COMPANY HAPPENINGS

MESINIAGA CHINESE NEW YEAR CELEBRATION

18 FEB 2016

MESINIAGA MODERN BIZ ROADSHOWS

29 MAR 2016

ZAMAN UNIVERSITY, CAMBODIA EDUCATIONAL VISIT

23 MAY 2016

TAIWAN DELEGATION VISIT TO MESINIAGA

26 MAY 2016

2015 HUNDRED PERCENT CLUB (HPC) AWARD DINNER

4 JUN 2016

MESINIAGA 34TH ANNUAL GENERAL MEETING

6 JUN 2016

MAJLIS IFTAR MESINIAGA WITH DARUL MAHABBAH TAHFIZ AND DARUL AITAM ORPHANAGE

15 JUN 2016

AJOU UNIVERSITY, SOUTH KOREA EDUCATIONAL VISIT

27 JUN 2016

BAKING UP SOME LOVE WITH K-LINK CARE CENTRE

14 JUL 2016

MID-YEAR KICK OFF MEETING

22 JUL 2016

MESINIAGA "SEINDAH SYAWAL" HARI RAYA CELEBRATION

22 JUL 2016

MESINIAGA APPRECIATION GATHERING AND MERDEKA ZUMBA

26 AUG 2016

MEDIA APPEARANCES

15TH APRIL 2016

Mesiniaga bags contract extension worth RM145.93 million from Telekom Malaysia

KUALA LUMPUR: Mesiniaga Bhd has accepted an additional contract value for a new IP core and service edge project from Telekom Malaysia worth RM145.93 million.

In a filing to Bursa Malaysia today, Mesiniaga said the supplementary agreement was for the supply, delivery, installation, testing, commissioning, post acceptance maintenance and support services for new IP core and service edge.

"With the awarding of the supplementary agreement, the expiry of the contract is now extended from June 11, 2019 to May 31, 2020," it said.

Mesiniaga added that the contract extension was expected to contribute positively to its earnings over the period of the contract.

Business News

Telekom Malaysia extends contract with Mesiniaga by RM146m

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Breaking News / *Berita Tergempar*

BUSINESS › NEWS

Mesiniaga Bags Contract Extension Worth RM145.93 Mln From Telekom Malaysia

KUALA LUMPUR, April 15 (Bernama) -- Mesiniaga Bhd has accepted an additional contract value for a new IP core and service edge project from Telekom Malaysia worth RM145.93 million.

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-- BERNAMA

Catalyzed by MSTB Malaysian Software Testing Board

Mesiniaga sees its future in software testing

By Karamjit Singh | Sep 13, 2016

- ***Set to benefit from being certified to run IVV testing for public sector***
- ***Investing in talent, testing tools, testing lab to further software ambitions***

13TH SEPTEMBER 2016

MEDIA APPEARANCES

THE EDGE MARKETS
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Tuesday, October 11 2016

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TECHNOLOGY, LATEST NEWS, CORPORATE

Mesiniaga bags RM10.42m ICT contract from MIDA

By Gho Chee Yuan / theedgemarkets.com | October 6, 2016 : 2:45 PM MYT

KUALA LUMPUR (Oct 6): Mesiniaga Bhd has bagged a RM10.42 million information technology maintenance and services contract from the Malaysian Investment Development Authority (MIDA).

In a filing with Bursa Malaysia today, Mesiniaga said the contract is for a period of three years, with effect from Oct 1.

Mesiniaga expects the contract to contribute positively to its earnings during the contract period.

Mesiniaga shares were up two sen or 1.69% at RM1.20 at midday today, for a market capitalisation of RM60.4 million.

MOST VIEWED

- MAHB, Kobay Technology, Astro, Tropicana, APM Automotive and Perisai
- Singapore charges two ex-bankers in Jho Low, 1MDB-linked case
- Bina Puri, China's CCCC Dredging team up for RM15b project in Kuantan
- Bonia profit target hit in 2 market days, says AllianceDBS Research
- A new worry for Clinton: Trump's struggles may depress Democratic voter turnout

Business News

Mesiniaga secures RM10.4mil contract

KUALA LUMPUR: Mesiniaga Bhd has secured a contract worth RM10.41mil from Malaysian Investment Development Authority (Mida) for ICT hardware and software maintenance services.

In a filing with Bursa Malaysia, Mesiniaga said the contract was for a period of three years commencing from Oct 1, 2016.

"The proposed transaction will not have any material effect on the company's net assets for the financial year ending Dec 31, 2016 but is expected to contribute positively to the company's earnings over the period of contract," Mesiniaga said.

BERNAMA.com

BUSINESS › NEWS

Mesiniaga Awarded RM10 Million ICT Maintenance Services Contract By Mida

KUALA LUMPUR, Oct 6 (Bernama) -- Mesiniaga Bhd today announced that it has accepted a Letter of Award, from the Malaysian Investment Development Authority for a RM10.4 million ICT hardware and software maintenance services contract.

The three-year contract, which commenced on Oct 1, 2016, would contribute positively to Mesiniaga's earnings over the contract period, the company said in a filing to Bursa Malaysia today.

-- BERNAMA

6TH OCTOBER 2016

Selasa, 22 November 2016

BERNAMA.com

EKONOMI › BERITA

Mesiniaga Raih Projek TNB Bernilai RM12.17 Juta

KUALA LUMPUR, 21 Nov (Bernama) -- Mesiniaga Bhd menerima projek bernilai RM12.17 juta daripada Tenaga Nasional Bhd (TNB) bagi penyediaan peralatan rangkaian TCS IP Multiple Protocol Label Switching untuk keperluan operasi TNB.

Dalam kenyataan kepada Bursa Malaysia hari ini, Mesiniaga berkata, kontrak tersebut untuk tempoh 32 bulan, dan ia telah memperoleh surat penerimaan daripada TNB bertarikh 16 Nov, 2016 yang menganugerahkan kontrak tersebut.

"Cadangan urus niaga itu tidak akan memberi kesan yang ketara ke atas aset bersih syarikat bagi tahun kewangan berakhir 31 Dis, 2016 dan dijangka menyumbang secara positif kepada pendapatan dalam tempoh kontrak tersebut," katanya.

-- BERNAMA

REUTERS

TECHNOLOGY, MEDIA AND TELECOMMUNICATIONS

BRIEF-Mesiniaga receives letter of acceptance from Tenaga Nasional

Nov 21 Mesiniaga Bhd :

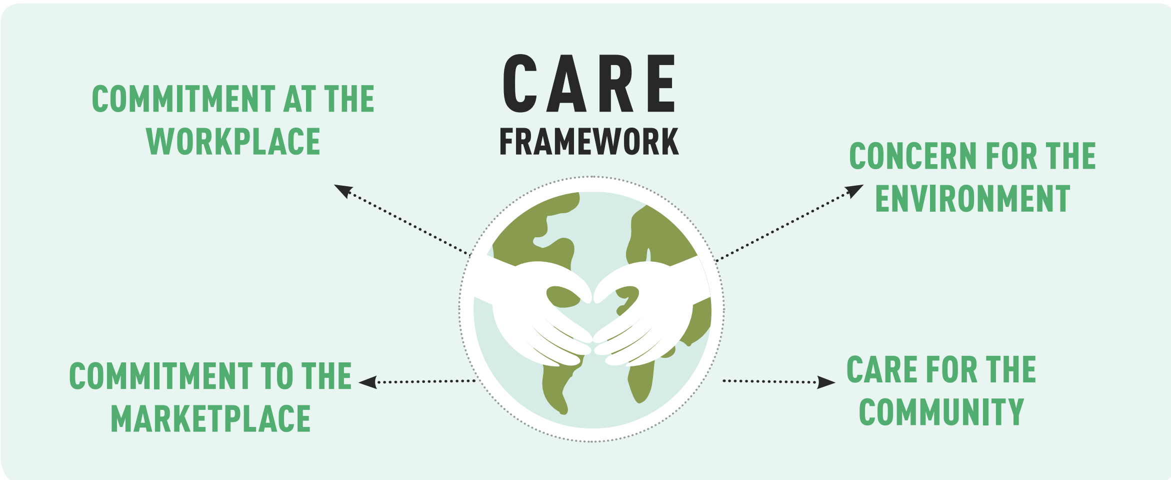
* Received letter of acceptance from tenaga nasional awarding co "provision of ics ipmpls network equipment for TNB operation requirements"

* Accepted contract amount (exclusive of goods and services tax) is 12.2 million RGT; duration is 32 months Source text : (bit.ly/2gdz2Tn) Further company coverage:

21ST NOVEMBER 2016

CORPORATE RESPONSIBILITY

"NO MAN IS AN ISLAND" IS A PROVERB THAT DESCRIBES PERFECTLY THE RELATIONAL NATURE BETWEEN SOCIETY AND THE BUSINESS ENVIRONMENT. SIMILARLY, MESINIAGA'S CORPORATE RESPONSIBILITY (CR) ACTIVITIES FORM A CRUCIAL PART OF OUR STRATEGY TO INTEGRATE OUR BUSINESS AND EMPLOYEES WITH THE SURROUNDING COMMUNITY AND ENVIRONMENT. WE ALSO VIEW CR AS A MEDIUM TO CREATE SUSTAINABLE VALUE FOR OUR COMPANY AND ALL OUR STAKEHOLDERS. THIS CORRESPONDS WITH THE OBJECTIVES OF THE MESINIAGA CR FRAMEWORK WHICH REFLECTS OUR LONG-TERM COMMITMENT TOWARDS SUSTAINABLE DEVELOPMENT.



OUR COMMITMENT TO GOOD MARKETPLACE PRACTICES

Mesiniaga is committed to upholding the highest standards of business ethics, integrity and corporate governance in all our business dealings. We strive to be open, honest and accountable to others and ourselves. Our statement on Corporate Governance underscores our commitment to undertaking ethical conduct and practices in compliance with all regulatory requirements.

Complementing this are several policies within our Employee e-Handbook such as the Company's Business Conduct Guidelines and Ethics Practice Manual which define our expectations of our employees' and their ethical behaviour. These frameworks spell out areas of personal conduct, relationships with other organisations, fairness in business, the use and dissemination of proprietary and confidential information, as well as the activities that constitute fraud. We also ensure that we are continuously improving our internal policies on ethical practices and sexual harassment by enhancing the flow of our reporting processes.

Apart from that, we believe in utilising only genuine software and ensure good software asset management in every aspect of our practice. Additionally, we continue to maintain our ISO 9001:2008 accreditation through our commitment towards ethical behaviour and best practices. We also adhere to various regulations such as the Competition Act 2010 (enforced in 2012), and the Personal Data Protection Act 2010 (enforced in 2013).

When conducting business, we share and promote our values with all of our stakeholders to ensure a balanced approach to ethics and integrity. This is also helping us ensure the creation of sustainable businesses and compliance with all applicable laws. Mesiniaga is governed by a Board of Directors that meets throughout the year, oversees the Group's businesses and affairs, and constantly reviews corporate governance practices that help the Company deliver a good performance.

In order to achieve our Vision, that is "To be the Malaysian IT Partner of Choice", we pledge to implementing the highest levels of internal control and risk management. With this, we have established an appropriate risk management system and internal control framework that are regularly evaluated and constantly improved upon. More information of these mechanisms can be found in the Statement on Risk Management and Internal Control on pages 53 to 55.

The enhancement of the customer experience is pivotal to achieving our Vision of becoming the Malaysian IT Partner of Choice and will determine the sustainability of our competitive advantage. Our customers are our primary stakeholders – their awareness, purchase, use, and repurchase of

WE STRIVE TO BE OPEN, HONEST AND ACCOUNTABLE TO OTHERS AND OURSELVES.

Mesiniaga Appreciation Gathering and Merdeka Zumba

our services and products are vital to our Company's existence. Hence, we have made it our mission to help our customers succeed at every touch point. Our Service Management Division is focused on ensuring service excellence, to further deepen our strong and enduring relationships with our customers. The division also ensure precise and timely resolution of issues as well as facilitates and expedites the modifications needed to enhance our customer satisfaction levels.

On top of this, we objectively monitor our customer loyalty and satisfaction levels by conducting annual surveys. Our Customer Satisfaction Index (CSI) provides an understanding of customers' perspective towards Mesiniaga. Our CSI score was 83% in 2016, a significant increase from the score of 59% in 2015. Moving forward, we will continue to enhance our implementation of value driven solutions in addressing our customers' business needs. We trust this will further enhance our overall score and ultimately, help our customers in achieving their business goals.

OUR COMMITMENT TO ENSURING A BETTER WORKPLACE

We envision a future in which our office premises are accident free. We believe everyone has the right to work in a safe and healthy environment. As our employees are our most important asset, we endeavour not only to protect the health of our people, but also to promote their well-being. We remain dedicated to identifying, monitoring and reinforcing a healthy and safe working environment through a variety of ways. These include the firm establishment of Company policies, stringent compliance with laws and regulations, a strong commitment from the senior management team, as well as the implementation of the relevant health and safety activities.

Our safety-related policies include, but are not limited to the Health and Safety Policy, Smoking Policy, First Aid Policy, Infectious Diseases Outbreak Policy

Fire Prevention Training with Bukit Jelutong Fire and Rescue Department

and Fire Safety Policy. Our Human Resource Department together with the Emergency Management Team (EMT) continue to make concerted efforts to overseeing the enforcement of these policies. We pledge to maintain a healthy and safe working environment by continuously reaffirming the objectives of these policies and through undertaking various health and safety-related activities that reverberate positively with our employees.

To uphold the brand name of Mesiniaga, it is vital that our employees keep abreast of the latest developments to enhance their knowledge and skill sets. We view the development of our employees as an essential investment for our future and they are encouraged to participate in programmes which will hone their soft skills and technical skills. Employees are also urged to enrol in professional certification courses that will enhance their competencies. Furthermore, employees are entitled to a partial tuition fees reimbursement upon enrolling for courses in tertiary institutions.

As at 31 December 2016, we employed 21 individuals who have a postgraduate qualification in various fields of study. To support innovation and the diversification of knowledge and skills, we have formulated employee development programmes and provided our people the option to explore new vocations through internal transfer opportunities.

We acknowledge that our employees are at the core of our business and our establishment. As they are our first customers, and in line with our mission of "Helping Customers Succeed", we endeavour to provide them a conducive workplace that promotes work-life balance. This fosters a more productive workforce as well. Our office premises are equipped with facilities such as a recreational room and a nursing room. Employees may also play miniature golf, video games, pool and darts or simply take a brief respite on the comfortable lounge chairs in the Chill8 recreational room.

Heart Health Awareness Talk and Health Screening

The Mesiniaga Social and Recreational Club (MSRC) is on hand to organise a variety of exciting recreational and social activities. Our employees can also partake in Zumba and Yoga classes with qualified instructors. Apart from weekly employee activities, the year in review saw the rollout of the 6th series of the annual Fusil Cup Golf Tournament which serves to promote good sportsmanship amongst employees. Even as these activities are doing much to promote fitness and a healthy lifestyle among employees, we also continue to conduct other programmes promoting good health. Among these initiatives are our annual Mesiniaga Health Week where employees are accorded health talks and free health screenings.

Mesiniaga was built on the pillars of diversity and innovation. These fundamentals promote an environment that acknowledges the importance of possessing a diverse background and which celebrates innovative ideas that continuously contribute towards enhancing the Company and our culture.

WE ENDEAVOUR NOT ONLY TO PROTECT THE HEALTH OF OUR PEOPLE, BUT ALSO TO PROMOTE THEIR WELL-BEING.

We embrace diverse cultures and value differences among our employees. The differences inspire the spirit of mutual respect and understanding in the workplace. We ensure that all our Human Resource procedures uphold fair employment principles, right from the recruitment stage and throughout the opportunities for promotion and development. This reflects our commitment to upholding integrity as well as to treating all employees fairly and in an egalitarian manner, giving everyone the chance to achieve their full potential.

Mesiniaga has been a key player in Malaysia's IT industry for some 35 years. In our journey towards becoming the leader in the IT landscape of Malaysia, we have always practised strong employee engagement with strategic and effective communications.

We leverage on numerous formal and informal communication channels to ensure accurate and consistent dissemination of information to employees throughout the year. Avenues for formal communication such as our Kick Off events have facilitated the effective dissemination of vital information and updates on the Company's goals, current progress and direction to our employees.

One of the key elements in Mesiniaga's human resource policy is a focus on improving our employees' quality of life. The Company offers wraparound benefits that include attractive remuneration packages, healthcare and subsidised lunches. In 2016, we held a series of financial roadshows to encourage employees to plan more effectively. This platform also accorded employees specific knowledge and tools to make the most of their money.

CONCERN FOR THE ENVIRONMENT

Mesiniaga recognises the potential impact of its business activities may have on surrounding communities and the environment that it operates in. Hence, we have recently crafted and adopted an environmental policy to ensure that only the most environmental-friendly procedures and options are considered in all our decision making processes.

We continue to maintain a relatively low negative footprint within the environment we operate in. Menara Mesiniaga is renowned for being a bioclimatic oriented building and have ecological and architectural aesthetics that are

Menara Mesiniaga

WE CONTINUE TO MAINTAIN A RELATIVELY LOW NEGATIVE FOOTPRINT WITHIN THE ENVIRONMENT WE OPERATE IN.

designed to minimise their impact on the environment. The bioclimatic designs of these buildings have internal and external features that uphold energy-saving practices while ensuring the comfort of their occupants. We have also made every effort to reduce electricity usage by making the most of natural daylight and natural ventilation within our building. In line with our efforts to promote environmental sustainability, September 2014 saw us replacing our air-conditioning system with a more efficient and energy saving model.

We have extended our efforts to implement greener environments for our customers by embedding value added green IT concepts into the solutions that we provide them. By propagating the virtualisation of servers and getting our customers to embrace cloud-based solutions, we are helping our customers resolve their IT challenges and do their bit for the environment. We strongly believe that IT will enhance the quality of life and promote sustainable living.

CARE FOR THE COMMUNITY

The Malaysian National Higher Education Strategic Plan (NHESP) urges university students to undergo industrial training in reputable organisations. In line with our efforts to support this plan and improve the quality of teaching and learning, we accepted 210 students from various universities to perform industrial training with us from 2013 to 2016 and have absorbed 96 students as employees.

To improve graduate employability, we continued to implement several initiatives under the umbrella of the Mesiniaga Academy programme. The Mesiniaga Academy programme, now in its 10th year running, collaborates with various polytechnics and community colleges around Malaysia to provide a work based learning experience to students and build communities among them. In 2016, we provided industrial training to 10 students from these colleges and absorbed 8 of them as employees.

Mesiniaga continues to host visits by local and foreign student from various institutions of higher learning who seek to gain more in-depth knowledge and enhance their work-life experiences. To date, students from Kolej Professional Mara Beranang, Politeknik Balik Pulau and Politeknik Sultan Azlan Shah in Malaysia, as well as students from Zaman University in Cambodia and Ajou University in South Korea, are among those who have participated in educational visits to Menara Mesiniaga. At these sessions, our employees are on hand to share their wisdom and expertise to inspire students to explore rewarding careers in the IT industry.

As part of Mesiniaga's CR mandate, we have also allocated a portion of our budget to charitable organisations and events which are organised to lend a helping hand to those in need. We also contribute donations and provide assistance to help feed the urban poor in collaboration with One Hope Charity and Pertiwi Soup Kitchen through our Reach Out to Give Out Program.

Ajou Universitiy, South Korea Educational visit

Reach Out to Give Out Program in collaboration with Pertiwi Soup Kitchen

Apart from these long-term contributions to the society, Kelab Islah dan Amal Mesiniaga (KIAM) is hands on to organise other ad-hoc activities to further inculcate the spirit of volunteerism and community service among our employees. We continued with our commitment to helping the less fortunate in Kampung Trong, Perak where we carried out a donation drive to provide supplies to 200 families within the village when they broke fast. KIAM also helped bring cheer to the people of Kampung Trong, Perak and Baling Sik, Kedah during their Hari Raya Aidilfitri celebrations by supplying poultry to them.

Baking up Some Love with K-Link Care Centre

Besides that, KIAM continued to collaborate with Pusat Tahfiz Darul Mahabbah to monitor and assist the academic performance of the school's children. Apart from heightening our support by providing monthly donations to them, we also organised a breaking fast session during the fasting month. Besides that, *kuliyyah Zohor* sessions were held daily during the fasting month, with the collection from these sessions donated to refugees in Yemen, Syria and Al-Aqsa.

Mesiniaga has continuously encouraged employees to volunteer their time and effort as well as to give back to the community through various programmes. Every year, we have a joint effort with the National Blood Bank to organise a blood donation campaign to replenish the blood bank at the National Blood Bank Centre of Malaysia. In 2016, we continued to keep the spirit of volunteerism alive by encouraging employee participation. Mesiniagans donated their blood to help those who were in need. This event raised good awareness about donating blood with a number of first timers stepping forward to contribute. Many of them even expressed their interest in donating regularly.

We also organised Baking up Some Love event where we baked Hari Raya cookies with special needs children from K-Link Care Centre, Batu Caves. Aside from baking, we also carried out game-based learning activities with the children to build up their social and interpersonal skills. The baked cookies were sold at the Mesiniaga Seindah Syawal Hari Raya Celebration where donation was collected and donated back to the centre.

WE ACCEPTED 210 STUDENTS FROM VARIOUS UNIVERSITIES TO PERFORM INDUSTRIAL TRAINING WITH US FROM 2013 TO 2016.

SECURITY

Highest assurance of cybersecurity through an end-to-end defense strategy against evolving threats, in the fastest time

MB CLOUD

A BETTER CLOUD FOR THE ENTERPRISE

The benefits of cloud for the lowest cost of ownership, yet meeting the governance needs of the enterprise

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

We abide by ethical conduct and practices in doing our business and in our dealings with all stakeholders as much as we pledge to comply with all regulatory requirements. An integral part of our Employee e-Handbook is the Mesiniaga Business Conduct Guidelines which delineates the expected ethical behaviour of our employees. The Guidelines encompass areas of personal conduct, fairness in business, relationship with other organisations, use and dissemination of proprietary and confidential information, and fraud prevention. Apart from that, it is also our undertaking to support the utilisation of license software and the implementation of good software asset management practices. Our commitment to ethical and best practices is exemplified by our sustained ISO 9001:2008 accreditation.

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

CODE

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

The Board is of the view that it has satisfied the major recommendations in the Code. However, a key recommendation yet to be put in place is Recommendation 3.4 relating to the position of Chairman and Managing Director which is outstanding due to constraint of resources. The Board is of the opinion that Datuk Wan Mohamed Fusil, an Executive Director, being the most senior and experienced person on the Board is the most suitable to be the Chairman of the Board.

The Company will continue to strengthen its governance practices to safeguard the best interest of all its stakeholders particularly its shareholders.

The Board, being adhering to the Code, also commits itself to the provisions and recommendations (where applicable) of:

- The Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").
- Corporate Governance Guide: Towards Boardroom Excellence – 2nd Edition ("CG Guide 2") issued by Bursa Malaysia.

The following is a summary of the Group's practice of the Malaysian 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.

In line with the best practices recommended by the Code, the Board is proactively involved in the formulation and execution of succession planning that includes appointing, training, fixing the compensation where appropriate, and replacing senior management. This is implemented through the overseeing of the Group's human capital development and compensation process against predetermined key performance criteria.

The Board in its regular meeting would scrutinise and evaluate, the Group financial and operational performance as well as internal controls and risk management, and would confirm achievement of targeted performance and fulfillment of approved Group business strategy.

Throughout 2016, the Board of Directors met six times. Details of the meetings are as follows:

DIRECTOR	25.02.2016	31.03.2016	02.06.2016	03.08.2016	01.11.2016	20.12.2016
DATUK WAN MOHAMED FUSIL WAN MAHMOOD	Y	Y	Y	Y	Y	Y
MOHD PUZI AHAMAD	Y	Y	Y	Y	Y	Y
VOON SENG CHUAN	Y	Y	Y	Y	Y	Y
FATHIL SULAIMAN ISMAIL	Y	Y	Y	Y	Y	Y
ABD 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
IR. DR. MUHAMAD FUAD ABDULLAH	Y	Y	Y	Y	Y	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 meetings were attended by all Directors. The Directors at the Board meetings exercised independent judgements to bear on all issues presented which among others incorporate issues on strategies, performance and resources.

BOARD BALANCE AND DIVERSITY

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

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

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

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

		%
Executive Directors	2	25.0
Non-Independent Non-Executive Directors	2	25.0
Independent Non-Executive Directors	4	50.0

The composition, though compliant with the Listing Requirements of Bursa Securities, which require 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 20 to 27.

THE MANAGING DIRECTOR

The responsibilities and authorities between the Chairman and the Managing Director are clearly distinct and defined in order to maintain a balance of power. The Managing Director's key responsibilities are as follows:

i) To achieve the Group's stated financial targets;
ii) To achieve the Group's targeted customer satisfaction score;
iii) To achieve the Group's employee engagement score;
iv) To ensure retention of top talents within the Group;
v) To represent the Group for engagement with shareholders including attendance at the AGM;
vi) To represent the Board in signing the audited financial reports;
vii) To be responsible in ensuring that the accounts of the Group and its financial affairs have been kept and administered reliably;
viii) To represent the Group in contractual agreements with customers, partners and/or principals;
ix) To ensure that the Group is in compliance with all regulations related to its business operations; and
x) To lead the management team in implementing strategies and policies.

The Board had on 25 February 2016 entrusted the Chairman to assume the role as the Company's CEO.

CODE OF CONDUCT

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

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

SUPPLY OF INFORMATION

The Board is provided with written reports and supporting information at least a week ahead of meetings of the Board to enable the Directors to obtain further explanations, where necessary, in order to be sufficiently well prepared for the meetings.

At each Board meeting, a briefing on the Group's operations and financial results by the Managing Directors and Senior Managers is usually presented. Such briefings by the Senior Management allow the Directors to actively and effectively participate in determining the Group'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 Group's expense. In the event that the independent professional advice involves substantial cost, the procurement of such service would be subject to approval of the Board.

COMPANY SECRETARY

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

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

BOARD CHARTER

The Board Charter which establishes clear functions, roles and responsibilities of the Board of the Company is published in the Company's website www.mesiniaga.com.my. The Board Charter is subject to review periodically.

APPOINTMENT TO THE BOARD

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

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

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

The NRC is also responsible for implementing Board Performance Evaluation based on the respective directors' self-assessment. The NRC, upon analysing the results of the annual Board Performance Evaluation, would then consider whether the size of the Board is appropriate and whether there is a good mix of knowledge, skills, attributes and core competencies in the composition of the Board.

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.

The Directors due to re-election at the forthcoming AGM are Ir. Dr. Muhamad Fuad Abdullah, Wong Fook Hon and Abd Talib Baba.

Both Wong Fook Hon and Abd Talib Baba were previously re-appointed pursuant to Section 129(6) of the Companies Act, 1965 and their current term of service expires upon conclusion of the forthcoming Annual General Meeting.

REVIEW OF PERFORMANCE AND INDEPENDENCE OF THE BOARD

The Board reviewed and evaluated its own performance and the performance of its Committees. The assessment of the Board was based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board and its committees.

The Independent members of the Board are able to render independent judgement on matters brought forth for the Board's consideration at its meetings.

Recommendation for Directors re-election at the Annual General Meeting is based on the results of the assessment reported by the Nomination and Remuneration Committee.

The Board recognises MCCG 2012's recommendation on the tenure of an Independent Director that should not exceed a cumulative term of nine (9) years. Wong Fook Hon would have been serving for a cumulative terms of nine (9) years at the forthcoming Annual General Meeting (AGM); hence, shareholders' approval would be sought for his re-election. Last year, the Annual General Meeting approved the re-election of Abd Talib Baba who had served for a cumulative terms of nine (9) years.

The Board has proposed for the re-election of the two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director at the next Annual General Meeting (AGM).

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 and conferences which the Board believes have aided them in discharging their duties as Directors of the Company. Board members are also encouraged to participate in training programmes deemed appropriate for the needs of the respective Directors and such attendance would be at the Company's expense.

Throughout the year, various training programmes and conferences pertaining to Companies Act 2016, After Brexit, Human Resources, Directorship and Corporate Leadership, Governance, Audit Reporting Standards and Economics were attended or participated.

COMMITMENT OF DIRECTORS

In order to ensure that Directors have sufficient time to focus and fulfil their roles and responsibilities effectively, the Board observes the restrictions on the number of directorships as specified in the Listing Requirements.

The Board is in compliance with the Listing Requirements on the number of directorships in other Listed Issuers. All Directors are required to notify the Company on any new or changes of their directorships in ensuring the adherence to the restrictions on the number of directorships. Through this approach, the Board members' ability to contribute and their devotion of time to the Company would not be impaired.

DIRECTORS' REMUNERATION

The Executive Directors remuneration is determined by the Nomination and Remuneration Committee, which is headed by Voon Seng Chuan. Considerations made are such as Director's responsibilities, experience competencies, commitment, contribution and performance. The market rates are also 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	1,080,000.00	-	-	-	64,801.00	163,665.44	1,308,466.44
Non-Executive Directors	-	234,000.00	-	-	-	18,500.00	252,500.00

Directors' Remuneration in Bands

	No. of Executive Directors	No. of Non-Executive Directors
Below RM50,000	0	5
Below RM100,000	0	1
RM100,000 to RM150,000	0	0
RM150,000 to RM200,000	0	0
RM400,000 to RM450,000	1	0
RM450,000 to RM500,000	0	0
RM500,000 to RM550,000	0	0
RM550,000 to RM1,000,000	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 recommendations 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 GROUP AND INVESTORS

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

THE ANNUAL GENERAL MEETING

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

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

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 Group'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 52 of this Annual Report.

INTERNAL CONTROL

The Directors acknowledge their responsibility for the Group'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 Group while the Audit and Risk Management Committee coordinates the implementation of a group-wide risk management programme. The Group will continually review the adequacy and integrity of its system of internal control. Among others, input and recommendations from the external auditors would form a basis for any improvement to be made on the adequacy and integrity of its system of internal control.

EXTERNAL AUDIT

The Group ensures that only suitable firms in terms of their adequacy of experience and resources be appointed as the Group's external auditors. The independence of the firm is also essential to be in line with the MCCG 2012 recommendations. The Group in ensuring the independence of the auditor requires that the signing partner of the external auditing firm must be on a five-year rotation basis.

The external auditor is required to provide a written assurance on their independence on an annual basis. For the financial year ended 31 December 2016, the external auditor has confirmed their independence in accordance with the firm's policy as well as the provisions of the by-laws of the Malaysian Institute of Accountants (MIA) on professional independence.

RELATIONSHIP WITH AUDITORS

The role of the Audit and Risk Management Committee is as stated on pages 56 to 58. Through the Audit and Risk Management Committee of the Board, the Group has established transparent and appropriate relationships with the Group'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 2016, the Directors have ensured that the Company has adopted appropriate accounting policies, consistently applied and supported by reasonable judgements. 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 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

In compliance with the provision of Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements Paragraph 15.26(b) and Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers ("Risk Management and Internal Control Guidance"), the Board of Directors ("the Board") is committed to establish a sound risk management framework and internal control system, and is pleased to present the following Statement on Risk Management and Internal Control ("SORMIC"), which illustrates the risk management framework and scope of the internal control structure during the year under review.

BOARD RESPONSIBILITY

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 Mesiniaga Business Conduct Guidelines.

Control environment includes the following:-

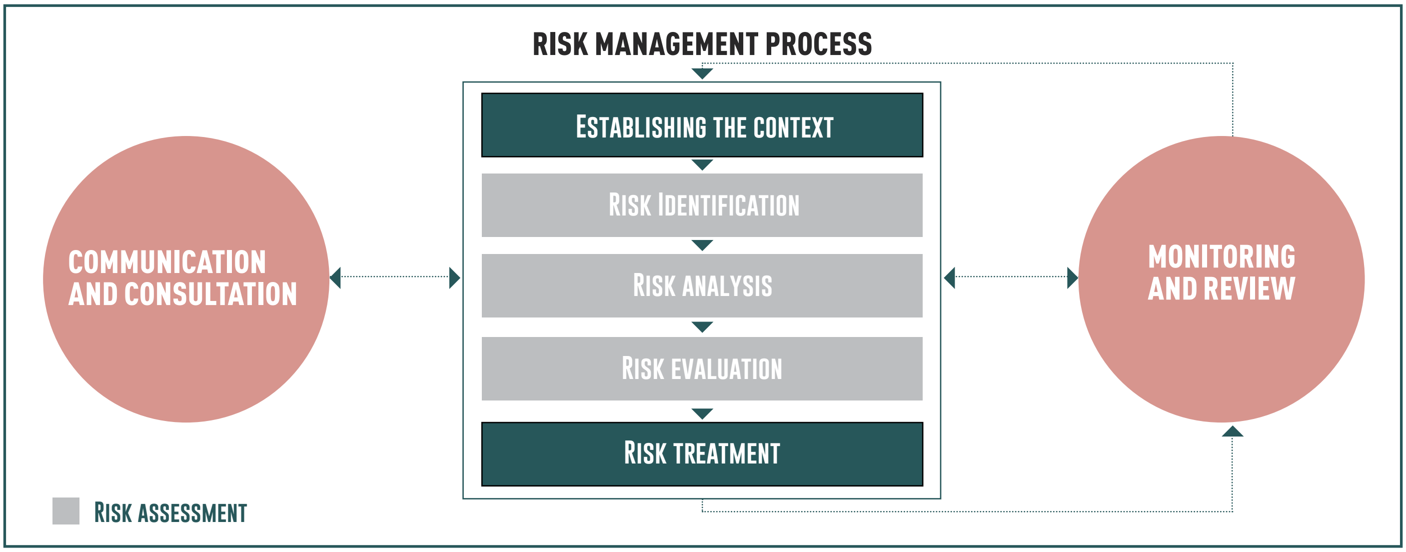
- The Group's corporate culture is embedded in its core values of Respect, Integrity, Commitment, Innovation and Teamwork – to achieve the Group's Vision and support the business objectives, risk management and internal controls system.
- The Code of Business Conduct Guidelines reinforces the Group's 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 Audit and Risk Management Committee, Nomination and Remuneration Committee and Investment Committee are established by the Board of Directors, and they are governed by clearly defined terms of reference and authority for areas within their scope.
- The Group's 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.

The Risk Management Committee was established 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.

Guided by the ISO 31000 in managing risks, risk management in the Group 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. The ARMC determine the company's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets. Progress on risk management activities are reported at every ARMC meeting in 2016 by the risk coordinator.



The key aspects of the risk management process are:-

i. Reviews of the risk profiles, the control procedures and status of the action plans are carried out on quarterly basis by the Department Heads and Risk Coordinator.

ii. Department Heads are provided with risk summary to enable them to review, discuss and monitor the risk profiles and implementation of action plans.

iii. On a quarterly basis, a risk management report summarising the significant risks and/or the status of action plans are presented to the Board Audit & Risk Management Committee (ARMC) for review, deliberation and recommendation for endorsement/ approval by the Board.

iv. On a half yearly basis, a risk listing and summary detailing significant risk issues and control measures implemented or to be implemented to deal with the risks will be presented to the Risk Management Steering Committee for review.

Amongst others, the duly identified and monitored risks by the ARMC include market risks, funding, project risks, business continuity plan, legal risk and foreign exchange fluctuations.

INTERNAL AUDIT

The internal audit function of the Group is carried out by the Internal Audit Department that reports directly to the Chairman of the ARMC. The principal role of the Internal Audit Department is to provide independent assurance and assessment on the effectiveness and soundness of internal control mechanisms and ensure that they are in place. All findings are reported to the ARMC and recommended actions are placed upon the respective management for implementation. Such process had been in place for the financial year ended 31 December 2016 and it is an on-going process for the Group. The Internal Audit Department adopts a risk-based approach in its audit plans and examination.

The internal audit function is guided by IPPF (International Professional Practices Framework) issued by the Chartered Institute of Internal Auditors and International Standards for the Professional Practice of Internal Auditing by the Institute of Internal Auditors (USA). Additionally and separately, the Internal Audit Department 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 was approved by the ARMC in November 2015.

ASSURANCE FROM MANAGEMENT

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer during the ARMC meeting dated 23 February 2017 and Board of Directors meeting dated 24 February 2017 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 of Statement on Risk Management and Internal Controls – Guidelines for Directors of Listed Issuers – Bursa Malaysia.
- Corporate Governance Guide (2nd Edition) – Bursa Malaysia

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

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

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
ABD 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
Head of 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 Berhad from amongst their members and shall consist of not less than three members, the majority of whom shall be Independent Directors.

At least one member of the Committee:

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

The Chairperson of the Committee shall be an Independent Director.

FREQUENCY OF MEETINGS

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

SECRETARY

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

PURPOSE OF THE COMMITTEE

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

FUNCTIONS AND DUTIES

1. To consider the appointment of the external auditors, the audit fee and any questions on their resignation or dismissal;
2. To review the external auditors' scope of work and audit plans for the financial year;
3. To review the scope, functions and resources of the internal audit and risk management functions;
4. To review the internal audit programme and monitor its implementation;
5. To review the internal audit reports and follow-up on the actions taken to implement the recommendations of the internal auditor;
6. To review the year-end financial statements, prior to the approval by the Board of Directors;
7. To review and recommend to the Board for approval of the quarterly results;
8. To review the related party transactions and conflict of interest situations within the Company or Group;
9. To review Risk Management Reports;
10. To review ethics concern (whistle blowing) case, if any; and
11. To perform other related duties as directed by the Board of Directors.

MEETINGS HELD IN 2016

DATE	23 FEBRUARY	31 MARCH	3 MAY	3 AUGUST	28 OCTOBER	1 NOVEMBER
Abd 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. Reviewed the quarterly financial results of the Group before recommending to the Board for approval prior to the announcements to Bursa Securities;
2. Reviewed the annual financial statements and recommended to the Board for adoption;
3. Reviewed related party transactions;
4. Reviewed internal audit plan, functions and resources;
5. Reviewed internal audit reports and risk management reports particularly in ensuring that the management addressed and resolved issues highlighted in the reports;
6. Participated in training programmes on related areas;
7. Reviewed with the external auditors, the audit plan, evaluation of the system of internal controls, audit report and assistance given by the Company's officers to the auditors;
8. Reviewed and evaluated the performance of the external auditors and made recommendations to the Board on their fees and their reappointment; and
9. Attended independent meetings with external auditors.

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 Group;
5. Present reports on audits assignment;
6. Maintain effective audit programmes;
7. Conduct follow up audits to ensure effective and timely resolution of audit issues;
8. Maintain up-to-date Group's risk profile;
9. Follow-up on mitigation controls for all risks;
10. Present reports on risk profile status and movements;
11. Planning and co-ordination of ISO Quality audit;
12. Perform any ISO related tasks relating to surveillance and recertification of the ISO. Certification as per SIRIM QAS requirement;
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; and
15. Involved in Business Continuity Planning (BCP) and Disaster Recovery (DR) planning, execution and monitoring activities.

AUDIT & RISK MANAGEMENT COST

The total costs incurred by Audit and Risk Management Department in discharging its functions and responsibilities in 2016 amounted to RM269,000.000 against RM291,147.00 in 2015 comprising of mainly salaries, training and travelling expenses.

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
ROSMAWATI HARON
Manager of Human Resource

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 Resource. 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 reviews the performance and remuneration of Executive Directors and make recommendations to the Board on an Annual Basis. In relation to the remuneration of the Non-Executive Directors, the Committee reviews the remuneration package by comparing with peer companies and make recommendations to the Board.

NOMINATION AND REMUNERATION COMMITTEE

FUNCTIONS AND DUTIES

1. Overseeing the selection and assessment of directors;
2. Ensuring that board composition meets the needs of the company;
3. Develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors;
4. 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 2016

DATE	3 MARCH
Voon Seng Chuan	Y
Wong Fook Hon	Y
Ir. Dr. Muhamad Fuad Abdullah	Y

Key: Y - Attended

SUMMARY OF ACTIVITIES

1. Review the performance of the Executive Directors;
2. Formulate the KPI for the Chief Executive Officer for Year 2016;
3. Recommended the remuneration package for the Executive Directors; and
4. Conducted directors' evaluation exercise.

OTHER INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

UTILISATION OF PROCEEDS

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

NON-AUDIT FEES

An amount of RM48,600 was paid for tax services provided by PwC Taxation Services Sdn. Bhd.

MATERIAL CONTRACTS

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

CONTRACTS RELATING TO LOAN

There 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 2016.

EMPLOYEE SHARE OPTION SCHEME

The Company did not implement any employee share options scheme in the financial year 2016.

INTERNAL AUDIT EXPENSES

The costs incurred for the internal audit function in respect of FY2016 was RM269,000.00.

FINANCIAL STATEMENTS

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 2016.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year attributable to:		
- Equity holders of the Company	3,246	4,425
- Non-controlling interests	835	0
Net profit for the financial year	4,081	4,425

DIVIDENDS

No dividend has been paid or declared by the Company since the previous financial year. The Directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2016.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Datuk Wan Mohamed Fusil bin Wan Mahmood
Mohd Puzi bin Ahamad
Voon Seng Chuan
Fathil Sulaiman Ismail
Abd 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 ended 31 December 2016, no arrangements subsisted to which the Company is a party, being arrangements 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 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, except that the Directors received remuneration as Directors or employees of the ultimate holding company.

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 01.01.2016 '000	Bought '000	Sold '000	At 31.12.2016 '000
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	309	0	0	309

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

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

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares and options over shares in the Company or shares, options over shares and debentures of its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

(a) to ascertain that 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 be realised at their book values in the ordinary course of business 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 amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of 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 of the Company misleading; or

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

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

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

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

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 or of the Company to meet their obligations when they fall due.

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 of the Group and of the Company misleading.

In the opinion of the Directors:

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

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or of 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 6 April 2017.

DATUK WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

MOHD PUZI BIN AHAMAD
DIRECTOR

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Wan Mohamed Fusil bin Wan Mahmood and Mohd Puzi bin Ahamad, two of the Directors of Mesiniaga Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 75 to 137 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2016 and of the results and 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 on page 138 to the financial statements have been prepared in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits 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 6 April 2017.

DATUK WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

MOHD PUZI BIN AHAMAD
DIRECTOR

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Mohd Puzi bin Ahamad, the Director primarily responsible for the financial management of Mesiniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 75 to 137 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MOHD PUZI BIN AHAMAD
DIRECTOR

Subscribed and solemnly declared by the abovenamed, Mohd Puzi bin Ahamad, at Selangor Darul Ehsan in Malaysia on 6 April 2017 before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MESINIAGA BERHAD

(Incorporated in Malaysia)
(Company No. 79244 V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Mesiniaga Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 75 to 137.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
Revenue Recognition *Refer to Note 2.19 and Note 5 in the financial statements.* The Group and the Company have reported revenue of RM227.9 million and RM217.5 million respectively during the financial year. Revenue for the Group and the Company are derived from contracts with multiple element components. Hardware and software revenue is recognised upon delivery or when significant risk and rewards of ownership are transferred to customers, whereas services revenue is recognised in the period services are rendered. We focused on this area because the allocation of revenue to each component of sale (hardware, software and services), when sold together in a multiple element arrangement required the application of judgement.	We performed the following audit procedures: • We read and understood the key terms and conditions of significant new revenue agreements entered into during the financial year. • We tested the design and operating effectiveness of controls over the: o approval of revenue contracts and budgets; and o management's assessment of the allocation of revenue between various multi element components. • We tested the amount of allocated revenue recognised (services, hardware and software) to acceptance documents from customers; • For allocated services revenue where services are rendered over a period of time, we assessed the accuracy of revenue recognised by performing a recomputation based on: o the progress of the contract; o formal acceptance documents from customers; and • Tested the appropriateness of all manual journal entries impacting revenue by assessing the basis for the journals and reviewing supporting documents. We did not identify any material exceptions from performing the procedures above.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment for accrued unbilled revenue *Refer to Note 2.19 and Note 19 in the financial statements.* As at 31 December 2016, the Group's and Company's accrued unbilled revenue amounted to RM37.9 million. Accrued unbilled revenue represents unbilled value of goods delivered and services rendered. Whereas accrued unbilled revenue is recognised upon delivery of goods and rendering of services, subsequent billings are raised based on contractual billing milestones. We focused on this area as actual billing milestones could be significantly later than when accrued unbilled revenue is recognised. As the basis of revenue recognition requires judgement over the probability of meeting certain future performance milestones, actual outcomes may differ due to subsequent changes in specific risk and performance of the actual contract.	We performed the following audit procedures: • We reviewed the aging report of accrued unbilled revenue and checked, on a sample basis, long outstanding balances to contractual billing milestones dates; • We tested management's assessment of accrued unbilled revenue recoverability by performing the following: o discussed contract progress with project managers including examining project related documents; and o compared expected billings to contractual arrangements. • We checked subsequent realisation of accrued unbilled revenue to contractual billings after the year end. We did not identify any material exception from performing the procedures above.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Management Discussion and Analysis, Five-Year Performance Statistics, Statement on Corporate Governance, Statement of Directors' Responsibility in Relation to Financial Statements, Statements of Risk Management and Internal Control, Audit and Risk Management Committee, Nomination and Remuneration Committee, Other Information Required by the Listing Requirement of Bursa Securities, Directors Report and other sections of the 2016 annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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 auditors' 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 set out on page 138 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 Profits 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
02932/06/2018 J
Chartered Accountant

Kuala Lumpur
6 April 2017

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	5	227,883	204,907	217,545	190,123
Changes in inventories of finished goods		(3,232)	(2,622)	(2,555)	(1,185)
Finished goods purchased		(77,405)	(72,524)	(70,566)	(64,538)
Information technology services purchased		(49,435)	(44,721)	(64,370)	(56,960)
Staff cost	6	(76,292)	(79,860)	(62,169)	(63,641)
Depreciation and amortisation		(5,111)	(7,212)	(4,146)	(6,489)
Travelling expenses		(2,489)	(3,396)	(1,777)	(2,691)
Office administrative expenses		(6,914)	(7,860)	(6,221)	(7,201)
Other operating expenses		(2,022)	(4,771)	(2,494)	(14,760)
Other operating income		237	2,961	2,155	11,059
Profit/(loss) from operations		5,220	(15,098)	5,402	(16,283)
Finance cost	8	(938)	(943)	(938)	(943)
Finance income	8	624	522	211	169
Share of results of a joint venture company		20	8	0	0
Profit/(loss) before zakat and taxation	7	4,926	(15,511)	4,675	(17,057)
Zakat		(250)	(180)	(250)	0
Taxation					
- Company and subsidiaries	9	(595)	(2,665)	0	(1,593)
Profit/(loss) for the financial year		4,081	(18,356)	4,425	(18,650)
Other comprehensive income:					
Item that will not be reclassified to profit or loss:					
Actuarial (loss)/gain on defined benefit plan	24	(328)	452	(328)	452
Total comprehensive income/(expense) for the financial year		3,753	(17,904)	4,097	(18,198)
Profit/(loss) for the financial year attributable to:					
Equity holders of the Company		3,246	(19,529)	4,425	(18,650)
Non-controlling interests		835	1,173	0	0
Profit/(loss) for the financial year		4,081	(18,356)	4,425	(18,650)
Total comprehensive profit/(loss) for the financial year attributable to:					
Equity holders of the Company		2,918	(19,077)	4,097	(18,198)
Non-controlling interests		835	1,173	0	0
Total comprehensive income/(expense) for the financial year		3,753	(17,904)	4,097	(18,198)
Profit/(loss) per share (sen)	10	5.37	(32.33)		

The notes on pages 82 to 137 are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	52,060	51,987	50,639	50,973
Intangible assets	12	1,348	954	0	0
Investment property	13	0	1,346	0	1,346
Investment in subsidiaries	15	0	0	1,914	1,985
Investment in joint venture	16	108	88	80	80
Finance lease receivables	20	807	1,031	807	1,031
Deferred tax assets	17	231	243	0	0
		54,554	55,649	53,440	55,415
Current assets					
Inventories	18	4,191	7,420	1,666	4,221
Trade and other receivables	19	107,980	79,191	104,669	74,150
Tax recoverable		804	950	36	161
Deposits with licensed financial institutions	21	19,673	11,283	7,214	164
Cash and bank balances	21	7,675	14,150	4,926	9,230
		140,323	112,994	118,511	87,926
Asset held for sale	14	1,322	0	1,322	0
		141,645	112,994	119,833	87,926
TOTAL ASSETS		196,199	168,643	173,273	143,341

The notes on pages 82 to 137 are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (CONTINUED)

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the company					
Share capital	26	60,402	60,402	60,402	60,402
Share premium	27	4,126	4,126	4,126	4,126
Retained earnings		49,630	46,712	37,615	33,518
		114,158	111,240	102,143	98,046
Non-controlling interests	15	9,872	10,507	0	0
Total equity		124,030	121,747	102,143	98,046
Non-current liabilities					
Post-employment benefit obligations	24	1,712	1,691	1,712	1,691
Finance lease liabilities	25	961	574	961	574
		2,673	2,265	2,673	2,265
Current liabilities					
Trade and other payables	22	46,059	39,923	45,060	38,322
Borrowings	23	23,432	4,708	23,397	4,708
Taxation		5	0	0	0
TOTAL CURRENT LIABILITIES		69,496	44,631	68,457	43,030
TOTAL LIABILITIES		72,169	46,896	71,130	45,295
TOTAL EQUITY AND LIABILITIES		196,199	168,643	173,273	143,341

The notes on pages 82 to 137 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to owners of the parent						
		Issued and fully paid ordinary shares of RM1.00 each						
Group	Note	Number of shares 000	Nominal value RM'000	Share premium (Note 27) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2015		60,402	60,402	4,126	65,789	130,317	10,314	140,631
Loss for the financial year		0	0	0	(19,529)	(19,529)	1,173	(18,356)
Other comprehensive income for the financial year	24	0	0	0	452	452	0	452
Total other comprehensive expense for the financial year		0	0	0	(19,077)	(19,077)	1,173	(17,904)
Transactions with owners:								
Dividend paid to non-controlling interest		0	0	0	0	0	(980)	(980)
At 31 December 2015		60,402	60,402	4,126	46,712	111,240	10,507	121,747
At 1 January 2016		60,402	60,402	4,126	46,712	111,240	10,507	121,747
Profit for the financial year		0	0	0	3,246	3,246	835	4,081
Other comprehensive expense for the financial year	24	0	0	0	(328)	(328)	0	(328)
Total other comprehensive income for the financial year		0	0	0	2,918	2,918	835	3,753
Transactions with owners:								
Dividend paid to non-controlling interest		0	0	0	0	0	(1,470)	(1,470)
At 31 December 2016		60,402	60,402	4,126	49,630	114,158	9,872	124,030

The notes on pages 82 to 137 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Issued and fully paid ordinary shares of RM1.00 each			Distributable	
Company	Note	Number of shares 000	Nominal value RM'000	Share premium (Note 27) RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2015		60,402	60,402	4,126	51,716	116,244
Loss for the financial year		0	0	0	(18,650)	(18,650)
Other comprehensive income for the financial year	24	0	0	0	452	452
Total other comprehensive expense for the financial year		0	0	0	(18,198)	(18,198)
At 31 December 2015		60,402	60,402	4,126	33,518	98,046
At 1 January 2016		60,402	60,402	4,126	33,518	98,046
Profit for the financial year		0	0	0	4,425	4,425
Other comprehensive expense for the financial year	24	0	0	0	(328)	(328)
Total other comprehensive income for the financial year		0	0	0	4,097	4,097
At 31 December 2016		60,402	60,402	4,126	37,615	102,143

The notes on pages 82 to 137 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) for the financial year		4,081	(18,356)	4,425	(18,650)
Adjustments for:					
Zakat		250	180	250	0
Taxation		595	2,665	0	1,593
Depreciation and amortisation:					
- property, plant and equipment		4,570	6,954	4,122	6,465
- investment property		24	24	24	24
- intangible assets		517	234	0	0
Property, plant and equipment written off		38	403	38	439
Dividend income from subsidiaries		0	0	(1,630)	(7,820)
Share results of a joint venture company		(20)	(8)	0	0
Interest expense		938	943	938	943
Interest income on fixed deposits		(624)	(522)	(211)	(169)
Retirement benefits		249	363	249	363
Gain on sales of property, plant and equipment		(39)	(2,707)	(39)	(2,707)
Bad debts written off		0	82	0	82
Impairment of amount due from a subsidiary		0	0	668	9,501
Diminution of investment in a subsidiary		0	0	71	0
(Reversal)/Impairment of trade receivables (net)		(350)	618	(356)	657
Unrealised foreign exchange (gain)/loss		1,229	(657)	1,228	(657)
(Write-back)/write down of inventory		18	(1,535)	110	(599)
		11,476	(11,319)	9,887	(10,535)
Changes in working capital:					
Inventories		3,211	4,157	2,445	1,784
Subsidiaries		0	0	(574)	(7,838)
Receivables		(25,218)	31,047	(26,887)	31,610
Payables		2,799	(735)	3,253	489
Cash (used in)/generated from operations		(7,732)	23,150	(11,876)	15,510
Interest paid		(938)	(943)	(938)	(943)
Retirement benefits paid		(556)	(424)	(556)	(424)
Tax (paid)/refunded		(432)	(951)	125	(35)
Zakat paid		(250)	(180)	(250)	0
Net cash (used in)/generated from operating activities		(9,908)	20,652	(13,495)	14,108

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions on intangible assets		(911)	0	0	0
Purchase of property, plant and equipment		(3,750)	(3,453)	(2,895)	(2,648)
Interest received		624	522	211	169
Dividends received from subsidiaries		0	0	1,630	7,820
Proceeds from disposal of property, plant and equipment		51	8,679	51	8,679
Payment of advances to subsidiaries		0	0	0	(5,390)
Payments to acquire shares in a joint venture company		0	(80)	0	(80)
Divestment/(Investment) in deposits maturing more than three months		977	(2,687)	0	0
Net cash (used in)/generated from investing activities		(3,009)	2,981	(1,003)	8,550
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to non-controlling interests		(1,470)	(980)	0	0
Repayment of finance lease liabilities		(452)	(1,656)	(452)	(1,656)
Drawdown of borrowings		63,180	94,233	63,180	94,233
Repayment of borrowings		(45,484)	(117,930)	(45,484)	(117,930)
Net cash generated from/(used in) financing activities		15,774	(26,333)	17,244	(25,353)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		2,857	(2,700)	2,746	(2,695)
NET INCREASE IN RESTRICTED CASH AND CASH EQUIVALENT		(2,737)	0	(2,737)	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		21,502	24,202	9,394	12,089
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	21	21,622	21,502	9,403	9,394

The notes on pages 82 to 137 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

Amendments to published standard and interpretations adopted by the Company as at 1 January 2016:

- Amendments to MFRS 11 'Joint arrangements' - Accounting for acquisition of interests in joint operations
- Amendments to MFRS 101 'Presentation of financial statements' - Disclosure initiative
- Amendments to MFRS 127 "Equity method in separate financial statements"
- Amendments to MFRS 10, 12 & 128 "Investment entities – Applying the consolidation exception"
- Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of these amendments and annual improvements did not have any significant financial impact to the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

- Amendments to MFRS 107 ‘Statement of Cash Flows – Disclosure Initiative’ introduce an additional disclosure on changes in liabilities arising from financing activities.

- Amendments to MFRS 112 ‘Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses’ clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

  In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

  The amendments shall be applied retrospectively.

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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 to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION (CONTINUED)

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

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

(c) Disposal of subsidiaries

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

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

(d) Joint arrangements

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

Joint ventures

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION (CONTINUED)

(d) Joint arrangements (continued)

Joint ventures (continued)

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

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

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

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

2.3 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

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

2.4 SEGMENTAL REPORTING

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

2.5 FOREIGN CURRENCIES

(a) Functional and presentation currency

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 FOREIGN CURRENCIES (CONTINUED)

(b) Transactions and balances

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

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

2.6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

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

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

2.7 INVESTMENT PROPERTY

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 INTANGIBLE ASSET

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

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

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

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

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

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL ASSETS

(a) Classification

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

Loans and receivables

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

(b) Recognition and initial measurement

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

(c) Subsequent measurement - gains and losses

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

(d) Subsequent measurement - impairment

Assets carried at amortised cost

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement - impairment (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 derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

2.11 OFFSETTING FINANCIAL INSTRUMENTS

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

2.12 INVENTORIES

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

2.13 CASH AND CASH EQUIVALENTS

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity.

(b) Share issue costs

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

(c) Dividend distribution

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

(d) Earnings per share

<u>Basic earnings per share</u>

Basic earnings per share is calculated by dividing:

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

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

<u>Diluted earnings per share</u>

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 BORROWINGS

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

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

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

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

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

2.16 CURRENT AND DEFERRED INCOME TAX

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

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

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

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

2.17 EMPLOYEE BENEFITS

(a) Short-term employee benefits

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

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

(b) Defined contribution plans

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

(c) Defined benefit plans

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 EMPLOYEE BENEFITS (CONTINUED)

(c) Defined benefit plans (continued)

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

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

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

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

(d) Termination benefits

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

2.18 PROVISIONS

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 REVENUE RECOGNITION

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

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

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

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

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

2.20 LEASES

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

(a) Accounting as lessee

Finance leases

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

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

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)

2.20 LEASES (CONTINUED)

(a) Accounting as 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.

2.21 NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 CONTINGENT ASSETS AND LIABILITIES

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

2.23 TRADE AND OTHER RECEIVABLES

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

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

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

2.24 TRADE PAYABLES

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

The table illustrates the impact on the loss for the year, equity and net assets resulting from currency sensitivities as at 31 December 2016, if Ringgit Malaysia had weakened/strengthened by 1% against the US dollar with other variables held constant.

	Group and Company	
	2016	**2015**
	RM'000	**RM'000**
(Increase)/decrease on profit/(loss) for the year		
1 percent increase in US Dollar exchange rate	(316)	(135)
1 percent decrease in US Dollar exchange rate	316	135

(ii) Interest rate risk

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

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial asset				
Fixed rate – deposits with financial institutions	19,673	11,283	7,214	164
Financial liability				
Floating rate - borrowings	23,432	4,708	23,397	4,708

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

(b) Credit risk

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

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

(i) Receivables

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

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 one (2015: one) major customers which accounted for 10% (2015: 18%) 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Counterparties without external credit rating:				
- Existing customers with no defaults in the past	95,045	64,156	94,124	62,247
- New customers	2,607	882	2,251	470
	97,652	65,038	96,375	62,717

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

(ii) Amounts due from subsidiaries

Amounts due from subsidiaries are largely trade in nature. The Company monitors the results of the subsidiaries regularly. As at 31 December 2016, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that amounts due from subsidiaries are stated at recoverable amounts. As at 31 December 2016, an amount of RM27,218,460 (2015: RM26,550,767) was provided for as the amount due from a subsidiary was assessed to be impaired.

(iii) Deposits and bank balances

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

(iii) Deposits and bank balances (continued)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
AAA	27,316	25,140	12,110	9,103
AA	22	22	22	22
BBB	0	261	0	261
	27,338	25,423	12,132	9,386

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

(c) Liquidity risk

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

<u>Analysis of financial instruments by remaining contractual maturities</u>

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

	2016			
	Total RM'000	Within 1 year RM'000	1 - 5 year RM'000	More than 5 years RM'000
Group				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short term finance lease	42,821	42,821	0	0
Borrowings	23,432	23,432	0	0
Finance lease liabilities	1,597	532	1,065	0
Total undiscounted financial Liabilities	67,850	66,785	1,065	0

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (continued)

	2016			
	Total RM'000	Within 1 year RM'000	1 - 5 year RM'000	More than 5 years RM'000
Company				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short term finance lease	40,495	40,495	0	0
Borrowings	23,397	23,397	0	0
Finance lease liabilities	1,597	532	1,065	0
Total undiscounted financial liabilities	65,489	64,424	1,065	0

	2015			
	Total RM'000	Within 1 year RM'000	1 - 5 year RM'000	More than 5 years RM'000
Group				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short term finance lease	36,186	36,186	0	0
Borrowings	4,708	4,708	0	0
Finance lease liabilities	1,020	387	633	0
Total undiscounted financial liabilities	41,914	41,281	633	0
Company				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short term finance lease	33,197	33,197	0	0
Borrowings	4,708	4,708	0	0
Finance lease liabilities	1,020	387	633	0
Total undiscounted financial liabilities	38,925	38,292	633	0

The Group has undrawn banking facilities amounting to RM45,359,812 (2015: RM27,273,031) as at 31 December 2016.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(d) Financial instruments by category

	2016 RM'000	2015 RM'000
Group		
Financial assets classified as loan and receivables, as per statement of financial position		
Trade and other receivables, excluding prepayments	107,189	78,323
Deposits, cash and bank balances	27,348	25,433
	134,537	103,756
Financial liabilities classified as other financial liabilities at amortised cost, as per statement of financial position		
Trade and other payables, excluding statutory liabilities	43,253	36,514
Borrowings	23,432	4,708
	66,685	41,222
Company		
Financial assets classified as loan and receivables, as per statement of financial position		
Trade and other receivables, excluding prepayments	103,805	73,270
Amounts due from subsidiaries	91	35
Deposits, cash and bank balances	12,140	9,394
	116,036	82,699
Financial liabilities classified as other financial liabilities at amortised cost, as per statement of financial position		
Trade and other payables, excluding statutory liabilities	40,927	33,525
Amounts due to subsidiaries	2,383	2,233
Borrowings	23,397	4,708
	66,707	40,466

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(e) Fair value estimation

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

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

There were no amounts measured at fair value in the statement of financial position as at 31 December 2016 and 31 December 2015. The fair value of investment property that is disclosed in Note 14 is a Level 2 estimation. Other than as disclosed, the carrying amounts of the financial instruments are a reasonable approximation of fair value due to its relatively short-term nature or that they are floating rate instruments.

3.2 CAPITAL MANAGEMENT

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

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

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

	2016 RM'000	2015 RM'000
The Group		
Total borrowings (Note 23)	23,432	4,708
Less: Deposits, cash and bank balances (Note 21)	(27,348)	(25,433)
Net debt	0	0
Total equity	124,030	121,747
Total capital	120,114	101,020
Gearing ratio (%)	0	0

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.

Critical accounting estimates and assumptions.

Revenue recognition

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

5 REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue from:				
- services	124,443	130,442	124,135	128,727
- hardware	88,071	63,558	78,041	50,489
- software	15,369	10,907	15,369	10,907
	227,883	204,907	217,545	190,123

6 STAFF COST (INCLUDING DIRECTORS' EMOLUMENTS)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages, salaries, bonuses and other employment benefits	68,641	69,498	57,113	56,387
Defined contribution retirement plan	7,386	7,805	4,791	5,010
Defined benefit retirement plan (Note 24)	249	363	249	363
Termination benefits	16	2,194	16	1,881
	76,292	79,860	62,169	63,641

6 STAFF COST (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors' remuneration:				
Non-executive Directors:				
- fees	234	234	234	234
- others	19	54	19	54
Executive Directors:				
- salaries	1,080	1,640	1,080	1,640
- other emoluments	164	208	164	208
- defined contribution plan	65	158	65	158
Total Directors' remuneration	1,562	2,294	1,562	2,294

7 PROFIT/(LOSS) BEFORE TAXATION

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Auditors' remuneration:				
- Audit	215	199	162	142
- Non-audit	49	42	18	16
Depreciation:				
- property, plant and equipment	4,570	6,954	4,122	6,465
- investment property	24	24	24	24
Amortisation of intangible assets	517	234	0	0
Plant and equipment written off	38	403	38	439
Dividend income from subsidiaries	0	0	(1,630)	(7,820)
Interest income:				
- finance leases	(118)	(155)	(118)	(155)
- time deposits	(624)	(522)	(211)	(169)
Net realised foreign exchange loss/(gain)	(486)	3,180	(468)	3,180

7 PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unrealised foreign exchange (gain)/loss	1,229	(657)	1,228	(657)
Gain on disposal of property, plant and equipment	(39)	(2,707)	(39)	(2,707)
Rental expense	359	403	179	179
Rental income	(76)	(101)	(76)	(101)
Write down/(write back) of inventory	18	(1,535)	110	(599)
Bad debts written off	0	82	0	82
Diminution of investment in subsidiary	0	0	71	0
(Reversal)/Impairment of trade receivables (net)	(350)	618	(356)	657
Impairment of amounts due from subsidiary	0	0	668	9,501

8 FINANCE COST

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense:				
- bank borrowings	854	824	854	824
- finance lease liabilities	84	119	84	119
Finance cost	938	943	938	943
Finance income:				
- interest income on fixed deposits	624	522	211	169
Finance cost – net	314	421	727	774

9 TAXATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current taxation:				
Current financial year	543	573	0	0
Under provision in prior year	40	356	0	135
	583	929	0	135
Deferred taxation (Note 17)	12	1,736	0	1,458
Tax expense	595	2,665	0	1,593

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(loss) before zakat and taxation	4,926	(15,511)	4,675	(17,057)
Taxation calculated at the applicable Malaysian tax rate of 24% (2015: 25%)	1,182	(3,878)	1,122	(4,264)
Tax effects of:				
- income not subject to tax	0	(496)	(391)	(1,955)
- income subject to different tax rate	0	(677)	0	(677)
- expenses not deductible for tax purposes	271	1,357	365	3,701
- current year temporary difference not recognised	198	6,003	0	4,653
- utilisation of previously unutilised tax losses and temporary differences	(1,096)	0	(1,096)	0
- under provision in prior year	40	356	0	135
Tax expense	595	2,665	0	1,593

9 TAXATION (CONTINUED)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deductible temporary differences	1,143	643	0	0
Unutilised tax losses	53,065	57,306	28,399	32,967
	54,208	57,949	28,399	32,967

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 PROFIT/(LOSS) PER SHARE

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

	Group	
	2016	2015
Profit/(loss) attributable to equity holders of the Company (RM'000)	3,246	(19,529)
Weighted average number of ordinary shares in issue ('000)	60,402	60,402
Profit/(loss) per share (sen)	5.37	(32.33)

Diluted profit/(loss) per share is the same as basic profit/(loss) per share in both financial years.

11 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Building RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Cost					
At 1 January 2016	23,442	32,630	53,165	283	109,520
Additions	0	118	4,575	0	4,693
Disposal	0	0	(2)	(126)	(128)
Plant and equipment written off	0	0	(2,747)	0	(2,747)
At 31 December 2016	23,442	32,748	54,991	157	111,338
Accumulated depreciation					
At 1 January 2016	0	13,695	43,580	258	57,533
Charge for the financial year	0	663	3,892	15	4,570
Disposal	0	0	0	(116)	(116)
Plant and equipment written off	0	0	(2,709)	0	(2,709)
At 31 December 2016	0	14,358	44,763	157	59,278
Net book value					
At 31 December 2016	23,442	18,390	10,228	0	52,060

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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
Cost						
At 1 January 2015	26,262	35,836	1,169	59,262	283	122,812
Additions	0	35	0	3,418	0	3,453
Reclassified	0	0	0	329	0	329
Disposal	(2,820)	(3,241)	0	(1,414)	0	(7,475)
Plant and equipment written off	0	0	(1,169)	(8,430)	0	(9,599)
At 31 December 2015	23,442	32,630	0	53,165	283	109,520
Accumulated depreciation						
At 1 January 2015	0	13,475	1,169	46,475	228	61,347
Charge for the financial year	0	727	0	6,197	30	6,954
Disposal	0	(507)	0	(996)	0	(1,503)
Plant and equipment written off	0	0	(1,169)	(8,027)	0	(9,196)
Reclassified	0	0	0	(69)	0	(69)
At 31 December 2015	0	13,695	0	43,580	258	57,533
Net book value						
At 31 December 2015	23,442	18,935	0	9,585	25	51,987

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM'000	Building RM'000	Office equipment, furniture and fittings RM'000	Motor vehicle RM'000	Total RM'000
Cost					
At 1 January 2016	23,442	32,630	34,236	283	90,591
Additions	0	118	3,720	0	3,838
Disposal	0	0	0	(128)	(128)
Plant and equipment written off	0	0	(2,726)	0	(2,726)
At 31 December 2016	23,442	32,748	35,230	155	91,575
Accumulated depreciation					
At 1 January 2016	0	13,695	25,667	256	39,618
Charge for the financial year	0	663	3,444	15	4,122
Disposal	0	0	0	(116)	(116)
Plant and equipment written off	0	0	(2,688)	0	(2,688)
At 31 December 2016	0	14,358	26,423	155	40,936
Net book value					
At 31 December 2016	23,442	18,390	8,807	0	50,639

11 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
Cost						
At 1 January 2015	26,262	35,836	1,169	41,125	283	104,675
Additions	0	35	0	2,613	0	2,648
Reclassified	0	0	0	329	0	329
Transfer from subsidiary	0	0	0	5	0	5
Disposal	(2,820)	(3,241)	0	(1,412)	0	(7,473)
Plant and equipment written off	0	0	(1,169)	(8,424)	0	(9,593)
At 31 December 2015	23,442	32,630	0	34,236	283	90,591
Accumulated depreciation						
At 1 January 2015	0	13,475	1,169	28,938	226	43,808
Charge for the financial year	0	727	0	5,708	30	6,465
Disposal	0	(507)	0	(994)	0	(1,501)
Plant and equipment written off	0	0	(1,169)	(7,985)	0	(9,154)
At 31 December 2015	0	13,695	0	25,667	256	39,618
Net book value						
At 31 December 2015	23,442	18,935	0	8,569	27	50,973

The net book value of assets under finance lease as at 31 December 2016 amounted to RM1,206,214 (2015: RM742,809).

12 INTANGIBLE ASSETS

Group	Internally developed software RM'000
Cost	
At 1 January 2016	1,463
Additions	911
At 31 December 2016	2,374
Accumulated depreciation	
At 1 January 2016	509
Charge for the financial year	517
At 31 December 2016	1,026
Net book value	
At 31 December 2016	1,348
At 1 January 2015	1,792
Reclassified	(329)
At 31 December 2015	1,463
Accumulated depreciation	
At 1 January 2015	206
Charge for the financial year	234
Reclassified	69
At 31 December 2015	509
Net book value	
At 31 December 2015	954

12 INTANGIBLE ASSETS (CONTINUED)

Company	Internally developed software RM'000
Cost	
At 1 January 2015	329
Reclassified	(329)
At 31 December 2015	0
Accumulated depreciation	
At 1 January 2015 / 31 December 2015	0
Net book value	
At 31 December 2015	0

The useful life of the internally developed software is 4 years (2015: 4 years). The amount of staff cost capitalised in current financial year is RM 910,857 (2015: Nil).

13 INVESTMENT PROPERTY

	Group and Company	
	2016 RM'000	2015 RM'000
Building		
At 1 January	1,346	1,370
Depreciation for the financial year	(24)	(24)
Reclassified to asset held for sale	(1,322)	0
At 31 December	0	1,346

13 INVESTMENT PROPERTY (CONTINUED)

Rental income and direct operating expenses arising from the investment property for the financial year are as follows:

	Group and Company	
	2016 RM'000	2015 RM'000
Rental income	0	25
Direct operating expenses	3	3

The fair value of the investment property in prior year of RM1,700,000 was estimated by the Directors using a selling price offered by a third party. The fair value of investment property is Level 2 estimation.

14 ASSET CLASSIFIED AS HELD FOR SALE

	Group and Company	
	2016 RM'000	2015 RM'000
<u>Non-current asset held for sale</u>		
Building	1,322	0

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

15 INVESTMENT IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	2,006	2,006
Less: Accumulated impairment losses	(92)	(21)
	1,914	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 subsidiaries	Principal activities	Group's effective interest 2016 %	2015 %
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.("MTSB")	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.

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.

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised statement of financial position

	2016 RM'000	2015 RM'000
Current		
Assets	20,570	22,535
Liabilities	(652)	(1,334)
Total current net assets	19,918	21,201
Non-current		
Assets	237	251
Net assets	20,155	21,452

Summarised statement of comprehensive income

	For the financial year ended 31 December	
	2016 RM'000	2015 RM'000
Revenue	10,048	13,476
Profit before taxation	2,297	3,397
Tax expense	(594)	(1,003)
Profit for the financial year and total comprehensive income	1,703	2,394
Profit and total comprehensive income attributable to non-controlling interest	835	1,173
Accumulated non-controlling interest	9,872	10,507
Dividends paid to non-controlling interests	1,470	980

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised statement of cash flows

	For the financial year ended 31 December 2016 RM'000	2015 RM'000
Cash flow from operating activities		
Cash flow generated from operations	2,951	5,013
Income tax paid	(614)	(610)
Net cash generated from operating activities	2,337	4,403
Net cash generated from/(used in) investing activities	1,387	(2,335)
Net cash used in financing activities	(3,000)	(2,000)
Net increase in cash and cash equivalents	724	68
Cash and cash equivalents at beginning of financial year	11,519	11,451
Cash and cash equivalents at end of financial year	12,243	11,519

16 INVESTMENT IN JOINT VENTURE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares, at cost	80	80	80	80
Share of post-acquisition reserves	28	8	0	0
	108	88	80	80

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

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

Name of joint ventures	Principal activities	Group's effective interest 2016 %	2015 %
Mesiniaga Mobility Sdn. Bhd. ("MMSB")	Develop, market and operate a mobile workforce management system	80	80

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

17 DEFERRED TAX ASSETS

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets:				
Deferred tax assets to be recovered within 12 months	231	243	0	0
At 1 January	243	1,979	0	1,458
Credited/(Charged) to statements of comprehensive income: (Note 9)				
- property, plant and equipment	(539)	2,676	(492)	2,602
- post-employment benefit obligations	5	(146)	5	(146)
- tax losses	198	(2,383)	198	(2,383)
- provisions	203	(1,424)	168	(1,582)
- others	121	(459)	121	51
	(12)	(1,736)	0	(1,458)
At 31 December	231	243	0	0
Subject to income tax:				
Deferred tax assets: (before offsetting)				
- post-employment benefit obligations	411	406	411	406
- tax losses	198	0	198	0
- provisions	473	270	194	26
- others	62	0	62	0
	1,144	676	865	432
Offsetting	(913)	(433)	(865)	(432)
Deferred tax assets (after offsetting)	231	243	0	0
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(913)	(374)	(865)	(373)
- others	0	(59)	0	(59)
	(913)	(433)	(865)	(432)
Offsetting	913	433	865	432
Deferred tax liabilities (after offsetting)	0	0	0	0

18 INVENTORIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At net realisable value:				
Cables	718	1,461	0	0
Equipment	80	142	80	142
Spare parts	746	601	746	601
At cost:				
Cables	1,807	1,738	0	0
Equipment	513	3,256	513	3,256
Spare parts	327	222	327	222
	4,191	7,420	1,666	4,221

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables	63,971	49,897	61,212	45,459
Accrued unbilled revenue	40,857	26,930	40,857	26,930
Less: Impairment of receivables	(538)	(1,043)	(538)	(1,043)
	104,290	75,784	101,531	71,346
Finance lease receivables (Note 20)	411	446	411	446
Other receivables	2,246	1,620	1,636	1,080
Prepayment	791	868	773	845
Deposits	242	473	227	398
Amounts due from subsidiaries	0	0	27,309	26,585
Impairment of amounts due from a subsidiary	0	0	(27,218)	(26,550)
	0	0	91	35
	107,980	79,191	104,669	74,150

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Credit terms of trade receivables range from 30 days to 90 days (2015: 30 days to 90 days).

Other receivables and deposits are with creditworthy parties and 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.

Aging analysis of trade receivables and accrued unbilled revenue

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Neither past due nor impaired	97,652	65,038	96,375	62,717
1 to 30 days past due and not impaired	3,065	1,996	2,627	1,383
31 to 90 days past due and not impaired	2,507	3,124	1,561	1,962
More than 91 days past due and not impaired	1,066	5,626	968	5,284
More than 91 days past due and impaired	538	1,043	538	1,043
	104,828	76,827	102,069	72,389
Less: Impairment of receivables	(538)	(1,043)	(538)	(1,043)
	104,290	75,784	101,531	71,346

Trade receivables that are neither past due nor impaired

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

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables that are past due but not impaired

As at 31 December 2016, the Group and the Company have trade receivables amounting to RM6,638,000 (2015: RM10,746,000) and RM5,156,000 (2015:RM8,629,000) 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.

Trade receivables that are impaired

The Group's and the Company's trade receivables that are impaired as at 31 December 2016 and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables - nominal amounts	538	1,043	538	1,043
Less: Impairment of receivables	(538)	(1,043)	(538)	(1,043)
	0	0	0	0

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

Movement in allowance accounts:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	1,043	4,555	1,043	4,516
Impairment of trade receivables	385	1,003	379	1,003
Reversal of impairment of trade receivables	(735)	(385)	(735)	(346)
Written off	(155)	(4,130)	(149)	(4,130)
At 31 December	538	1,043	538	1,043

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Amounts due from subsidiaries

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

	Company	
	2016 RM'000	2015 RM'000
At 1 January	26,550	17,049
Impairment of trade receivables	668	9,501
At 31 December	27,218	26,550

20 FINANCE LEASE RECEIVABLES

	Group and Company	
	2016 RM'000	2015 RM'000
Gross receivables	1,392	1,685
Less: Unearned finance income	(174)	(208)
Present value of lease receivables	1,218	1,477

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

	Group and Company	
	2016 RM'000	2015 RM'000
Receivable within 12 months	494	535
Receivable after 12 months:		
- between 1 and 2 years	838	817
- between 2 and 5 years	60	333
	1,392	1,685
Less: Unearned finance income	(174)	(208)
	1,218	1,477
Current (Note 19)	411	446
Non-current	807	1,031
	1,218	1,477

The weighted average effective interest rates for finance lease receivables are 7.96% (2015: 3.85%) per annum. The finance lease receivables are denominated in Ringgit Malaysia.

21 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	7,675	14,150	4,926	9,230
Deposits with licensed financial institutions	19,673	11,283	7,214	164
Total deposits, cash and bank balances	27,348	25,433	12,140	9,394
Less: Bank overdraft	(35)	0	0	0
Less: Restricted cash	(2,737)	0	(2,737)	0
Less: Deposits maturing more than three (3) months	(2,954)	(3,931)	0	0
Cash and cash equivalents	21,622	21,502	9,403	9,394

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

The Group's and the Company's effective weighted average interest rate of deposits at the end of the financial year is 2.8% (2015: 3.30%) per annum. Deposits, cash and bank balances are denominated in Ringgit Malaysia.

22 TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables	40,345	32,774	39,428	31,219
Payroll liabilities	3,068	2,732	2,222	1,912
Accruals	2,214	4,089	595	2,630
Finance lease liabilities (Note 25)	432	328	432	328
Amounts due to subsidiaries	0	0	2,383	2,233
	46,059	39,923	45,060	38,322

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	29,331	27,179	28,472	25,578
United States Dollar	16,475	12,744	16,335	12,744
Singapore Dollar	253	0	253	0
	46,059	39,923	45,060	38,322

22 TRADE AND OTHER PAYABLES (CONTINUED)

All other liabilities are denominated in Ringgit Malaysia.

Credit terms of trade payables range from 7 days to 90 days (2015: 7 days to 90 days).

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

23 BORROWINGS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Unsecured and interest bearing:				
Short-term bank borrowings	23,397	4,708	23,397	4,708
Bank overdraft	35	0	0	0
Total borrowings	23,432	4,708	23,397	4,708

The average interest rate of the short-term bank borrowings is at 5.00% (2015: 4.43%).

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	8,320	3,927	8,285	3,927
United States Dollar	15,112	781	15,112	781
Total borrowings	23,432	4,708	23,397	4,708

24 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.

24 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(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 2016.

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

	Group and Company	
	2016 RM'000	2015 RM'000
At 1 January	5,012	5,894
Charged to income statement:		
Service cost	155	205
Interest cost	257	316
	412	521
Charged to other comprehensive income:		
Actuarial losses/(gain)	156	(1,007)
Payment made:		
Benefits paid from plan assets	(1,297)	(396)
At 31 December	4,283	5,012

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

	Group and Company	
	2016 RM'000	2015 RM'000
At 1 January	3,321	3,690
Charged to income statement:		
Interest income on plan assets	177	209
Administrative expenses paid	(14)	(51)
	163	158
Charged to other comprehensive income:		
Changes in the expected return on plan assets	(172)	(555)
Payment made:		
Employer contributions	556	424
Benefits paid from plan assets	(1,297)	(396)
At 31 December	2,571	3,321

24 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 2016 RM'000	Group and Company 2015 RM'000
At 31 December		
Present value of funded obligations	4,283	5,012
Fair value of plan assets	(2,571)	(3,321)
Net liability	1,712	1,691

Plan assets are comprised as follows:

	Group and Company			
	2016 RM'000	%	2015 RM'000	%
At 31 December				
Equity instruments	1,357	53	1,475	45
Government bonds	729	28	737	22
Cash and cash equivalents and others	485	19	1,109	33
Total	2,571	100	3,321	100

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

	Group and Company 2016 RM'000	Group and Company 2015 RM'000
Net defined benefit liability at 1 January	1,691	2,204
Service and administrative cost recognised in income statement	169	256
Net interest on net defined benefit obligation recognised in income statement	80	107
Charged to income statement	249	363
Re-measurement loss/(gain) recognised in other comprehensive income	328	(452)
Employer contributions	(556)	(424)
Net defined benefit at 31 December	1,712	1,691

24 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 and Company	
	2016 RM'000	2015 RM'000
Service and administrative cost	169	256
Interest cost	257	316
Net interest income on plan assets	(177)	(209)
	80	107
Total defined benefit retirement plan expense	249	363

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	
	2016	2015
At 31 December		
Discount rate	5.8%	5.9%
Rate of price inflation	3.0%	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%	50%
- early retirement age, 55	50%	50%

24 POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)

(b) Defined benefit plan (continued)

	2016 RM'000
Maturity profile of defined benefit obligation	
Weighted average duration	39.6 years
Expected benefit payments over the next 10 years	
2016	0
2017	73
2018	90
2019	131
2020	154
2021	166
2022 to 31 December 2026	1,413

	2015 RM'000
Maturity profile of defined benefit obligation	
Weighted average duration	31.8 years
Expected benefit payments over the next 10 years	
2015	0
2016	1,300
2017	73
2018	90
2019	129
2020	152
2021 to 31 December 2025	1,211

Significant actuarial assumptions and sensitivity analysis

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

24 POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)

(b) Defined benefit plan (continued)

Method and assumptions used in sensitivity analysis

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

25 FINANCE LEASE LIABILITIES

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

	Group and Company	
	2016	2015
	RM'000	RM'000
Minimum lease payments:		
Repayable within 12 months	532	387
Repayable after 12 months:		
- between 1 and 2 years	793	272
- between 2 and 5 years	272	361
	1,597	1,020
Future finance charges on finance leases	(204)	(118)
Present value of the finance lease liability	1,393	902
Current (Note 22)	432	328
Non-current	961	574
	1,393	902

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

26 SHARE CAPITAL

	Group and Company	
	2016 RM'000	2015 RM'000
Authorised:		
100,000,000 ordinary shares of RM1.00 each:		
At 1 January and 31 December	100,000	100,000
Issued and fully paid:		
60,402,000 ordinary shares of RM1.00 each:		
At 1 January and 31 December	60,402	60,402

27 SHARE PREMIUM

	Group and Company	
	2016 RM'000	2015 RM'000
At 1 January and 31 December	4,126	4,126

28 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

	Company	
	2016 RM'000	2015 RM'000
Subsidiary companies		
Purchase of goods	16	407
Purchase of services	15,175	13,922
Sales of services	76	97
Secondment fees	14,031	13,821
Payment of advances to a subsidiary	0	5,390

28 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Company	
	2016 RM'000	2015 RM'000
Amounts due from subsidiaries:	91	35
Amounts due to subsidiaries:	2,383	2,233

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

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

(c) Key management compensation

Key management 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries and other short-term employees benefits	1,312	2,055	1,312	2,055
Defined contribution plan	158	246	158	246
	1,470	2,301	1,470	2,301

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

29 NON-CASH TRANSACTION

	Group and Company	
	2016 RM'000	2015 RM'000
Acquisition of plant and equipment by means of finance leases	943	0

30 SEGMENT REPORTING

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

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

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

Revenues of approximately RM63.7 million (2015: RM54.3 million) are derived from a single external customer. These revenues are attributable to sales and service of information technology products segment.

31 EVENTS AFTER REPORTING PERIOD

On 2 March 2017, a claim of RM8.2 million was brought against the Group and the Company by a customer in a dispute on the obligations of a contract that was awarded to the Company in 2014. The Directors are of the opinion, based on legal advice, that it has a strong defence and is currently defending the legal action.

32 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 6 April 2017.

SUPPLEMENTARY INFORMATION

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Realised	34,362	30,246	22,572	17,295
Unrealised	15,268	16,466	15,043	16,223
	49,630	46,712	37,615	33,518

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 2016

Address	Description	Usage	Tenure	Terms of Tenant's Leases or Under Leases	Appropriate 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 three (23) years	33,369
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	Sixteen (16) years	8,463

SHAREHOLDING STATISTICS

Shareholding Structure as at 31 MARCH 2017
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 31 MARCH 2017

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	53	1.89	1,439	0.00
100 – 1,000	1,022	36.53	916,172	1.52
1,001 – 10,000	1,381	49.36	6,006,352	9.94
10,001 – 100,000	302	10.79	8,310,900	13.76
100,001 – 3,020,099 (Less than 5% of issued shares)	35	1.25	16,132,916	26.71
3,020,100 and above (5% and above issued shares)	5	0.18	29,034,221	48.07
Total	2,798	100.00	60,402,000	100.00

Substantial Shareholders (Excluding Bare Trustees and Deemed Interests) as at 31 MARCH 2017

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

Directors Direct and Deemed Interests as at 31 MARCH 2017

No.	Names	Direct Shareholdings	Deemed Interest	%
1	DATUK WAN MOHAMED FUSIL WAN MAHMOOD	675,940	3,044,100	6.16
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	308,500	0	0.51
5	ABD TALIB BABA	0	0	0
6	WONG FOOK HON	1,000	0	0
7	DATO' AB RASHID MAT ADAM	0	0	0
8	IR. DR. MUHAMAD FUAD ABDULLAH	0	0	0

SHAREHOLDING STATISTICS

30 Largest Shareholders as at 31 MARCH 2017

No.	Name	Holdings	(%)
1	AMANAHRAYA TRUSTEES BERHAD <SKIM AMANAH SAHAM BUMIPUTERA>	11,335,249	18.77
2	FATHIL SULAIMAN ISMAIL	6,397,939	10.59
3	SAFIAH SULAIMAN ISMAIL	3,662,053	6.06
4	HOR YEE @ HO CHEONG FATT	2,828,940	4.68
5	PHARIDA SULAIMAN @ PHILOMENA SULAIMAN	2,699,976	4.47
6	DB (MALAYSIA) NOMINEE (ASING) SDN BHD <DEUTSCHE BANK AG SINGAPORE FOR YEOMAN 3-RIGHTS VALUE ASIA FUND (PTSL)>	2,100,000	3.48
7	CIMB ISLAMIC TRUSTEE BERHAD <MOHD PUZI AHAMAD>	2,000,000	3.31
8	MOHD PUZI AHAMAD	1,918,940	3.18
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL BIN WAN MAHMOOD>	1,400,000	2.32
10	CITIGROUP NOMINEES (ASING) SDN BHD <UBS AG FOR NEON LIBERTY WEI JI MASTER FUND LP>	1,184,200	1.96
11	CIMB ISLAMIC TRUSTEE BERHAD <WAN MOHAMED FUSIL BIN WAN MAHMOOD>	1,000,000	1.66
12	WONG TA NOOY @ WONG KENG YONG	1,000,000	1.66
13	WAN MOHAMED FUSIL BIN WAN MAHMOOD	675,940	1.12
14	SRI SUSAYATI BINTI RAMLAN	620,000	1.03
15	LIM POH TIONG	500,000	0.83
16	CHOY CHOONG YEEN	481,500	0.80
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL BIN WAN MAHMOOD (473685)>	400,000	0.66
18	TOH KAM CHOY	396,000	0.66
19	AFFIN HWANG NOMINEES (ASING) SDN BHD <DBS VICKERS SECS (S) PTE LTD FOR LIM MEE HWA>	367,200	0.61
20	LIM POH TIONG	360,000	0.60
21	NEOH CHOO EE & COMPANY, SDN BHD	354,100	0.59
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WONG PHOOI YIN (E-TAI)>	312,000	0.52
23	VOON SENG CHUAN	308,500	0.51
24	NOR HASLINA BINTI MD. DAHARI	267,600	0.44
25	CIMSEC NOMINEES (TEMPATAN) SDN BHD <CIMB BANK FOR WAN MOHAMED FUSIL BIN WAN MAHMOOD (MY1107)>	244,100	0.40
26	GOH SEE WEE	200,000	0.33
27	LIM SENG QWEE	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 35TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Fifth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Thursday, 1 June 2017 at 2.30 pm. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2016 together with the Report of Directors and the Independent Auditors Report thereon.

2. To approve Directors' Fees for the year ended 31 December 2016. **Resolution 1**

3. To approve Directors' Remuneration for the year ended 31 December 2017. **Resolution 2**

4. To re-elect the following directors retiring pursuant to Article 104 of the Company's Articles of Association:-

   a. Ir. Dr. Muhamad Fuad Abdullah **Resolution 3**
   b. Wong Fook Hon **Resolution 4**
   c. Abd Talib Baba **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
28 April 2017

NOTE:

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-Fifth Annual General Meeting of the Company, the Company shall be requesting the Record of Depositors as at 25 May 2017. Only a depositor whose name appears on the Record of Depositors as at 25 May 2017 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.

STATEMENT ACCOMPANYING THE NOTICE OF THE 35TH ANNUAL GENERAL MEETING

1. As stated in the Notice of Annual General Meeting on page 142 of this Annual Report, the Directors standing for re-election are:-

   Pursuant to Article 104 of the Company's Articles of Association:-
   a. Ir. Dr. Muhamad Fuad Abdullah;
   b. Wong Fook Hon; and
   c. Abd Talib Baba

   Both Wong Fook Hon and Abd Talib Baba were previously re-appointed pursuant to Section 129(6) of the Companies Act, 1965 and their current term of service expires upon conclusion of the forthcoming Annual General Meeting.

   Apart from being subject to retirement pursuant to Article 104 of the Company's Article of Association, Wong Fook Hon would also be completing a cumulative terms of nine (9) years as an Independent Director.

2. Details of Board Meetings and the attendance of Directors at those meetings are as stated on page 45.

3. The Thirty-Fifth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on 1 June 2017 at 2.30 p.m.

4. Details of the Directors standing for re-election are as stated in the Directors' profile column on pages 20 to 27. Their securities holdings in the Company are as stated on page 140.

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
28 April 2017

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PROXY FORM

Mesiniaga

I/We ______________________________ of ______________________________
______________________ being a member of the abovementioned Company, hereby appoint ______________________
______________________ of ______________________________ or failing him
______________________ of ______________________________
as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Fifth Annual General Meeting of the Company, to be held on **Thursday, 1 June 2017 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 2016.		
To approve Directors' Remuneration for the year ended 31 December 2017.		
To re-elect the following directors retiring pursuant to Article 104 of the Company's Articles of Association :-		
a. Ir. Dr. Muhamad Fuad Abdullah		
b. Wong Fook Hon; and		
c. Abd Talib Baba		
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-Fifth Annual General Meeting of the Company, the Company shall be requesting the Record of Depositors as at 25 May 2017. Only a depositor whose name appears on the Record of Depositors as at 25 May 2017 shall be entitled to attend and vote at the meeting as for appointment of proxy(ies) to attend and vote on his/her stead.

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney. All forms of proxy must be deposited at the Company's Share Registrar's Office at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, 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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AFFIX
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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SCAN HERE FOR
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