown of China and the Eurozone in 2013. Malaysia experienced a stronger growth trajectory with improved export performance supported by resilient domestic demands. This was evident when the Malaysian economy registered GDP growth of 6%, surpassing the Government's forecast growth of 5.5% for 2014, and an acceleration from 4.7% in 2013. Domestic economic activities were strengthened with greater private investments and steady consumption spending. Private investment amounted to RM78.7 billion in the first half of 2014 with its share in total investment increasing to 68.9%, from 60.5% in 2013*. Despite this increase, the ICT enterprise market growth has been slower with corporate customers becoming more careful in their ICT spending due to ongoing uncertainties of the global economy**.

Mesiniaga had a very challenging financial year in 2014 with revenue of RM256.3 million, a decline of 8.9% compared to 2013, and a net before tax (NBT) loss of RM31.2 million compared to a NBT loss of RM2.8 million for the previous year. The loss incurred in 2014 was attributed mainly to additional costs of RM25 million incurred in ensuring delayed projects were successfully delivered, lower revenue of RM23.8 million primarily from the Public sector and a one-off provision in doubtful debt of RM3.8 million.

COMPANY BUSINESS STRATEGY

Since 2011, the management identified 2 major enterprise risks that Mesiniaga faced going forward; we were mainly providing infrastructure system integration services which global trends illustrated were declining, and our business was overly dependent on the Public Sector whose government budgets for IT infrastructure were also being reduced. As such, the management strategically embarked on expanding its service portfolio beyond infrastructure related services comprising of managed services, security services, software development including our own niche software solutions while also diversifying our business into different sectors beyond the Public Sector. The management also established a concept proposal unit to enhance our business approach in ensuring that we deliver the necessary business impact throughout our project implementation and engagement with customers. Hence, this initiative supports our mission of Helping Customers Succeed whilst differentiating ourselves against our competitors.

* *MOF Economic Report 2014/2015 – Economic Management and Prospects*

** *Business Monitor International Malaysia Information Technology Q4 2014*

2014 BUSINESS REVIEW

We secured 2 major software related projects as part of our strategy (the first project began in middle of 2012, while the second project in middle of 2013) but discovered our lack of experience in managing and delivering large-scale software projects exposed several weaknesses especially in scope management. At the end of 2013, both of these projects were in trouble and delayed requiring a substantial effort to recover, leading to an escalation in cost that significantly impacted our 2014 financials. We chose to persevere and recover both of these projects to fulfil customer expectations whilst maintaining the reputation of Mesiniaga as a company that always deliver on its promises to its customers. We have always had an applications development capability but additional skills are needed for large scale software development projects. As part of recovering both of these projects, we hired a very experienced software business leader with hands-on technical experience to head our overall software development division in early 2014. Furthermore, we have since acquired and expanded our skill sets to meet the demands of both of these projects and beyond. Both projects are on track for successful completion in Q2 of this year, keeping our reputation intact for the future.

There were many lessons from these projects and their subsequent recovery which included instituting a formal management process for bid management in early Q2 last year, stronger project management discipline and team, acquiring personnel with strong software development skills and experiences, proactive project reviews, only bidding for projects that we have strong knowledge on the scope, while having the right capabilities and competencies. We have since successfully delivered several software related projects that we won, and the rest are on track for successful delivery later this year.

Our Public Sector business has been in downturn for several years. Five years ago, about 60% of our revenue were coming from this sector. It has since been reduced to 20% last year. This was due to a reduction in expenditure by the Public Sector last year (the federal government's total expenditure as a percentage of GDP fell further from 25.7% in 2013 to 24.4% in 2014***). We predicted this outcome; therefore, were prepared for this risk by focussing on our Public Sector business and aggressively expanding into other sectors for some years now. The Public Sector sales team was revamped in Q2 last year with new leadership resulting in improvements in customer engagement and business funnel. We expect a small recovery this year despite the tighter budget by the government. The growth in other business areas has not fully compensated for the decline in Public Sector business but we believe that this can be achieved over time. In line with our strategy to grow beyond Public Sector, we achieved a growth of 20% last year in the Government Linked Companies (GLC) sector contributing to about 10% of overall company revenue. We foresee this growth trend to continue this year given our stronger customer engagement, business funnel and enhanced team capabilities.

*** *MOF Economic Report 2014/2015 – Public Sector Finance*

The telecommunication sector contributed 40% of overall revenue last year. We managed to secure renewals for the next 5 years for the Telekom Malaysia Marvel IP Core project valued at RM90 million in June and the Telekom Malaysia IP Core Extension with a contract value of RM133 million in August 2014. The Telekom Malaysia Marvel IP Core project is currently in final testing phase where major network roll-outs are expected during the second half of this year. Mesiniaga as the incumbent IP Core provider for Telekom Malaysia for the central and southern region is well positioned to benefit from the recent announcement in February this year on the award of the HSBB2 (RM1.8 billion) and the SUBB (RM1.6 billion) projects from the government to Telekom Malaysia covering a deployment period of the next ten years. We also increased our customer engagement proactively with other telecommunication companies since middle of last year when we hired 2 senior personnel from the telecommunication industry as subject matter experts (SME). They helped us to secure several new projects recently beyond our traditional networking and computing infrastructure related projects.

In 2014, we continued to focus on building up our businesses in other sectors covering financial services, manufacturing, healthcare, property development and oil & gas when taken together contributed the remaining 30% of the Group's revenues. We have developed specific solution capabilities in ICT Consulting specifically for property development and also developed our own Connected Communities solution. These solutions allowed us to win several projects last year and early this year while seeing increasing interest from the market. We plan to have more industry specific business solutions as we engage with the Enterprise Business segment to differentiate against our competitors.

Besides key focus on infrastructure related products and solutions for computing and networking, we restructured our Managed Services team with new leadership as part of strengthening our capabilities in Managed Services for IT Operations. We currently serve 6 existing customers. We enhanced our security services where we planned to launch our Managed Security Operations Centre (SOC) offerings in mid-2015 and Managed Network Operations Centre (NOC) services later in the year, leveraging on 2 existing customers. We see Managed services as a key focus area for us given its higher margins, multi-year annuity business, and ability to upsell into the existing clients.

We experienced an impairment of RM5 million (RM3.8 million from provision of doubtful debt and RM1.2 million for miscellaneous costs) last year from gaps in business controls. We have reviewed each of the causes and have since revamped our business processes to ensure we run a much tighter operation to avoid similar future leakages.

<!Chairman's and Managing Director's Joint Statement>
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>> We have developed specific solution capabilities in ICT Consulting specifically for property development and also developed our own Connected Communities solution. These solutions allowed us to win several projects last year and early this year while seeing increasing interest from the market.

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In the first quarter of 2014, we transformed our HR division to be more efficient and strategic in developing our human capital needs. Sustaining a high engagement level among our employees is imperative in driving towards a high performance organisation. Hence, we institutionalised structured two-way communication programmes such as Coffee Sessions and Town Halls. We improved performance management by developing a new system called MyMesiniaga Commitment (MMC) to ensure Group's KPI are structurally cascaded to all employees in an effective manner. To drive staff cost efficiency, we embarked on a stringent recruitment process, partial hiring freeze and redeployment of existing employees. Outstanding employees are rewarded through our Mesiniaga Award for High Achievers (MAHA) programme, while those with leadership potential would be identified and included into the Mesiniaga Unique and Talented Individuals Aspiring for Remarkable Achievements (MUTIARA) programme. These top talents are nurtured to lead our company in the future. In the overall Employee Engagement Survey (EES) for 2014, we have improved by 1 percentage point as compared to 2012.

<!Chairman's and Managing Director's Joint Statement>
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>> Sustaining a high engagement level among our employees is imperative in driving towards a high performance organisation.

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BUSINESS RECOVERY PLAN

In order to address key challenges faced by the Group, the management has formulated a business recovery plan that encompasses the following strategies as per below:

1. **Sales Transformation** to significantly improve our overall sales process comprising segment sales, product sales, pre-sales in order to strengthen customer engagement, higher quality proposals, stronger sales pipeline while further improving ROI in terms of higher win rate, larger deal size and margins and reducing our overall sales costs. We are planning a business benefit of RM3 million to RM4 million this year and growing this to RM5 to RM8 million in subsequent years.

2. **Drive up revenue and margin growth** with stronger products and solutions portfolio with stronger differentiation, innovation, new technology areas and go-to-market, and focus on key business growth areas in managed services, deeper focus on telecommunication industry and software development business to drive up business growth of 5% to 6% annually.

3. **Stronger Business Controls** from sales process, delivery, contracts management, collections, risk and financial management for cost avoidance of between RM3 million to RM5 million annually.

4. **Cost Management** initiatives that include rightsizing our workforce, driving down costs and expenses of our operations by 8% to 10% with real savings target of RM5 million this year and RM10 million next year.

5. **Strengthen delivery capabilities, processes and methodologies** to ensure competitiveness and differentiation in the market, while consistently deliver projects in a cost effective manner to reduce delivery costs by 2% - 3% or RM5 million to RM8 million annually.

As part of our sales transformation plan, we have recently restructured our overall sales teams and sales processes, as well as instituted stronger management systems. This is to ensure stronger customer engagement, improve win rates, reduced effort and sales efficiencies in the selling process, and improved targeting of opportunities while balancing with overall sales costs. We are planning a business benefit (increasing business wins while reducing our cost of sales) of between RM3 million to RM4 million this year and growing this to RM5 million to RM8 million in subsequent years.

We have also strengthened our products team in order to have more differentiated products and solutions portfolio. This also reduces the cost of selling and can be used to increase win rates and margins. In the process of driving products and solutions differentiation, we have started developing our own Intellectual Property (IP) products. Such products command high margins but involve investment risk and time to grow its presence in the market. Our Connected Communities solution is a good example of such IP. We also embarked on development of new products in new technology growth areas such as Mobility with our own field force solution. Success in this area will contribute significantly to profits and sales win rates.

The decline in our Public sector business since 2011 was about RM30 million in added value. Such a decline is difficult to recover quickly; hence, the declining results from 2013. We had expected a recovery in the Public sector business in 2014 but this did not materialise. Therefore, we have now implemented a business recovery plan that places less reliance on the Public sector business by identifying key business growth areas in managed services, deeper telecommunication focus, and stronger focus in software development.

As mentioned earlier, margins in hardware and infrastructure integration continue to drop through stiff competition in a more commoditised market. There is still however substantial demand for such services and we are a trusted brand name with a good track record in the Malaysian market. Our strategy is to be more competitive in the market by improving our value proposition in each area of the products and solutions. We have been utilising the same delivery processes for many years and inflation in the cost of staffing has made us less competitive over time. We are working on improving our delivery processes (including a more optimised permanent versus contract employees ratio) to reduce the cost of delivery. We plan for a 2% to 3% improvement in operating margins initially, that should translate into a RM5 million to RM8 million growth in profits annually.

<!Chairman's and Managing Director's Joint Statement>
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>> For this year, key emphasis will be to further strengthen our project management and software engineering capabilities. We will also emphasise on business controls to minimise our overall enterprise risks and business leakages.

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We restructured our organization recently to align with our new business focus areas by removing several layers of management in order to make us more agile and lean. Since early this year, we have undertaken several cost management initiatives including the Resource Restructuring Programme (RRP) to optimise our workforce. This will generate a saving of RM5 million this year, and RM10 million next year.

We will continue to invest and strengthen the delivery capabilities and processes of the organisation to ensure competitiveness and differentiation in the market, executing in a cost effective manner, and preventing any troubled projects in the future.

In November 2014, we rolled out 2 major applications, Clarizen and ServiceNow in improving efficiency of project management, service delivery and enhancing our customer satisfaction index (CSI). This was made evident by the 2014 CSI survey where we had an improvement of 3 percentage points compared with 2013. We target to further improve by 4 percentage points in 2015.

We have made Helping Customers Succeed as our mission with our customers to ensure we deliver the necessary business impact and positive customer experience throughout all our engagement. Our success is greatly dependent on our customers preferring us over other solutions integrator, and on us increasing our footprint in customer space. Customer experience is therefore a key business retention and growth agenda. We have made some good progress in 2014 after a drop in 2013, and we shall remain committed to further improve this and work towards offering the best customer experience in Malaysia. We will also continue to invest in a business oriented (concept proposal) approach to differentiate us against our competitors.

For this year, key emphasis will be to further strengthen our project management and software engineering capabilities. We will also emphasise on business controls to minimise our overall enterprise risks and business leakages, as we experienced a negative business impact of RM5 million last year on business leakages.

We feel that we have assembled a comprehensive business recovery plan to address the current business challenges we are facing today in the short term while returning us to previous levels of profitability in the next 2 to 3 years. Key success factors will be strong alignment and buy-in from the key stakeholders (employees, customers, partners, and shareholders) of the overall recovery plan and strong execution.

CORPORATE RESPONSIBILITY

The Group's foundation for all engagements with stakeholders is built on good business ethics and strong integrity. As with previous years, our commitment under the Mesiniaga CARE framework continued in 2014 with the Mesiniaga Academy programme successfully aiding many students from various Polytechnic Colleges around Malaysia to obtain relevant employment. As part of our community service, our social club, Kelab Islah dan Amal Mesiniaga (KIAM) organised various programmes such as visits and donations to the rural poor in Trong, Perak. KIAM and the Mesiniaga Club also collaborated in a successful donation drive to help colleagues affected by the devastating flood at the end of 2014.

FUTURE OUTLOOK AND PROSPECTS

The Malaysian economy in 2015 is expected to experience a slowdown in GDP growth, tightening of budget by the government, strengthening of the US Dollar, lower oil price, and the implementation of the Goods and Services Tax (GST) is anticipated to create a challenging business environment. Hence, in 2015, the Government will prioritise on progressing the economic transformation process to attain a more equitable and balanced growth in the medium and long term*. The effort from the Government to strengthen the private sector's role in the economy would see growth to be private sector led.

We anticipate a challenging first half of 2015 as we will need to incur additional costs for completing the delayed projects in Q2, lower business momentum, and one-time costs for rightsizing the workforce. We are working towards turning the company around in second half of this year driven by stronger business performance and lower cost structure of the Group. Given our financial position, the key focus for the management team will be to turn the company around financially in the soonest period possible while delivering promises to our customers consistently. We feel that we have a comprehensive business recovery plan to address the current business challenges we are facing today in the short term while returning us to previous levels of profitability in the next 2 to 3 years.

* *MOF Economic Report 2014/2015 – Economic Management and Prospects*

ACKNOWLEDGEMENTS

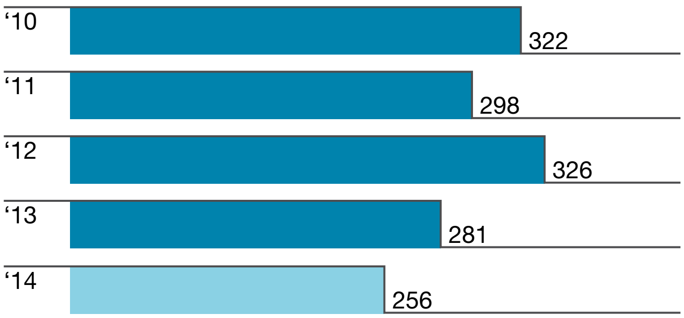
We would like to extend our greatest gratitude to our customers and business partners for their loyalty and continued support through these very challenging times for Mesiniaga. We would also like to extend our greatest gratitude to fellow members of the board for their valuable service and advice. To all employees, thank you for your dedication, loyalty, resilience in this tough business environment, and for being open to changes and challenges in ensuring that we turn Mesiniaga into a high performance company again. We would like to thank our shareholders for their patience as we continue to build a robust roadmap towards success for Mesiniaga in 2015 and beyond.

Datuk Wan Mohamed Fusil
Chairman

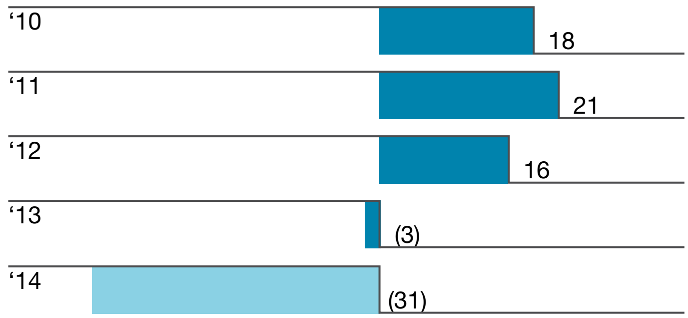
Mohamed Fitri Abdullah
Managing Director

>> Five-Year Performance Statistics

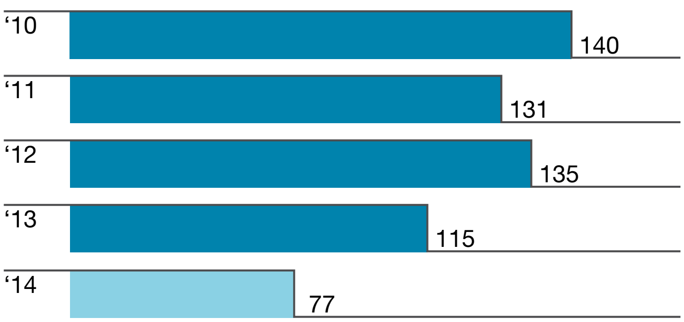
Revenue
(RM Million)



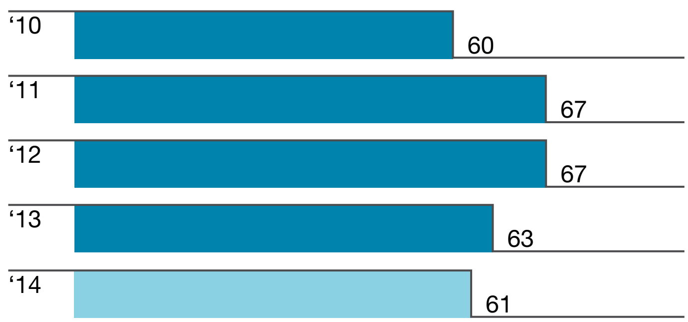
Profit Before Tax
(RM Million)



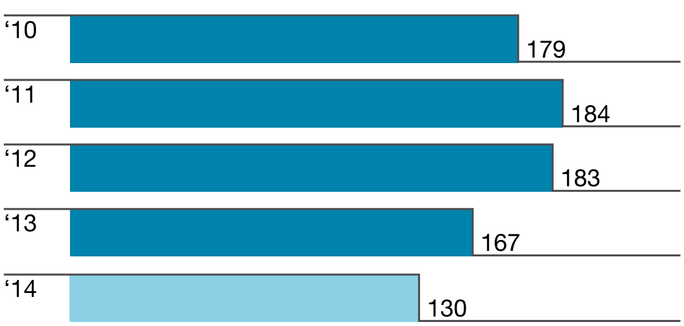
Net Current Assets
(RM Million)



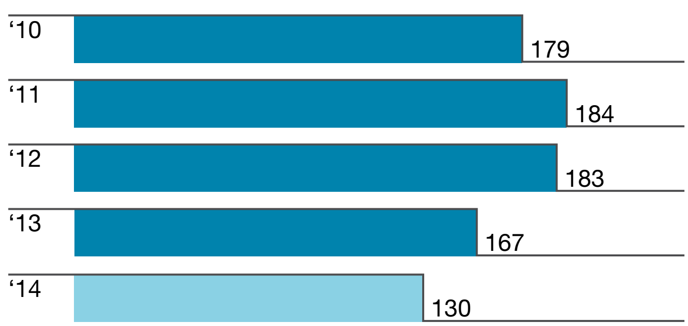
Fixed Assets
(RM Million)



Net Tangible Assets
(RM Million)



Shareholders' Equity
(RM Million)



>> Board of Directors

DATUK WAN MOHAMED FUSIL

AGED	POSITION
64	EXECUTIVE CHAIRMAN

Datuk Wan Mohamed Fusil was appointed to the Board on 17 December 1981 as part of the team who founded the company. He was elected Chairman of the Board on 14 June 2007. Datuk Wan Fusil was the Chief Executive Officer of Mesiniaga until 31 December 2007. Prior to joining Mesiniaga, Datuk Wan Fusil was with IBM Malaysia. During his tenure with IBM Malaysia, he served in various managerial positions. This included serving as Country Manager - Information Products Division. Datuk Wan Fusil is one of the first serving Board Members of Multimedia Development Corporation (MDeC) and is also one of the founding members of the Association of Computer and Multimedia Industry Malaysia (PIKOM). He has held several positions in PIKOM including serving as Councillor (1987), Deputy Chairman (1989-1991) and Executive Chairman (1991/92). Datuk Wan Fusil graduated with a Diploma in Accountancy from ITM (now known as UiTM).

MOHAMED FITRI ABDULLAH

AGED	POSITION
51	MANAGING DIRECTOR

Mohamed Fitri Abdullah was appointed to the Board on 1 January 2014 when he joined the company as Managing Director. He has over 25 years of experience in the ICT industry in both local and international settings. Within the past 12 years of his career, he held various senior leadership positions in several companies such as Maxis Berhad and Hewlett-Packard. His last position before joining Mesiniaga was with Maxis as Senior Vice President and Head of Maxis Business Services where he was responsible for the Corporate, Government, SME and wholesale business for Maxis. Fitri has a Bachelor of Science degree in Computer Science from Indiana State University, a Master of Science degree in Computer Science from Arizona State University and attended the Advanced Management Program from Harvard Business School in 2011.

MOHD PUZI AHAMAD RA (M), FCCA

AGED	POSITION
62	CHIEF FINANCIAL OFFICER AND EXECUTIVE DIRECTOR

Mohd Puzi Ahamad was appointed to the Board on 17 December 1981 as part of the team who founded the company. Prior to joining the company, he served with IBM Malaysia in various capacities over a seven-year period from 1974-1981. His last position with IBM Malaysia was Sales and Administration Manager. A trained accountant who graduated from ITM (now known as UiTM), Mohd Puzi is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) and a member of the Malaysian Institute of Accountants (MIA).

VOON SENG CHUAN

AGED	POSITION
56	INDEPENDENT NON-EXECUTIVE DIRECTOR

Voon Seng Chuan was appointed to the Board as a Non-Independent Non-Executive Director on 24 October 2000. On 1 April 2013, he was re-designated as an Independent Non-Executive Director. Since 1983, Voon has served with IBM Malaysia in various capacities starting with his first appointment as Marketing Representative. Since then, he held several key local and regional positions such as Country Brand Manager; General Manager for Channels Management, IBM ASEAN/South Asia; and Vice President for Business Partners, Sales and Marketing for IBM Asia Pacific. In January 2000, he became Managing Director of IBM Malaysia and Brunei. After which, he was assigned to IBM Asia Pacific headquarters to handle their headquarters organisation restructuring. His last role before retiring in 2010 was as Director for Mid-Market and Strategy for Asia Pacific. Voon holds a Bachelor of Science degree in Mathematics from Universiti Malaya.

FATHIL ISMAIL

AGED	POSITION
51	NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

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

ABDUL TALIB BABA RA (M), FCCA

AGED	POSITION
69	INDEPENDENT NON-EXECUTIVE DIRECTOR

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

WONG FOOK HON

AGED	POSITION
71	INDEPENDENT NON-EXECUTIVE DIRECTOR

Wong Fook Hoon was appointed to the Board on 1 August 2008. Wong started his career in IBM Malaysia as a Systems Engineer in 1970. Throughout his 29-year career in IBM Malaysia, Wong also expanded his work portfolio to include becoming the Director of Management Services and Director of Marketing. His last position in IBM Malaysia before retiring in 1999 was as the Director of Finance. Wong holds a Masters in Engineering in Aeronautics.

DATO' AB RASHID MAT ADAM DIMP

AGED	POSITION
65	INDEPENDENT NON-EXECUTIVE DIRECTOR

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

IR. DR. MUHAMAD FUAD ABDULLAH

AGED	POSITION
62	NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

Details of the Directors' membership in the Board Committees are listed in the *Corporate Information on page 8.*

>> **Senior**
Leadership Team

DATUK WAN MOHAMED FUSIL 01
Executive Chairman

Refer to profile on Board of Directors page.

MOHAMED FITRI ABDULLAH 02
Managing Director

Refer to profile on Board of Directors page.

MOHD PUZI AHAMAD 03
Chief Financial Officer

Refer to profile on Board of Directors page.

SUHAIMI SULONG 04
Director of Human Resources

Suhaimi Sulong joined the company in 2014 as Director of Human Resources. He brings with him over 15 years of experience in the HR industry which included successful development and implementation of strategic HR programmes on both local and international levels at Maxis, Proton Holdings Berhad and IBM. As the Head of Government Affairs at Maxis, he led government engagement initiatives in Maxis, while at Proton, he served as the Director of Group Human Resources and was responsible for driving the Human Resource Transformation framework which supported the company's initiatives towards becoming the leading Asian automotive company. Suhaimi graduated with a Diploma in Mechanical Engineering from ITM (now known as UiTM).

YEOW DAW SWEE

Chief Information Officer,
Process and IT

05

Yeow Daw Swee started his career with the company in 1982 as a Product Support Representative. After spending five years in the technical support area, he was promoted to Advisory Systems Engineer in 1988. In 1989, he was promoted to Technical Support Manager and subsequently to Country Support Manager in 1993. He was appointed General Manager for Services in 1997, responsible for the Technical Support and Services Business unit. He was then appointed Director of Marketing Services on 1 October 2000 where he was responsible for the solution units that eventually evolved into the Enterprise Solutions Division. Through several subsequent organisational restructuring his portfolio included Technology Research and Innovation; Solutions, Services and Technology; and Northern Region Sales. Yeow was appointed as the Director of Process and Information Office, Channel Management and Project Procurement in 2014 and in 2015, he was re-designated as the Chief Information Officer.

NASARUDDIN MOHD ZAINI

Sales Director,
Enterprise Business

06

Nasaruddin Mohd Zaini joined the company in 2014 as the Sales Director for Enterprise Business. He is responsible to secure wins, grow our business and establish strong sales funnel in the Enterprise Business sector. He brings with him over 25 years of experience in the corporate world, holding key positions in Maxis Berhad, Telekom Malaysia Info-Media Sdn Bhd, Alcatel-Lucent Malaysia Sdn Bhd, Siemens Communication Malaysia and Hewlett Packard Malaysia. Prior to joining Mesiniaga, he was the Head of Public Sector, GLC and Regional Business for Maxis Berhad. Nasar graduated with a Bachelor of Science in Computer Science from University of The Pacific, California. He also holds a Master of Science in Operations Research from Stanford University, California.

NORDIN MAT ISA

Sales Director,
Public Sector and Telco Business

07

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

>> **Awards** and Partnership Status

IBM Authorised Software
Value Plus Partner 2014

IBM 2014 Partner of the Year
Application Life Cycle

Cisco Public Sector Partner
of the Year 2014

VMware Partner Network Premier
Solutions Provider 2014 / 2015

We received a number of significant awards and partnership status throughout 2014. These accolades reflect our credible business performance and loyalty to our business partners.

Symantec Top Performing Partner
(Public Sector) 2014

HP Outstanding PPS Achievement
of USD1 Million 2014

TREND MICRO
Platinum Partner 2014

Lenovo Top System X Reseller
(January – September 2014) Metro Region

>> Company Happenings

2014 Kick Off

We held our Kick Off meetings in the beginning of the year to update employees on company performance and our direction for the year. The events were held at Sunway Resort Hotel & Spa and Eastin Hotel Penang for Klang Valley and Northern region employees respectively. Our high achievers and long-service employees were also recognised during these events in appreciation of their contributions to the company.

Mesiniaga 32nd Annual General Meeting (AGM)

Our 32nd AGM was held on 18 June 2014 at the Auditorium Ismail Sulaiman, Menara Mesiniaga. It was attended by more than 100 shareholders and proxies, with all members of the Board were in attendance.

Enhancing Employee Engagement

We are committed to enhancing employee engagement and establishing effective two-way communication through a structured communication programme between employees and the senior management. On top of Town Hall meetings, this year we also introduced weekly Coffee Sessions with the Senior Leadership Team, monthly Breakfast@ Mesiniaga events, monthly Round Table with MD sessions as well as the Managers Forum events. We also organised a Majlis Berbuka Puasa and a Hari Raya Open House in conjunction with the fasting month and Hari Raya Aidilfitri celebration respectively.

Honouring Employees Achievements

We organised lunch and dinner events recognising employees who achieved excellence in work delivery. The Hundred Percent Club (HPC) Award recognised employees who successfully achieved their quota and performed work beyond their capacity. Lunch events were organised for project team members to show appreciation and recognition of outstanding performance in ensuring successful project delivery.

Accelerating Your Journey from Visualisation to Cloud Seminar

We organised a seminar showcasing how Cloud Computing transforms and enhances the method of business conduct. The event was held on 13 March 2014 at The Gardens Hotel and Residences. We collaborated with VMware, Inc. in this event.

Move Beyond Infrastructure Maintenance Seminar

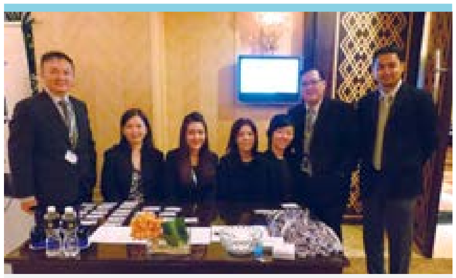
We partnered with Cisco Systems Malaysia to create awareness on Cisco's 'Unified Computing Systems' (UCS), Data Centre Solutions the 'Nexus Switching' and Network Virtualisation the 'Application Centric Infrastructure' (ACI). The seminar took place on 15 October 2014 at the Business Productivity Centre (BPC), Menara Mesiniaga.

Mesiniaga Values Workshop

The Mesiniaga Values Workshop was conducted on 23 June 2014. Selected employees were involved to propose and review a new set of values to support Mesiniaga's aspiration of becoming a high performance company.

Telekom Malaysia MARVEL IP Core Project Kick Off Ceremony

The Telekom Malaysia (TM) MARVEL IP Core project kick off ceremony was held in Pullman Kuala Lumpur Bangsar on 23 June 2014. Collaborating with Juniper Networks and Airstar Malaysia Sdn. Bhd, this project aims to transform TM's networking landscape into a more advance but simplified network.



Unlock the Power of Mobility Seminar

Partnering with VMware, Inc, and Jabra, we organised a seminar for our customers showcasing comprehensive mobility solutions that will boost workforce productivity as well as accelerate business performance to greater heights. Organised on 21 May 2014, this seminar was held at One World Hotel in Bandar Utama.

Transform Your Business with Mesiniaga Mobility Solutions Seminar

Held on 29 September 2014, Mesiniaga with VMware, Inc. jointly organised this seminar at the Auditorium Ismail Sulaiman, Menara Mesiniaga. This seminar was held to showcase Mesiniaga's Mobility Solutions to a team of enforcement officers from various highway operators. The event demonstrated how our mobility solutions can help improve accountability and effectiveness of their mobile workforce and assets.

MEDIA APPEARANCES IN 2014

2014 is its rebuilding and transition year

BY SULHI AZMAN

KUALA LUMPUR: Information and communications technology (ICT) provider Mesiniaga Bhd is optimistic it will return to profitability in financial year ending Dec 31, 2015 (FY15), with new business initiatives and cost-cutting measures implemented throughout this year, said its managing director Mohamed Fitri Abdullah.

"I see 2014 as a rebuilding and transition year for us as we implement new business initiatives to improve overall business fundamentals, customer engagement, costs, as well as enhance our capabilities and overall competitiveness. It is a challenging year. But I am optimistic our transformation efforts will bear fruits next year," Fitri told *The Edge Financial Daily*.

It is Fitri's first media interview since being appointed as Mesiniaga's head honcho on Jan 1. A computer science graduate, he was previously senior vice president and head of business services at telecommunications giant Maxis Bhd and Asian regional director for consulting and system integration for the communications industry at Hewlett-Packard.

Mesiniaga slipped to a net loss of RM7.64 million on revenue of RM281.01 million in FY13 on lower sales revenue from the public sector, in which it saw an average drop of 23% in revenue in the second half of that year. In its third quarter ended Sept 30, 2014 (3QFY14) results out last Thursday 2014, the group continued its losing streak with a net loss of RM4.99 million, compared with a profit of RM956,000 in 3QFY13, due to lower revenue — which was down 19.95% to RM60.21 million from RM75.22 million, primarily due to lower contributions from its public and government-linked companies sectors. This was exacerbated by additional costs incurred to ensure delayed projects were successfully delivered.

The significantly weaker quarterly result caused the company's nine months period (9MFY14) to register a net loss of RM10.33 million, compared to a net profit of RM2.48 million in 9MFY13.

"Our delayed projects are now on track for completion this year. Going into 2015, we have an estimated order book of RM300 million, about 1.3 times our annual revenue. We will need to improve this to about 1.5 times while increasing our recurring revenues," Fitri said.

Mesiniaga had in June and August this year announced that it has clinched two major contracts from Telekom Malaysia Bhd worth a combined RM222.91 million, which will last for five years.

On its topline growth plan for FY15, Fitri expects Mesiniaga's revenue to climb "into the higher single digit" from this year, with primary contributions from the telco industry and ICT services business.

Fitri said Mesiniaga will continue to strengthen its core infrastructure-related services, while also focusing on "vertical solutions" to expand its customer base into industries like financial services, property development, and oil and gas.

"Another key focus area for us will be project management skills, software development, and the development of new technical capabilities for new technology trends like cloud computing, mobility, big data and social media," he said.

Fitri added Mesiniaga is also making further inroads with its "Smarter Development Solutions" for the property sector.

It is also building up its overall mobility solutions suite, beginning with an end-to-end mobile workforce solution in which it hopes to secure new customers.

Fitri said the vertical and mobility solutions will have higher margins of between 30% and 40%, while he sees margins for ICT infrastructure-related services to drop over time.

Fitri is optimistic transformation efforts will bear fruit next year. Photo by Mohd Izwan Mohd Nazam

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THE EDGE MARKETS
MAKE BETTER DECISIONS

Monday, March 9 2015

HOME MARKETS CORPORATE PROPERTY PERSONAL WEALTH ENTERPRISE LIFESTYLE OTHERS

Mesiniaga secures RM90 mln contract from Telekom Malaysia

By The Editor / TheEdge | June 12, 2014 : 3:23 PM MYT

KUALA LUMPUR (June 12): Mesiniaga Bhd (Financial Dashboard) has bagged a RM90.014 million contract from Telekom Malaysia Bhd (TM) (Financial Dashboard) Mesiniaga said that the contract was for the supply, delivery, installation, testing, commissioning, post acceptance maintenance and support services of the new IP (Internet Protocol) core and service edge systems. "The contract is for a period of five years, commencing on June 11, 2014. It will contribute positively to our earnings, over the period of the contract," the company said in a filing to Bursa Malaysia. Mesiniaga is a leading information and communications technology solutions provider.

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Mesiniaga bags RM90mil Telekom job

Thursday, 12 June 2014

KUALA LUMPUR: Mesiniaga Bhd has bagged a RM90mil contract from Telekom Malaysia Bhd for the supply and maintenance of the latter's New IP Core and Service Edge.

In a filing to Bursa Malaysia on Thursday, Mesiniaga, an information technology provider said the contract is for a period of five years commencing June 11.

It said the job is expected to contribute positively to the company's earnings over the period of its contract.

>> Corporate Responsibility

>> We view Corporate Responsibility (CR) activities as strategic tasks that will integrate our business and employees with the surrounding community and environment, while creating sustainable value for the company and all our stakeholders. This is in line with the Mesiniaga CARE framework which is reflective of our long-term commitment to sustainable development.

<quote>

>> We commit to ethical and best practices.

</quote>

PROMOTING BUSINESS ETHICS AND BEST PRACTICES

We abide to ethical conduct and practices as illustrated in our statement of Corporate Governance where we pledge to comply with all regulatory requirements. Included in our Employee e-Handbook is a stated policy on the Mesiniaga Business Conduct Guidelines where it delineates the expected ethical behaviour of our employees. The guidelines encompass areas of personal conduct, fairness in business, relationship with other organisations, use and dissemination of proprietary and confidential information, and fraud. Apart from that, it is also our mission to support the utilisation of genuine software and institute good software asset management practices. Additionally, we commit to ethical and best practices as evident by our sustained ISO 9001:2008 accreditation. We further enhanced our internal policies on ethics practices and sexual harassment by improving the reporting process flows. We also adhere to any new regulations such as the Competition Act 2010, enforced in 2012, and the Personal Data Protection Act 2010, enforced in 2013.

ENSURING WORK-LIFE BALANCE

Our first customers are our employees themselves, therefore in committing to our mission of "Helping Customers Succeed", we strive to ensure that our work environment is truly employee-friendly. This allows for a more productive workforce as well. We believe in promoting work-life balance, hence, our office premises are equipped with facilities such as a swimming pool, a recreational room and a nursing room. Employees also have the opportunity to take a brief respite in comfortable lounge chairs or play miniature golf, pool, video games and darts, which are made available for their use in the Chill8 recreational room. A portion of our employees' aerobics class fees and external gym memberships are also subsidised by the company. In addition to that, table-tennis, futsal and badminton matches are also held weekly to promote better health and camaraderie.

Apart from the weekly sports sessions, employees continue to practise good sportsmanship during annual sporting events such as the Ismail Cup Golf Tournament and the 4th series of the Fusil Cup Golf Tournament. The spirit of a healthy and fit lifestyle was promoted through these events.

In 2014, we revamped and enhanced our employees' sports and social club. The newly established Mesiniaga Club aims to spearhead more exciting and meaningful employee sports, recreational and social activities. Throughout the year, various fun and healthy activities were also organised from futsal matches to golf and badminton tournaments. Programmes were also conducted to promote health awareness and good financial practices via our yearly Mesiniaga Health Week and Finance Week events.

Apart from that, a 'Healthy Eating Campaign' was also introduced. The company provided apples and bananas for employees to consume in the morning, thus encouraging a healthy start to their work day by eating nutritiously.

CREATING A HEALTHY AND SAFE WORKING ENVIRONMENT

The health and safety of our employees is of great paramount to us. We proactively cultivate, monitor and reinforce a healthy and safe working environment through the firm institutionalisation of company policies, adherence to laws and regulations, commitment from top management, and by conducting organised and coordinated activities. Examples of safety-related policies include the Health and Safety Policy, Fire Safety Policy, Smoking Policy, First Aid Policy and Infectious Diseases Outbreak Policy. The Human Resources Department in a collective effort with our Emergency Medical Team (EMT) monitor the enforcement of these policies. In 2014, we successfully conducted a a full-scale fire drill involving all employees of Menara Mesiniaga.

We will continue with various health and safety-related activities to reaffirm the objectives of these policies so that it positively reverberates with our employees, thus maintaining the continued establishment of a healthy and safe working environment.

FOSTERING INNOVATION, CELEBRATING DIVERSITY

Strong employee engagement bolstered with extensive and effective communication is at the core of how we do business. We were built on the pillars of diversity and innovation. These strong fundamentals have cultivated an environment that recognises the importance of possessing a diverse background and also celebrates innovative ideas that continuously contribute towards enhancing the company and its culture.

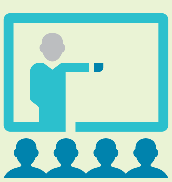
We established various mediums of formal and informal communication to ensure proper and consistent dissemination of information to employees throughout the year. The Kick Off events as well as Town Hall meetings are some of the formal communication avenues allowing vital information and updates on company goals, current progress and direction to be disseminated to employees. Roundtable sessions with the Managing Director and coffee sessions with the Senior Leadership Team were introduced to foster greater engagement with employees. As they involve a smaller group of employees at a time, employees are able to express their feedbacks and concerns during these sessions which also act as a platform for open dialogues.

In 2014, we also introduced the Breakfast@Mesiniaga event to cultivate esprit de corps between the Senior Leadership Team and all employees. It also fosters stronger ties between employees themselves. Held every fourth Friday of the month, it jubilates a sense of fellowship and unity among all Mesiniagans. This spirit is also echoed by our open door policy which collapses barriers, allowing for stronger communication between employees of different ranks.

<quote>

>> Employee development is a rewarding investment towards our future therefore we continuously urge employees to enrol in courses for professional certifications, soft skills and technical skills enrichment.

</quote>



We conducted our yearly Employee Engagement Survey (EES) as we believe this would provide significant measurement on how engaged our employees are while it would also be an ideal channel for our employees to share their thoughts about Mesiniaga. In the previous EES conducted in 2012, we scored 62% and for 2014, our score was 63%, an increase of 1%. We also scored substantially well in the key areas of empowerment, image, and goals, objectives and strategy.

To sustain our success and to soar it to greater heights, we believe it is imperative that our employees should be equipped with the most current suite of skills and knowledge. Employee development is a rewarding investment towards our future therefore we continuously urge employees to enrol in courses for professional certifications, soft skills and technical skills enrichment. We also formulate programmes for employee development and provide them with the option to explore new vocation through internal transfer opportunities. Furthermore, employees enjoy partial tuition fees reimbursement when they enrol for courses in tertiary institutions. In 2014, we invested up to 0.14% of our total staff cost for training and skills development purposes.

It is crucial that all the tasks and efforts of our employees are objectively measured on a fair and just standard to ensure we reward and recognise each employee fittingly. With this in mind, in 2014 we made the necessary improvements to enhance our employee performance measurement system. It is now a more effective measurement tool called the MyMesiniaga Commitment (MMC) plan. The new MMC plan ensures all job tasks are aligned in achieving, not only the company's goals but also the employees' personal goals in growth and development.

We also revisited our rewards and recognition programme to incentivise employees who performed beyond their regular capacity and in surpassing expectations. This programme, named the Mesiniaga Award for High Achievers (MAHA) honours employees who have significantly contributed to our business success. In 2014, a total of 0.43% of staff cost was spent on employee recognition programmes.

High achievers and top talents are recognised and selected to participate in the newly introduced Mesiniaga Unique and Talented Individuals Aspiring for Remarkable Achievement (MUTIARA) programme. This multitier top talent programme is designed to nurture our high performing employees who have the potential to become future leaders of the company, thus ensuring we have a dynamic succession plan.

We successfully conducted our yearly Employee Engagement Survey (EES) to measure how engaged our employees are. EES is also a great platform for our employees to share their thoughts about Mesiniaga and how we can continue to improve. We scored 63% in 2014, an improvement by 1% from the previous EES in 2012, and we observed outstanding scores in the key areas of empowerment, image and goals, objective and strategy.

We also believe that diversity is the art of thinking independently together. Diversity contributes positively to enriching and creating a thriving working environment. With this in thought, we continue to commit towards providing equal opportunities regardless of race, gender or religious background. As of December 2014, we have more than 900 employees, out of which 77% are Malays, 16% are Chinese, 5% are Indians and 2% are from other ethnic groups. 30% of our employees are female.

Apart from workplace diversity, we also provide both defined contribution and benefit plans. Defined contribution plan is EPF and SOCSO contributions for all employees and defined benefit plans are retirement plans that apply to 17% of permanent employees. In 2014, the provision for this retirement plan amounted to RM380,000. Other fringe benefits include health, accident and life insurance, medical, dental and maternity expenses; as well as car and housing loan interest subsidies.

ENHANCING CUSTOMER EXPERIENCE

The key to achieving sustainable competitive advantage is to ensure we continue to be our customers preferred IT partner of choice. Our mission of Helping Customers Succeed resonates at the core of all our practises and interaction with our customers. It is our desire to create a successful and lasting impact at every touch point with them. The newly formed Service Management division is focused on ensuring service excellence, to further deepen our strong and trusting relationship with our customers. They also ensure precise and timely resolution of issues as well as facilitate and expedite the modifications needed to enhance our customer satisfaction level. On top of this, we objectively measure customer satisfaction and loyalty through a variety of surveys and measurements. Our annual Mesiniaga Experience Survey provides an insight into how our customers view us. For 2014, we received a score of 66%. Moving forward, we will continue to lay out dynamic strategies to implement value driven solutions in addressing our customers' every business needs. We trust this will improve our overall score and ultimately, is the key to helping us achieve our vision of being the Malaysian IT partner of choice.

CARING FOR THE COMMUNITY

We remain steadfast to our objective of reducing graduate unemployment in Malaysia. Currently in its eighth year running, the Mesiniaga Academy programme has successfully helped students from various Polytechnic Colleges around Malaysia to obtain employment. This programme equips them with marketable and relevant practical work experience. The students are inculcated with good work ethics and essential skills that are sought after competences by future employers.

We welcomed student visits from various institutions of higher learning who were seeking to gain a more in-depth knowledge on work-life experiences. Our employees were at hand to share their invaluable wisdom and expertise, inspiring the students to explore a rewarding career in IT.

Our commitment to help the less fortunate in Kampung Trong, Perak continues. We established a "Back to School" programme, where we purchased school uniforms and materials to be given to the orphans in this village. We also helped to bring more cheer during their Hari Raya Aidiladha celebration to further enrich the spirit of this holy celebration.

In 2014, we furthered our support to Pusat Tahfiz Darul Mahabbah where we collaborated with them to monitor and assist the school children's academic performance.

Our employees once again became heroes by donating blood to save lives. This blood donation campaign organised on 18 February was a joint effort with the National Blood Bank of Malaysia. We saw more than 50 employees voluntarily donating their blood.

Apart from our committed contributions to the society, we also perform other ad-hoc contributions to further inculcate the spirit of volunteerism and community service among the employees in the company. We helped to relieve the burden and sufferings of our fellow Malaysians and also our colleagues in the East Coast who suffered major losses from the worst flood disaster the country has seen in decades. We rallied together to provide assistance and donations to them.

In addition to that, we also contributed donations and provided assistance to help feed the urban poor, the majority of which are forced to live on the streets.

Our colleagues up north in Mutiara Mesiniaga collaborated with Persatuan Belia Didik Anak- Anak Yatim Islam (BEDAYA) in organising a fun-filled day with the orphans of Rumah Anak Yatim BEDAYA in Kulim, Kedah. They held indoor and outdoor games as well as activities to enhance the confidence of these orphans. We took it a step further by also providing guidance and advice on their future pathways of education and towards a productive career.

CARING FOR THE ENVIRONMENT

Both Menara Mesiniaga and Mutiara Mesiniaga are renowned for having ecological architectural aesthetic designs to minimise our impact on the environment. Considered as "green buildings", their bioclimatic designs have internal and external features to fulfil energy-saving practices and adopt climate-consciousness while at the same time, ensuring occupancy comfort. Various parts of the building have access to natural ventilation and natural daylight which reduces the utilisation of electricity.

We are further committed towards embracing green concepts by continuing our efforts of recycling items such as non-confidential documents, newspapers, peripherals, cardboards and unused or old computer equipment. On 29 March 2014, we proudly supported the global Earth Hour movement for the seventh time by switching the lights off for one hour.

In 2014, we also made a significant investment by upgrading our air conditioning system to a more efficient and energy saving unit which saw a significant reduction in energy consumption of 18% after one month of installation.

We continue to expand our IT range beyond just providing required solutions to customers as we also adopt and encourage green IT concepts to conserve the environment by virtualising servers and embracing cloud-based solutions. In addition to that, we strongly believe that IT can enhance the quality of life to ensure sustainable living. We maintain our collaboration with property developers to build greener developments and cities.

>> Statement of Corporate Governance

CODE

The Board, in its pursuit of discharging their roles and responsibilities to protect and enhance shareholder value and the financial performance of the Company, recognises, and commits to adhering to the requirements and guidelines of the Malaysian Code on Corporate Governance 2012 ("the Code").

The Board of Directors is of the view that it has satisfied the major recommendations in the Code. A key outstanding recommendation is with regards to Recommendation 3.5, which requires the board to comprise a majority of independent directors where the chairman of the board is not an independent director.

The company will continue to strengthen its governance practices to safeguard the best interest of its shareholders and other stakeholders.

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 for approving performance targets, monitoring the Management's achievements, providing overall policy guidance and ensuring that policies and procedures for internal control systems are in place.

Throughout 2014, the Board of Directors met four times. Details of the meetings are as follows:

	31 MARCH 2014	18 JUNE 2014	19 AUGUST 2014	26 NOVEMBER 2014
DATUK WAN MOHAMED FUSIL WAN MAHMOOD	Y	Y	Y	Y
MOHAMED FITRI ABDULLAH	Y	Y	Y	Y
MOHD PUZI AHAMAD	Y	Y	Y	Y
VOON SENG CHUAN	Y	Y	Y	Y
FATHIL SULAIMAN ISMAIL	Y	Y	Y	Y
ABD TALIB BABA	Y	Y	Y	Y
WONG FOOK HON	Y	Y	Y	Y
DATO' AB RASHID MAT ADAM	Y	Y	Y	Y
IR. DR. MUHAMAD FUAD ABDULLAH	Y	Y	X	Y

Key: Y – Attended
X – 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
As at 31 December 2014, the Board consists of three (3) Executive Directors and six (6) Non-Executive Directors; four (4) of whom are Independent Non-Executive Directors.

The representation of the members of the Board is as follows:

		%
Executive Directors	3	33.3
Non-Independent Non-Executive Directors	2	22.2
Independent Non-Executive Directors	4	44.5

The composition, though compliant with the listing requirements of Bursa Securities, which requires that at least one third of the Board should comprise independent directors, does not satisfy Recommendation 3.5 of the Code which stipulates that the Board must comprise a majority of independent directors where the chairman of the Board is not an Independent Director. The Independent Non-Executive Directors as a group however forms the largest group of directors on the Board.

The existing Directors bring a wide range of business, commercial and financial experience relevant to the Company. A brief description on the background of each Director is presented in the Directors Profile column on pages 19 to 23.

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 are to allow the Directors 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.

Re-election
In accordance with the Company's Articles of Association, all Directors are to retire from office at least once every three years but shall be eligible for re-elections.

Directors' Training
All Board members have attended the Mandatory Accreditation Programme (MAP) organised by Bursa Securities. In addition, Board members have also attended various training programmes which the Board believes have aided them in discharging their duties as Directors of the Company.

Commitment of Directors
All Board members commit to attend all Board meetings. This was evidenced by the full attendance of all Board members at Board meetings held in year 2014, with the exception of a meeting held on 19 August when a Director was absent with apologies.

DIRECTORS' REMUNERATION

The Executive Directors remuneration is determined by the Remuneration Committee, which is headed by Voon Seng Chuan. Considerations such as Director's responsibilities, experience and market rates are taken into account when deciding remuneration.

Details of the remuneration for the Directors are as follows:

	Basic Salary RM	Fees RM	Bonus RM	Benefits-in-kind RM	Pension RM	Others RM	Total RM
Executive Directors	1,755,120	0	0	0	166,512	207,674	2,129,306
Non-Executive Directors	0	231,000	0	0	0	179,300	410,300

Directors' Remuneration in Bands

	No. of Executive Directors	No. of Non-Executive Directors
Below RM50,000	0	2
Below RM100,000	0	3
RM100,000 to RM150,000	0	0
RM150,000 to RM200,000	0	1
RM400,000 to RM450,000	0	0
RM450,000 to RM500,000	1	0
RM500,000 to RM550,000	1	0
RM1,050,000 to RM 1,100,000	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 page 8. The chairmanship of the various Board committees is in compliance with the Code.

SHAREHOLDERS

Dialogue between the Company and Investors

The Managing Director provides updates on Company performance to analysts from time to time, especially after the announcement of the Company's quarterly financial results. The Company's web site www.mesiniaga.com.my is also accessible for further information.

The Annual General Meeting

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

The Statement of Directors Responsibility pursuant to Section 169 of the Companies Act, 1965 is set out on page 40 of this Annual Report. The signed statement by Mohamed Fitri Abdullah and Mohd Puzi Ahamad is duly incorporated into the Company's audited financial statements for the year ending on 31 December 2014 as set out on page 54 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 while the Audit and Risk Management Committee coordinates the implementation of a group-wide risk management programme. The Company will continually review the adequacy and integrity of its system of internal control. Among others, input and recommendations from the external auditors would form as basis for any improvement to be made on its adequacy and integrity of its system of internal control.

RELATIONSHIP WITH AUDITORS

The role of the Audit and Risk Management committee is as stated on pages 43 to 45. Through the Audit and Risk Management committee of the Board, the Company has established transparent and appropriate relationships with the Company's auditors, both internal and external. When required, the external auditors attend the meetings of the committee.

>> Statement of Directors' Responsibility in Relation to Financial Statements

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

In preparing the financial statements of the Company for the year ended 31 December 2014, the Directors have ensured that the Company has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors have also considered that all applicable accounting standards have been followed and confirmed that the financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

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

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

Statement on Risk Management and Internal Control

Introduction

The Board of Directors affirms its overall responsibilities for the Group's system of internal control, which includes the establishment of an appropriate risk management system and internal control framework, involving financial and operational aspects of the Group.

Acknowledgement of Responsibilities

The Board recognises that in pursuing business objectives, internal controls can only provide reasonable but not absolute assurance against the risk of material errors, losses, fraud or occurrences of unforeseeable circumstances. The Group's system of internal controls 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.

Internal Controls

The Group's internal control system encompasses the policies, procedures, processes, tasks and other aspects of the Group and is reflected in the control environment which encompasses the organisation structure, governance activities including policies, procedures and the code of conduct.

Control environment includes the following:

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

Risk Management

The existence of an Audit and Risk Management Department provides the Board with assurance regarding the adequacy and integrity of internal controls within the Group. Risk Management is a proactive on-going process involving identification, assessment, control, monitoring and reporting of risk exposures.

A Risk Management Committee was established in 2011. Its function was to coordinate the implementation of a risk management programme for the Group and to formalise the identification of principal risks affecting the achievement of the Group's business objectives. It allows for a more structured and focused approach in managing the Group's significant business risks.

Risk management is an on-going process to ensure a more coordinated and consistent approach in managing the Group's risk exposures. The risk management programme would be subjected for review by the Audit and Risk Management Committee (ARMC) for and on behalf of the Board. Progress on risk management activities were reported at every ARMC meeting in 2014.

Internal Audit

Additionally and separately, the Internal Audit Unit performs on-going reviews of processes and activities within the Company in accordance to an internal audit plan. This audit plan was based on the areas of significant risk exposure to the Group and was approved by the ARMC on 21st November 2013 and the revised audit plan was approved on 20th May 2014.

The internal audit reports provide independent assurance and assessment on the effectiveness and soundness of internal control mechanisms and ensures that they are in place. All findings were reported to the ARMC and recommended actions were placed upon the respective management for implementation. Such process had been in place for the financial year ended 31 December 2014 and it is an on-going process for the Group.

Assurance from Management

The Board has received assurance from the Managing Director and the Chief Financial Officer during the ARMC meeting and Board of Directors meeting dated 8th April 2015 that to the best of their knowledge the risk management and internal control of the Mesiniaga Group are operating effectively and adequately, in all material respects, based on the risk management and internal control system adopted by the Group.

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

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

- Malaysian Code on Corporate Governance 2012 – Securities Commission Malaysia
- Bursa Malaysia's Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers – Bursa Malaysia.
- Corporate Governance Guide (2^{nd} Edition) – Bursa Malaysia

Review of this Statement by External Auditors (PwC)

This Statement of Risk Management and Internal Control have been reviewed by the External Auditors as required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad for inclusion in the annual report of Mesiniaga Berhad for the year ended 31 December 2014.

The limited assurance review was performed in accordance with Recommendation Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants. Paragraph 10 of the RPG 5 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of the Group's risk management and internal controls system.

Conclusion

The Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. For the financial year under review, there were no material control failures that have directly resulted in any material loss to the Group.

BOARD OF DIRECTORS
MESINIAGA BERHAD

>> **Audit and Risk Management** Committee

CHAIRPERSON
ABDUL TALIB BABA
Independent Non-Executive Director

MEMBERS
WONG FOOK HON
Independent Non-Executive Director

DATO' AB RASHID MAT ADAM
Independent Non-Executive Director

SECRETARY
SYED JAMALLUDIN SYED OSMAN JAMALLULAIL
Audit & Risk Manager
Head of Department, Audit & Risk Department.

TERMS OF REFERENCE FOR THE AUDIT AND RISK MANAGEMENT COMMITTEE

Size and Composition

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

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

The Chairperson of the Committee shall be an Independent Director.

Frequency of Meetings

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

Secretary

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

Audit and Risk Management Committee

Purpose of the Committee

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

Functions and Duties

The functions and duties of the Audit and Risk Management Committee are:

1. To consider the appointment of the external auditor, the audit fee and any questions of their resignation or dismissal.
2. To review the scope, functions and resources of the internal audit and risk management functions.
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. To review Risk Management Reports.
9. To perform other related duties as directed by the Board of Directors.

Meetings held in 2014

Date	19 February	26 February	31 March	20 May	19 August	26 November
ABDUL TALIB BABA	Y	Y	Y	Y	Y	Y
WONG FOOK HON	Y	Y	Y	Y	Y	Y
DATO' AB RASHID MAT ADAM	Y	Y	Y	Y	Y	Y

Key: Y - Attended

Summary of Activities

1. Review and approve financial results announcement to Bursa Securities.
2. Review and adopt quarterly financial results.
3. Review yearly financial statements and recommend to the Board of Directors for adoption of yearly financial results.
4. Review related party transactions.
5. Review internal audit plan, functions and resources.
6. Review internal audit reports and risk management reports.
7. Participate in training programmes in related areas.
8. 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.
9. Attend independent meetings with external auditor.

Summary of Audit and Risk Management Functions :

1. Perform secretarial functions to the ARMC.
2. Prepare annual audit plan.
3. Perform field audit and assessment to comply with policies and procedures, and operating effectiveness and controls.
4. Assess the adequacy and effectiveness of internal control systems within the Company.
5. Present reports on audits assignment.
6. Maintain effective audit programmes.
7. Conduct follow up audit to ensure effective and timely resolution of audit issues.
8. Maintain up-to-date Company's risk profile.
9. Follow-up on mitigation controls for all risks.
10. Present reports on risk profile status and movements.
11. Planning and coordinate ISO Quality audit.
12. Perform any ISO related tasks relating to surveillance and recertification of the ISO Certification.
13. Provide full cooperation to the external auditors in carrying out their audit.
14. Perform any other functions as instructed by the ARMC and the Board of Directors.

>> **Nomination and** Remuneration Committee

CHAIRPERSON
VOON SENG CHUAN
Independent Non-Executive Director

MEMBERS
WONG FOOK HON
Independent Non-Executive Director

IR. DR. MUHAMAD FUAD ABDULLAH
Independent Non-Executive Director

SECRETARY
SITI NORBAYA MD. YUSOF
Manager of Human Resources

Terms of Reference for the Nomination and Remuneration Committee

Size and Composition

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

The Chairperson of the Committee shall be an Independent Director.

Frequency of Meetings

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

Secretary

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

Purpose of the Committee

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

The functions and duties of the Nomination and Remuneration Committee are:

1. Overseeing the selection and assessment of directors;
2. Ensuring that board composition meet the needs of the company;
3. Develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors;
4. Assessing and recommending to the Board the candidature of directors, appointment of directors to board committees, review of board's succession plans and training programmes for the Board;
5. Establishing formal and transparent remuneration policies and procedures to attract and retain directors;
6. Reviewing the performance of Executive Directors based on KPIs; and
7. To perform other related duties as directed by the Board of Directors.

Meetings held in 2014

Date	28 January
VOON SENG CHUAN	Y
WONG FOOK HON	Y
IR. DR. MUHAMMAD FUAD ABDULLAH	Y

Key: Y - Attended

Summary of Activities

1. Reviewed the performance of the Executive Directors;
2. Formulated the KPI for the Managing Director for Year 2014; and
3. Recommended the remuneration package for the Executive Directors.

>> Other Information Required by the Listing Requirements of Bursa Securities

UTILISATION OF PROCEEDS

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

SHARE BUYBACK

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options issued and exercised throughout the year 2014 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 RM47,000 was paid for tax services provided by PwC Taxation Services Sdn. Bhd.

VARIATION IN RESULTS

There was no significant variation between the audited and unaudited results.

PROFIT GUARANTEE

The Company did not provide 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 2014.

EMPLOYEE SHARE OPTION SCHEME

The Company did not implement any employee share options scheme in the Financial Year 2014.

INTERNAL AUDIT EXPENSE

The costs incurred for the internal audit function in respect of FY 2014 was RM213,798 (FY 2013: RM165,413).

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>>FINANCIAL STATEMENTS

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Directors' Report

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is principally involved in the sale of information technology products and related services. The principal activities of the subsidiaries are described in Note 15 to the financial statements.

There has been no significant change in the principal activities of the Group and the Company during the financial year, other than the transfer of operations of Mesiniaga Services Sdn. Bhd. and Mesiniaga MSC Sdn. Bhd. to the Company.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Loss for the year attributable to:		
Equity holders of the Company	30,591	20,640
Non-controlling interests	(597)	0
Loss for the financial year	29,994	20,640

DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since 31 December 2013 are as follows:

	RM'000
In respect of the financial year ended 31 December 2013 as shown in the Directors' report of that financial year:	
- final single tier dividend of 10 sen per share, paid on 9 July 2014	6,040

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2014.

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:

Mohamed Fitri Abdullah
Datuk Wan Mohamed Fusil bin Wan Mahmood
Mohd Puzi bin Ahamad
Voon Seng Chuan
Fathil Sulaiman Ismail
Abdul Talib Baba
Wong Fook Hon
Dato' Ab Rashid bin Mat Adam
Ir. Dr. Muhamad Fuad bin Abdullah

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being an 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 01.01.2014 '000	**Bought '000**	**Sold '000**	**At 31.12.2014 '000**
Mohamed Fitri Abdullah	0	20	0	20
Datuk Wan Mohamed Fusil bin Wan Mahmood[(1)]	3,726	0	0	3,726
Mohd Puzi bin Ahamad[(2)]	3,919	0	0	3,919
Fathil Sulaiman Ismail	6,398	0	0	6,398
Wong Fook Hon	1	0	0	1
Voon Seng Chuan	260	41	0	301

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

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

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

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

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

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

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

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

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

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

In the opinion of the Directors:

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

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

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 8 April 2015.

MOHAMED FITRI ABDULLAH	**MOHD PUZI BIN AHAMAD**
DIRECTOR	DIRECTOR

>> **Statement** By Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Mohamed Fitri Abdullah and Mohd Puzi bin Ahamad, two of the Directors of Mesiniaga Berhad, state that, in the opinion of the Directors, the financial statements on pages 57 to 117 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2014 and of their financial performance and the cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

The supplementary information set out in Note 31 on page 118 have been prepared in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 8 April 2015.

MOHAMED FITRI ABDULLAH
DIRECTOR

MOHD PUZI BIN AHAMAD
DIRECTOR

>> **Statutory** Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Mohd Puzi bin Ahamad, the Director primarily responsible for the financial management of Mesiniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 57 to 117 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MOHD PUZI BIN AHAMAD
DIRECTOR

Subscribed and solemnly declared by the above named, Mohd Puzi bin Ahamad, at Subang Jaya in Malaysia on 8 April 2015 before me.

COMMISSIONER FOR OATHS

>> **Independent** Auditor's Report

To the members of Mesiniga Berhad (Incorporated in Malaysia)
(Company No. 79244-V)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Mesiniaga Berhad, on pages 57 to 117, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on Notes 1 to 30.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information on Note 31 to the financial statements on page 118 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

IRVIN GEORGE LUIS MENEZES
(No. 2932/06/16 (J))
Chartered Accountant

Kuala Lumpur
8 April 2015

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Revenue	5	256,341	281,007	240,364	262,268
Changes in inventories of finished goods		(6,267)	9,788	2,799	7,575
Finished goods purchased		(115,500)	(166,502)	(111,627)	(134,400)
Information technology services purchased		(59,833)	(26,524)	(80,887)	(100,316)
Staff cost	6	(79,585)	(79,838)	(53,351)	(42,027)
Depreciation and amortisation		(7,229)	(7,381)	(4,604)	(2,288)
Travelling expenses		(4,262)	(3,706)	(2,173)	(601)
Office administrative expenses		(8,440)	(6,913)	(15,449)	(6,299)
Other operating expenses		(6,197)	(2,315)	(7,723)	(7,252)
Other operating income		674	770	12,879	18,951
Loss from operations	7	(30,298)	(1,614)	(19,772)	(4,389)
Finance cost	8	(868)	(1,216)	(868)	(1,216)
Loss before taxation		(31,166)	(2,830)	(20,640)	(5,605)
Taxation and zakat	9	1,172	(3,155)	0	875
Loss for the financial year		(29,994)	(5,985)	(20,640)	(4,730)
<u>Item not reclassified to profit and loss</u>					
Actuarial gain on defined benefit plan	23	420	415	420	415
Total comprehensive loss for the financial year		(29,574)	(5,570)	(20,220)	(4,315)
Loss for the financial year attributable to:					
Equity holders of the Company		(30,591)	(7,644)	(20,640)	(4,730)
Non-controlling interests		597	1,659	0	0
Loss for the financial year		(29,994)	(5,985)	(20,640)	(4,730)
Total comprehensive loss for the financial year attributable to:					
Equity holders of the Company		(30,171)	(7,229)	(20,220)	(4,315)
Non-controlling interests		597	1,659	0	0
Total comprehensive loss for the financial year		(29,574)	(5,570)	(20,220)	(4,315)
Loss per share (sen)	10	(50.65)	(12.66)		

The notes on pages 63 to 117 form part of these financial statements.

>>**Statements** of Financial Position

As at 31 December 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	61,465	62,595	60,867	53,609
Intangible assets	13	1,586	1,217	329	0
Investment properties	14	1,370	1,394	1,370	1,394
Investment in subsidiaries	15	0	0	1,985	1,985
Finance lease receivables	19	267	612	267	612
Deferred tax assets	16	1,979	1,781	1,458	1,458
		66,667	67,599	66,276	59,058
Current assets					
Inventories	17	10,042	15,814	5,406	2,112
Trade and other receivables	18	111,702	121,914	111,408	134,422
Tax recoverable		928	517	261	490
Deposits with licensed financial institutions	20	16,267	24,947	7,500	16,603
Cash and bank balances	20	9,179	6,109	4,589	1,638
		148,118	169,301	129,164	155,265
TOTAL ASSETS		214,785	236,900	195,440	214,323
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the company					
Share capital	25	60,402	60,402	60,402	60,402
Share premium	27	4,126	4,126	4,126	4,126
Retained earnings	26	65,789	102,000	51,716	77,976
		130,317	166,528	116,244	142,504
Non-controlling interests		10,314	10,697	0	0
Total equity		140,631	177,225	116,244	142,504
Non-current liabilities					
Post-employment benefit obligations	23	2,204	2,871	2,204	2,871
Finance lease liabilities	24	879	571	879	571
Deferred tax liabilities	16	0	1,846	0	0
		3,083	5,288	3,083	3,442
Current liabilities					
Trade and other payables	21	42,666	39,760	47,708	55,737
Borrowings	22	28,405	12,640	28,405	12,640
Taxation		0	1,987	0	0
		71,071	54,387	76,113	68,377
		74,154	59,675	79,196	71,819
TOTAL EQUITY AND LIABILITIES		214,785	236,900	195,440	214,323

The notes on pages 63 to 117 form part of these financial statements.

Consolidated Statement of Changes In Equity

For the Financial Year Ended 31 December 2014

Group	Note	Issued and fully paid ordinary shares of RM1.00 each: Number of shares RM'000	Issued and fully paid ordinary shares of RM1.00 each: Nominal value RM'000	Share premium (Note 27) RM'000	Distributable: Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2013		60,402	60,402	4,126	118,742	183,270	10,030	193,300
Transactions with owners:								
Dividends paid to shareholders:								
- 31 December 2012	11	0	0	0	(9,513)	(9,513)	0	(9,513)
Dividend paid non-controlling interest		0	0	0	0	0	(992)	(992)
		60,402	60,402	4,126	109,229	173,757	9,038	182,795
Total comprehensive loss for the financial year		0	0	0	(7,644)	(7,644)	1,659	(5,985)
Items not reclassified to profit and loss								
Actuarial gain on defined benefit plan	23	0	0	0	415	415	0	415
At 31 December 2013		60,402	60,402	4,126	102,000	166,528	10,697	177,225
At 1 January 2014		60,402	60,402	4,126	102,000	166,528	10,697	177,225
Transactions with owners:								
Dividends paid to shareholders:								
- 31 December 2013	11	0	0	0	(6,040)	(6,040)	0	(6,040)
Dividend paid to non-controlling interest		0	0	0	0	0	(980)	(980)
		60,402	60,402	4,126	95,960	160,488	9,717	170,205
Total comprehensive loss for the financial year		0	0	0	(30,591)	(30,591)	597	(29,994)
Items not reclassified to profit and loss								
Actuarial gain on defined benefit plan	23	0	0	0	420	420	0	420
At 31 December 2014		60,402	60,402	4,126	65,789	130,317	10,314	140,631

The notes on pages 63 to 117 form part of these financial statements.

Company Statement of Changes In Equity

For the Financial Year Ended 31 December 2014

Company	Note	Issued and fully paid ordinary Shares of RM 1.00 each			Distributable	
		Number of shares RM'000	Nominal value RM'000	Share premium (Note 27) RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2013		60,402	60,402	4,126	91,804	156,332
Transactions with owners:						
Final dividends:						
- 31 December 2012	11	0	0	0	(9,513)	(9,513)
		60,402	60,402	4,126	82,291	146,819
Total comprehensive income for the financial year		0	0	0	(4,730)	(4,730)
Items not reclassified to profit and loss						
Actuarial gain on defined benefit plan	23	0	0	0	415	415
At 31 December 2013		60,402	60,402	4,126	77,976	142,504
At 1 January 2014		60,402	60,402	4,126	77,976	142,504
Transactions with owners:						
Final dividends:						
- 31 December 2013	11	0	0	0	(6,040)	(6,040)
		60,402	60,402	4,126	71,936	136,464
Total comprehensive loss for the financial year						
Items not reclassified to profit and loss		0	0	0	(20,640)	(20,640)
Actuarial gain on defined benefit plan	23	0	0	0	420	420
At 31 December 2014		60,402	60,402	4,126	51,716	116,244

The notes on pages 63 to 117 form part of these financial statements.

Statements of Cash Flows

For the Financial Year Ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss for the financial year		(29,994)	(5,985)	(20,640)	(4,730)
Adjustments for:					
Taxation		(1,172)	3,155	0	(875)
Amortisation of intangible assets		165	41	0	0
Depreciation:					
- property, plant and equipment		7,040	7,316	4,580	2,264
- investment property		24	24	24	24
Write-off of property, plant and equipment		2	14	0	6
Dividend income from subsidiaries		0	0	(10,020)	(14,033)
Interest expense		868	1,216	868	1,216
Interest income:					
- finance lease		(95)	(102)	(95)	(102)
- others		(516)	(482)	(266)	(241)
Retirement benefits		380	560	380	560
Bad debts		42	224	10	224
Reversal of impairment of investment in subsidiaries		0	0	0	(750)
Impairment of amount due from subsidiaries		0	0	9,670	5,449
Impairment/(reversal of) trade and other receivables		4,003	(341)	3,995	(317)
Unrealised foreign exchange loss/(gain)		458	(116)	439	(116)
Writedown of inventory		3,911	0	2,543	0
		(14,884)	5,524	(8,512)	(11,421)
Changes in working capital:					
Inventories		1,861	9,788	(5,837)	7,575
Subsidiaries		0	0	8,332	(9,246)
Receivables		4,991	97,441	(10,762)	91,149
Payables		9,125	(26,123)	(1,790)	(24,093)
Cash generated from/(used in) operations		1,093	86,630	(18,569)	53,964
Interest paid		(868)	(1,216)	(868)	(1,216)
Retirement benefits paid		(627)	(700)	(627)	(700)
Tax (paid)/refunded and zakat paid		(3,270)	(1,377)	229	2,617
Net cash generated (used in)/from operating activities		(3,672)	83,337	(19,835)	54,665

The notes on pages 63 to 117 form part of these financial statements.

Statements of Cash Flows

For the Financial Year Ended 31 December 2014

		Group		Company	
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions on intangible assets		(534)	(1,005)	(329)	0
Purchase of property, plant and equipment		(5,912)	(3,468)	(5,616)	(1,430)
Interest received		611	584	361	343
Dividends received from subsidiaries		0	0	10,020	14,033
Investments in deposits maturing more than three (3) months		(1,244)	0	0	0
Payments from subsidiaries		0	0	4,370	6,590
Net cash (used in)/generated from investing activities		(7,079)	(3,889)	8,806	19,536
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to shareholders of the company		(6,040)	(9,513)	(6,040)	(9,513)
Dividends paid to non-controlling interests		(980)	(992)	0	0
Repayment from finance lease liabilities (net)		(4,848)	(9,138)	(4,848)	(9,138)
Drawdown/(Repayment) of borrowings (net)		15,765	(40,263)	15,765	(40,263)
Net cash generated from/(used in) financing activities		3,897	(59,906)	4,877	(58,914)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		(6,854)	19,542	(6,152)	15,287
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		31,056	11,514	18,241	2,954
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	20	24,202	31,056	12,089	18,241

The notes on pages 63 to 117 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 Market of Bursa Malaysia Securities Berhad.

The Company is principally involved in the sale of information technology products and related services. The principal activities of the subsidiaries are described in Note 15 to the financial statements.

There have been no significant changes in the principal activities of the Group and the Company during the financial year, other than the transfer of operations of Mesiniaga Services Sdn. Bhd. and Mesiniaga MSC Sdn. Bhd. to the Company.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Amendments to Published standard and interpretations adopted by the Group and the Company as at 1 January 2014:

- Amendment to MFRS 132 'Offsetting Financial Assets and Financial Liabilities'
- Amendment to MFRS 10 'Consolidated Financial Statements':
  - FRS 12 'Disclosure of Interests in Other Entities", and
  - FRS 127 "Separate Financial statements" – Investment entities
- IC Interpretation 21 'Levies'
- Amendment to MFRS 139 'Novation of Derivatives and Continuation of Hedge Accounting'

The adoption of the above amendments to published standards and interpretations did not have a significant financial impact to the Group and the Company.

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

(i) Effective from financial year beginning on or after 1 January 2015 with earlier application permitted

- Annual Improvements to MFRSs 2010-2012 Cycle
  - MFRS 2 'Share-based payment'
  - MFRS 3 'Business Combination'
  - MFRS 8 'Operating Segments'
  - MFRS 13 'Fair value measurement'
  - MFRS 116 'Property, Plant and Equipment'
  - MFRS 124 'Related party disclosures', and
  - MFRS 138 'Intangible assets'
- Annual Improvements to MFRSs 2011-2013 Cycle
  - MFRS 1 'First-time Adoption of financial reporting standards'
  - MFRS 3 'Business combinations'
  - MFRS 13 'Fair value measurement', and
  - MFRS 140 'Investment property'
- Amendments to MFRS 119 'Employee benefits – defined benefits plans: Employee contributions

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(ii) Effective for annual periods beginning on or after January 2016 with earlier application permitted

- Amendments to MFRS 11 'Accounting for Acquisitions of Interests in Joint Operations'
- Amendments to MFRS 116 'PPE' and FRS 138 'Intangible Assets' – Clarification of acceptable methods of depreciation and amortization
- Amendments to MFRS 10 'Consolidated financial statements' and MFRS 128 'Investment in associates and joint ventures' – sale or contribution of assets between an investor and its associates/joint venture
- Amendments to MFRS 127 'Separate financial statements' – equity accounting in separate financial statements
- Annual Improvements to MFRS 2012-2014 Cycle, amendments to:
  - MFRS 5 'Non-current assets held for sale and discontinued operations'
  - MFRS 7 'Financial instruments: Disclosures'
  - MFRS 119 'Employee benefits' and
  - MFRS 134 'Interim financial reporting'

(iii) Effective from financial year beginning on or after 1 January 2017 with earlier application permitted

- MFRS 15 'Revenue'
- MFRS 141 'Agriculture: Bearer Plants' (effective 1 January 2016, but adopted by the Group after 1 January 2017 upon MFRS adoption)

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

- MFRS 9 'Financial instruments'

The effects of the above amendments to published standards are currently being assessed by the Directors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION

(a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 INVESTMENTS IN SUBSIDIARIES

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

2.4 SEGMENTAL REPORTING

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

2.5 FOREIGN CURRENCIES

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 FOREIGN CURRENCIES (CONTINUED)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position;
- income and expenses for each statement of comprehensive income or separate income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit and loss as incurred.

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

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

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. See accounting policy on impairment of non-financial assets.

The residual values, useful lives and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

All items of property, plant and equipment is de-recognised 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 profit or loss.

2.7 INVESTMENT PROPERTY

Investment property is property which is held to earn rental yields or for capital appreciation or for both and is not occupied by the Group. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided for on a straight line basis over the estimated useful life. Leasehold land is amortised over its remaining lease period of 89 years. The principal annual rates used for building is 2% per annum.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 INVESTMENT PROPERTY (CONTINUED)

Investment property is de-recognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the financial year of retirement or disposal.

Transfer is made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.6 up to the date of change in use.

2.8 INTANGIBLE ASSET

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

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

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

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding four years.

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

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. See accounting policy on impairment of non-financial assets.

Intangible asset is de-recognised 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 profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss or reversal is charged to the profit or loss in the financial year that the event occurs.

2.10 FINANCIAL ASSETS

(a) Classification

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

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statements of financial position.

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL ASSETS (CONTINUED)

(c) Subsequent measurement - Gains and losses

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

(d) Subsequent measurement - Impairment of financial assets

<u>Assets carried at amortised cost</u>

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor; or
- A breach of contract, such as a default or delinquency in interest or principal payments; or
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement - Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

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

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

(e) De-recognition

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

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

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of inventories includes purchase price and incidental charges. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three (3) months or less.

2.13 SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity.

(b) Share issue costs

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

(c) Dividend distribution

Distributions to holders of an equity instrument are debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the financial period in which the dividends are approved.

2.14 FINANCIAL LIABILITIES

Financial liabilities are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method except for derivatives which are measured at fair value.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 FINANCIAL LIABILITIES (CONTINUED)

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the financial period in which they are incurred.

A financial liability is de-recognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially difference terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

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

2.15 CURRENT AND DEFERRED INCOME TAX

The tax expense for the financial period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

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

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

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

2.16 EMPLOYEE BENEFITS

(a) Short-term employee benefits

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

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(b) Defined contribution plans

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 EMPLOYEE BENEFITS (CONTINUED)

(c) Defined benefit plans

The defined benefit liability recognised in the statements of financial position is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets, together with adjustments for actuarial gains/losses and unrecognised past service cost. The Group determines the present value of the defined benefit obligation and the fair value of any 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 end of the reporting period.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, by discounting the estimated future cash outflows using market yields at the end of the reporting period on high quality corporate bonds which have currency and terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in profit or loss, 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.

2.17 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

When the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of all taxes, returns, rebates and discounts and after eliminating sales within the Group.

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

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

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

2.19 LEASES

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

(a) Accounting as a lessee

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 LEASES (CONTINUED)

(a) Accounting as a lessee (continued)

Operating leases

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

(b) Accounting as lessor

Finance leases

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

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

(a) Market risk

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

(i) Foreign exchange risk

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

The table illustrates the impact on the profit for the year, equity and net assets resulting from currency sensitivities.

	2014 RM'000	**2013 RM'000**
Increase/(decrease) on profit for the year, equity and net assets		
1 percent increase in US Dollar exchange rate	(238)	(222)
1 percent decrease in US Dollar exchange rate	238	222

(ii) Interest rate risk

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial asset				
Fixed rate – deposits with financial institutions	16,267	24,947	7,500	16,603
Financial liability				
Fixed rate - borrowings	28,405	12,640	28,405	12,640

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

(b) Credit risk

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

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

(i) Receivables

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

The Group's customers are mainly significant entities in the information, communication and telecommunication industry. At the reporting date, the Group has significant concentration of credit risk that may arise from exposure to seven (2013: seven) major customers which accounted for 50% (2013: 51%) of the trade receivables and accrued unbilled revenue balances. The Group considers the risk of material loss in the event of non-performance by a customer to be unlikely.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

(i) Receivables (continued)

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Counterparties without external credit rating:				
- Existing customers with no defaults in the past	108,697	114,788	104,235	104,911

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

(ii) Intercompany balances

Intercompany balances with subsidiaries are largely trade in nature. The Company monitors the results of the subsidiaries regularly. As at 31 December 2014, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position as shown in Note 18.

Management has taken reasonable steps to ensure that intercompany receivables are stated at realisable values. As at 31 December 2014, an amount of RM17,049,592 (2013: RM7,379,592) was provided for as the amount due from a subsidiary was assessed to be impaired.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

(iii) Deposits, cash and bank balances

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

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

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
AAA	17,646	14,521	4,298	1,705
AA	7,522	0	7,522	0
A	0	16,520	0	16,520
BBB	261	15	261	15

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

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

	2014 On demand or within one year RM'000
Group	
Financial Liabilities	
Payables	40,987
Borrowings	28,405
Total undiscounted financial liabilities	69,392
Company	
Financial Liabilities	
Payables	46,030
Borrowings	28,405
Total undiscounted financial liabilities	74,435

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (continued)

	2013 **On demand or within one year** **RM'000**
Group	
Financial Liabilities	
Payables	34,951
Borrowings	12,640
Total undiscounted financial liabilities	47,591
Company	
Financial Liabilities	
Payables	50,928
Borrowings	12,640
Total undiscounted financial liabilities	63,568

(d) Fair value estimation

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

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

There were no amounts measured at fair value in the statement of financial position as at 31 December 2014 and 31 December 2013. The fair value of investment properties that is disclosed in Note 14 is a Level 2 estimation.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 CAPITAL MANAGEMENT

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

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

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

	2014 RM'000	2013 RM'000
Group		
Total borrowings (Note 22)	28,405	12,640
Less: Deposits, cash and bank balances (Note 20)	(25,446)	(31,056)
Net debt	2,959	(18,416)
Total equity	140,631	177,225
Total capital	143,590	158,809
Gearing ratio	2%	0%

The increase in the gearing ratio during 2014 resulted primarily from the increase of borrowings during the financial year. There were no externally imposed capital requirements during the financial year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Impairment of Property, Plant and Equipment and Investment Properties

The Group assesses impairment of the assets mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use.

During the financial year, the Group's property, plant and equipment and investment properties were assessed for impairment due to losses incurred and as the share price of the Company was below the net assets per share of the Group, which resulted in no impairment arising.

Based on the sensitivity analysis performed, the Directors concluded that no reasonable change in any of the assumptions would cause the carrying amount of these assets to exceed the recoverable amount.

(b) Deferred Tax Assets

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

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

As at 31 December 2014, the Group and Company has recognised deferred tax assets arising from unutilised tax losses amounting to RM2,383,000 and RM2,383,000 respectively as disclosed in Note 16 to the financial statements.

5 REVENUE

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue from:				
- hardware	100,593	101,402	87,653	96,204
- software	33,823	43,762	33,898	43,762
- services	121,925	135,843	118,813	122,302
	256,341	281,007	240,364	262,268

6 STAFF COST (INCLUDING DIRECTORS' EMOLUMENTS)

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages, salaries, bonuses and other employment benefits	71,363	71,040	49,747	39,597
Defined contribution retirement plan	7,842	8,238	3,224	1,870
Defined benefit retirement plan (Note 23)	380	560	380	560
	79,585	79,838	53,351	42,027

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-executive Directors				
- fees	231	211	231	211
- others	179	28	179	28
Executive Directors				
- salaries	1,755	1,454	1,755	1,454
- other emoluments	208	281	208	281
- defined contribution plan	167	157	167	157
	2,540	2,131	2,540	2,131

7 LOSS FROM OPERATIONS

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Auditors' remuneration:				
- Audit	194	205	107	107
- Non-audit	47	58	18	29
Depreciation:				
- property, plant and and equipment	7,040	7,316	4,580	2,264
- investment property	24	24	24	24
Amortisation of intangible assets	165	41	0	0
Dividend income from subsidiaries	0	0	(10,020)	(14,033)
Interest income:				
- finance lease	(95)	(102)	(95)	(102)
- fixed deposit	(611)	(482)	(266)	(241)
Net realised foreign exchange gain	(847)	(616)	(805)	(615)
Unrealised foreign exchange loss/(gain)	458	(116)	439	(116)
Property, plant and equipment written off	2	14	0	6
Reversal of impairment of investment in subsidiaries	0	0	0	(750)
Rental income	(107)	(115)	(227)	(355)
Rental expense	568	419	71	19
Writedown of inventory to net realisable value	3,911	0	2,543	0
Bad debts written off	42	224	10	224
Impairment/(reversal) of receivables	4,003	(341)	3,995	(317)
Impairment of amount due from subsidiaries	0	0	9,670	5,499

8 FINANCE COST

	Group and Company	
	2014	**2013**
	RM'000	**RM'000**
Interest expense on:		
- short term borrowings	501	809
- finance leases	367	407
	868	1,216

9 TAXATION AND ZAKAT

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current taxation:				
Current financial year	960	4,827	0	0
Under provision in prior year	(268)	750	0	865
Deferred taxation:				
Reversal of temporary differences (Note 16)	(2,183)	(2,448)	0	(1,639)
Under provision in prior year	139	(154)	0	(101)
	(2,044)	(2,602)	0	(1,740)
Tax expense	(1,352)	2,975	0	(875)
Zakat	180	180	0	0
	(1,172)	3,155	0	(875)

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Loss before taxation before zakat	(31,166)	(2,830)	(20,640)	(5,605)
Tax calculated at tax rate of 25% (2013: 25%)	(25)	(25)	(25)	(25)
Tax effects of:				
- zakat	1	6	0	0
- income not subject to tax	(16)	(39)	(12)	(77)
- expenses not deductible for tax purposes	12	13	13	30
- effects of deferred tax assets not recognised	25	135	24	42
- under provision in prior year (net)	(1)	21	0	14
Effective tax rate (%)	(4)	111	0	(16)

9 TAXATION AND ZAKAT (CONTINUED)

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unutilised tax losses	47,784	17,278	27,952	7,902
Deductible temporary differences	2,817	1,923	1,547	1,518
	50,601	19,201	29,499	9,420

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

10 LOSS PER SHARE

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

	Group	
	2014	**2013**
Net loss attributable to ordinary equity holders of the Company (RM'000)	(30,591)	(7,644)
Weighted average number of ordinary shares in issue ('000)	60,402	60,402
Loss per share (sen)	(50.65)	(12.66)

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

11 DIVIDENDS

Dividends paid during the financial year are as follows:

	Group and Company	
	2014	**2013**
	RM'000	**RM'000**
Final dividends in respect of financial year 2013/2012:		
10 cent per share, single tier (2013: 21 sen per share, less income tax at 25%)	6,040	9,513

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2014.

12 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Building RM'000	Machines RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
31.12.2014						
Cost						
At 1 January 2014	26,262	35,836	1,169	53,352	283	116,902
Additions	0	0	0	5,912	0	5,912
Assets written off	0	0	0	(2)	0	(2)
At 31 December 2014	26,262	35,836	1,169	59,262	283	122,812
Accumulated depreciation						
At 1 January 2014	0	12,757	1,169	40,183	198	54,307
Charge for the financial year	0	718	0	6,292	30	7,040
At 31 December 2014	0	13,475	1,169	46,475	228	61,347
Net book value						
At 31 December 2014	26,262	22,361	0	12,787	55	61,465
31.12.2013						
Cost						
At 1 January 2013	26,262	35,836	5,629	52,135	283	120,145
Transfer to intangible assets	0	0	0	(253)	0	(253)
Additions	0	0	0	3,468	0	3,468
Assets written off	0	0	(4,460)	(1,998)	0	(6,458)
At 31 December 2013	26,262	35,836	1,169	53,352	283	116,902
Accumulated depreciation						
At 1 January 2013	0	12,039	5,629	35,625	142	53,435
Charge for the financial year	0	718	0	6,542	56	7,316
Assets written off	0	0	(4,460)	(1,984)	0	(6,444)
At 31 December 2013	0	12,757	1,169	40,183	198	54,307
Net book value						
At 31 December 2013	26,262	23,079	0	13,169	85	62,595

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM'000	Building RM'000	Machines RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
31.12.2014						
Cost						
At 1 January 2014	26,262	35,836	1,169	29,287	283	92,837
Additions	0	0	0	5,616	0	5,616
Transfer from subsidiary	0	0	0	6,222	0	6,222
At 31 December 2014	26,262	35,836	1,169	41,125	283	104,675
Accumulated depreciation						
At 1 January 2014	0	12,757	1,169	25,106	196	39,228
Charge for the financial year	0	718	0	3,832	30	4,580
At 31 December 2014	0	13,475	1,169	28,938	226	43,808
Net book value						
At 31 December 2014	26,262	22,361	0	12,187	57	60,867
31.12.2013						
Cost						
At 1 January 2013	26,262	35,836	5,629	29,886	283	97,896
Additions	0	0	0	1,430	0	1,430
Transfer to subsidiary	0	0	0	(41)	0	(41)
Assets written off	0	0	(4,460)	(1,988)	0	(6,448)
At 31 December 2013	26,262	35,836	1,169	29,287	283	92,837
Accumulated depreciation						
At 1 January 2013	0	12,039	5,629	25,630	142	43,440
Charge for the financial year	0	718	0	1,492	54	2,264
Transfer to subsidiary	0	0	0	(34)	0	(34)
Assets written off	0	0	(4,460)	(1,982)	0	(6,442)
At 31 December 2013	0	12,757	1,169	25,106	196	39,228
Net book value						
At 31 December 2013	26,262	23,079	0	4,181	87	53,609

13 INTANGIBLE ASSETS

	Internally developed software RM'000	Work-in-progress RM'000	Total RM'000
Group			
Cost			
At 1 January 2014	640	618	1,258
Additions	0	534	534
Reclassification	1,152	(1,152)	0
At 31 December 2014	1,792	0	1,792
Accumulated depreciation			
At 1 January 2014	41	0	41
Charge for the financial year	165	0	165
At 31 December 2014	206	0	206
Net book value			
At 31 December 2014	1,586	0	1,586

	Internally developed software RM'000	Work-in-progress RM'000	Total RM'000
Company			
Cost			
At 1 January 2014	0	0	0
Additions	0	329	329
Reclassification	329	(329)	0
At 31 December 2014	329	0	329
Accumulated depreciation			
At 1 January 2014	0	0	0
Charge for the financial year	0	0	0
At 31 December 2014	0	0	0
Net book value			
At 31 December 2014	329	0	329

13 INTANGIBLE ASSETS (CONTINUED)

	Internally developed software RM'000	Work-in-progress RM'000	Total RM'000
Group			
Cost			
At 1 January 2013	0	0	0
Additions	0	1,005	1,005
Transfer from property, plant and equipment	253	0	253
Reclassification	387	(387)	0
At 31 December 2013	640	618	1,258
Accumulated depreciation			
At 1 January 2013	0	0	0
Charge for the financial year	41	0	41
At 31 December 2013	41	0	41
Net book value			
At 31 December 2013	599	618	1,217

The useful life of the internally developed software is four years. The amount of staff cost capitalised for the Group is RM534,000 (2013: RM1,005,000).

14 INVESTMENT PROPERTIES

	Group and Company	
	2014	2013
	RM'000	RM'000
At 1 January	1,394	1,418
Depreciation for the financial year	(24)	(24)
At 31 December	1,370	1,394

Investment properties rental income and direct operating expenses for the financial year are as follows:

	Group and Company	
	2014	2013
	RM'000	RM'000
Rental income	31	39
Direct operating expenses	3	4

The fair value of the investment property is approximately RM3,500,000 (2013: RM2,900,000) as at 31 December 2014. The fair value of the investment property was estimated by Directors using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties. The fair value of investment properties is Level 2 estimation.

15 INVESTMENT IN SUBSIDIARIES

	Company	
	2014	2013
	RM'000	RM'000
Unquoted shares, at cost	2,006	2,006
Accumulated impairment losses	(21)	(21)
	1,985	1,985

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

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Names of companies	Principal activities	Group's effective interest 2014 %	Group's effective interest 2013 %
VA Dynamics Sdn. Bhd.	Sales of networking cables and related products	51	51
CustomCodes Sdn. Bhd.	Provision of design, development and implementation of business solutions related to business intelligence, business analytics, customised applications and software products	100	100
Mesiniaga Alliances Sdn.Bhd.	Provision of strategic information technology outsourcing services	100	100
Mesiniaga Services Sdn. Bhd.	Dormant	100	100
Mesiniaga MSC Sdn. Bhd.	Dormant	100	100
Mesiniaga Techniques Sdn. Bhd.	Under members voluntary winding up	100	100
Mesiniaga SSO Sdn. Bhd.	Under members voluntary winding up	100	100

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

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiary with material non-controlling interests

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

Summarised statement of financial position

	2014 RM'000	2013 RM'000
Current		
Assets	21,504	27,097
Liabilities	(985)	(5,469)
Total current net assets	20,519	21,628
Non-current		
Assets	539	211
Liabilities	0	0
Total non-current net assets	539	211
Net assets	21,058	21,839

Summarised statement of comprehensive income

	For the financial year ended 31 December	
	2014 RM'000	2013 RM'000
Revenue	14,677	18,599
Profit before taxation	1,390	4,507
Tax expense	(172)	(1,121)
Profit for the financial year	1,218	3,386
Other comprehensive income	0	0
Total comprehensive income	1,218	3,386
Profit and total comprehensive income attributable to non-controlling interest	597	1,659
Accumulated non-controlling interest	10,314	10,697
Dividends paid to non-controlling interests	980	992

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(i) Summarised financial information on subsidiary with material non-controlling interests (continued)

Summarised statement of cash flows

	For the financial year ended 31 December	
	2014 **RM'000**	**2013** **RM'000**
Cash flow from operating activities		
Cash flow generated from operations	3,123	6,747
Income tax paid	(963)	(1,074)
Net cash generated from operating activities	2,160	5,673
Net cash (used in)/generated from investing activities	(998)	235
Net cash used in financing activities	(2,000)	(2,025)
Net (decrease)/increase in cash and cash equivalents	(838)	3,883
Cash and cash equivalents at beginning of financial year	12,289	8,406
Cash and cash equivalents at end of financial year	11,451	12,289

16 DEFERRED TAX ASSETS/LIABILITIES

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Deferred tax assets	1,979	1,781	1,458	1,458
Deferred tax liability:	0	(1,846)	0	0
At 1 January	(65)	(2,667)	1,458	(282)
Credited/(charged) to statements of comprehensive income: (Note 9)				
- property, plant and equipment	595	291	(1,334)	(594)
- post-employment benefit obligations	(161)	(90)	(161)	(90)
- receivables	971	(296)	971	(14)
- tax losses	644	1,739	593	1,790
- others	(95)	530	(82)	182
- provisions	90	466	13	466
- unabsorbed capital allowances	0	(38)	0	0
	2,044	2,602	0	1,740
At 31 December	1,979	(65)	1,458	1,458
Subject to income tax:				
Deferred tax assets: (before offsetting)				
- post-employment benefit obligations	552	713	552	713
- receivables	1,138	167	1,129	158
- tax losses	2,383	1,739	2,383	1,790
- provisions	556	466	479	466
- others	510	524	0	0
	5,139	3,609	4,543	3,127
Offsetting	(3,160)	(1,828)	(3,085)	(1,669)
Deferred tax assets (after offsetting)	1,979	1,781	1,458	1,458

16 DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(3,050)	(3,645)	(2,975)	(1,641)
- others	(110)	(29)	(110)	(28)
	(3,160)	(3,674)	(3,085)	(1,669)
Offsetting	3,160	1,828	3,085	1,669
Deferred tax liabilities (after offsetting)	0	(1,846)	0	0

17 INVENTORIES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At net realisable value				
Cables	4,636	8,426	1	1
Equipment	4,497	3,139	4,496	2,098
Spare parts	874	4,236	874	0
Supplies	35	13	35	13
	10,042	15,814	5,406	2,112

18 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables	78,265	67,726	73,839	59,990
Accrued unbilled revenue	34,987	47,614	34,912	45,442
Less: Impairment of receivables	(4,555)	(552)	(4,516)	(521)
	108,697	114,788	104,235	104,911
Finance lease receivables (Note 19)	554	845	554	845
Other receivables	2,059	5,041	1,367	3,669
Deposits and prepayments	392	1,240	277	1,099
Amounts due from subsidiaries	0	0	22,024	31,277
Impairment of amounts due from subsidiaries	0	0	(17,049)	(7,379)
	0	0	4,975	23,898
	111,702	121,914	111,408	134,422

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

Credit terms of trade receivables range from 30 days to 90 days (2013: 30 days to 90 days).

Other receivables and deposits are neither past due nor impaired.

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

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Aging analysis of trade receivables and accrued unbilled revenue

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Neither past due nor impaired	104,220	91,681	100,767	85,375
1 to 30 days past due and not impaired	2,803	18,459	2,190	16,359
31 to 90 days past due and not impaired	600	1,865	266	1,210
More than 91 days past due and not impaired	1,074	2,783	1,012	1,967
More than 91 days past due and impaired	4,555	552	4,516	521
	113,252	115,340	108,751	105,432
Less: Impairment of receivables	(4,555)	(552)	(4,516)	(521)
	108,697	114,788	104,235	104,911

Trade receivables that are neither past due nor impaired

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

Trade receivables that are past due but not impaired

As at 31 December 2014, the Group and the Company have trade receivables amounting to RM4,477,000 (2013: RM23,107,000) and RM3,468,000 (2013:RM19,536,000) respectively that are past due at the reporting date but not impaired.

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

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables that are impaired

The Group's and the Company's trade receivables that are impaired as at 31 December 2014 and the movement of the allowance accounts to record the impairment are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables - nominal amounts	4,555	552	4,516	521
Less: Impairment of receivables	(4,555)	(552)	(4,516)	(521)
	0	0	0	0

These primarily relate to a few customers who are in financial difficulties.

Movement in impairment of receivables:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	552	893	521	838
Impairment/(reversal of impairment) of receivables (net)	4,003	(341)	3,995	(317)
At 31 December	4,555	552	4,516	521

Amounts due from subsidiaries that are impaired

Movement in impairment of amounts due from subsidiaries:

	Company	
	2014 RM'000	2013 RM'000
At 1 January	7,379	1,930
Impairment of receivables	9,670	5,449
At 31 December	17,049	7,379

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

The credit quality of amount due from subsidiaries that are neither past due nor impaired can be assessed to historical information about counterparty default rates:

	Company	
	2014 RM'000	2013 RM'000
Amount due from subsidiaries		
Existing related parties (more than 6 months) with no defaults in the past	4,975	23,898

19 FINANCE LEASE RECEIVABLES

	Group and Company	
	2014 RM'000	2013 RM'000
Gross receivables	905	1,626
Less: Unearned finance income	(84)	(169)
Present value of lease receivables	821	1,457

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

	Group and Company	
	2014 RM'000	2013 RM'000
Receivable within 12 months	554	845
Receivable after 12 months:		
- between 1 and 2 years	301	631
- between 2 and 5 years	50	150
	905	1,626
Less: Unearned finance income	(84)	(169)
	821	1,457
Current (Note 18)	554	845
Non-current	267	612
	821	1,457

The weighted average effective interest rates for finance lease receivables are 5% (2013: 5%) per annum. The finance lease receivables are denominated in Ringgit Malaysia.

20 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Cash and bank balances	9,179	6,109	4,589	1,638
Deposits with licensed financial institutions	16,267	24,947	7,500	16,603
Total deposits, cash and bank balances	25,446	31,056	12,089	18,241
Less:				
Deposits maturing more than three (3) months	1,244	0	0	0
Cash and cash equivalents	24,202	31,056	12,089	18,241

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

The Group's and the Company's effective weighted average interest rate of deposits at the end of the financial year is 3.16% (2013: 3.00%) per annum.

Deposits of the Group and the Company as at 31 December 2014 are time deposits, which have an average maturity period of 34 days (2013: 92 days).

Deposits, cash and bank balances are denominated in Ringgit Malaysia.

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Trade payables	33,657	26,892	30,501	25,934
Payroll liabilities	3,693	4,978	2,759	2,740
Accruals	3,637	3,081	2,669	882
Finance lease liabilities (Note 24)	1,679	4,809	1,679	4,809
Amounts due to subsidiaries	0	0	10,100	21,372
	42,666	39,760	47,708	55,737

21 TRADE AND OTHER PAYABLES (CONTINUED)

The currency exposure profile of trade payables is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	26,024	16,222	22,889	18,442
United States Dollar	7,633	10,670	7,612	7,492
	33,657	26,892	30,501	25,934

All other liabilities are denominated in Ringgit Malaysia.

Credit terms of trade payables range from 7 days to 90 days (2013: 7 days to 90 days).

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

22 BORROWING (UNSECURED AND INTEREST BEARING)

	Group and Company	
	2014 RM'000	2013 RM'000
Short-term bank borrowings	28,405	12,640

The interest rate of the short-term bank borrowing is as follows:

	Group and Company	
	2014 %	2013 %
Short-term bank borrowings	4.73	2.82

22 BORROWING (UNSECURED AND INTEREST BEARING) (CONTINUED)

The carrying amount of the Company's borrowings are denominated in the following currencies:

	Group and Company	
	2014 RM'000	2013 RM'000
Ringgit Malaysia	13,764	2,853
United States Dollar	13,798	9,787
Euro	843	0

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

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

The latest actuarial valuation of the plan was carried out as at 31 December 2013.

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plan (continued)

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

	Group and Company	
	2014	**2013**
	RM'000	**RM'000**
At 1 January	6,292	6,460
Service cost	221	321
Interest cost	323	420
Actuarial losses	(603)	(400)
Benefits paid from plan assets	(339)	(509)
At 31 December	5,894	6,292

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

	Group and Company	
	2014	**2013**
	RM'000	**RM'000**
At 1 January	3,421	3,034
Interest income on plan assets	185	220
Return on plan assets	(183)	15
Employer contributions	627	700
Administrative expenses paid	(21)	(39)
Benefits paid from plan assets	(339)	(509)
At 31 December	3,690	3,421

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plan (continued)

The amounts recognised in the statements of financial position may be analysed as follows:

	Group and Company 2014 RM'000	Group and Company 2013 RM'000
At 31 December		
Present value of funded obligations	5,894	6,292
Fair value of plan assets	(3,690)	(3,421)
Net liability	2,204	2,871

Plan assets are comprised as follows:

	Group and Company 2014 RM'000	%	Group and Company 2013 RM'000	%
At 31 December				
Equity instruments	1,121	30	1,684	49
Government bonds	993	27	813	24
Cash and fixed deposit	927	25	202	6
Other	649	18	722	21
Total	3,690	100	3,421	100

The reconciliation of net statement of financial position may be analysed as follows:

	Group and Company 2014 RM'000	Group and Company 2013 RM'000
Net defined benefit liability	2,871	3,426
Service cost recognised in profit or loss	242	360
Net interest on net defined benefit asset recognised in profit or loss	138	200
Re-measurement gain recognised in other comprehensive income	(420)	(415)
Employer contributions	(627)	(700)
Net defined benefit at 31 December 2014	2,204	2,871

23 POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)

(b) Defined benefit plan (continued)

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Service cost	242	360	242	360
Interest cost	323	420	323	420
Net interest income on plan assets	(185)	(220)	(185)	(220)
Total defined benefit retirement plan	380	560	380	560

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

	Group and Company	
	2014	2013
At 31 December		
Discount rates	6.0%	5.7%
Rate of price inflation	3.5%	3.5%
Expected rate of salary increases		
- up to age 34	7%	7%
- from age 35 to 44	7%	7%
- from age 45 and above	5%	5%
Turnover (per annum):		
- up to age 44	6%	6%
- from age 45 to 54	3%	3%
Retirement age:		
- normal retirement age, 60	50 years	50 years
- early retirement age, 55	50 years	50 years
Expected return on plan assets	5.3%	5.3%

The expected return on plan assets is determined by weighting the expected long-term return for each asset class by target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

23 POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)

(b) Defined benefit plan (continued)

	2014 RM
Maturity profile of defined benefit obligation	
Weighted average duration	31.2 years
Expected benefit payments over the next 10 years	
2015	1,240,095
2016	79,908
2017	103,892
2018	127,698
2019	169,176
2020 onwards	1,407,216

Significant actuarial assumptions and sensitivity analysis

	Core assumption	Sensitivity analysis	Effect on defined benefit obligation RM
Discount rate	6.0%	1.0% decrease	1,878,512
Mortality	M9903 Life Tables	Age adjusted by + 1 year	(302,326)

Method and assumptions used in sensitivity analysis

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

24 FINANCE LEASE LIABILITIES

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

	Group and Company	
	2014	**2013**
	RM'000	**RM'000**
Minimum lease payments:		
Repayable within 12 months	1,796	4,994
Repayable after 12 months:		
- between 1 and 2 years	370	466
- between 2 and 5 years	500	157
- more than 5 years	129	
	2,795	5,617
Future finance charges on finance leases	(237)	(237)
Present value of the finance lease liability	2,558	5,380
Current (Note 21)	1,679	4,809
Non-current	879	571
	2,558	5,380

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

25 SHARE CAPITAL

	Group and Company	
	2014	**2013**
	RM'000	**RM'000**
Ordinary shares of RM1.00 each:		
Authorised:		
At 1 January and 31 December	100,000	100,000
Issued and fully paid:		
At 1 January and 31 December	60,402	60,402

26 RETAINED EARNINGS

The Company will be able to distribute dividends out of its entire retained earnings under the single-tier system.

27 SHARE PREMIUM

	Group and Company	
	2014	**2013**
	RM'000	**RM'000**
As at 1 January/31 December	4,126	4,126

Share premium is not distributable as cash dividends.

28 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

	Company	
	2014	**2013**
	RM'000	**RM'000**
Subsidiary companies		
Purchase of goods	191	803
Purchase of services	38,960	100,661
Sales of goods	1,688	142
Sales of services	263	0
Management fees	2,093	3,416
Secondment fees	17,560	18,470

28 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Company	
	2014 RM'000	2013 RM'000
Receivables from related parties (Note 18):		
- Subsidiaries	4,975	23,898
Payables to related parties (Note 21):		
- Subsidiaries	10,100	21,372

The receivables from related parties arise mainly from sale transactions and are due two months after the date of sales. The receivables are unsecured in nature and bear no interest.

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

(c) Key management compensation

Key management are categorised as employees with the title of Directors and above within the Group. The key management compensation (excluding Directors' remuneration) is disclosed as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Salaries and other short-term employees benefits	1,631	2,442	1,631	1,435
Defined contribution plan	195	286	195	168
Defined benefit plan	0	39	0	0
	1,826	2,767	1,826	1,603

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

29 SEGMENT REPORTING

The Group is primarily engaged in one operating 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 operating segment.

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

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

30 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 8 April 2015.

31 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The breakdown of retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraph 2.03 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Realised	71,068	86,647	39,463	61,100
Unrealised	(5,279)	15,353	12,253	16,876
	65,789	102,000	51,716	77,976

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

>> **Properties Owned** By The Group

As at 31 December 2014

Address	Description	Usage	Tenure	Terms of Tenant's Leases or Under Leases	Approximate Age	Net Book Value (RM'000)
HS(D) 65056, PT 12204, Mukim of Damansara, District of Petaling, Selangor (Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor)	Commercial land comprising a 15-storey office building	Office building	Freehold	Nil	Twenty One (21) years	34,314
Lot 1047, Sek. 13, District of Timur Laut, Georgetown, Pulau Pinang (Mutiara Mesiniaga, No. 56, Jalan Larut, 10050 Georgetown, Pulau Pinang)	Commercial land comprising a 4-storey office building	Office building	Freehold	Nil	Fourteen (14) years	8,712
Lot PT 277, Mukim of Damansara, District of Petaling, Selangor (No. 3, Jalan TP 6, Taman Perindustrian UEP Subang Jaya, 47600 Subang Jaya, Selangor)	Industrial premises	Office building and store	Freehold	Nil	Seven (7) years	5,597
No. A-07-01, A-07-02, A-07-03, Worldwide @7, Jalan Lazuardi 7/29, Seksyen 7, 40000 Shah Alam, Selangor	Commercial land comprising a 3 1/2-storey commercial building	Commercial building	Leasehold	99 years	Eleven (11) years	1,370

Shareholding Statistics

Shareholding Structure as at 17 April 2015
Authorised Share Capital: RM100,000,000
Issued and Paid-up Capital: RM60,402,000
Class of Shares: There is only one class of shares, namely Ordinary Shares of RM1.00 each

Analysis of Shareholdings as at 17 April 2015

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	50	1.65	1,575	0.00
100 – 1,000	1,124	37.22	1,019,872	1.69
1,001 – 10,000	1,501	49.70	6,447,216	10.67
10,001 – 100,000	306	10.13	8,538,500	14.14
100,001 – 3,020,100 (Less than 5% of issued shares)	34	1.13	15,354,716	25.42
3,020,101 and above (5% and above of issued shares)	5	0.17	29,040,121	48.08
Total	**3,020**	**100.00**	**60,402,000**	**100.00**

Substantial Shareholders (Excluding Bare Trustees and Deemed Interests) as at 17 April 2015

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

Directors Direct and Deemed Interests as at 17 April 2015

No.	Names	Direct Shareholdings	Deemed Interest	%
1	DATUK WAN MOHAMED FUSIL WAN MAHMOOD	1,625,940	2,100,000	6.17
2	MOHD PUZI AHAMAD	1,918,940	2,000,000	6.49
3	FATHIL SULAIMAN ISMAIL	6,397,939	0	10.59
4	VOON SENG CHUAN	300,500	0	0.50
5	ABD TALIB BABA	0	0	0.00
6	WONG FOOK HON	1,000	0	0.00
7	DATO' AB RASHID MAT ADAM	0	0	0.00
8	IR. DR. MUHAMAD FUAD ABDULLAH	0	0	0.00
9	MOHAMED FITRI ABDULLAH	40,000	0	0.07

30 Largest Shareholders as at 17 April 2015

No	Name	Holdings	(%)
1	AMANAHRAYA TRUSTEES BERHAD <SKIM AMANAH SAHAM BUMIPUTERA>	11,335,249	18.77
2	FATHIL SULAIMAN ISMAIL	6,397,939	10.59
3	SAFIAH SULAIMAN ISMAIL	3,662,053	6.06
4	HOR YEE @ HO CHEONG FATT	2,828,940	4.68
5	PHARIDA SULAIMAN @ PHILOMENA SULAIMAN	2,699,976	4.47
6	CIMB ISLAMIC TRUSTEE BERHAD <MOHD PUZI AHAMAD>	2,000,000	3.31
7	MOHD PUZI AHAMAD	1,918,940	3.18
8	DB (MALAYSIA) NOMINEE (ASING) SDN BHD <DEUTSCHE BANK AG SINGAPORE FOR BRITISH AND MALAYAN TRUSTEES LIMITED (YEOMAN 3-RIGHTS)>	1,679,700	2.78
9	WAN MOHAMED FUSIL WAN MAHMOOD	1,625,940	2.69
10	CITIGROUP NOMINEES (ASING) SDN BHD <UBS AG FOR NEON LIBERTY WEI JI MASTER FUND LP>	1,185,200	1.96
11	CIMB ISLAMIC TRUSTEE BERHAD <WAN MOHAMED FUSIL WAN MAHMOOD>	1,000,000	1.66
12	WONG TA NOOY @ WONG KENG YONG	1,000,000	1.66
13	SRI SUSAYATI RAMLAN	620,000	1.03
14	ALLINCEGROUP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL WAN MAHMOOD>	550,000	0.91
15	CHOY CHOONG YEEN	481,500	0.80
16	LIM POH TIONG	440,000	0.73
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL WAN MAHMOOD (473685)>	400,000	0.66
18	TOH KAM CHOY	396,000	0.66
19	LIM POH TIONG	360,000	0.60
20	NEOH CHOO EE & COMPANY, SDN BHD	354,100	0.59
21	VOON SENG CHUAN	300,500	0.50
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WONG PHOOI YIN (E-TAI)>	283,000	0.47
23	NOR HASLINA MD. DAHARI	267,600	0.44
24	AFFIN HWANG NOMINEES (ASING) SDN. BHD. <DBS VICKERS SECS (S) PTE LTD FOR LIM MEE HWA>	250,000	0.41
25	CIMSEC NOMINEES (TEMPATAN) SDN BHD <CIMB BANK FOR GAN NYAP LIOU @ GAN NYAP LIOW (MY0747)>	215,000	0.36
26	GOH SEE WEE	200,000	0.33
27	LIM SENG GWEE	200,000	0.33
28	SIEW KIM MAN	196,000	0.32
29	PROCRAFT SDN BHD	194,100	0.32
30	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR LOO SWEE LIN>	183,600	0.30

>> Notice of 33rd Annual General Meeting

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-Third Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on 16 June 2015 at 2.30pm for the following purposes:

Agenda

1. To receive the Audited Financial Statements for the year ended 31 December 2014 together with the Report of Directors and the Independent Auditors Report thereon.

2. To approve Directors' Fees for the year ended 31 December 2014. **Resolution 1**

3. To re-elect the following directors retiring pursuant to Article 104 of the Company's Articles of Association :-
   a. Datuk Wan Mohamed Fusil Wan Mahmood; **Resolution 2**
   b. Fathil Sulaiman Ismail; and **Resolution 3**
   c. Dato' Ab Rashid Mat Adam **Resolution 4**

4. To re-elect Wong Fook Hon retiring pursuant to Section 129(6) of the Companies Act, 1965. **Resolution 5**

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

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
22 May 2015

Note:
1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-Third Annual General Meeting of the Company, the Company shall be requesting the Record of Depositors as at 11 June 2015. Only a depositor whose name appears on the Record of Depositors as at 11 June 2015 shall be entitled to attend and vote at the meeting, as well as for the appointment of proxy(ies) to attend and vote on his/her stead.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
4. All forms of proxy must be deposited at the Company's Share Registrar's Office at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

>> Additional Statements

1. As stated in the Notice of Annual General Meeting on page 122 of this Annual Report, the Directors standing for re-election pursuant to Article 104 and Article 108 are:

   Pursuant to Article 104 of the Company's Articles of Association:
   a. Datuk Wan Mohamed Fusil Wan Mahmood;
   b. Fathil Sulaiman Ismail; and
   c. Dato' Ab Rashid Mat Adam

   Pursuant to Section 129(6) of the Companies Act, 1965:
   a. Wong Fook Hon

2. Details of Board Meetings and the attendance of Directors at those meetings are as stated on page 36.

3. The Thirty-Third Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on 16 June 2015 at 2.30 pm.

4. Details of the Directors standing for re-election are as stated in the Directors' profile column on pages 19 to 23. Their securities holdings in the Company are as stated on page 120.

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Proxy Form

Mesiniaga

I/We____of____

being a member of the above mentioned Company, hereby appoint _____________________of_______________________ or failing him ____of _______________________________as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Third Annual General Meeting of the Company, to be held on Tuesday, 16 June 2015 at 2.30pm and at any adjournment thereof. The proxy is to vote on the resolutions set out in the Notice of Meeting as indicated, with an "X" in the appropriate space. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

Resolution	For	Against
To approve Directors' Fees for the year ended 31 December 2014.		
To re-elect the following directors retiring pursuant to Article 104 of the Company's Articles of Association :- a. Datuk Wan Mohamed Fusil Wan Mahmood; b. Fathil Sulaiman Ismail; and c. Dato' Ab Rashid Mat Adam		
To re-elect Wong Fook Hon retiring pursuant to Section 129(6) of the Companies Act, 1965.		
To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration.		

____

Signature of Shareholder

Number of shares held	

Note:

For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-Third Annual General Meeting of the Company, the Company shall be requesting the Record of Depositors as at 11 June 2015. Only a depositor whose name appears on the Record of Depositors as at 11 June 2015 shall be entitled to attend and vote at the meeting, as well as for the appointment of proxy(ies) to attend and vote on his/her stead.

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney. All forms of proxy must be deposited at the Company's Share Registrar's Office at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

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STAMP

SYMPHONY SHARE REGISTRARS SDN. BHD.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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>> www.mesiniaga.com.my

MESINIAGA BERHAD (79244-V)

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