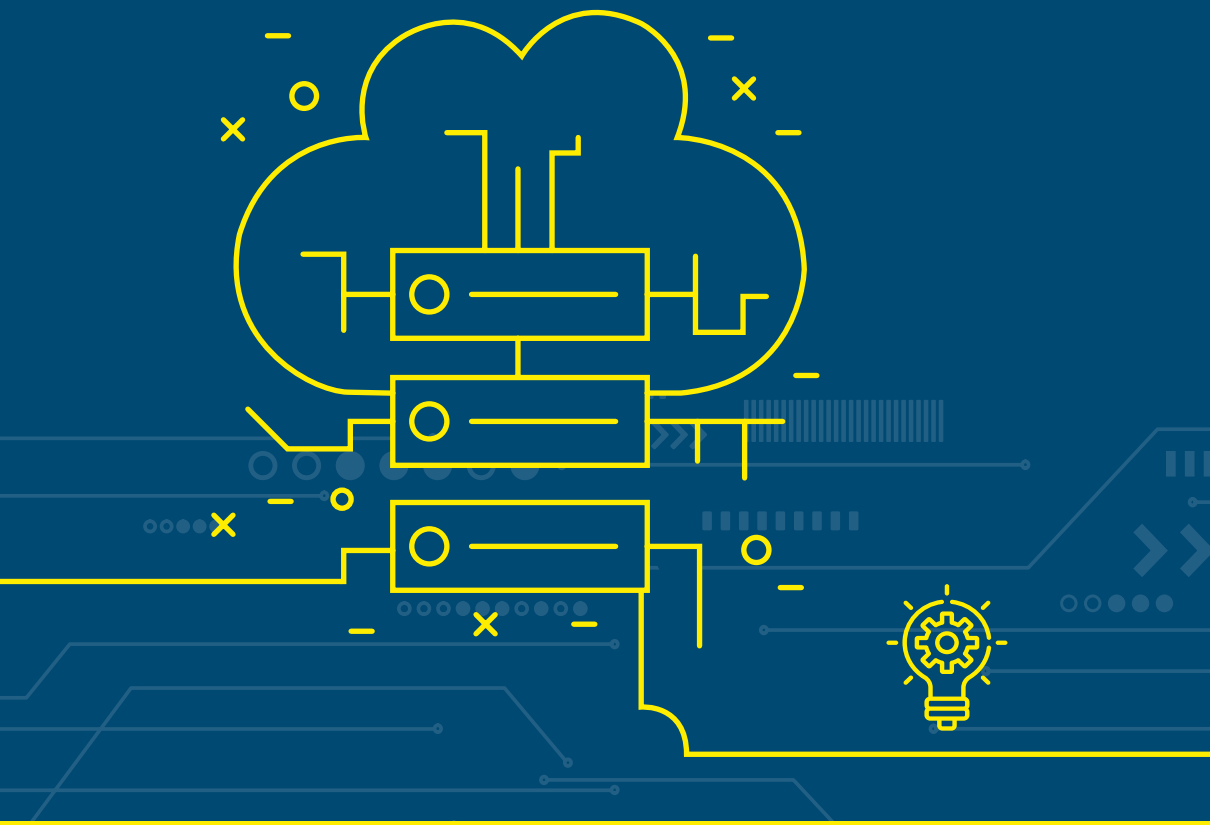
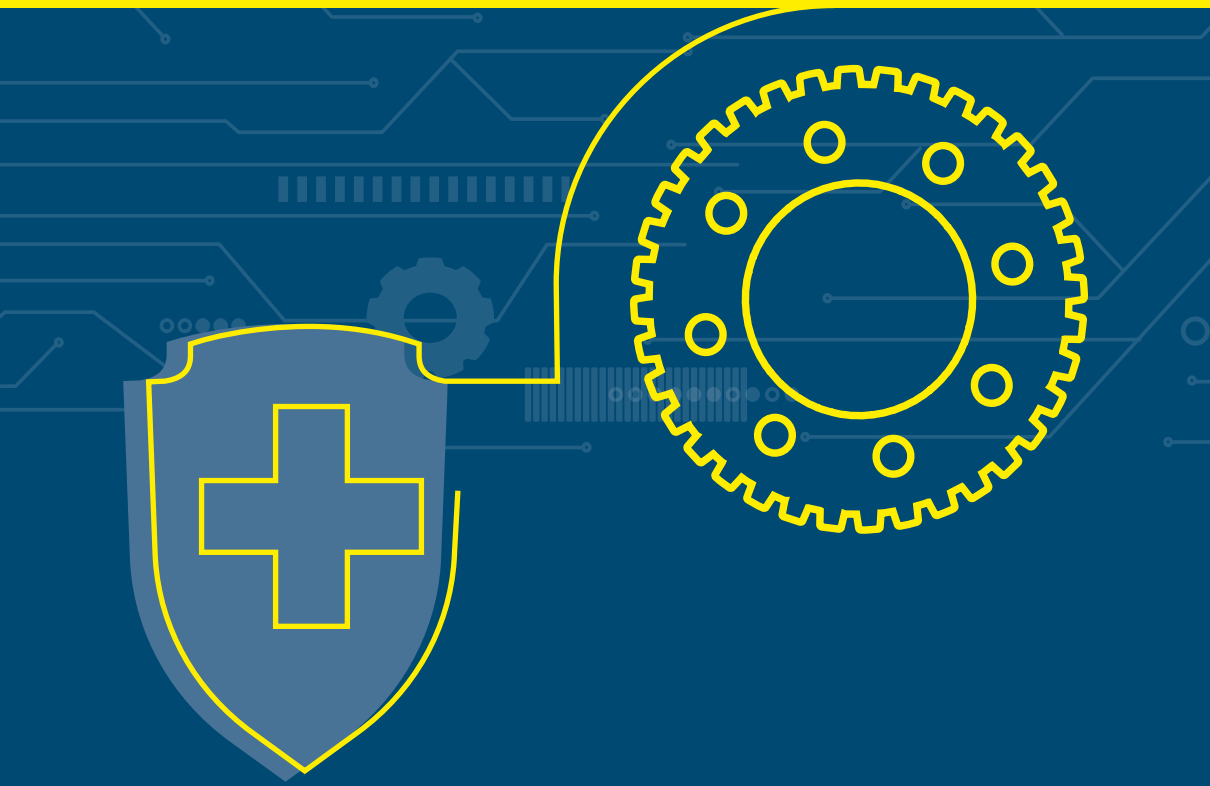
Mesiniaga

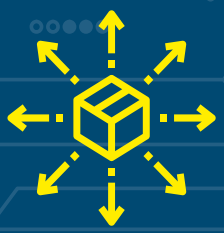
Accelerating **Digital Growth**

Annual Report 2018



Robotic Process





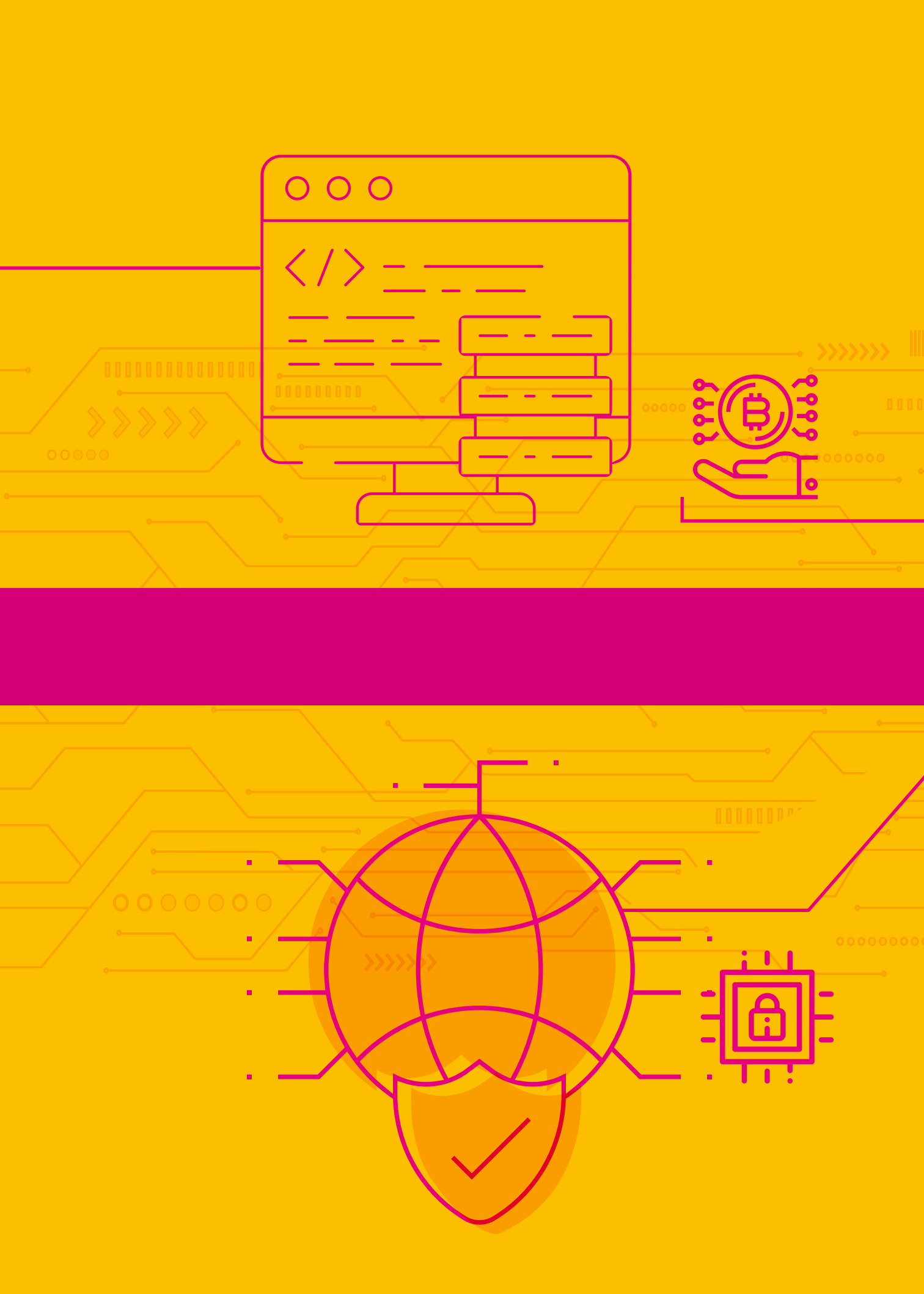
Automation (RPA)

Reducing repetitive administrative tasks with intelligent automation

Internet

of Things (IoT)

Getting machines to see, hear and talk to other machines for us



Blockchain

Creating shared accountability of data authenticity

37th ANNUAL GENERAL MEETING

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

2.30pm | 30 MAY 2019

Accelerating **Digital Growth**

Mesiniaga strives to bring out the best on growth, sustainability and the drive to strive for greater heights of success. This year's report is built upon Mesiniaga's aspiration of accelerating digital growth through Robotic Process Automation (RPA), Internet of Things (IoT) and Blockchain.

We aspire to develop new technologies geared towards a more innovative mindset in line with Industrial Revolution 4.0.

As part of our sustainability initiatives, Mesiniaga Berhad is encouraging you to visit our Annual Report microsite at www.mesiniaga.com.my/investor-relations/annual-reports. You will have the privilege to download, retrieve and view any pages of the annual report at your convenience.

The printed copy of the Annual Report is also available upon request. Kindly fill in the requisition form and return it to us via post or fax.

WHAT'S INSIDE

OUR VISION

To be the Malaysian IT Partner of Choice

OUR MISSION

Helping Customers Succeed

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FACTS AT A GLANCE

Incorporated on
17 December 1981

Paid-up Capital of
RM60.4 MILLION

Headquarters
Subang Jaya

Listed on Bursa Securities (Main Market) on
17 Nov 1999

Staff strength of more than
1,000 EMPLOYEES

as of 31 December 2018

FACTS AT A GLANCE

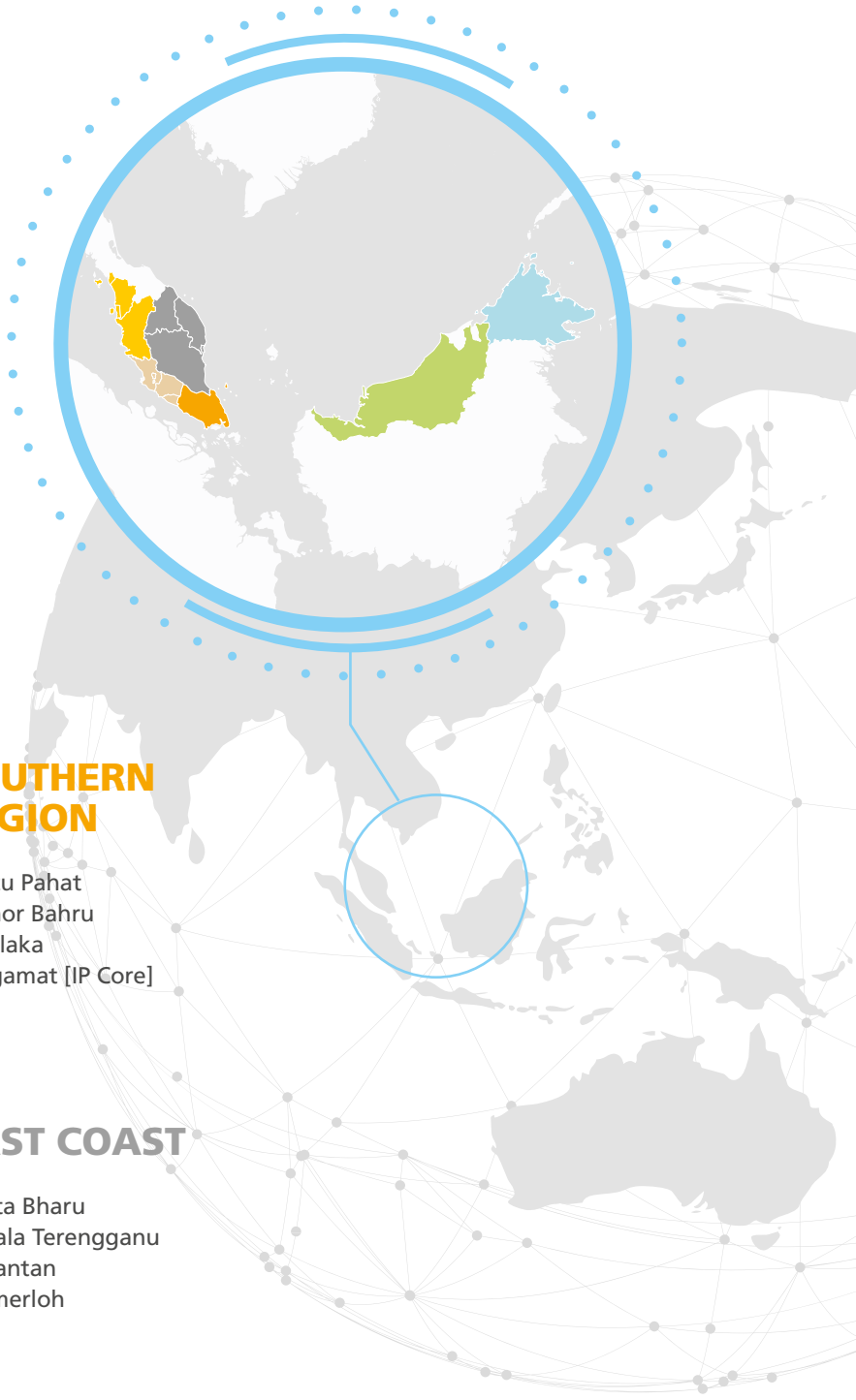
Key Office Locations:

Mesiniaga Pulau Pinang

Mesiniaga Johor Bahru

24

Nationwide Service Locations



CENTRAL REGION

- Subang Jaya

NORTHERN REGION

- Alor Setar
- Ipoh
- Pulau Pinang
- Seberang Prai
- Taiping

SOUTHERN REGION

- Batu Pahat
- Johor Bahru
- Melaka
- Segamat [IP Core]

SABAH

- Beaufort
- Kota Kinabalu
- Lahad Datu
- Sandakan
- Tawau

SARAWAK

- Bintulu
- Kuching
- Miri
- Sibu
- Sri Aman

EAST COAST

- Kota Bharu
- Kuala Terengganu
- Kuantan
- Temerloh

"We believe that the strategies implemented for **driving customer business performance** and **enhancing customer satisfaction** will ultimately translate into improving our own business performance."

Menara Mesiniaga

CORPORATE PROFILE

Our Products & Services

- CLOUD COMPUTING
- IT SUPPORT AND SERVICES (ITSS)
- NETWORK SERVICES
- SECURITY SOLUTIONS
- ROBOTIC PROCESS AUTOMATION (RPA)
- SOFTWARE DEVELOPMENT
- BLOCKCHAIN
- IOT
- WORKFORCE +

Find out more
www.mesiniaga.com.my

Mesiniaga has been in the technology business for more than three decades. We started out as a company selling IBM office products and have now evolved into a multi-platform business solutions provider with a paid-up capital of RM60.4 million.

Within the last 38 years, the technology landscape has changed tremendously. New trends have emerged resulting in a sea of change in the way companies do business. Across the board, companies these days are constantly on the lookout for solutions that will give them an edge over their competitors. As such, we are constantly striving for ways to provide our customers with an experience that will allow them to achieve their business objectives.

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

Another important element in enhancing customer experience is through managing customer satisfaction. Hence, we have implemented multiple initiatives that are aimed at improving service delivery and our understanding of customer needs. Our people are already acknowledged as having superior technical skills, mainly because we

CORPORATE PROFILE

actively encourage them to pursue or upgrade their professional certifications. They also undergo numerous soft skills training sessions in order to improve their understanding of customer requirements and how best to meet them. The end objective of these initiatives is to give our customers full confidence to deal with Mesiniaga.

We believe that the strategies implemented for driving customer business performance and enhancing customer satisfaction will ultimately translate into improving our own business performance. This will allow us to reward our shareholders for their faith in us. In order to fulfil this promise, we have also made a commitment to improve our productivity yield. We are now a group of more than 1000 employees. We have invested significantly in developing measurements over our resource utilisation because it is imperative that all our resources are employed to their most optimum potential.

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

Find out more
www.mesiniaga.com.my

VALUES

RESPECT

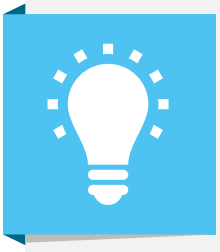
Good conduct towards people, roles, procedures and processes

INTEGRITY

Positive virtues with strong business ethics and professionalism

COMMITMENT

Dedicated to keep our promises to our customers



INNOVATION

Relevant and differentiated products and services in the market

TEAMWORK

Leveraging on our multiple skills and strengths to complement one another as a team

LEADING PARTNERSHIP STATUS

- Dell EMC Authorised Partner
- IBM Software Group Silver Partner
- IBM System Premier Partner
- Microsoft Gold Partner for Messaging, Datacenter & Cloud Productivity
- Cisco Gold Partner
- Symantec Platinum Partner
- Juniper Elite Partner
- Trend Micro Gold Partner
- VMWare Enterprise Partner
- Oracle Gold Partner
- HP Inc. Authorised Partner
- HP Enterprise Gold Partner
- Hitachi Data Systems Silver Partner
- Huawei Gold Partner
- Commvault Authorised Partner
- Lenovo PCG - End Client Product Platinum Partner
- Lenovo DCG - Enterprise Product Gold Partner
- Veritas Registered Partner
- Procera Networks Inc. Authorised Partner
- Nutanix Authorised Partner
- Fortinet Authorised Partner
- F5 Networks Authorised Partner
- TrustSphere Authorised Partner
- Brocade Registered Partner
- Blackberry Gold Partner

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK WAN MOHAMED FUSIL
Chairman and Chief Executive Officer

FATHIL ISMAIL
Non-Independent Non-Executive Director

VOON SENG CHUAN
Independent Non-Executive Director

ABD TALIB BABA
Independent Non-Executive Director

WONG FOOK HON
Independent Non-Executive Director

DATO' AB RASHID MAT ADAM
Independent Non-Executive Director

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

SIM HONG KEE
Independent Non-Executive Director
(Appointed on 1 May 2018)

NOMINATION AND REMUNERATION COMMITTEE

Voon Seng Chuan (Chairperson)
Wong Fook Hon
Ir. Dr. Muhamad Fuad Abdullah

AUDIT AND RISK MANAGEMENT COMMITTEE

Abd Talib Baba (Chairperson)
Wong Fook Hon
Dato' Ab Rashid Mat Adam
Sim Hong Kee

COMPANY SECRETARY

Jasni Abdul Jalil (MACS 01359)

COMPANY REGISTERATION NUMBER

79244-V

REGISTERED OFFICE

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

AUDITORS

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146)
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral
P.O. Box 10192, 50706 Kuala Lumpur.
Tel : 03-2173 1188 Fax : 03-2173 1288

PRINCIPAL BANKERS

Standard Chartered Saadiq Berhad
Maybank Berhad
Citibank Berhad
CIMB Bank Berhad
Bank Islam Malaysia Berhad

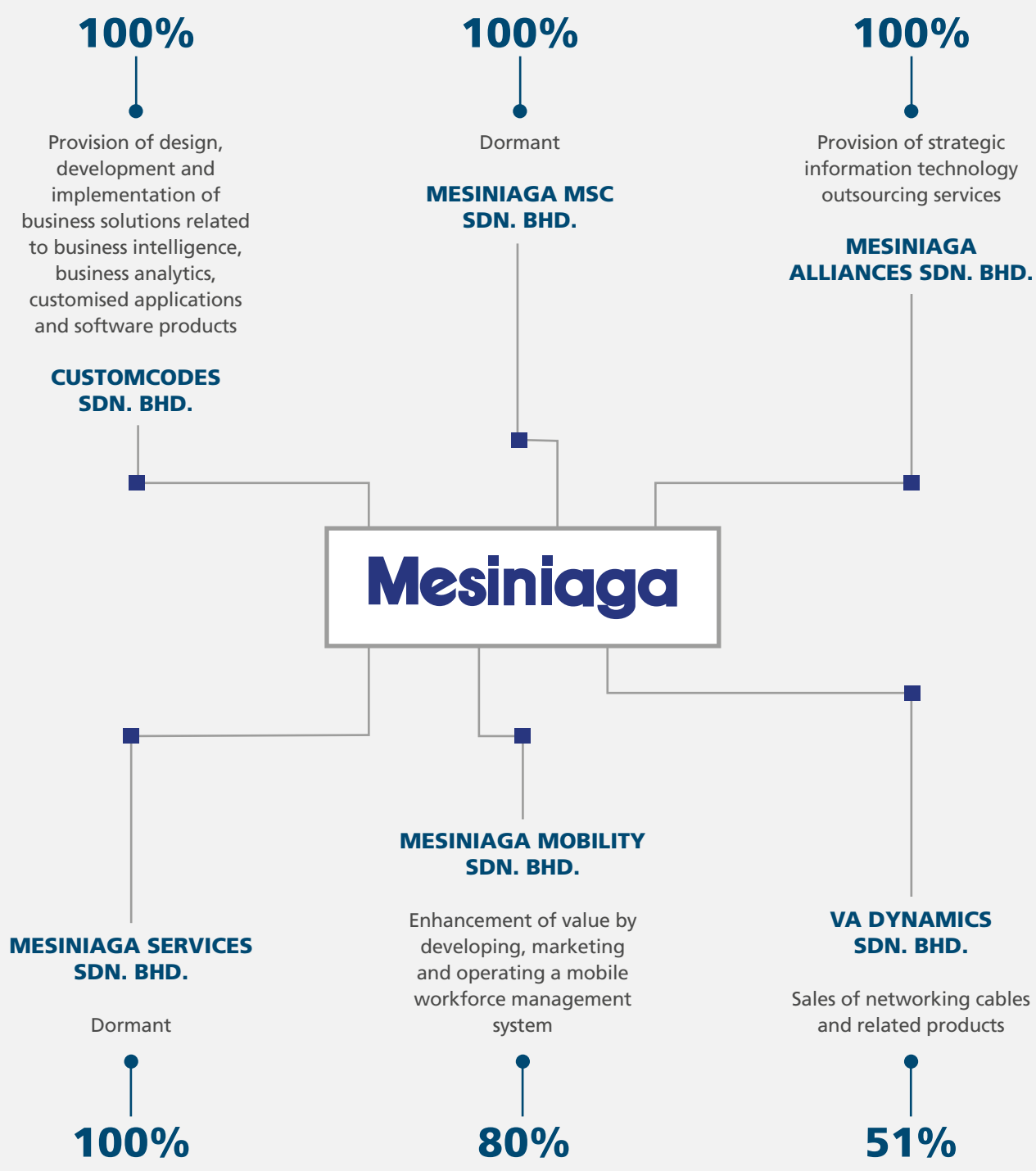
SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
(*formerly known as Symphony Share Registrars Sdn. Bhd.*)
Level 6, Symphony House, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel : 03-7849 0777 Fax : 03-7841 8151

STOCK EXCHANGE LISTING

Listed on Main Market of Bursa Malaysia Securities Berhad
Listing Date : 17 November 1999
Stock Code : 5011
Stock Name : MSNIAGA
Stock Sector : Technology

CORPORATE STRUCTURE



MANAGEMENT DISCUSSION AND ANALYSIS

2018 witnessed a volatile and challenging operating environment both domestically and globally resulting from, amongst others, the US-China trade dispute; uncertainty surrounding Brexit; a change in our government which in combination affected overall spending in both public and private sectors, leading to the growth of our local economy moderating from 5.9% to 4.7% as reported by Gartner, Inc.

OPERATING ENVIRONMENT

2018 was a momentous year for Malaysia as for the first time in history, we experienced a change in government after the General Election in May. As part of transitioning to a new government, many adjustments were made including the revision of procurement policies and the replacing of heads of agencies and ministries. This resulted in significant deferment in decision-making and the awarding of projects.

Despite the moderate growth rate in our economy, business started picking up in both public and private sectors towards the second half of the year. For Mesiniaga, holding true to our vision of 'Helping Customers Succeed' allowed us to stand out by demonstrating our ability to always deliver IT projects successfully to our customers. It is our impeccable track record that has put Mesiniaga in a better position to bid on and secure new business under the government's new procurement policy which emphasises on transparency and capabilities. This resulted in our re-entry into several public sector accounts such as Malaysian Investment Development Authority (MIDA), Pertubuhan Keselamatan Sosial (PERKESO) and Jabatan Akauntan Negara Malaysia (JANM) among others.

As part of the mid-term review of the 11th Malaysia Plan, the government announced the launch of the National Industry 4.0 Policy to promote innovation, creativity and competitiveness to intensify the adoption of Industrial Revolution 4.0 (IR 4.0) related technologies. IR 4.0 technology includes Cloud Computing and IoT, areas in which Mesiniaga has been investing, specifically in

MANAGEMENT DISCUSSION AND ANALYSIS

We are principally focused on **FOUR CORE** customer segments:

- The Public Sector
- Telecommunications
- Enterprise
- Northern States

the Waterworks sector. We are also researching and developing our capabilities in Blockchain, machine learning and Robotic Process Automation (RPA) to support and help our customers succeed.

OUR BUSINESS

Mesiniaga is an enterprise solutions integrator focused on the delivery of turnkey projects and the provision of managed services. We offer our customers differentiated products and solutions, which grant us an advantage over our competitors.

All projects are managed by a team of highly skilled and certified project managers and our service offerings are comprehensive; we provide basic maintenance of hardware, managed cloud and cybersecurity services and total IT outsourcing. Our technical expertise is in System Infrastructure, Security, Enterprise and Telco Networks, Customised Application Development and Change Management.

We are principally focused on four core customer segments: Public Sector, Telecommunications, Enterprise and Northern States. Within the Enterprise segment, we engage with government-linked companies, the financial services industry and educational institutions. Under the Northern States segment, we focus on manufacturing, education and state government-linked corporations.

OUR STRATEGIC INITIATIVES

2018 saw the maturity of the initiatives launched in 2016. Our Product Differentiation Initiative (PDI) has led to better performance for certain products, consolidation of others and the discontinuation of offerings that we recognised as non-profitable to Mesiniaga. Additionally, the Reduction of Cost (RDC) initiative has managed to reshape our direct expenses to match our business' volume and direction.

We also invested in building Mesiniaga's Cloud business in 2016 based on market trends which found that companies prefer the OPEX model when it comes to spending on IT. Along with investing in Cloud Infrastructure, we have set up our own Security Operation Center located in Menara Mesiniaga, generating recurring income by providing cybersecurity monitoring and management services to our customers.

In the next 5 years, our aspiration is to achieve higher predictability in our business performance where the profits generated from recurring businesses will be able to cover all our fixed expenses. To accomplish this, we stitched together and re-packaged several of our core products into "as a Service" model under Mesiniaga Integrated Managed Services or MIMS with the aim of strengthening our recurring business offerings and increasing its contribution to the total revenue.

The Keeping Our Promises (KOP) initiative has effectively endeared us to our customers as proven in our annual Customer Satisfaction Index survey. We recorded our highest ever

approval rating of 88% based on the survey response from our existing customers, favouring our services over other solution providers.

Lastly, to stay relevant in the market, Bright Side, our corporate innovation lab, continuously taps into the creative minds of our employees to look for new ideas and solutions to diversify our business. In 2018, it attracted more than 80 submissions from Mesiniagans. 2 of these ideas have entered into proof of concept (POC) stage in first quarter of 2019.

Our Products & Services

CLOUD COMPUTING

IT SUPPORT AND SERVICES (ITSS)

NETWORK SERVICES

SECURITY SOLUTIONS

ROBOTIC PROCESS AUTOMATION (RPA)

SOFTWARE DEVELOPMENT

BLOCKCHAIN

IOT

WORKFORCE +

FINANCIAL AND OPERATIONAL PERFORMANCE

The Group recorded a revenue of RM180.9 million for the year ended 31 December 2018, a decrease of 20.1% compared to the revenue of RM226.3 million in the year 2017. The Group posted a loss before tax (LBT) of RM7.9 million in 2018 as compared to a profit before tax (PBT) of RM14.6 million in the previous year. The LBT was mainly due to deferred revenue of RM18.9 million as the criteria for recognition were not met. The cost of delivering the performance obligation for these services has been taken up as cost of sales in the current financial year. The revenue will be recognised when the criteria are met.

BUSINESS RISKS

It is of our utmost priority to identify, evaluate, manage and report the risks and uncertainties that can affect Mesiniaga to improve our business processes. Here, we highlight key foreseeable risks to the Group's strategic directions, operations and financials as well as our approach to mitigate these risks.

STRATEGIC

Market & Customer Satisfaction Risks
The IT industry is expected to undergo consolidation as new technologies and borderless competition bring forth threats as well as opportunities and at the same time attract new entrants. Vast technological advancements and the rapidly changing needs of customers will result in the market becoming even more competitive which we foresee affecting the Group's revenue. Consequently, it is necessary for the Group to improve its business strategies to increase share of our customers' business. We have also taken decisive measures to drive efficiency and innovation by continuously assessing new technological developments. Simultaneously, we are upgrading our core capabilities to provide a better service experience.

FINANCIAL

Forex Risk
The Group recognises that foreign currency exchange risk exposure arises from cross border transactions, which can impact our cashflow and financial performance. We mitigate this risk through hedging; optimising our borrowing to match revenue from cross border sources and through contractual terms negotiations with our customers and suppliers, minimise the risk exposure.

Cash Flow Risk
The Group continuously review the business operations and working capital needs, ensuring timely collection of receivables; favourable payment terms from suppliers, minimising inventory and maintaining sufficient bank facilities to support our business operations.

TECHNOLOGY

Cyber Risk
The Group considers this a heightened risk following the increase in malicious and high profile attacks against major corporations worldwide. We conscientiously endeavour to mitigate this risk to our business. We understand that cyberattacks can undermine our customers' confidence in the Company

especially since critical information and intellectual assets are being converted into digital form and therefore, effective measures have been and will continuously be taken to upgrade our systems.

OPERATIONAL

People Risk
While IT is the backbone of our business, it is the people in management and operations that sustain our ability to deliver and satisfy our customers. Failure to attract, develop and retain talented employees of the appropriate calibre will compromise the execution of the Group's business operations in the short term and strategy in the long term.

Our Human Resources Department is constantly sourcing and developing suitable talents by improving recruitment, staff development, employee engagement, training and retention processes to combat the perennial challenge of retaining key talents within the Company.

MOVING FORWARD

Gartner, Inc. forecasts that spending on technology products and services in Malaysia will increase by 4.6%, reaching RM65.2 billion (US$15.5 billion) in 2019. As enterprises continue their digital transformation efforts, Gartner predicts that companies adoption of the cloud instead of owning servers and that the shift to 'pay-per-use' services will continue apace.

Mesiniaga is stepping up the focus to tap the shift in the business opportunities through our subscription based Hybrid Cloud service coupled with On-Premise propositions for Cloud Computing while under MIMS, we will be offering cybersecurity, server maintenance and network optimisation services. As more companies migrate to cloud platforms, we foresee increased demand for connectivity solutions which our Network Business and Telco units are ready to engage.

A Strategic Council was established to focus on putting in place a 3-year strategic plan, and having a periodic quarterly assessment to validate the effectiveness of the plan and making timely adjustment. The Council will evaluate our business segments if some should be continued while identifying new business worth investing for profitable growth.

Mesiniaga will also continue investing into the research and development of IoT, Blockchain and Machine Learning to meet the potential demands from IR 4.0 while exercising prudence in our operating expenditure.

We intend to stay the course and focus all our efforts on strengthening our financial position. By consistently and persistently "Helping Customers Succeed" in every of our engagement, we seek to consolidate and achieve higher recognition as the "Preferred IT Partner" in the segments we choose to serve.

ACKNOWLEDGEMENTS

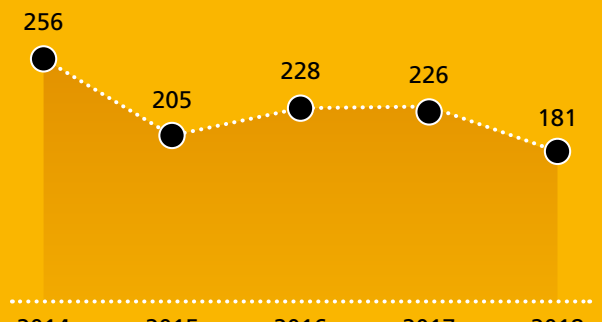
We would not be where we are today without the commitment and support of the many parties that have contributed to our success and we are truly grateful for their invaluable support. As always, I wish to extend my earnest gratitude to our devoted teams in Mesiniaga, I thank you for your diligence, sacrifices and commitment to ensuring that Mesiniaga becomes a truly high-performing company. To my fellow members of the Board as well as our clients and business partners, I thank you for your confidence in us, in the past year. My endless appreciation also goes to our shareholders for your continued faith and trust in us. As we venture forth to embrace new opportunities and face challenges, we call upon all our stakeholders to continue lending us your steadfast trust and support. Thank you.

Datuk Wan Mohamed Fusil
Chairman

FIVE-YEAR PERFORMANCE STATISTICS

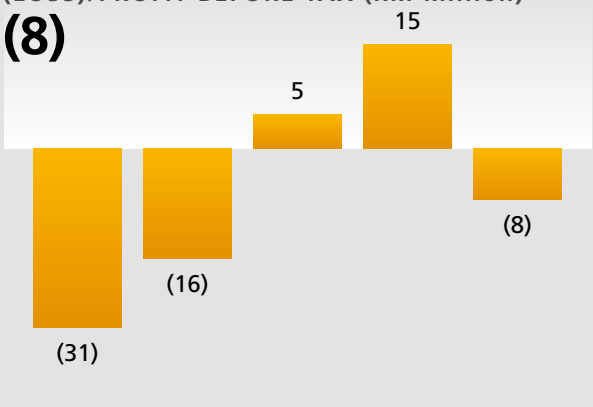
REVENUE (RM Million)

181



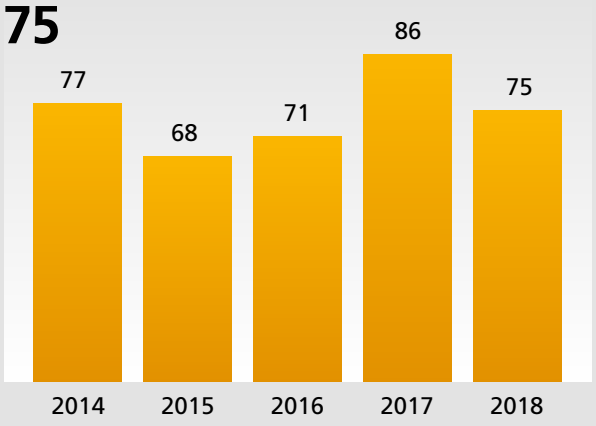
(LOSS)/PROFIT BEFORE TAX (RM Million)

(8)



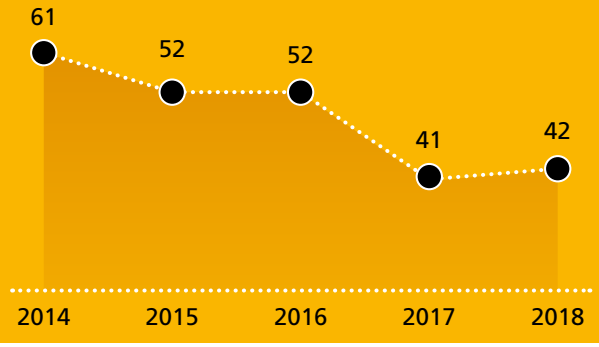
NET CURRENT ASSETS (RM Million)

75



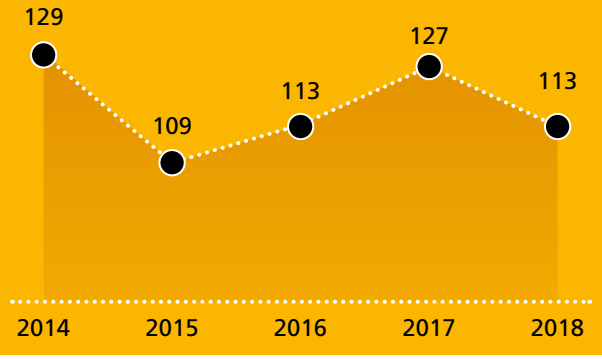
FIXED ASSETS (RM Million)

42



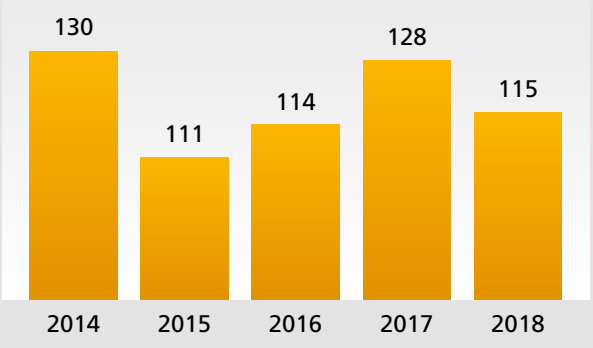
NET TANGIBLE ASSETS (RM Million)

113



SHAREHOLDERS' EQUITY (RM Million)

115



BOARD OF DIRECTORS

DATUK WAN MOHAMED FUSIL, DMSM

Chairman and Chief Executive Officer

Malaysian

Male

Aged 68

Date of Appointment
17 December 1981

Number of Board Meetings Attended
7/7

ABOUT THE DIRECTOR

Datuk Wan Mohamed Fusil was appointed to the Board on 17 December 1981 as part of the team who founded the Company. He was elected Chairman of the Board on 14 June 2007. Datuk Wan Fusil was reappointed as the Chief Executive Officer of Mesiniaga on 25 February 2016. Prior to joining Mesiniaga, Datuk Wan Fusil was with IBM Malaysia. During his tenure with IBM Malaysia, he served in various managerial positions. This included serving as Country Manager - Information Products Division. Datuk Wan Fusil is one of the first serving Board Members of Multimedia Development Corporation (MDeC) and is also one of the founding members of the Association of Computer and Multimedia Industry Malaysia (PIKOM). He had held several positions in PIKOM including serving as Councillor (1987), Deputy Chairman (1989-1991) and Chairman (1991-1992). Datuk Wan Fusil graduated with a Diploma in Accountancy from ITM (now known as UiTM).

VOON SENG CHUAN

Independent Non-Executive Director

Malaysian

Male

Aged 60

Date of Appointment
24 October 2000

Number of Board Meetings Attended
7/7

Board Committee:

- Nomination and Remuneration Committee

ABOUT THE DIRECTOR

Voon Seng Chuan was appointed to the Board as a Non-Independent Non-Executive Director on 24 October 2000. On 1 April 2013, he was re-designated as an Independent Non-Executive Director. He is currently the Chairman of Ambank (M) Berhad and sits on the board of AMMB Holdings Berhad and Silverlake Axis Limited. Voon is also a director of Corporate Learning Consortium Sdn. Bhd.

Since 1983, Voon had served IBM in various capacities, starting with his first appointment as Marketing Representative. Since then, he held several key local and regional positions such as Country Brand Manager, General Manager for Channels Management, IBM ASEAN/South Asia and Vice President for Business Partners, Sales and Marketing for IBM Asia Pacific. In January 2000, he became Managing Director of IBM Malaysia and Brunei. After which, he was assigned to IBM Asia Pacific headquarters to handle their headquarters organisation restructuring. His last role before retiring in 2010 was as Director for Mid-Market for Asia Pacific.

He was also a Council Member of PIKOM (National ICT Association of Malaysia) in 1994/1995 and 1999/2000. In 2013, Voon was recognised with the "Outsourcing Leader of the Year" award by Outsourcing Malaysia. Voon holds a Bachelor of Science (Honours) degree in Mathematics from Universiti Malaya.

FATHIL ISMAIL

Non-Independent Non-Executive Director

Malaysian

Male

Aged 54

Date of Appointment
1 June 2002

Number of Board Meetings Attended
7/7

ABOUT THE DIRECTOR

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

ABD TALIB BABA, RA (M), FCCA

Independent Non-Executive Director

Malaysian

Male

Aged 73

Date of Appointment
21 August 2007

Number of Board Meetings Attended
7/7

Board Committee:
- Audit and Risk Management Committee

ABOUT THE DIRECTOR

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

WONG FOOK HON

Independent Non-Executive Director

Malaysian

Male

Aged 74

Date of Appointment
1 August 2008

Number of Board Meetings Attended
6/7

Board Committee:

- Audit and Risk Management Committee
- Nomination and Remuneration Committee

ABOUT THE DIRECTOR

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

IR. DR. MUHAMAD FUAD ABDULLAH

Non-Independent Non-Executive Director

Malaysian

Male

Aged 65

Date of Appointment
16 July 2010

Number of Board Meetings Attended
7/7

Board Committee:

- Nomination and Remuneration Committee

ABOUT THE DIRECTOR

Ir. Dr. Muhamad Fuad Abdullah was appointed to the Board on 16 July 2010. He began his career in 1977 as an Electrical Engineer with the Malaysian Public Works Department. After spending six years in the technical area, he took on the position of Engineering Logistics Manager in Uniphone Sdn. Bhd. He then served as a tutor in Universiti Kebangsaan Malaysia (UKM) in 1992 and thereafter became the Vice President of Kolej UNITI in 1996. He was also CEO of Kausar Corporation Sdn. Bhd. and later the Managing Director of Five-H Associates Sdn. Bhd. He is currently a Board member of Institut Kefahaman Islam Malaysia, Universiti Sains Islam Malaysia (USIM), USIM Tijarah Holdings Sdn. Bhd., PNB Commercial Sdn. Bhd., Gagasan Nadi Cergas Berhad and Universiti Tun Abdul Razak Sdn. Bhd. He is a Professional Engineer with Practising Certificate (PEPC), a Fellow of the Institution of Engineers Malaysia (FIEM), an ASEAN Chartered Professional Engineer (ACPE), an APEC Engineer (APEC Eng.) and an International Professional Engineer [IntPE(MY)]. Ir. Dr. Muhamad Fuad holds a Bachelor of Science and an M.Phil. in Electrical Engineering from University of Southampton. He also holds a Bachelor of Arts (Jayyid) in Syariah from Jordan University and a Ph.D. in Muslim Civilisation from the Aberdeen University.

SIM HONG KEE
C.A. (M), ICDM (M)

Independent Non-Executive Director

Malaysian

Male

Aged 63

Date of Appointment

1 May 2018

Number of Board Meetings Attended

5/5 *(w.e.f 1 May 2018)*

Board Committee:

- Audit and Risk Management Committee

ABOUT THE DIRECTOR

Sim Hong Kee was appointed to the Board as an Independent Non-Executive Director on 1 May 2018. He began his career under an articleship with a public accounting firm before joining IBM Malaysia where, over a period of about 31 years, he held various significant local and regional positions in the areas of finance planning, pricing, treasury operations, real estate, taxation, legal, business controls, joint venture evaluation and formation, leasing operations and accounting as well as sales. Some of the senior management positions he held in IBM include: Executive Assistant of Asia Pacific Chief Financial Officer; Chief Financial Officer; Country Marketing Operations Manager; ASEAN/South Asia Y2K Executive to lead the successful Y2K transition for all customers and IBM operation; Senior Manager for Key Accounts; ASEAN/South Asia Regional Project Manager Office Leader for the divestment of IBM's PC and Printer business. He last held the role of Senior Manager of Credit Centre of Excellence for the Asia Pacific, South Korea, Japan and India prior to his retirement from IBM in 2015. In between his time in IBM, he was the Finance and Human Resource Director of Oracle Malaysia from 1995 to 1997. He currently serves as the Senior Advisor of Business Process and Internal Audit at a prominent local private equity company: Creador Sdn. Bhd. He has completed the Harvard Business School's Senior Management Development Program and the IBM Asia Pacific Advanced Management School. He completed the Malaysian Institute of Certified Public Accountant examination in 1980 and is a Chartered Accountant and a registered member of the Malaysian Institute of Accountants (MIA). He is a member of the Institute of Corporate Directors Malaysia.

DATO' AB RASHID MAT ADAM, DIMP

Independent Non-Executive Director

Malaysian

Male

Aged 68

Date of Appointment
30 December 2008

Number of Board Meetings Attended
7/7

Board Committee:
- Audit and Risk Management Committee

ABOUT THE DIRECTOR

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

None of the Board Members have relationships among each other or with any of the substantial shareholder of the Company except for Fathil Ismail who has a kin relationship with Safiah Ismail, a substantial shareholder of the Company. They also do not have any conflict of interest with the Company as well as were never convicted of anything other than traffic offences within the past 10 years. Other than the Directorship positions held by Voon Seng Chuan and Ir. Dr. Muhamad Fuad Abdullah in other public companies as stated in their profiles, all of the Directors do not hold any directorship positions in any public companies other than Mesiniaga Berhad.

SENIOR LEADERSHIP TEAM

01 Datuk Wan Mohamed Fusil
02 Ariffin Abd Majid
03 Nordin Mat Isa
04 Wong Keng Hoe
05 Patricia Chan Fong Mui

SENIOR LEADERSHIP TEAM

01

DATUK WAN MOHAMED FUSIL

Chairman and Chief Executive Officer

Malaysian

Male

Aged 68

Refer to Board of Director's Profile on page 15.

02

ARIFFIN ABD MAJID

Chief Financial Officer

Malaysian

Male

Aged 55

Ariffin Abd Majid joined the Company in February 2017. As the Chief Financial Officer, he is responsible for the overall Company's corporate and financial affairs. Ariffin worked as an external auditor in Cooper Lancaster Brewers, Chartered Accountants in the UK prior to joining Petronas in 1992. Subsequently, he joined Business Focus Group as the Group Financial Controller and later joined Boustead Group as the Senior General Manager. His last position before joining Mesiniaga was as the Chief Executive Officer of Dominion Defence Industries Sdn. Bhd., a subsidiary of Boustead. Ariffin is an alumnus of Malay College Kuala Kangsar and graduated from the Association of Chartered Certified Accountants (ACCA).

03

NORDIN MAT ISA

Director of Products and Services

Malaysian

Male

Aged 53

Nordin Mat Isa joined the Company in 2008 as the Head of Public Sector Business and subsequently as Director of Sales, Public Sector and Telco Business after he had successfully led his team to expand the scope of public sector sales. In March 2017, he was further entrusted with a new portfolio as the Director of Products and Services to drive product-to-market strategies, lead initiatives around keeping promises to customers and create differentiation in our product and service offerings. Prior to joining the Company, he was the Head of Public Sector Sales in Hewlett Packard Malaysia Sdn. Bhd. Nordin has had 20 years of experience in the corporate world and graduated with a Bachelor's Degree in Computer Science, Mathematics and Statistics from Australian National University.

SENIOR LEADERSHIP TEAM

04

WONG KENG HOE

Director of Sales

Malaysian

Male

Aged 53

Wong Keng Hoe rejoined Mesiniaga as the Director of Sales in February 2018. His career began in Mesiniaga in 1990 when he was appointed as Information Systems Trainee. He proved his mettle by rising up the ranks to various managerial positions. He became a Manager for the Network Services Unit in 1996 and was subsequently made Senior Manager in the year 2000. Two years later, Wong took on the post of General Manager for Network Services and Project Management. In February 2008, Wong became Director of Project Management and Solutions Marketing. Wong graduated with a Bachelor in Computer Science from Universiti Sains Malaysia.

05

PATRICIA CHAN FONG MUI

General Manager, Corporate Strategy and Planning

Malaysian

Female

Aged 54

Patricia has been with the Company since 1989 when she became a Trainee Programmer Analyst. After nine years of serving as a programmer analyst and subsequently a systems analyst, she took on the post of Development Services Manager in 1998. From then on, she has held various managerial positions including for Sales Support, Implementation Services, Systems Integration and Solutions Integration. In December 2010, she was promoted to General Manager in charge of an extensive portfolio comprising Solutions Integration, Internal Systems and Application Development. She is now the General Manager for Corporate Strategy and Planning. Her responsibilities are providing management reports for strategic decision making, plan and control which include budget monitoring, governance in pricing and business processes. Patricia graduated with a Bachelor in Computer Science from Universiti Sains Malaysia.

None of the Senior Leadership Team has any family relationships with any Directors and/or major shareholders of the Company. They also do not have any conflict of interest with the Company as well as never convicted anything other than traffic offences within the past 5 years.

COMPANY HAPPENINGS

2-3 FEB 2018

MESINIAGA STARTUP WEEKEND

6 FEB 2018

YEAR START KICK OFF MEETING 2018

28 FEB 2018

MESINIAGA CHINESE NEW YEAR CELEBRATION

COMPANY HAPPENINGS

28 MAR 2018

MESINIAGA PENANG OFFICE LAUNCH

16 APR 2018

2017 HUNDRED PERCENT CLUB (HPC) AWARD DINNER

12 JUN 2018

36TH ANNUAL GENERAL MEETING

COMPANY HAPPENINGS

13 JUL 2018

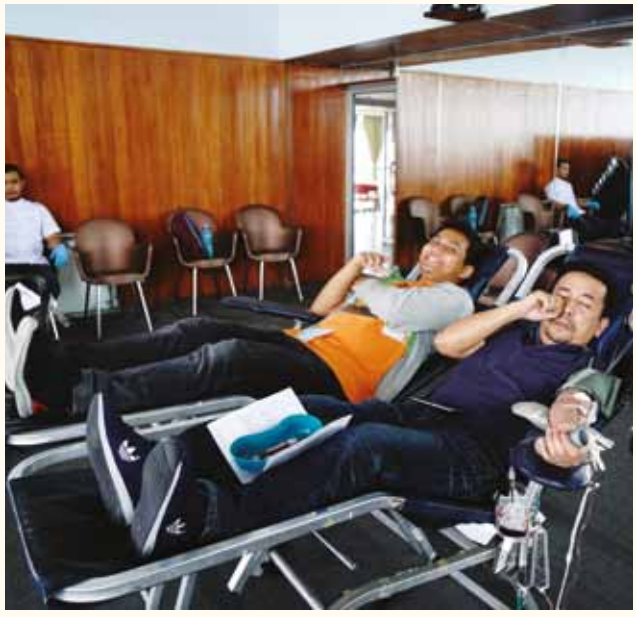
MID-YEAR KICK OFF MEETING

MESINIAGA SEMARAK LEBARAN HARI RAYA CELEBRATION

COMPANY HAPPENINGS

25 SEP 2018

MESINIAGA HEALTH CARNIVAL



20 OCT 2018

MESINIAGA PENANG: BEACH CLEANING PROJECT

MEDIA APPEARANCES

2 MAY 2018

BERITA | TEKNOLOGI

Mesiniaga sedia khidmat pemantauan untuk atasi serangan siber

Mei 02, 2018 17:56 MYT

Menurut Mesiniaga, kemunculan, pengesanan dan tindak balas ancaman siber menjadi komponen penting dalam memastikan perlindungan tertinggi. - Gambar fail

KUALA LUMPUR: Penyedia penyelesaian ICT utama Malaysia, Mesiniaga Bhd, menubuhkan perkhidmatan pemantauan Pusat Operasi Keselamatan (SOC), dalam usaha memerangi serangan siber.

Menurut syarikat itu, melalui perkhidmatan pemantauan yang dijalankan sepanjang masa, SOC merupakan sebahagian daripada komitmennya untuk menjadi pembekal perkhidmatan keselamatan terurus (MSSP) yang boleh dipercayai dengan keupayaan SOC yang maju dalam memberikan perlindungan tertinggi terhadap ancaman keselamatan siber bagi pelanggannya.

Ia berkata pendekatan holistik SOC dalam menangani serangan siber merangkumi sebelum-semasa-selepas atau peringkat pencegahan, pengesanan, reaksi dan pemulihan dalam serangan berterusan.

"SOC Mesiniaga adalah pusat operasi keselamatan yang diuruskan di dalam negara yang membolehkan pelanggan tidak perlu risau memandangkan pasukan SOC akan mengesan, menganalisis dan bertindak balas terhadap insiden keselamatan siber menggunakan gabungan penyelesaian teknologi, algoritma automatik, perisikan ancaman dan proses operasi yang kukuh.

"SOC mempunyai jurutera, perunding dan penganalisis keselamatan, serta pengurus yang menyelia operasi keselamatan untuk memastikan isu-isu keselamatan ditangani dengan cepat selepas penemuan," kata syarikat itu dalam satu kenyataan di sini hari ini.

Pasukan memantau dan menganalisis aktiviti pada rangkaian, pelayan, pangkalan data, aplikasi, laman web dan sistem lain, mencari aktiviti luar biasa

http://astrogoread.astro.com.my/topics/article/o_24-s_9842-17237310

Pastikan Benar
Bernama.com

MENU

Mesiniaga sedia khidmat pemantauan untuk atasi serangan siber

Tarikh kemaskini: 02/05/2018

KUALA LUMPUR, 2 Mei (Bernama) -- Penyedia penyelesaian ICT utama Malaysia, Mesiniaga Bhd, menubuhkan perkhidmatan pemantauan Pusat Operasi Keselamatan (SOC), dalam usaha memerangi serangan siber.

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Pasukan memantau dan menganalisis aktiviti pada rangkaian, pelayan, pangkalan data, aplikasi, laman web dan sistem lain, mencari aktiviti luar biasa yang boleh menunjukkan kejadian keselamatan.

Menurut Mesiniaga, kemunculan, pengesanan dan tindak balas ancaman siber menjadi komponen penting dalam memastikan perlindungan tertinggi terhadap sebarang persekitaran perniagaan dalam kelemahan keselamatan.

"Jutaan ringgit telah dilaburkan oleh kebanyakan syarikat sejak bertahun-tahun untuk meningkatkan keupayaan perlindungan rangkaian, sistem, e-mel, dan web platform mereka tetapi telah terbukti bahawa lapisan perlindungan masih dapat dikompromi.

"Oleh itu, keupayaan untuk dapat dilihat, pengesanan dan tindak balas selain mempunyai perlindungan lapisan sistem telah menjadi faktor kejayaan kritikal dalam memerangi serangan siber," katanya.

-- BERNAMA

MEDIA APPEARANCES

3 MAY 2018

Mesiniaga sedia khidmat pemantauan atasi serangan siber

KUALA LUMPUR: Penyedia penyelesaian ICT utama Malaysia, Mesiniaga Bhd, menubuhkan perkhidmatan pemantauan Pusat Operasi Keselamatan (SOC), dalam usaha memerangi serangan siber.

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Mesiniaga sedia khidmat pemantauan untuk mengatasi serangan siber

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Company offers SOC monitoring services against cyber attacks

KUALA LUMPUR: Malaysia's leading ICT solutions provider and integrator, Mesiniaga Bhd, has established the Security Operations Centre (SOC) monitoring services, in combating cyber attacks.

Running the monitoring services round the clock, the company said the SOC was part of its commitment to become a trusted and reliable managed security services provider (MSSP) with advanced SOC capabilities in delivering the highest protection against cyber security threats for its customers.

It said the SOC's holistic approach in tackling cyber attacks covered the before-during-after or prevention, detection, reaction and remediation stages within the attack continuum.

"Mesiniaga SOC is an in-country managed security operations centre that allows customers to have a peace of mind as the SOC team aims to detect, analyse, and respond to cyber security incidents using a combination of technology solutions, automated algorithms, threats intelligence and a strong set of operating processes.

"The SOC is staffed with security analysts, engineers and consultants, as well as managers who oversee security operations to ensure security issues are addressed quickly upon discovery," the company said in a statement, here, yesterday.

The team monitors and analyses activities on networks, servers, endpoints, databases, applications, websites and other systems, looking for unusual activities that could be indicative of a security incident or compromise.

Mesiniaga said cyber threats visibility, detection and response had become crucial components in ensuring the highest protection to any business environment against security vulnerabilities.

"Millions of ringgit have been invested by most enterprises over the years to enhance the protection capabilities of their network, system endpoints, email, and web platform but it has been proven that these layers of protection are still compromisable.

"Therefore, the ability to have visibility, detection and response in addition to having systems layer protection has become a critical success factor in combating cyber attacks," it added. - Bernama

MEDIA APPEARANCES

18 SEP 2018

Pastikan Benar

Bernama.com

MENU

Aplikasi WF+ Mesiniaga tarik 1,000 pekerja bergerak

Tarikh kemaskini: 18/09/2018

KUALA LUMPUR, 18 Sept (Bernama) -- Aplikasi Mesiniaga Workforce plus (WF+) yang diperkenalkan Mesiniaga Bhd untuk membolehkan organisasi menguruskan dan mengoptimum produktiviti kini membantu lebih 1,000 pekerja bergerak di Malaysia.

Pengurus Besar (Produk dan Penyelesaian) Eric Foo berkata WF+ membantu meningkatkan fungsi lokasi, status penggunaan dan ketersediaan sumber, penghantaran tugas, borang digital dan ciri-ciri lain yang boleh disesuaikan mengikut keperluan organisasi.

"Aplikasi WF+ akan membuatkan organisasi lebih bersedia untuk meningkatkan produktiviti melalui keupayaan kebolehlihatan, pendigitalan dan automasi.

"Penyelesaian ini memberikan lapisan kebolehlihatan yang tidak tertanding dalam operasi seharian di mana ia memastikan komunikasi berkenaan pengalaman dan maklumat di lapangan dilaporkan ke pejabat tepat pada masanya dan dengan itu mengurangkan keperluan laporan kerja manual," katanya dalam satu kenyataan hari ini.

Katanya, selain WF+, Mesiniaga akan terus meningkatkan penawaran perkhidmatan perisian 'SaaS' melalui kerjasama dengan penyedia aplikasi strategik sebagai perkhidmatan tambahan kepada perkhidmatan pengkomputeran awan dan bidang keselamatan siber yang ditawarkan.

"Melalui misi 'Membantu Pelanggan Berjaya', kami komited untuk menyokong perjalanan transformasi digital pelanggan dan memastikan tahap produktiviti terbaik untuk para pekerja bergerak melalui pendigitalan dan automasi," katanya.

Mesiniaga menyediakan penyelesaian dan perkhidmatan IT dengan sokongan pelbagai syarikat teknologi antarabangsa yang terkenal sejak ditubuhkan pada 1981.

-- BERNAMA

19 SEP 2018

Mesiniaga assisting 1,000 M'sian mobile workers

KUALA LUMPUR: Not long ago, Mesiniaga Bhd (Mesiniaga) launched Workforce+ (WF+), Malaysia's first mobile Internet-based productivity optimisation tool which allows organisations to manage mobile workers efficiently.

In a statement Tuesday, Mesiniaga said WF+ currently assists more than 1,000 mobile workers in Malaysia and has been recognised at ITEX 2015 and the Malaysia Digital Business Awards 2016 for its innovative features.

WF+ is ideal for organisations that utilise mobile workers to deliver products or services across a huge geographical area on a daily basis such as sales agents, maintenance workers on standby for repair requests, logistics personnel who have to deliver packages and enforcement officers who need to visit many locations to conduct spot checks, inspections and report cases.

Taking advantage of WF+ will place organisations firmly on the road to improved productivity as it provides an unparalled layer of visibility into the day-to-day operations where it ensures the experience and intelligence from the field is communicated back to the office in a timely manner, thereby reducing paperwork.

"Helping customers succeed is our mission and we are committed to supporting them in their digital transformation journey, as well as to ensure the highest productivity level of mobile workers through digitalisation and automation," said Mesiniaga products and solutions general manager, Eric Foo.

WF+ is hosted on a Mesiniaga-managed private cloud using a "pay per use" subscription model, therefore enabling hassle-free and fast deployment without any on-premise IT setup or upfront CAPEX investment.

Mesiniaga is one of Malaysia's leading ICT solutions providers and integrators. Established in 1981, Mesiniaga provides end-to-end IT solutions and services supported by many internationally-renowned technology companies. - Bernama

20 SEP 2018

Aplikasi WF+ Mesiniaga tarik 1,000 pekerja bergerak

KUALA LUMPUR: Aplikasi Mesiniaga Workforce plus (WF+) yang diperkenalkan Mesiniaga Bhd untuk membolehkan organisasi menguruskan dan mengoptimum produktiviti kini membantu lebih 1,000 pekerja bergerak di Malaysia.

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Katanya, selain WF+, Mesiniaga akan terus meningkatkan penawaran perkhidmatan perisian 'SaaS' melalui kerjasama dengan penyedia aplikasi strategik sebagai perkhidmatan tambahan kepada perkhidmatan pengkomputeran awan dan bidang keselamatan siber yang ditawarkan.

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Mesiniaga menyediakan penyelesaian dan perkhidmatan IT dengan sokongan pelbagai syarikat teknologi antarabangsa yang terkenal sejak ditubuhkan pada 1981. - Bernama

Sustainability Statement

For a Company to succeed and create a long term value for the shareholders, we believe that a sustainable growth strategy must be developed while actively managing our commitment to the Economic, Environmental and Social (EES). The Sustainability Statement highlights the key EES initiatives undertaken by the Company during the year under review. We continue to evaluate and amplify our approach to sustainability, in order to achieve our goals.

More than

50%

of lighting is off during lunch time

Mesiniaga invested around

RM520,000

into comprehensive training programs

Lights are only

ON

in the areas that require it

9825 hours

has been spent training employees

SUSTAINABILITY STATEMENT

Materiality Assessment

We have identified these Economic, Environmental and Social (EES) issues affecting our business based on a methodology developed by the Global Reporting Initiative (GRI). These issues were assessed and prioritised according to our operational context, corporate strategy and stakeholder expectation.

SUSTAINABILITY STATEMENT

Stakeholder Engagement

The success of our business depends on our ability to develop strong and meaningful relationships with all our stakeholders. As seen below, we have implemented various communication channels to better understand the needs and interests of our stakeholders.

Stakeholder	Key Engagement Areas	Methods of Engagement
Customers	• Network quality and coverage • Innovative offerings • Security protection • Customers' complaints tools • Social media • Websites	• Customer satisfaction surveys • Focus group discussions • Customer service channels (Mesiniaga website, customer helpline and social media) • Mass media • Mesiniaga website
Government	• Connectivity and access to technology in underserved areas • Quality of service and consumer issues • Development of the IT industry and market	• Regular reports and progress updates • Formal and informal meetings • Participation in government programs and initiatives
Investors	• Profits and development • Responsible business • Corporate Governance	• Annual General Meeting • Results announcement meeting • Regular updates and communication
Employees	• Training and development • Health and safety • Innovation • Product knowledge	• Annual employee engagement survey • Team building • Engagement activities • Events and functions • Internal communications such as newsletters, intranet and updates • Internal workshop
Partners/Principal	• Sales performance • Technology updates	• Networking events • Industry workshops • Conferences and meetings
Vendors	• Third-party suppliers and vendors	• Contract bidding and procurement management • Events
Community	• Social and IT development contributions • Socio-environment impact	• Financial and non-financial contributions • CSR activities

ECONOMIC

1. Economic Performance

Mesiniaga is dedicated to continuously improve the quality and sustainability of the Group's business operations. We invest in developing standards and benchmarks with the aim of creating sustainable value for our customers and shareholders through:-

Figure 1: Value Creation

2. Customer Satisfaction

Our vision of becoming the Malaysian IT Partner of Choice ties in with our mission of helping our customers succeed at every touch point. They are our primary stakeholders, their awareness, purchase, use and repurchase of our services and products are vital to our Company's existence. Our focus is to ensure excellence in service by cultivating strong and enduring relationships with our customers. Besides that, we provide precise and timely resolution of any issues the customer may be experiencing.

Additionally, we monitor our customer loyalty and satisfaction levels by conducting annual surveys. Our Customer Satisfaction Index (CSI) provides a valuable understanding of our customers' perspective on Mesiniaga and covers criteria such as the availability and competency of managers and whether Mesiniaga is their preferred IT partner of choice.

Our customers are also encouraged to provide feedback directly to feedback@mesiniaga.com.my as well as by completing post-implementation project surveys provided by our Project Management Unit. The Customer Satisfaction Management Department has been established and reports directly to the Chief Executive Officer. They have been tasked with obtaining feedback from customers regularly and any reported issues are escalated to relevant parties for satisfactory resolution.

ECONOMIC

As shown, our customer satisfaction levels have improved over the years and we will continue to work on enhancing our customer experience.

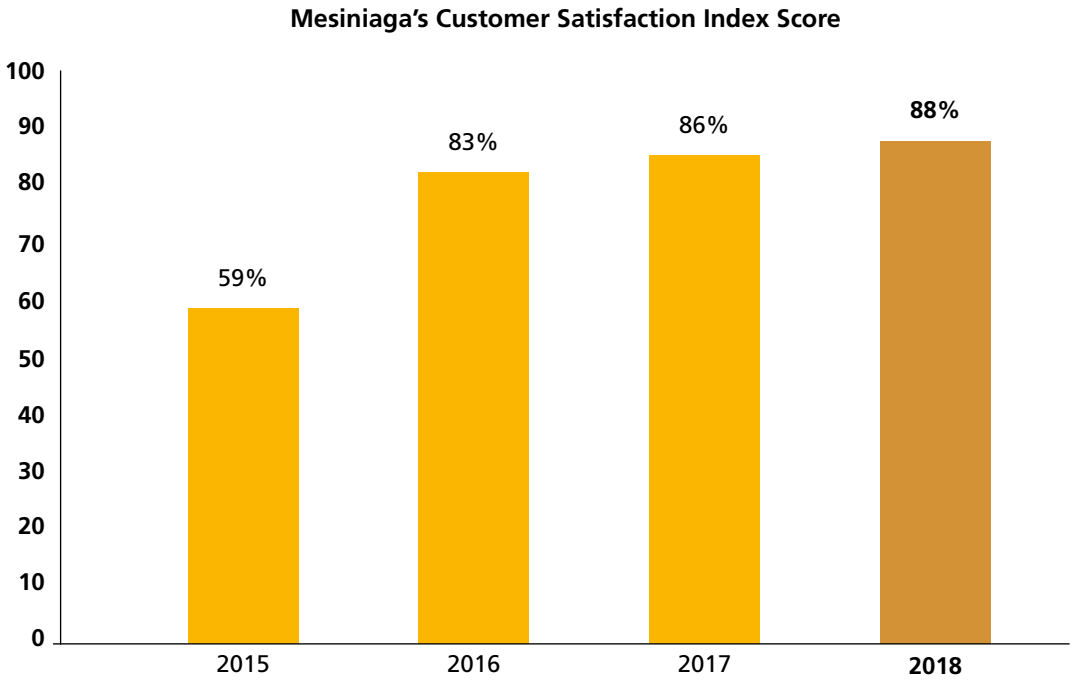


Figure 2: CSI Score

3. Enterprise Risk Management

The Group Risk Management Committee was established to identify the principal risks affecting the Group's business objectives and to help implement risk management processes in a more structured and focussed approach. Our Risk Management Structure consists of six (6) levels: the Board of Directors, the Audit and Risk Management Committee, the Group Risk Steering Committee, the Group Audit and Risk Department, the Group Risk Working Committee and Group Risk Owners. The risk management processes and activities within the Group are guided by the COSO (Committee of Sponsoring Organisation of the Treadway Commission) Enterprise Risk Management (ERM) Framework and ISO 31000 Risk Management Principles and Guidelines.

As part of Mesiniaga's objective to protect and create value for the key stakeholders, the Group is committed, through its risk management process, to meet its strategic goals whilst complying with laws and regulations.

Overview of Mesiniaga's Risk Performance

Our risk management process is heavily influenced by the Four Disciplines of Execution Framework (4DX) which the Group has implemented to increase performance through focussed objectivity. As of FY2018, the Group has achieved a reduction of 6% on Average Total Risk Rating compared to FY2017. By continuing to execute this framework, the Group is targeting to maintain at least a 30% reduction of its Average Total Risk Rating in FY2019.

ECONOMIC

Mesiniaga's Risk Management Structure

Board of Director (BOD)	• Oversees and maintains sound structure of Group Risk Management and Internal Controls initiatives and practices • Fosters risk intelligent culture through corporate strategy and governance process • Defines and approves the risk management framework and policy and sets risk apetite
Audit and Risk Management Committee (ARMC)	• Assists the Board in governing the Group Risk Management and Internal Controls initiatives and practices • Updates the Board on the significant changes that affect the risk profile of the Group
Group Risk Steering Committee	• Consists of all members of Group Senior Management Team and chaired by the Chief Executive Officer • Drives the risk management framework, strategies and coordinates the decision-making process • Defines risk priorities and regularly assesses the risk profile of the organisation
Group Audit and Risk Department	• Secretariat of Group Risk Steering Committee • Proposes and documents Risk Management policy, standard and process • Builds risk awareness culture and facilitates risk management meeting and risk assessment in Group
Group Risk Working Committee	• Consists of all members of Group Managerial Level • Consolidates and updates the risk at operational level from Risk Owners • Communicates the recommendations and the decisions made to Risk Owners
Risk Owner	• Discusses and assesses operational risk on a quarterly basis • Formulates unit/department risk management strategies • Assigns risk management responsibilities and accountabilities within their respective units / departments • Reviews and discusses the risk, controls and strategies / action plans

For more information, please refer to the Management Discussion and Analysis and Statement of Risk Management and Internal Controls on pages 10 and 58 respectively.

ECONOMIC

4. Business Ethics and Compliance

The Group's Corporate Governance stance observes ethical conduct and practices in compliance with all regulatory requirements. We have a zero tolerance policy towards any unethical, illegal and corrupt work practices and are committed to professionalism, fairness and ethical business dealings.

Mesiniaga's Corporate Values

Mesiniaga's core culture is instilled at every level and encompasses Respect, Integrity, Commitment, Innovation and Teamwork. A summary of the Corporate Values can be found on page 7.

Mesiniaga's Business Conduct Guidelines

All Mesiniagans (including subcontractors and their employees) are guided by the Mesiniaga Business Conduct Guidelines which describe the ethical behaviour required of every employee. As seen below, this Business Conduct Guidelines cover a broad range of issues that can affect an employee's responsibilities towards the Group.

Issues	Guidelines and Ethics
Recording and reporting information	• Accurately • Honestly
General standards	• Avoid misrepresentation • Avoid reciprocal dealing
Fairness in the field	• No disparaging of competitors • No premature disclosure and selling against competitive orders
Multiple relationships with other organisations	• Avoid discussing any proprietary or confidential information • Follow published marketing and services guidelines
Information about others	• Treated with sensitivity and discretion • Limited to the ways that information should be acquired and used
Bribes, gifts and entertainment	• Complying with the correct receiving and giving etiquette • Being aware of and adhering to the applicable laws and regulations
Fraudulent Act	• Ensures that policies and procedures are in place to cover the prevention, deterrence and detection of fraud

ECONOMIC

Issues	Guidelines and Ethics
Conflicts of interest	• Assisting competitors, competing against Mesiniaga, performing outside work that uses Mesiniaga's time and assets and acting as a supplier for Mesiniaga are prohibited
Personal financial interests	• No financial interest in any organisation that does business with Mesiniaga including suppliers, competitors, customers and distributors
Using inside information	• Refrain from using inside or non-public information about Mesiniaga or another company for their own financial benefit
Ethics practice policy	• Whistleblowing process and guidelines

Ethics Practice Policy

The Group has put in place a whistleblowing policy known as the Ethics Practice Policy to deal with the disclosure of improprieties within the Company. It is applicable to all employees of Mesiniaga, external parties who have business relationships with the Group and members of the public. The main objective is to enable employees to raise serious concerns about unethical and unlawful conduct, malpractice and any other wrongdoings that may occur within the organisation. If necessary, the Committee will appoint an investigating team and decide the course of action. This Policy also protects the employees internally against any adverse and detrimental actions as a result of whistleblowing including the protection of their identity in accordance with the Whistleblower Protection Act 2010.

Anti-Corruption

The Mesiniaga Business Conduct Guidelines outline Mesiniaga's zero tolerance Policy towards corruption where any business activities must comply with company policies and any applicable laws in the country. The Audit and Risk Department governs this through internal auditing, risk management, follow-ups and ISO 9001:2015 Quality Management System reviewing processes. The Head of this Department reports directly to the Audit and Risk Management Committee (ARMC) on a quarterly basis.

Anti-Competitive Behaviour

The Guidelines also specify anti-trust and anti-competition rules and regulations which stipulate that contracts and arrangements between Mesiniaga and external parties need to be reviewed and advised by the Group's Legal Department. As of 2018, no cases relating to corruption and competition have been reported.

ENVIRONMENTAL

Mesiniaga recognises the potential impact its business activities may have on surrounding communities and the environment. Policies have been implemented to ensure that environmentally-friendly procedures and options are considered in all decision-making processes.

5. Energy Efficiency

Menara Mesiniaga is renowned for being a "green building", with ecological and architectural aesthetics that have allowed us to minimise our impact on the environment and maintain a relatively low carbon footprint. The bioclimatic designs of the building have internal and external features that uphold energy-saving practices while ensuring the comfort of their occupants. The design also incorporates passive energy features such as solar shading and the optimum positioning of service cores to reduce energy consumption.

Cutting down on air conditioning is significant for us. In addition to our last year's initiatives, we have extended our chiller shut down every Friday due to the extended lunch break. Apart from that, we have also made every effort to reduce electricity usage by making the most of natural daylight and natural ventilation within our buildings. These measures helped us achieve a further saving in electricity consumption amounting to RM67,175.09 over and above the 2017 saving of RM110k.

Month	2016 (RM)	2017 (RM)	2018 (RM)	Savings from 2017 & 2018 (RM)
January	62,486.30	60,918.15	53,994.12	6,924.03
February	62,507.60	56,984.55	54,696.84	2,287.71
March	72,022.70	66,967.50	51,336.84	15,630.66
April	72,357.60	59,227.73	57,700.66	1,527.07
May	70,348.25	64,123.55	57,715.71	6,407.84
June	71,922.05	55,800.00	51,221.51	4,578.49
July	69,370.15	63,188.00	51,148.10	12,039.90
August	79,172.35	64,054.44	62,330.35	1,724.09
September	72,012.10	57,118.45	60,345.70	(3,227.25)
October	72,644.65	63,358.10	50,916.15	12,441.95
November	74,840.05	62,720.20	59,422.40	3,297.80
December	62,247.10	57,181.20	53,638.40	3,542.80
			Total savings	**67,175.09**

ENVIRONMENTAL

More than
50%
of lighting is turned off during lunch time and after office hours

For those who come early, lights are switched
ON
only in areas that require it

Electronic devices are turned
OFF
before leaving the office

The temperature of the small and big chillers are monitored
DAILY
to determine usage

Figure 3: Energy saving initiatives

SOCIAL

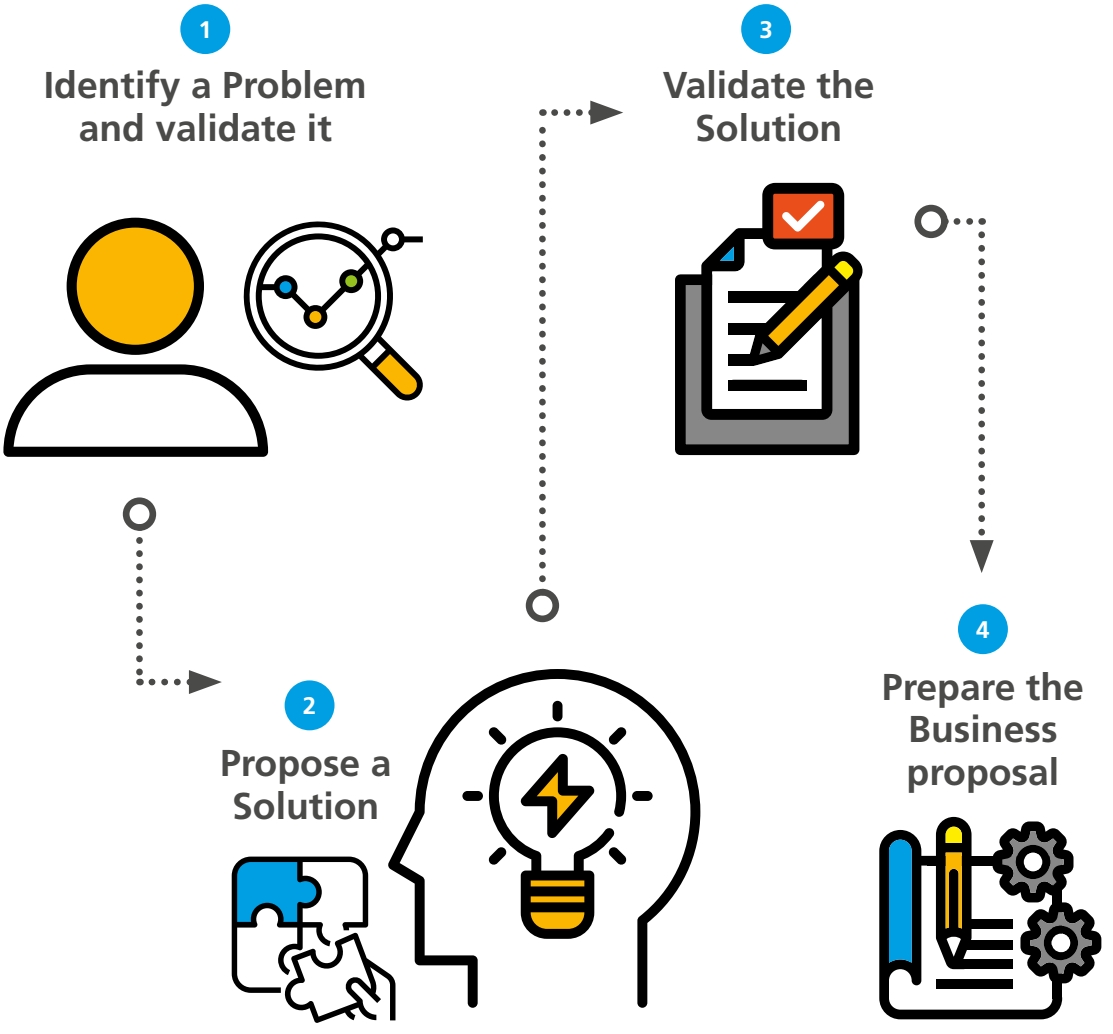
6. Innovation

The establishment of our corporate innovation lab has led to an intrapreneurship program that has the added advantage of being facilitated by the Company's resources. This supports sustainability of both social development within the organisation, business exploration into new areas and technology experimentation to ensure we remain relevant and in-line with Industrial Revolution 4.0.

To date the intrapreneurship program carried out has managed to produce several business ideas that are currently in the process of being developed into new business areas.

Graphics below detail out the formulaic program discovered during the course of the year to expedite development of new businesses via the intrapreneurship program in Mesiniaga.

JOURNEY TO PRODUCTISATION



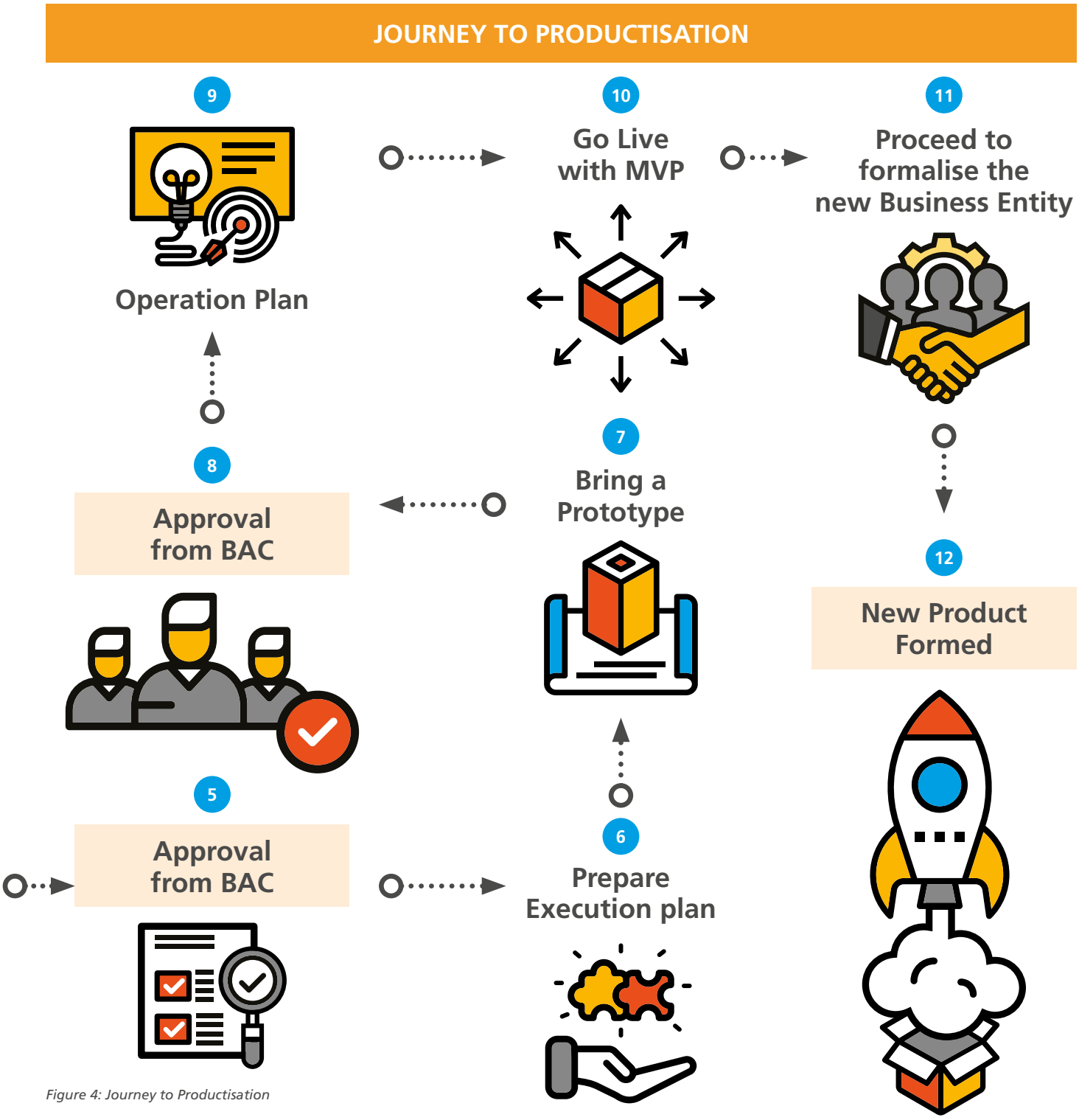


Figure 4: Journey to Productisation

BAC: Business Assessment Council
MVP: Minimum Viable Product

SOCIAL

7. Diversity in Workforce

We believe that diversity can positively contribute to enriching and creating a thriving working environment. With this in mind, the Group is fully committed to providing equal opportunity regardless of race, gender, age or religious beliefs. As of December 2018, female employees make up 59% of our total workforce and 16% of total managerial positions.

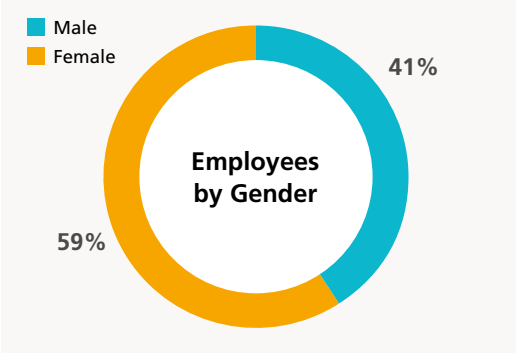


Figure 5: Employees by Gender

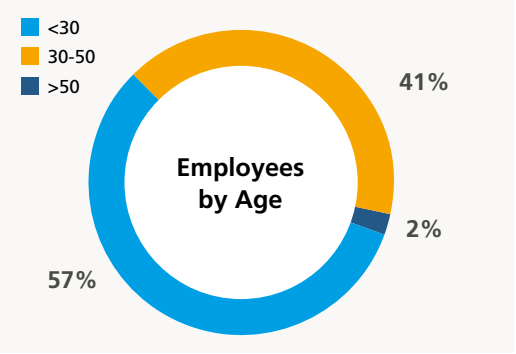


Figure 6: Employees by Age

Our millennial workforce constitutes 57% of total workforce. They bring with them fresh perspectives and innovative thinking which are expected to help the Group identify and pursue new opportunities.

SOCIAL

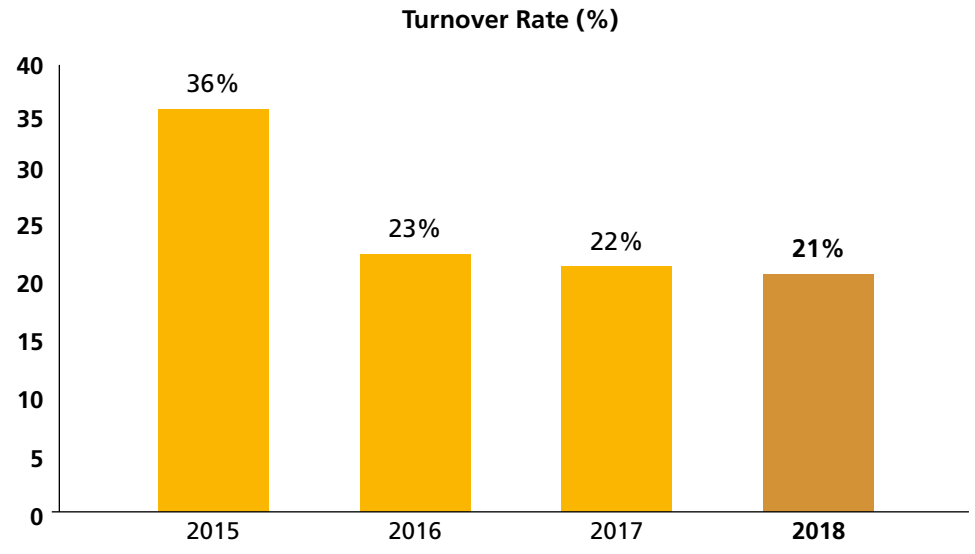


Figure 7: Employees Turnover Rate (%)

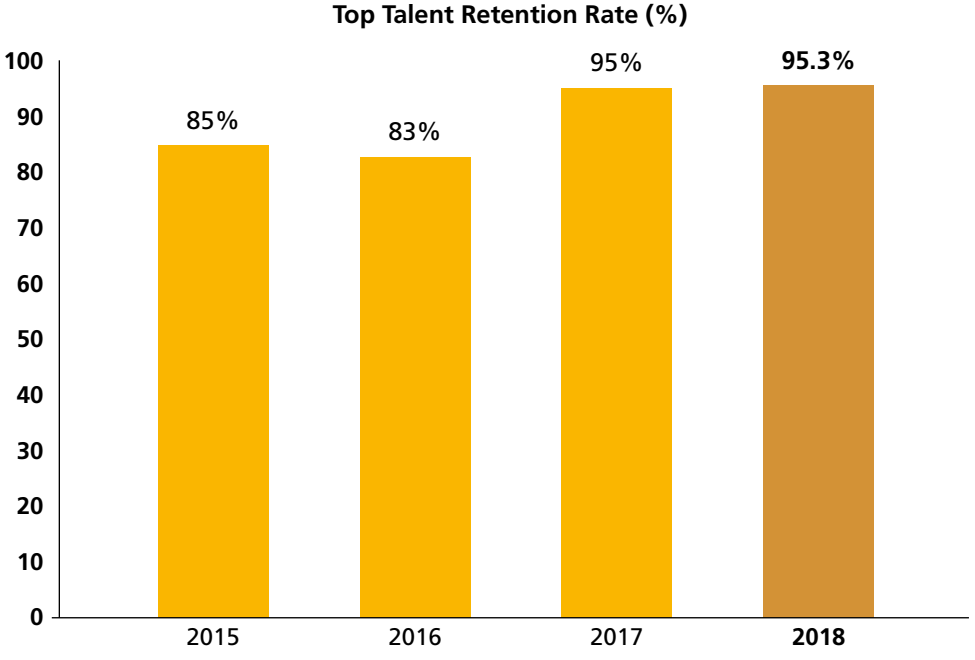


Figure 8: Top Talent Retention Rate (%)

The Group's employees turnover rate decreased from 22% to 21% in 2018 while top talent retention rate increased by 0.3% from 2017. The Management has put forward several initiatives to retain our employees, amongst others through employee engagement, salary adjustment and improving the manager-employee relationships.

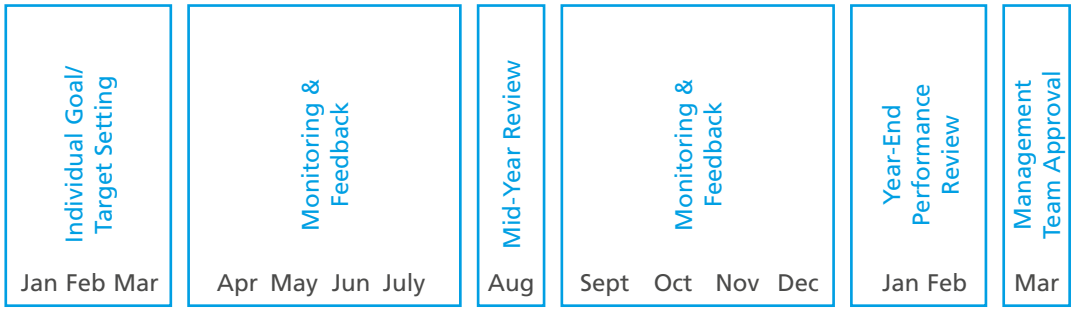
SOCIAL

8. Performance Management

In 2014, Mesiniaga launched a Performance Management program aligned with the Company's Mission and Vision. All full time employees are required to participate in the program except for business outsourcing operations employees at Intel who adhere to their own evaluation system. The principles of the program, later rebranded as My Mesiniaga Commitment (MMC), are listed below:-

Figure 9: Principles of MMC

MMC Yearly Plan Timeline



From 2015 to 2018, about 90% of our employees received their performance and career evaluations via MMC.

SOCIAL

9. Training and Development

Acknowledging the need to nurture our most important asset, our employees, Mesiniaga and its subsidiary companies are committed to endowing our people with skills and capabilities to advance them in their chosen career paths. By having a competent workforce, we believe that we can create the right avenue towards sustainability.

In 2018, the Group achieved increased total training hours of 9,825 hours compared to 7,331 hours in 2017 and average training hours per employee of 9.83 hours compared to 6 hours in 2017, while reducing the expenditure incurred year to year by 44% from RM1 Million to RM 523,855.80, mainly due to increased utilisation of online training which is more economical for Mesiniaga and providing flexibility to the employees.

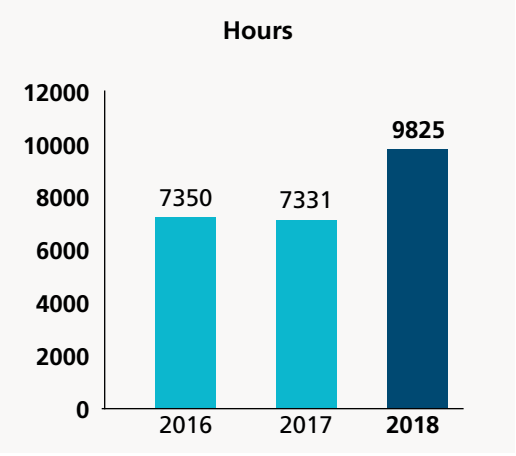


Figure 10: Hours Spent on Training

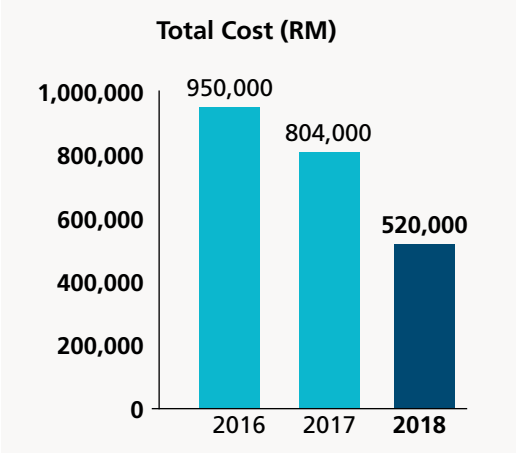


Figure 11: Total Cost (RM) Spent on Training

The training programs attended comprise a mixture of public and online training courses offered by accredited training agencies as well as in-house training. These are available to all levels of employees in Mesiniaga.

Average hours of training per year per employee

$$\text{Average training hours per employee} = \frac{\text{Total number of training hours provided to employees}}{\text{Total number of employees}}$$

$$\frac{\text{9825 hours}}{\text{1000 employees}} = \text{9.83 hours per employee compared to 6 hours per employee in 2017}$$

SOCIAL

Specific training programs have been organised to ensure the highest of development among our employees and must be completed based on their positions. The HR Department has successfully planned and managed the courses listed below with support from all departments in Mesiniaga:-

Managerial	i. Evolve
	ii. Coaching for Performance
	iii. The 8 Critical Skills of Successful Manager
	iv. Power of Me
Executive	i. The Art of Engagement at Work
	ii. Think on Your Feet
	iii. Presentation Alive
	iv. Microsoft Excel – Intermediate & Advanced
Non-Executive	i. The Art of Engagement at Work
	ii. Corporate Grooming & Business Etiquette
	iii. Microsoft Excel – Intermediate & Advance
	iv. Microsoft Power Point – Intermediate & Advanced

10. Employees' Health and Wellbeing

We believe that a key ingredient to a thriving business is having fit and healthy employees. This is done through creating a work culture that promotes health and fitness through all aspects of their lives. To encourage a healthy lifestyle among Mesiniagans, we have organised the Move2Give Challenge using the Four Disciplines of Execution (4DX) framework. The Move2Give Challenge gives participating employees a chance to refresh their understanding of 4DX and apply each of the four disciplines to help them achieve their goals.

The Move2Give Challenge is a fitness challenge with a CSR (corporate social responsibility) twist, where the winner gets to make a contribution to their preferred charitable organisation. The contest runs over a 3-month period and is open to all Mesiniagans who want to pursue a weight loss goal. Every team can choose to lose weight through different lead measures such as running, cycling or Zumba. The teams need to submit their progress monthly according to their lead measure. Scoreboard is updated and announced to all Mesiniagans at the start of each month. The winner will be determined based on by the highest average score.

The Move2Give Challenge encourages a healthy lifestyle and enables employees to inculcate teamwork, collaboration and have fun at work. This initiative creates a win-win for all parties involved while ensuring that the practice of 4DX as an execution framework stays fresh for application at work and beyond.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD OF MESINIAGA BERHAD (THE "COMPANY") RECOGNISES THE IMPORTANCE OF ADOPTING HIGH STANDARDS OF CORPORATE GOVERNANCE IN THE COMPANY IN ORDER TO SAFEGUARD STAKEHOLDERS' INTEREST AS WELL AS ENHANCING SHAREHOLDERS' VALUE. GOOD CORPORATE GOVERNANCE PRACTICES ARE INSTILLED TO ENSURE LONG-TERM SUSTAINABILITY.

This Corporate Governance Overview Statement is made pursuant to Paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad with guidance drawn from Practice Note 9 of the Main Market Listing Requirements and the Corporate Governance Guide (3rd) issued by Bursa Malaysia Berhad.

This statement is complemented by the Corporate Governance Report, based on the prescribed format as encapsulated in paragraph 15.25 (2) of the Main Market Listing Requirements to provide detailed articulation on the application of the Group's corporate governance practices against the Malaysian Code on Corporate Governance (MCCG).

The Corporate Governance Report is made available on the Company's website, www.mesiniaga.com.my as well as via announcement on the website of Bursa Malaysia Berhad. This statement should also be read in conjunction with the other statements in the Annual Report (e.g. Directors' Statement on Risk Management and Internal Control, Audit and Risk Management Committee and Sustainability Statements).

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

The Group has applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2018, except for the following:-

- Practice 1.3 (The positions of Chairman and CEO are held by different individuals);
- Practice 4.5 (Board to comprise 30% women Directors);
- Practice 5.1 (Formal and objective annual evaluation for the Board);
- Practice 7.1 (Disclosure of Directors' remuneration on a named basis);
- Practice 7.2 (Disclosure of Senior Management personnel's remuneration on a named basis); and
- Practice 12.3 (Leveraging on technology to facilitate remote shareholders' participation).

A summary of the Corporate Governance Report under each Corporate Governance Principles are as follows:-

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Providing leadership in meeting the objectives and goals of the Company

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, to meet and 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. The values adopted by the Company are:-

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Chairman of the Board is Datuk Wan Mohamed Fusil Bin Wan Mahmood who leads the Board in instilling good corporate governance practices, leadership and effectiveness. In particular, the key responsibilities of the Chairman as described in the Board Charter are as follows:-

i. to act as a liaison between Management and the Board;
ii. to keep abreast of the activities of the Group and Management so that sufficient information is provided to enable the directors to form appropriate judgement;
iii. to approve arrangements for Annual and Extraordinary General Meetings;
iv. to chair Board and General Meetings;
v. to review and sign minutes of Board meetings; and
vi. to call special meetings of the Board when necessary.

Due to constraint of resources, the Board is of the opinion that Datuk Wan Mohamed Fusil, the CEO of the Company, being the most senior and experienced person on the Board is most suitable to be the Chairman of the Board. He has been on this dual capacity since 25 February 2016.

The Board is assisted by the Company Secretary who 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 an advisor to the Directors, 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, ensuring all appointments and resignations of Directors are in accordance with the relevant legislations, formulation and review of Board Charter periodically, coordinating on dividend payments, and making corporate disclosure announcements. The appointment and removal of the Company Secretary is exclusively within the purview of the Board.

In consultation with the Chairman, the Secretary circulates the notice and agenda of a Board meeting in advance of the meeting to all members of the Board. In accordance with the Article 124 of the Company's Article of Association, a resolution in writing signed by all Directors shall be effective for all purposes as a resolution passed at a meeting of the Directors duly convened held and constituted.

From time to time, the Board invites other persons to attend its meetings to assist the Board in the fulfilment of its duties.

Demarcation of responsibilities between the Board, Board Committees and Management

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 periodical review.

The Board and its Committees meet regularly to deliberate on matters under their purview. In addition to the scheduled meetings, the Board and Board Committees also convene special meetings when urgent and important deliberations are required or decisions need to be taken between scheduled meetings. During the year, the Board has deliberated on business strategies and critical issues concerning the Group, including business plans, annual budget, financial results as well as key performance indicators. Throughout 2018, the Board of Directors met seven (7) times. The attendance of

individual Directors for the meetings of the Board and Board Committees are outlined below:-

Directors	Board	ARMC	NRC
Datuk Wan Mohamed Fusil	7/7		
Fathil Ismail	7/7		
Voon Seng Chuan	7/7		2/2
Dr. Ir. Muhamad Fuad Abdullah	7/7		2/2
Wong Fook Hon	6/7	4/5	2/2
Abd Talib Baba	7/7	5/5	
Dato' Ab Rashid Mat Adam	7/7	5/5	
Sim Hong Kee*	5/5	2/2	

Note: Sim Hong Kee was appointed:-
- to the Board on 1 May 2018
- to the ARMC on 30 May 2018

All meetings were held at the Boardroom, 11th Floor, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan.

Commitment to the promotion of good business conduct and maintenance of a healthy corporate culture

Mesiniaga abides by strict ethical conduct and practices in doing our business and in our dealings with all stakeholders as well as regulatory requirements. An integral part of our Employee e-Handbook is the Mesiniaga Business Conduct Guidelines (BCG) which defines 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 licensed software and the implementation of good software asset management practices. Our commitment to ethical and best practices is exemplified by our upgraded ISO 9001:2015 accreditation.

Mesiniaga has always enjoyed a good reputation within the industry for having good ethics and fair dealings. 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 BCG. The policies and procedures as outlined in the BCG are based on the principles of the Code of Corporate Governance. 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 and Risk Management Committee and the Internal Audit and Risk Management Manager. Employees are assured that confidentiality will be maintained at all times and they will be protected.

Board decision making process

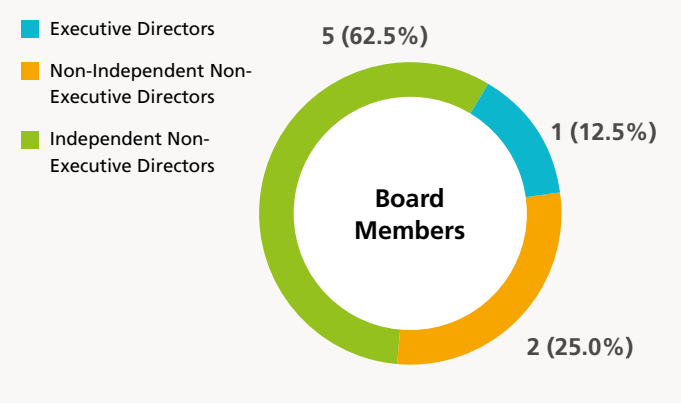
Particular attention is paid to the composition and balance of the Board to ensure that it has wide experience relevant to the IT business sector.

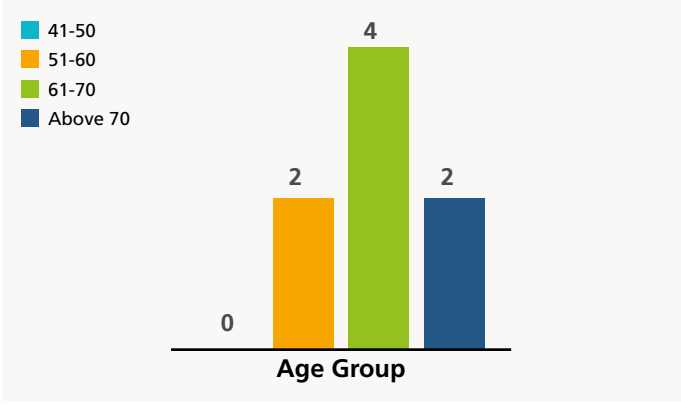
The Board considers that objectivity and integrity, as well as the relevant skills, knowledge, experience, mindset and ability, which will assist the Board in strengthening its key functions, as the prerequisites for the appointment of new Directors to the Board.

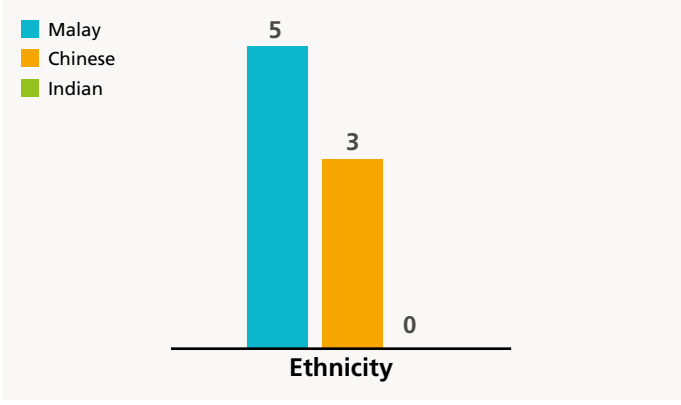
The Board also recognises the need to enhance Board diversity, as it is essential to the effective functioning of the Board. The Board has attained diversification in terms of experience, skills, expertise, competencies, ethnicity and age to enable the Company to maximise its business and governance performance. Moving forward and in line with the recommendation to have gender diversity on the Board,

CORPORATE GOVERNANCE OVERVIEW STATEMENT

every effort would be taken to appoint suitable female directors on to the Board. The representation of the members of the Board as of 31 December 2018 is as follows:-







The composition is not only in compliance with the Listing Requirements of Bursa Securities, which require that at least one third of the Board should comprise independent directors, it also exceeded the provision as indicated in Practice 4.1 of the Code which stipulates that the Board must comprise at least half by independent directors.

The Board recognises MCCG 2017's practice on the tenure of an Independent Director that should not exceed a cumulative term of nine (9) years. Wong Fook Hon, Abd Talib Baba and Dato' Rashid Mat Adam were reappointed last year upon their completion of a cumulative term of nine years.

Shareholders' approval would be sought for the re-election of Wong Fook Hon, Abd Talib Baba and Dato' Ab Rashid Mat Adam at the forthcoming Annual General Meeting (AGM). Dato' Ab Rashid Mat Adam has just concluded his cumulative nine years' service and together with Wong Fook Hon and Abd Talib Baba whom had contributed significantly during their tenure of service. The Board is in the opinion that their continued presence will continue to be objective and independent.

The Nomination and Remuneration Committee (NRC) is empowered to review and make recommendations for membership of the Board. A formal and transparent procedure has been established for the appointment of new Directors to the Board. The NRC has the primary responsibility to implement this process. The membership of the NRC comprises exclusively of Non-Executive Directors to ensure that any decisions made are impartial and in the best interest of the Group, without any element of fear or favour.

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 Board fully embraces gender diversity within the Company. As at 31 December 2018, 59% of the Company's employment strength consists of women. There are six (6) women participation at the Senior Management level making up to 31.6% while 16% of managers in the Company are women. The Board is taking reasonable steps in appointing at least a woman in its board of directors in the near future.

Though the Nomination and Remuneration Committee has been tasked to review and make recommendations for membership of the Board, the Board does not solely rely on recommendations received from the Committee. The Board is open to consider any other independent sources to identify suitably qualified candidates.

The Nomination and Remuneration Committee is chaired by Voon Seng Chuan who is an Independent Director. In exercising his role, he coordinates on board effectiveness in ensuring the performance of individual Director is independently assessed.

Level and composition of remuneration

The NRC oversees the implementation of the policy and procedure on remuneration including reviewing and recommending matters relating to the remuneration of the Board in general particularly the remuneration of the Executive Director. Its Term of Reference are as stated on page 68 of this annual report.

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.

The NRC reviews the performance and remuneration of Executive Director and makes 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 Non-Executive Directors by comparing with peer companies and making recommendations to the Board.

Detailed information on named basis regarding the remuneration of each individual Director is not disclosed as the Board considers the information is sensitive and proprietary may be wrongly used or quoted by certain parties. Besides, the issue of personal security is also taken into consideration.

The transparency and accountability aspects of corporate governance applicable to the remuneration of the Directors are deemed appropriately served by the below disclosures:-

1) Aggregate remuneration categorised into the appropriate components is as follows:-

RM ('000)	Executive Director	Non-Executive Director
Fees	-	300
Salaries	790	-
Other emoluments	338	39
Defined contribution plan	63	-

2) The number of Directors' remuneration components in bands width of RM50,000 as below:-

	No. of Executive Director	No. of Non-Executive Director
Below RM50,000	0	3
RM50,001 to RM100,000	0	4
RM100,001 to RM150,000	0	0
RM150,001 to RM200,000	0	0
RM200,001 to RM250,000	0	0
RM250,001 to RM300,000	0	0
RM350,001 to RM500,000	0	0
RM500,001 to RM1,000,000	0	0
RM1,000,001 to RM1,500,000	1	0

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 to the needs of the respective Directors and such attendance would be at the Company's expense.

Board Leadership and Corporate Governance	• 1st Distinguished Board Leadership Series Dialogue with Prof. Tan Sri Dato' Lin See-Yan on "Navigating the VUCA World" • Case Study Workshop for Independent Directors • Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide
Risk Management/ Internal Audit	• BCBS 239, Data Governance & Risk-Finance Alignment by PWC
Others	• Briefing on impact of the post GE 14 • Budget 2019 - Doing Business in the New Malaysia • Business Foresight Forum (BFF) 2018 • ICDM PowerTalk with Professor CK Low "Would a business judgement rule help director sleep better at night?" • Malaysia Cyber Security Summit 2018 • Cryptocurrency Dialogue • HP Education Workshop • Business Foresight Forum (BFF) 2018 • Briefing on impact of the post GE 14 • Cost of Funds by Management

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

The Audit and Risk Management Committee (ARMC) is headed by Abd Talib Baba. He and the rest of the ARMC members are Independent Non-Executive Directors making it in full compliance with MCCG 2017.

None of the member of the ARMC are former key audit partner of the Company's external auditors. However, in the event that former key audit partner is to be appointed on to the committee, the ARMC would ensure that he would be subjected to observe a two years cooling off period before effecting such appointment.

Both Abd Talib Baba and Sim Hong Kee are chartered accountants and members of Malaysia Institute of Accountants (MIA). The other two members though not having financial background have sufficient experience that enables them to be financially literate and understand matters under the purview of the ARMC including the financial reporting process.

In relation to the services of external auditor, the ARMC performs the assessment on the suitability, objectivity and independence of the external auditor annually.

Mitigating and managing risk

An effective risk management and internal control framework has been established and the features of the framework are as stated in the Statement of Risk Management and Internal Control on page 58 of this Annual Report. A synopsis of the key risk areas as identified and monitored by the ARMC are as stated in the Management Discussion and Analysis on pages 10 to 13.

The risk management framework adopted by the Company is tailored to the local condition based on an international recognised framework. The report on risk management is presented to the Board on a quarterly basis and the Board is in the opinion that the risk management function is adequately in place.

Effective governance, risk management and internal control framework

Ensuring that the internal audit function is effective and able to function independently is part of the function and duties of the ARMC.

Internal audit personnel are free from any relationship or conflict of interest which could impair their objectivity and independence. The Internal Audit Department is headed by the Head of Audit and Risk Department. He holds an MBA and is a professional member of the Institute of Internal Auditors. He is assisted by a team of three internal auditors, each of which has sufficient auditing experience besides holding their relevant tertiary academic qualification.

PRINCIPAL C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with stakeholders

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. The Chief Executive Officer provides update on the Group's performance through quarterly results announcement and also responds to analysts and shareholders' queries from time to time.

Though the Company's Articles of Association specifies a notice period of 21 days for the convening of an Annual General Meeting, the Company has been observing a longer notice period of 30 days or more since year 2016.

Conduct of 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.

The Company has been holding its Annual General Meeting at its own premise since 1998. The Company has no intention to introduce voting in absentia or remote shareholders participation for the time being.

STATEMENT OF DIRECTORS' RESPONSIBILITY

In Relation to Financial Statements

The Directors are required by the Companies Act, 2016 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 2018, the Directors have:-

- ensured the Company has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement;
- considered all applicable accounting standards have been followed; and
- confirmed the financial statements have been prepared on the going concern basis.

The Directors have the responsibility to ensure that the Company maintains adequate accounting records which disclose with reasonable accuracy of the financial position of the Company to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 2016.

The Directors also have the overall responsibilities to take such steps to safeguard the assets of the Company and for the establishment, designation, implementation and maintenance of appropriate accounting and internal control systems for the prevention and detection of fraud and other irregularities relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance 2017 requires the Board to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. 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 pleased to present the Statement on Risk Management and Internal Control (SORMIC), which outlines the risk management framework and scope of the internal control structure of the Group during the financial year under review and up to the date of approval of this statement for inclusion in the Annual Report.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility for the Group's risk management system and internal control framework to safeguard shareholders' assets. Such processes do not only focus on financial but also on operational controls and regulatory compliance.

The Board recognises that in pursuing business objectives, internal control could 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 control has been designed to place greater emphasis on the control of items of material significance in order to provide reasonable assurance that the major effects of these risks are minimised.

ASSURANCE MECHANISM

The Audit and Risk Management Committee (ARMC) assists the Board in evaluating the adequacy of risk management and internal control framework as well as in fulfilling its statutory and fiduciary responsibilities. ARMC would review the financial statements and financial reporting process, the system of internal controls, management of enterprise risk, the audit process and the process of monitoring compliance with law and regulations including Bursa Malaysia and Securities Commission requirements and the Company's Code of Conduct.

INTERNAL AUDIT

The internal audit function of the Group is carried out by the Audit and Risk Department that reports directly to the Chairman of the ARMC. The principal role of the Audit and Risk Department is to provide independent assurance and assessment on the effectiveness and soundness of internal control mechanisms and ensure that they are in place.

The Audit and Risk 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 Global Institute of Internal Auditors. Additionally and separately, the Audit and Risk Department performs on-going reviews of processes and activities within the Company in compliance with the ISO 9001:2015 standards. The audit plan, based on the areas of significant risk exposure to the Group, was approved by the ARMC in November 2017.

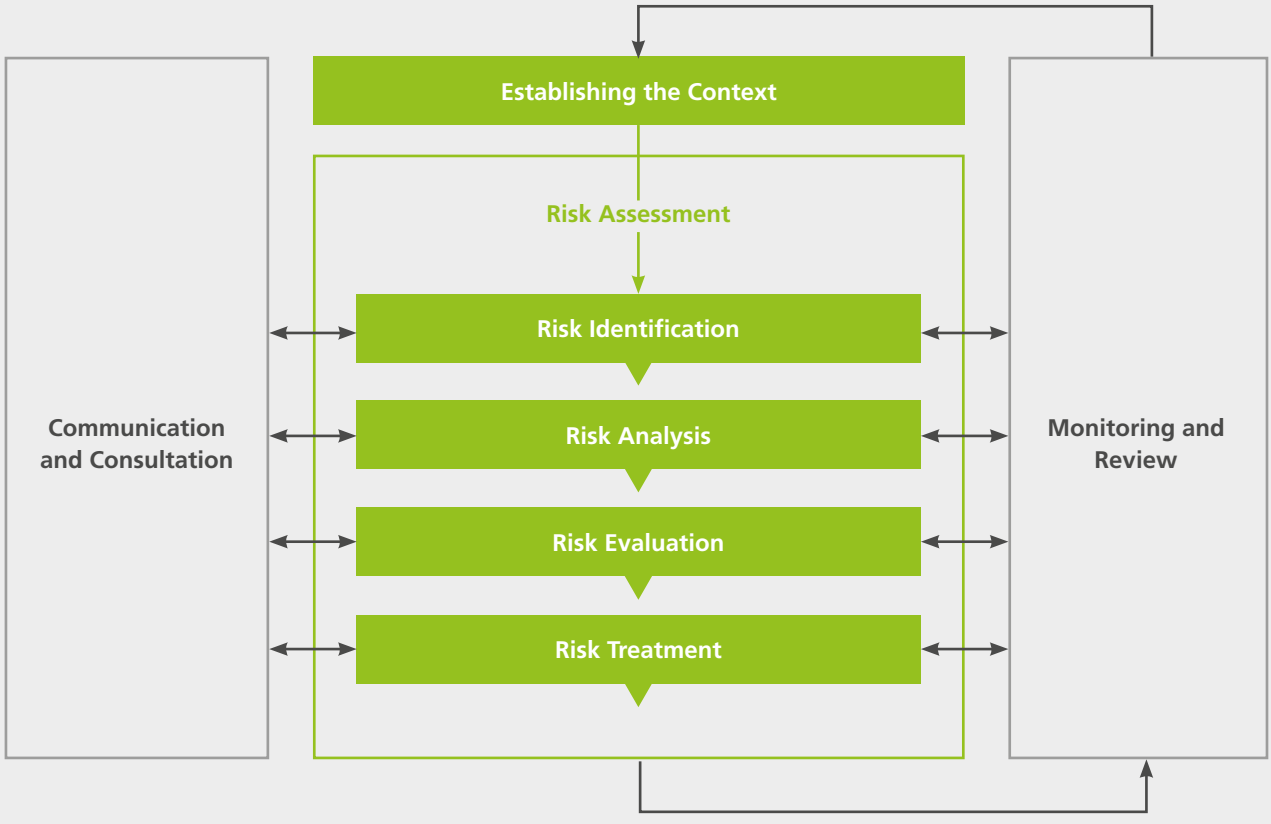
RISK MANAGEMENT

The ARMC was established to monitor 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 focussed approach to managing the Group's significant business risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Guided by the ISO 31000 Risk Management Principles and Guidelines, the Audit and Risk Department provides the Board with assurance of adequacy and integrity of internal control within the Group with a proactive on-going process involving identification, assessment, control, monitoring and reporting of risk exposures. The risk management programme would be subjected to review by the ARMC for and on behalf of the Board.

The ARMC determines 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 is reported at every ARMC meeting in 2018 by the risk coordinator. The processes of risk management are illustrated as per below:-



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Amongst others, the duly identified and monitored risks by the ARMC include people risk, contract risk, company performance risk, operational risk and technology risk.

CONTEXT	RISK	MITIGATION
People Risk	While IT is the backbone of our business, it is the people in management and operations that sustain our ability to deliver and satisfy our customers. The absence of key talent and resources with the correct skill set could hinder the potential of the Company achieving its objectives.	The Human Resources Department is constantly working on various initiatives which include sourcing and developing suitable talents by improving recruitment, staff development, employee engagement, training and retention processes to combat the perennial challenge of retaining key talents within the Company. Human Resource Department also is committed to implement the succession planning across the Company to ensure that there is a stream of good talent to steer the Company into the future.
Contract Risk	The Company pay utmost concerns on the Contracts and Agreement with the Company's stakeholders. Contract risk is the risk that a Company will fail to keep track of and meet or enforce its contractual obligations or rights, or enter into contracts with terms that are either inadequate, unfair or unenforceable.	A study on the requirements for individual contracts and agreements with the clients as well as regular engagement has been one of the many mitigation measures taken in order to ensure the risk of breaching the contract is minimised.
Company Performance Risk	The rapid changing in the IT industry has resulted the market to be more competitive which has impacted the bottom line of the Company.	The Company has taken necessary measures in order to improve the business strategies which include upgrading the core capabilities to provide a better service experience and eventually improve the Company's performance.
Business Continuity Plan	Business continuity is more proactive and generally refers to the processes and procedures that the Company must implement to ensure that mission-critical functions can continue during and after a disaster.	The Company's Business Continuity Plan has been documented. The plan serves as the main communication vehicle to ensure that everyone is aware and knowledgeable of project objectives and how they will be accomplished.
Illegal Software Risk	It is of the Company concern on the employees' action of downloading illegally software on Company laptop and computers without the knowledge of the Company.	The IT Department has come out with an initiative to conduct the Software Audit Checking on all Company's laptop and computers in ensuring no illegal software is installed in it. Hence, employees who have found to have committed any misconduct in regards to illegal software will be subjected to disciplinary action by the Human Resource Department.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL

The Group's internal control system encompasses the policies, procedures, processes, tasks and other aspects of the Group and is reflected in a control environment which comprises 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 control 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 and Nomination and Remuneration 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; and
- The Group has an organisational structure that is aligned with its business and operational requirements with clearly defined lines of responsibility and authority levels.

All significant findings on Internal Control recommendation by the internal auditors and external auditors are reported to the ARMC for review and deliberations. The ARMC reviews to ensure that all mitigation plans are implemented by Management to safeguard the interests of the Group and upkeep proper governance. Where deficiencies were identified, recommended procedures have been or are being put in place to strengthen controls. The ARMC focuses on the deficiencies reported, understand the root causes and direct Management to take all steps necessary to correct the circumstances and conditions that had caused the compliance deficiencies. This includes specific remediation plans and follow-up actions to ensure deficiencies are addressed.

The internal control system will continue to be reviewed, added on or updated in line with the changes in the Group's operating environment.

CONTROL WEAKNESS

During the financial year, our external auditors have highlighted their findings over several deficiencies. The Management acknowledge these deficiencies in internal controls and appropriate action plan has been set in placed to resolve the issues and mitigate any related risk.

The Management continues to take measures to strengthen the control environment. In the year under review, there were no material losses, incurred as a result of weakness in the internal controls that would require disclosure in this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ASSURANCE FROM MANAGEMENT

The Chief Executive Officer and the Chief Financial Officer have provided the Board with assurance that the Group's risk management and internal control systems are adequate.

Taking into consideration the assurance from the Management team, the Board is of the view that processes covering risk management and internal control are in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard shareholders' investment and the Group's assets.

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

The Group strives to ensure that proper processes are in place and would continuously review these practices in accordance with the requirements of:-

- Malaysian Code on Corporate Governance 2017 – Securities Commission Malaysia
- Bursa Malaysia's Statement on Risk Management and Internal Controls – Guidelines for Directors of Listed Issuers 2012 – Bursa Malaysia
- Corporate Governance Guide (3rd Edition) 2017 – Bursa Malaysia

CONCLUSION

In the year under review, there was no significant control failure or weakness that would result in material losses. The Board and Management will continue to review and strengthen the Company's risk management and internal control system to ensure ongoing adequacy and effectiveness of the system of internal control and risk management practices to meet the changing and challenging future operating environment.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The Statement on Risk Management and Internal Control has been reviewed by the external auditors as required under Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Their limited assurance review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) February 2018 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 system of the Group.

Based on their review, the external auditors have reported to the Board that nothing had come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control of the Group.

This Statement is presented by the ARMC on 26 February 2019 and approved by the Board on 26 February 2019.

BOARD OF DIRECTORS
MESINIAGA BERHAD

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee (ARMC) was established by the Board of Directors (the "Board") with the primary objective to assist the Board in fulfilling its fiduciary responsibilities relating to corporate governance, system of internal controls, risk management processes and management of financial reporting practices of the Group.

The ARMC is pleased to present the ARMC report for the financial year ended 31 December 2018 in compliance with paragraph 15.15 of the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities) and the Malaysian Code on Corporate Governance 2017 (the "Code").

COMPOSITION OF THE ARMC

The ARMC comprises of the following members:-

Abd Talib Baba
Chairman, Independent Non-Executive Director

Wong Fook Hon
Member, Independent Non-Executive Director

Dato' Ab Rashid Mat Adam
Member, Independent Non-Executive Director

Sim Hong Kee
Member, Independent Non-Executive Director
(Appointed w.e.f. 30 May 2018)

Syed Jamalludin Syed Osman Jamallulail
Secretary, Head of Audit & Risk Department

NUMBER OF ARMC MEETINGS AND DETAILS OF ATTENDANCE

During the financial year ended 31 December 2018, the ARMC held a total of five (5) meetings. The details of the attendance of each ARMC members are as follows:-

Date	28.02.2018	02.04.2018	23.05.2018	23.08.2018	22.11.2018
Abd Talib Baba	Y	Y	Y	Y	Y
Wong Fook Hon	Y	Y	Y	Y	N
Dato' Ab Rashid Mat Adam	Y	Y	Y	Y	Y
Sim Hong Kee*				Y	Y

Key: Y - Attended
N - Absent with apologies

*Note:
Sim Hong Kee appointed w.e.f. 30 May 2018

AUDIT AND RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE FOR THE AUDIT AND RISK MANAGEMENT COMMITTEE

Size and Composition

The Committee shall be appointed by the Board of Directors of Mesiniaga from amongst their members and shall consist of not less than three (3) members, the majority of whom shall be Independent Directors.

At least one (1) member of the Committee:-

a. must be a member of the Malaysian Institute of Accountants; or
b. if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years working experience and:
   i. he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
   ii. he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
c. fulfils such requirements as prescribed by Bursa Securities.

The Chairman of the Committee shall be an Independent Director.

Frequency Of Meetings

Meetings shall be held not less than four (4) times a year and as and when required during the financial year. The quorum for a meeting shall be at least two (2) 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, circulated and adopted by the Committee.

Purpose Of The Committee

The Audit and Risk Management Committee (ARMC) assists the Board in evaluating the adequacy of risk management and internal control framework as well as in fulfilling its statutory and fiduciary responsibilities. ARMC would review the financial statements and financial reporting process, the system of internal controls, management of enterprise risk, the audit process and the process of monitoring compliance with law and regulations including Bursa Malaysia and Securities Commission Requirements and the Company's Code of Conduct.

AUDIT AND RISK MANAGEMENT COMMITTEE

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2018, the ARMC carried out the following activities:-

1) Financial Reporting

a) Reviewed the unaudited quarterly financial reports and year-end financial statements of Mesiniaga for financial year ended 31 December 2018 before they were presented to the Board for approval for release to Bursa Securities and Securities Commission Malaysia accordingly; and

b) Discussed with the Management and external auditors in its review of the unaudited quarterly financial reports and year-end financial statements on the:–

- changes in or implementation of accounting policies and practices;
- significant adjustment arising from the audit;
- significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
- going concern assumption; and
- compliance with accounting standards and other legal requirements.

2) Audit Reports

a) Received and reviewed the internal and external audit reports together with Management's responses in ensuring that appropriate and prompt remedial actions are taken by Management on major deficiencies in controls or procedures that have been identified including the status of previous audit recommendations; and

b) Discussed and made enquiries on internal audit findings and Management's relevant responses to resolve those findings.

3) External Audit

a) Reviewed the Audit Planning Memorandum by the external auditors covering the nature and scope of audit planned for the financial year under review;

b) Reviewed the external auditors' audit report and the significant audit findings contained in their report;

c) Reviewed the Annual Financial Statement of the Company and of the Group prior to submission to the Board for approval;

d) Discussed with the external auditors without the presence of the Management, 23 August 2018 and 22 November 2018, to provide an avenue to the external auditors to express any concerns, including areas related to their ability to perform work without restraint or interference;

e) Evaluated the external auditors' independency and objectivity, as well as their ability to serve the Group in terms of technical competencies and manpower resource sufficiency;

f) Reviewed the reasonableness of the proposed audit fees charged against the size and complexity of the Group; and

g) Assessed the performance and effectiveness of the external auditors of the Company for the ensuing year at the Annual General Meeting.

4) Internal Audit

The Audit and Risk Committee's responsibilities in respect of the Internal Audit Functions include:-

a) Reviewed and approved the Internal Audit Charter;
b) Reviewed and approved the risk-based audit plan, internal audit budget and resource plan;
c) Reviewed the updates on the audit plan in respect of the changes to the plan and timeline;
d) Ensured the adequacy of the scope of audit and addressing resource and scope limitations;
e) Deliberated on internal audit reports and recommendations raised, and ensuring the implementation of the recommendations; and
f) Communicated reports of investigations to the Board, where appropriate.

5) Risk Management and Internal Control

a) Reviewed the Statement on Risk Management and Internal Control (SORMIC) of the Group for inclusion in the Annual Report for the year ended 31 December 2018;
b) Ensured a proper risk management framework was in place;
c) Deliberated on quarterly risk profile report during ARMC; and
d) Acknowledged any ISO certification changes and development.

6) Related Party Transaction

a) Reviewed the related party transactions and conflict of interest situations within the Company or Group.

Summary of Audit and Risk Department Functions

The ARMC is assisted by the Audit and Risk Department in discharging its duties and responsibilities. The internal audit functions are established and performed in-house by the Audit and Risk Department who reports directly to the ARMC on a quarterly basis.

The Audit and Risk Management functions are established to add value and improve the Group's operations by providing independent, objective assurance and consulting activities through its audit of the Group's key operations and also to ensure consistency in the control environment and the application of policies and procedures.

The internal audit and risk profile reports are circulated to the Chief Executive Officer, Chief Financial Officer as well as to the relevant Head of Departments prior to tabling them at the ARMC meetings.

During the financial year ended 31 December 2018, the Head of Audit and Risk Department and/or his representative attended the ARMC meetings to report on a quarterly basis, at a minimum, on their findings of the effectiveness of the governance, risk management and internal control processes within the Group.

AUDIT AND RISK MANAGEMENT COMMITTEE

The work carried out by the Audit and Risk Department for the financial year ended include the following:-

a) Performed secretarial functions to the ARMC;
b) Prepared an annual audit plan;
c) Performed field audit and assessment to comply with policies and procedures and operating effectiveness and controls;
d) Assessed the adequacy and effectiveness of internal control systems within the Company;
e) Presented reports on audit assignment;
f) Maintained effective audit programmes;
g) Conducted follow-up audit to ensure effective and timely resolution of audit issues;
h) Maintained up-to-date Company's risk profile;
i) Follow-up on mitigation controls for all risks;
j) Presented reports on risk profile status and movements;
k) Planned and co-ordinated the ISO Quality audit;
l) Performed ISO related tasks relating to surveillance and recertification of the ISO Certification as per SIRIM QAS requirement;
m) Provided full cooperation to the external auditors in carrying out their audit; and
n) Performed other functions as instructed by the ARMC and the Board of Directors.

Audit and Risk Management Cost

The total costs incurred by Audit and Risk Management Department in discharging its functions and responsibilities in 2018 amounted to RM287,000.00 against RM292,000.00 in 2017 comprising of mainly salaries, training, medical and travelling expenses.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee (NRC) was established by the Board of Directors (the "Board") with the primary objective to assess the effectiveness of the Board on an ongoing basis and to recommend the Board the remuneration of the Executive Directors.

The NRC is pleased to present the NRC report for the financial year ended 31 December 2018 in compliance with paragraph 15.08A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

COMPOSITION OF THE NRC

Voon Seng Chuan
Chairman, Independent Non-Executive Director

Wong Fook Hon
Member, Independent Non-Executive Director

Ir. Dr. Muhamad Fuad Abdullah
Member, Non-Independent Non-Executive Director

Rosmawati Haron
Secretary, Head of Human Resources Department

NUMBER OF NRC MEETINGS AND DETAILS OF ATTENDANCE

Date	22.03.2018	02.04.2018
VOON SENG CHUAN	Y	Y
WONG FOOK HON	Y	Y
IR. DR. MUHAMAD FUAD ABDULLAH	Y	Y

Key: Y – Attended

TERMS OF REFERENCE FOR THE NOMINATION AND REMUNERATION COMMITTEE

Size and Composition

a. The Nomination and Remuneration Committee shall be appointed by the Board of Directors of Mesiniaga from amongst their members;
b. The Committee shall consist of not less than three (3) members, exclusively of Non-Executive Directors, a majority of whom shall be Independent Directors; and
c. The Chairperson of the Committee shall be an Independent Director.

Frequency of Meetings

a. Meetings shall be held at least once a year; and
b. The quorum for a meeting shall be at least two (2) committee members.

NOMINATION AND REMUNERATION COMMITTEE

Secretary

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

Purpose of the Committee

The Nomination and Remuneration Committee is established to assist the Board in developing and administrating a fair and transparent procedure for setting policy in remuneration of directors. It is to ensure that remuneration packages are determined on the basis of the directors' merit, qualification and competence, having regards to the Company's operating results, individual performance and comparable market statistics.

Functions and Duties

a. To administer the selection and assessment of directors;
b. To ensure that Board composition meets the needs of the Company;
c. To develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors;
d. To assess and recommend 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;
e. To establish formal and transparent remuneration policies and procedures to attract and retain directors;
f. To review the performance of Executive Directors based on KPIs; and
g. To perform other related duties as directed by the Board of Directors.

Summary of Activities

a. Reviewed the performance of the Chief Executive Officer;
b. Formulated the KPI for the Chief Executive Officer for Year 2018; and
c. Recommended the remuneration package for the Chief Executive Officer.

OTHER INFORMATION REQUIRED

UTILISATION OF PROCEEDS

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

NON-AUDIT FEES

An amount of RM47,000 was paid for tax services provided by PwC Taxation Services Sdn. Bhd.

MATERIAL CONTRACTS

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

CONTRACTS RELATING TO LOAN

There was no contract 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 2018.

EMPLOYEES SHARE OPTION SCHEME

The Company did not implement any employees share option scheme in the financial year 2018.

INTERNAL AUDIT EXPENSES

The costs incurred for the internal audit function in respect of FY2018 was RM287,000.00

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Datuk Wan Mohamed Fusil bin Wan Mahmood
Voon Seng Chuan
Fathil Sulaiman bin Ismail
Abd Talib bin Baba
Wong Fook Hon
Dato' Ab Rashid bin Mat Adam
Ir. Dr. Muhamad Fuad bin Abdullah
Sim Hong Kee (Appointed on 1 May 2018)

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

PRINCIPAL ACTIVITIES

The Company is principally involved in the sale of information technology products and services. The principal activities of the subsidiaries and joint venture are described in Note 13 and Note 14 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
Loss for the financial year	(8,034)	(8,467)
Attributable to:		
- Equity holders of the Company	(8,688)	(8,467)
- Non-controlling interests	654	0
	(8,034)	(8,467)

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

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

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE

During the financial year, the Group and the Company, maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the Directors' and Officers' Liability Insurance effected for each of the Directors and Officers of the Group was RM30,000,000 at any one claim and under investigation under all insuring agreements combined.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

	Number of ordinary shares			
	At 1.1.2018 '000	Bought '000	Sold '000	At 31.12.2018 '000
Datuk Wan Mohamed Fusil bin Wan Mahmood[1]	3,720	0	250	3,470
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 Islamic Trustee Berhad, Citigroup Nominees (Tempatan) Sdn. Bhd., Alliancegroup Nominees (Tempatan) Sdn. Bhd. and CIMSEC Nominees (Tempatan) Sdn. Bhd.

SHARE CAPITAL

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2018, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM4,126,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since 31 December 2017 are as follows:

	RM'000
In respect of the financial year ended 31 December 2018:	
- Interim single tier dividend RM0.06 per share and special dividend RM0.02 per share, paid on 3 July 2018	4,832

The Directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2018.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 6 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

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

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

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

(i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

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

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

(c) At the date of this report:

(i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) there are no contigent liabilities in the Company which have arisen since the end of the financial year.

DIRECTORS' REPORT (CONTINUED)

(d) No contingent or other liability of any company in the Group 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 Company and its subsidiaries to meet their obligations when they fall due.

(e) 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 of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the Directors:

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

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

SUBSIDIARIES

Details of subsidiaries are set out in Note 13 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 7 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 4 April 2019. Signed on behalf of the Board of Directors.

DATUK WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

ABD TALIB BIN BABA
DIRECTOR

Subang Jaya

STATEMENT BY DIRECTORS

 Pursuant To Section 251(2) Of The Companies Act 2016

We, Datuk Wan Mohamed Fusil bin Wan Mahmood and Abd Talib bin Baba, two of the Directors of Mesiniaga Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 83 to 165 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and financial performance of the Group and of the Company for the financial year ended 31 December 2018 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 4 April 2019.

DATUK WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

ABD TALIB BIN BABA
DIRECTOR

Subang Jaya

STATUTORY DECLARATION

Pursuant To Section 251(1) Of The Companies Act 2016

I, Ariffin bin Abd Majid, the Officer primarily responsible for the financial management of Mesiniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 83 to 165 are, to the best of my knowledge and belief, 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.

ARIFFIN BIN ABD MAJID
OFFICER
MIA No. CA 43071

Subscribed and solemnly declared by the above named, Ariffin bin Abd Majid, at Subang Jaya, Selangor in Malaysia on 4 April 2019.

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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 83 to 165.

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.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

INDEPENDENT AUDITORS' REPORT

To The Members Of Mesiniaga Berhad (continued)
(Incorporated In Malaysia)
(Company No. 79244 V)

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 from contracts with customer *Refer to Note 2.20, Note 3 and Note 5 in the financial statements.* Effective 1 January 2018, the Group and the Company had adopted MFRS 15 "Revenue from contract with customers" to its accounting policies as disclosed in Note 2.2 in the financial statements. In applying the standard, the Group and the Company had exercised significant judgement and estimates as disclosed in Note 3. We focused on the adjustments recognised during the year following the Group's application of MFRS 15. The Group elected the modified retrospective transition approach. The adjustments are set out in Note 2.2 to the financial statements. Management exercised judgement on the areas below arising from the adoption of MFRS 15: i) Certain contracts with customers with multi element arrangements may include sales of solution services, hardware and software and maintenance and support services. Judgement is exercised in determining the number of distinct performance obligations included in these contracts with customers. ii) Allocation of transaction price to the identified performance obligations based on the stand alone selling prices. Revenue for solution services are recognised over time based on cost plus expected margin. Judgement is exercised in determining the appropriate estimation of costs. iii) The timing of revenue recognition may differ from the timing of billing to customers. When the services rendered by the Group and Company exceed the payment, a contract asset is recognised. Judgement is exercised in anticipating the timing between recognition of revenue and billings to the customers which may subsequently change due to specific risks and performance of the actual contract terms. As at 31 December 2018, the Group's and Company's had recognised revenue and contract assets amounted to RM33.6 million.	We performed the following audit procedures: • We read and understood the key terms and conditions of significant contracts with customers; • We have obtained understanding of the process surrounding the customer acceptance and the acceptance of letters of award; • We tested the operating effectiveness of controls over the: o approval of customer contracts and budgets including the estimation of cost in determining the stand alone selling price; and o management's assessment of the allocation of transaction price between various performance obligations. • Obtained management's assessment of the identification of separate performance obligations over significant customer contracts with bundling arrangements and sighted to customer contracts on a sampling basis; • We tested the amount of allocated transaction price and revenue recognised (services, hardware and software) to acceptance documents from customers and/or service delivery periods based on contractual terms;

INDEPENDENT AUDITORS' REPORT

To The Members Of Mesiniaga Berhad (continued)
(Incorporated In Malaysia)
(Company No. 79244 V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Revenue recognition from contracts with customer (continued) *Refer to Note 2.20, Note 3 and Note 5 in the financial statements.* Management exercised judgement on the areas below arising from the adoption of MFRS 15: (continued) As a result of the above areas, we regard revenue recognition from contracts with customers as a key audit matter for the Group and Company. Determination when revenue to be recognised In determining the timing for revenue to be recognised, all the required criteria under MFRS 15 must be met. We have considered this as a key audit matter as the Group and the Company applies judgement when assessing the timing and certainty of revenue and cash flows from contracts. During the financial year, revenue of RM18.9 million was not recognised, as certain required criteria was not met.	We performed the following audit procedures: (continued) • Obtained management's assessment of expected billings for contract assets and checked against the billing terms in the contract on sampling basis. Held discussions with project managers to corroborate the project milestones used in determining the timing of expected billings against project reports; • Tested the appropriateness of non-standard manual journal entries made to the revenue accounts by assessing the basis for the journals and reviewing supporting documents; • We have reviewed management's assessment for revenue recognition criteria of MFRS 15 applied in determining whether the collectability was fulfilled as at the reporting period; • We examined correspondences and documentation relating to the credit risk assessment of customers and corroborated management's assessment on whether it was probable that the considerations would be collected; and • We discussed with senior management on the uncertainty over the expected timing and probability of cash inflows and the corresponding impact to revenue recognition. We did not identify any material exceptions 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, Corporate Governance Overview Statement, Statement of Directors' Responsibility in Relation to Financial Statements, Statements on 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 2018 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.

INDEPENDENT AUDITORS' REPORT

To The Members Of Mesiniaga Berhad (continued)
(Incorporated In Malaysia)
(Company No. 79244 V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon (continued)

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.

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 2016 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.

INDEPENDENT AUDITORS' REPORT

To The Members Of Mesiniaga Berhad (continued)
(Incorporated In Malaysia)
(Company No. 79244 V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(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.

(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.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SUBATHRA A/P GANESAN
03020/08/2020 J
Chartered Accountant

Kuala Lumpur
4 April 2019

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	5	180,878	226,255	171,326	215,441
Changes in inventories of finished goods		209	4,299	885	3,990
Finished goods purchased		(63,848)	(86,398)	(57,566)	(78,323)
Information technology services purchased		(38,739)	(42,651)	(51,832)	(56,529)
Staff cost	6	(74,766)	(80,210)	(62,139)	(64,257)
Depreciation and amortisation		(4,757)	(5,202)	(3,905)	(4,193)
Travelling expenses		(1,857)	(2,089)	(1,365)	(1,612)
Office administrative expenses		(4,909)	(4,871)	(4,592)	(4,600)
Other operating expenses		(1,518)	(79)	(2,965)	(2,916)
Other operating income		120	77	2,327	1,901
Other gains/(loses)		1,060	6,210	1,054	6,192
(Loss)/Profit from operations		(8,127)	15,341	(8,772)	15,094
Finance cost	8	(834)	(1,553)	(834)	(1,553)
Finance income	8	1,186	757	857	374
Share of results of a joint venture company		(121)	13	0	0
(Loss)/Profit before zakat and taxation	7	(7,896)	14,558	(8,749)	13,915
Taxation					
- Company and subsidiaries	9	(138)	2,571	282	3,287
(Loss)/Profit for the financial year		(8,034)	17,129	(8,467)	17,202
Other comprehensive income:					
Item that will not be reclassified to profit or loss:					
Actuarial gain on defined benefit plan (net of tax)	23	359	507	359	507
Total comprehensive (loss)/income for the financial year		(7,675)	17,636	(8,108)	17,709

The notes on pages 91 to 165 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the financial year attributable to:					
Equity holders of the Company		(8,688)	16,420	(8,467)	17,202
Non-controlling interests		654	709	0	0
(Loss)/Profit for the financial year		(8,034)	17,129	(8,467)	17,202
Total comprehensive (loss)/income for the financial year attributable to:					
Equity holders of the Company		(8,329)	16,927	(8,108)	17,709
Non-controlling interests		654	709	0	0
Total comprehensive (loss)/income for the financial year		(7,675)	17,636	(8,108)	17,709
Earnings per share (sen)	10	(14.38)	27.18		

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	42,356	40,977	41,710	40,027
Intangible assets	12	1,622	515	0	0
Investment in subsidiaries	13	0	0	1,914	1,914
Investment in joint venture	14	0	121	80	80
Finance lease receivables	19	306	687	306	687
Trade and other receivables	17	2,844	6,299	2,844	6,299
Deferred tax assets	15	3,796	3,513	3,518	3,235
		50,924	52,112	50,372	52,242
Current assets					
Inventories	16	8,664	8,473	6,541	5,656
Trade and other receivables	17	59,633	116,268	54,743	112,453
Contract assets	18	33,578	0	33,578	0
Tax recoverable		14	566	0	0
Deposits with licensed financial institutions	20	23,901	16,717	15,429	5,916
Cash and bank balances	20	12,308	23,951	10,603	21,952
		138,098	165,975	120,894	145,977
TOTAL ASSETS		189,022	218,087	171,266	198,219

STATEMENTS OF FINANCIAL POSITION

 As At 31 December 2018 (continued)

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	25	64,528	64,528	64,528	64,528
Retained earnings		49,784	63,304	38,772	52,071
Retirement benefit reserves		592	233	592	233
		114,904	128,065	103,892	116,832
Non-controlling interests	13	7,805	9,111	0	0
Total equity		122,709	137,176	103,892	116,832
Non-current liabilities					
Post-employment benefit obligations	23	612	771	612	771
Finance lease liabilities	24	538	528	538	528
Borrowings	22	1,898	0	1,898	0
		3,048	1,299	3,048	1,299
Current liabilities					
Trade and other payables	21	40,920	63,025	42,010	63,751
Contract liabilities	18	8,016	0	8,016	0
Borrowings	22	14,300	16,278	14,300	16,278
Taxation		29	309	0	59
TOTAL CURRENT LIABILITIES		63,265	79,612	64,326	80,088
TOTAL LIABILITIES		66,313	80,911	67,374	81,387
TOTAL EQUITY AND LIABILITIES		189,022	218,087	171,266	198,219

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2018

		Attributable to owners of the parent							
		Issued and fully paid ordinary shares							
Group	Note	Number of shares 000	Share capital RM'000	Share premium (Note 26) RM'000	Retirement benefit reserves RM'000	Retained earnings RM'000	Total RM'000	Non controlling interests RM'000	Total RM'000
At 1 January 2017		60,402	60,402	4,126	0	49,630	114,158	9,872	124,030
Transition to no-par value regime on 31 January 2017	26	0	4,126	(4,126)	0	0	0	0	0
Profit for the financial year		0	0	0	0	16,420	16,420	709	17,129
Other comprehensive income for the financial year	23	0	0	0	507	0	507	0	507
Total other comprehensive income for the financial year		0	0	0	507	16,420	16,927	709	17,636
Reclassification		0	0	0	(274)	274	0	0	0
Transactions with owners:									
Dividend paid		0	0	0	0	(3,020)	(3,020)	0	(3,020)
Dividend paid to non-controlling interest		0	0	0	0	0	0	(1,470)	(1,470)
At 31 December 2017		60,402	64,528	0	233	63,304	128,065	9,111	137,176
At 1 January 2018		60,402	64,528	0	233	63,304	128,065	9,111	137,176
Loss for the financial year		0	0	0	0	(8,688)	(8,688)	654	(8,034)
Other comprehensive income for the financial year	23	0	0	0	359	0	359	0	359
Total other comprehensive (loss)/income for the financial year		0	0	0	359	(8,688)	(8,329)	654	(7,675)
Transactions with owners:									
Dividend paid	30	0	0	0	0	(4,832)	(4,832)	0	(4,832)
Dividend paid to non-controlling interest		0	0	0	0	0	0	(1,960)	(1,960)
At 31 December 2018		60,402	64,528	0	592	49,784	114,904	7,805	122,709

The notes on pages 91 to 165 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

Company	Note	Issued and fully paid ordinary shares: Number of shares 000	Issued and fully paid ordinary shares: Share capital RM'000	Share premium (Note 26) RM'000	Retirement benefit reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2017		60,402	60,402	4,126	0	37,615	102,143
Transition to no-par value regime on 31 January 2017	26	0	4,126	(4,126)	0	0	0
Profit for the financial year		0	0	0	0	17,202	17,202
Other comprehensive income for the financial year	23	0	0	0	507	0	507
Total other comprehensive income for the financial year		0	0	0	507	17,202	17,709
Reclassification		0	0	0	(274)	274	0
Dividend paid	30	0	0	0	0	(3,020)	(3,020)
At 31 December 2017		60,402	64,528	0	233	52,071	116,832
At 1 January 2018		60,402	64,528	0	233	52,071	116,832
Loss for the financial year		0	0	0	0	(8,467)	(8,467)
Other comprehensive (loss)/income for the financial year	23	0	0	0	359	0	359
Total other comprehensive (loss)/income for the financial year		0	0	0	359	(8,467)	(8,108)
Reclassification		0	0	0	0	0	0
Dividend paid	30	0	0	0	0	(4,832)	(4,832)
At 31 December 2018		60,402	64,528	0	592	38,772	103,892

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit for the financial year		(8,034)	17,129	(8,467)	17,202
Adjustments for:					
Taxation		138	(2,571)	(282)	(3,287)
Depreciation and amortisation:					
- property, plant and equipment		4,408	4,712	3,905	4,193
- intangible assets		349	490	0	0
Dividend income from subsidiaries		0	0	(2,040)	(1,530)
Share results of a joint venture company		121	(13)	0	0
Interest expense		834	1,553	834	1,553
Interest income on fixed deposits		(1,075)	(628)	(746)	(245)
Retirement benefits		200	245	200	245
Gain on sales of property, plant and equipment		0	(6,188)	0	(6,188)
Impairment of intangible asset		0	343	0	0
Impairment of amount due from a subsidiary		0	0	1,618	3,391
(Reversal)/Impairment of trade receivables (net)		(122)	126	(94)	95
Unrealised foreign exchange (gain)		(1,080)	(2,138)	(1,080)	(2,137)
Write down/(Write-back) of inventory		571	(81)	464	(173)
		(3,690)	12,979	(5,688)	13,119
Changes in working capital:					
Inventories		(763)	(4,201)	(1,349)	(3,817)
Subsidiaries		0	0	(696)	(525)
Receivables		13,315	(14,593)	14,398	(16,924)
Payables		63	17,745	(442)	19,469
Cash generated from operations		8,925	11,930	6,223	11,322
Retirement benefits paid		0	(519)	0	(519)
Tax (paid)/refunded		(21)	(329)	(22)	36
Zakat paid		0	0	0	(49)
Net cash generated from operating activities		8,904	11,082	6,201	10,790

The notes on pages 91 to 165 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions on intangible assets		(1,456)	0	0	0
Purchase of property, plant and equipment		(4,686)	(1,998)	(4,487)	(1,949)
Interest received		1,075	628	746	245
Dividends received from subsidiaries		0	0	2,040	1,530
Proceeds from disposal of property, plant and equipment		0	15,879	0	15,879
Divestment/(Investment) in deposits maturing more than three months		8,071	(8,021)	175	(175)
Net cash generated from/(used in) investing activities		3,004	6,488	(1,526)	15,530
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to non-controlling interests		(1,960)	(1,470)	0	0
Dividends paid to shareholders		(4,832)	(3,020)	(4,832)	(3,020)
Repayment of finance lease liabilities		(894)	(532)	(894)	(532)
Interest paid on finance lease liabilities		(96)	(100)	(96)	(100)
Drawdown of borrowings		33,890	66,283	33,890	66,283
Drawdown of term loan		2,310	0	2,310	0
Repayment of term loan		(83)	0	(83)	0
Interest paid on term loan		(41)	0	(41)	0
Repayment of borrowings		(35,875)	(71,944)	(35,875)	(71,944)
Interest paid on borrowings		(715)	(1,453)	(715)	(1,453)
Drawdown of restricted deposits		(177)	(515)	(178)	(515)
Net cash (used in)/generated from financing activities		(8,473)	(12,751)	(6,514)	(11,281)
NET INCREASE/(DECREASE) IN CASH EQUIVALENTS DURING THE FINANCIAL YEAR		3,435	4,819	(1,839)	15,039
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		26,441	21,622	24,442	9,403
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	20	29,876	26,441	22,603	24,442

The notes on pages 91 to 165 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 services. The principal activities of the subsidiaries and joint venture are described in Note 13 and Note 14 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 2016 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 judgement in the process of applying the Group's and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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

The Company has applied the following amendments for the first time for the financial year beginning on 1 January 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 'Investments in Associates and Joint Ventures'

The Group has adopted MFRS 9 and MFRS 15 for the first time in the 2018 financial statements, which resulted in changes in accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Adoption of MFRS 9 'Financial Instruments'

The Group and the Company had applied MFRS 9 'Financial Instruments' retrospectively with the date of initial application of 1 January 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139.

Impairment of Financial Assets

The Group has replaced its impairment methodology of financial assets with the forward looking expected credit loss ("ECL") model. Under MFRS 9, loss allowance will be measured either via the simplified approach or the general approach (incorporating the 12 months ECL and lifetime ECL).

Adoption of MFRS 15 'Revenue from Contracts with Customers'

The Group and the Company had applied MFRS 15 'Revenue from Contracts with Customers' with the date of initial application of 1 January 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group applies the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2017 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

In addition, the Group has elected the practical expedient not to retrospectively restate contracts that were modified before the date of initial application.

The detailed impact of change in accounting policies are set out in Note 2.2.

Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

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)

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

- MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations. (continued)

  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.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty. IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

  In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128. The amendments shall be applied retrospectively.

- Amendments to MFRS 9 'Prepayment features with negative compensation' allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model. The amendments will be applied retrospectively.

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)

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

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

  Amendments to MFRS 3 'Business Combinations' clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  Amendments to MFRS 11 'Joint Arrangements' clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

  Amendments to MFRS 112 'Income Taxes' clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

  Amendments to MFRS 123 'Borrowing Costs' clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

- Amendments to MFRS 119 'Plan amendment, curtailment or settlement' requires an entity to use the updated actuarial assumptions from remeasurement of its net defined benefit liability or asset arising from plan amendment, curtailment or settlement, to determine current service cost and net interest for the remaining period after the change to the plan. The amendments will be applied prospectively.

NOTES TO THE FINANCIAL STATEMENTS

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 2020 with earlier application permitted

- Amendments to MFRS 3 'Definition of a Business' revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term 'outputs' is narrower and focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business. The amendments shall be applied prospectively.

The effect of the other 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 CHANGES IN ACCOUNTING POLICIES

(a) Impact on the financial statements

As a results of the changes in the Group's and Company's accounting policies, prior year financial statements was not restated. The reclassifications and the adjustments arising from the adoptions of MFRS 15 and MFRS 9 are therefore not reflected in the stated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The impact of MFRS 15 on the Group's and Company's financial position as at 1 January 2018 is as follows:

Statement of financial positions

Group

	Note	MFRS 118 carrying amounts 31 Dec 2017 RM'000	Adjustments RM'000	MFRS 15 carrying amounts 1 Jan 2018 RM'000
Current assets				
Contract assets	(i)	0	44,487	44,487
Trade and other receivables	(i)	116,268	(44,487)	71,781
Current liabilities				
Trade and other payables	(ii)	63,025	(16,422)	46,603
Contract liabilities	(ii)	0	16,422	16,422

Company

	Note	MFRS 118 carrying amounts 31 Dec 2017 RM'000	Adjustments RM'000	MFRS 15 carrying amounts 1 Jan 2018 RM'000
Current assets				
Contract assets	(i)	0	44,487	44,487
Trade and other receivables	(i)	112,453	(44,487)	67,966
Current liabilities				
Trade and other payables	(ii)	63,751	(16,422)	47,329
Contract liabilities	(ii)	0	16,422	16,422

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Impact on the financial statements (continued)

The main changes are as follows:

(i) Reclassification of contract assets from trade and other receivables

The Group and Company reclassified the accrued unbilled revenue balance as at 1 January 2018 as contract assets, representing the unbilled revenue under MFRS 15.

(ii) Reclassification of contract liabilities from trade and other payables

The Group and Company reclassified the advance billing balances as at 1 January 2018 as contract liability, representing the obligation to transfer services to customers.

(b) Adoption of MFRS 15 'Revenue from Contracts with Customers' ('MFRS 15')

The Group and Company used the following practical expedients as permitted under the Standard:

(i) Effect of significant financing component are disregarded if at contract inception the period between customer payment and the transfer of goods or services is expected to be one year or less;
(ii) Incremental costs of obtaining a contract is expensed if the amortisation period of the asset is one year or less;
(iii) revenue is recognised at the invoice amount if billing corresponds directly with performance to date;
(iv) completed contracts at the beginning of the initial date, 1 January 2018 is not restated;

There is no impact on the Group's and Company's retained earnings as at 1 January 2018 on the transition.

(c) Adoption of MFRS 9 'Financial instruments' ('MFRS 9')

As disclosed in Note 2.1, the Group and the Company has adopted MFRS 9, which resulted in changes in accounting policies and adjustments to the financial position. The main changes are as follows.

Classification and measurement of financial assets

Until 31 December 2017, financial assets were classified in the following category: loans and receivables. Note 2.11 sets out the details of accounting policies for classification and measurement of financial instruments under MFRS 139.

MFRS 9 retains but simplified the mixed measurement model in MFRS139 and established three primary measurement classification for financial assets: amortised cost, fair value through profit or loss ('FVTPL') and fair value through other comprehensive income ('FVOCI'). Based on the assessment, no reclassification and change in initial measurement method of the financial instruments was required post adoption of MFRS 9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of MFRS 9 'Financial instruments' ('MFRS 9') (continued)

On 1 January 2018 (the date of initial application of MFRS 9), the Group and the Company had assessed which business models apply to the financial instruments held by the Group and the Company. Based on the assessment, no reclassification and change in measurement method of the financial instruments was required post adoption of MFRS 9 except for the below:

Impairment

Until 31 December 2017, the Group and the Company assessed the impairment of loan and receivables based on the incurred impairment loss model. Note 2.11 sets out the details of accounting policies for impairment of financial assets under MFRS 139.

From 1 January 2018, the Group and the Company applied Expected Credit Loss ('ECL') model to determine the impairment on trade and other receivables excluding prepayment and, contract assets that are measured at amortised cost. The new accounting policies for impairment under MFRS 9 are set out in Note 2.11.

(i) Trade receivables and contract assets

For all trade receivables and contract assets, the Group and the Company apply the MFRS 9 simplified approach which is to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life. No additional loss allowance is recognised on these trade receivables and contract assets on 1 January 2018.

(ii) Loan to subsidiaries and amount due from subsidiaries

Loan to subsidiaries and amount due from subsidiaries that are repayable on demand and interest-free are classified as amortised cost in the Company's financial statements because the Company's business model is to hold and collect the contractual cash flows and those cash flows represents solely payment of principal and interest ("SPPI"). The Company applied the general 3-stage approach when determining ECL for these loan to subsidiaries and amount due from subsidiaries. No additional loss allowance is recognised on these balances on 1 January 2018.

2.3 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

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)

2.3 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 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.

2.4 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.

2.5 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 FOREIGN CURRENCIES

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. 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.

2.7 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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 2.10 on impairment of non-financial assets.

2.8 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)

2.9 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.

2.10 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)

2.11 FINANCIAL ASSETS

Accounting policies applied from 1 January 2018

(a) Classification

From 1 January 2018, the Group and Company classify their financial assets as financial assets at amortised cost ('AC'). The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group and Company classify their financial assets as AC only if both of the following criteria are met:

(i) the asset is held within a business model whose objective is to collect the contractual cash flows; and
(ii) the contractual terms give rise to cash flows that are solely payments of principal and interest.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and Company have transferred substantially all the risk and rewards of ownership.

(c) Measurement

Initial recognition

At initial recognition, the Group and Company measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement

Subsequent measurement of financial assets depends on the Group and Company's business model for managing the financial asset and the cash flow characteristics of the asset. The Group and Company categories its financial assets as financial assets at amortised cost.

Interest income from financial assets at AC is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 FINANCIAL ASSETS (CONTINUED)

(d) Impairment

From 1 January 2018, the Group and Company assess on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and Company has four types of financial instruments that are subjected to the ECL model:

- Trade and other receivables
- Loans to subsidiaries and amount due from subsidiaries
- Contract assets

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of the cash flows the Group and Company expected to receive, over the remaining life of the financial instruments.

The measurement of ECL reflects:

(i) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(ii) The time value of money; and
(iii) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade receivables and contract assets, the Group and Company apply the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For non-trade receivables comprises of other receivables, loan to subsidiaries and amount due from subsidiaries, at each reporting date the Group and Company measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

The Group and Company use the three stages approach for non-trade receivables which reflect their credit risk and how the loss allowances are determined for each of those stages. Summary of the assumptions underpinning the Group's and Company's ECL model for non-trade receivables are as follows:

Type of non-trade receivables	Stage 1: Low credit risk (12 month ECL Model)	Stage 2: Significant increase in credit risk (Lifetime ECL Model)	Stage 3: Credit impaired (Lifetime ECL Model)
Loan to subsidiaries and amount due from subsidiaries	Subsidiaries have a low risk of default and a strong capacity to meet contractual cash flows where there is positive operating cash flows or in net tangible assets.	Subsidiaries for which there is a significant increase in credit risk where it is in negative operating cash flows or in net tangible liabilities.	There is evidence indicating the asset is credit-impaired where the subsidiaries are dormant and in net tangible liabilities.
Deposits	Active contracts	Inactive contracts and amounts outstanding less or equal to 6 months	Inactive contracts and amounts outstanding more than 6 months
Staff loans/advance	Current employees	Ex-employees with default in payment less than 360 days.	Ex-employees with default in payment more than 360 days.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

A significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment, which the Group determined based on historical repayment trends before risk of default is heightened.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 270 days of when they fall due and the debtor has significant financial difficulties or insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

For certain categories of financial instruments such as trade receivables and contract assets, balances that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics based on the customers' industries and the days past due. The contract assets relate to unbilled revenue mainly from entities in the information, communication, telecommunication and utilities industries, and have substantially the same risk characteristics as the trade receivables. The Group and the Company therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(ii) Individual assessment

Trade receivables, other receivables and deposits, and contract assets, that are in default or credit-impaired are assessed individually. Loans to subsidiaries in the Company's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each loan to subsidiary.

Write off

Financial assets are written off when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

Impairment losses are presented as net impairment losses within operating profit before impairment in the profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 FINANCIAL ASSETS (CONTINUED)

Accounting policies applied until 31 December 2017

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 FINANCIAL ASSETS (CONTINUED)

Accounting policies applied until 31 December 2017 (continued)

(d) Subsequent measurement - impairment (continued)

Assets carried at amortised cost (continued)

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.

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.

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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.

2.14 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.

2.15 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 SHARE CAPITAL (CONTINUED)

(d) Earnings per share

Basic earnings per share

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.

Diluted earnings per share

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.

2.16 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 EMPLOYEE BENEFITS (CONTINUED)

(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.

2.19 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.

2.20 REVENUE RECOGNITION

Accounting policies applied from 1 January 2018

Revenue which represents income arising in the course of the Group's and Company's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer. Revenue arises mainly from the sales of network hardware and software, maintenance services, extended warranty services, consulting and IT services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and Company expect to be entitled in exchange for transferring promised goods or services to a customer, net of estimated returns, discounts, commissions, rebates and taxes. Discounts and rebates are measured using the most likely amount method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Transaction price is allocated to each performance obligation on the basis of the estimated stand-alone selling prices of each distinct good or services promised in the contract. The stand-alone selling prices are determined based on the observable price. For goods and services with no observable price available, the Group and the Company estimates stand-alone selling prices using cost plus expected margin approach. Depending on the substances of the respective contact with the customer, revenue is recognised when the performance obligation is satisfied, which may be at point in time or over time. Customer are invoiced based on milestone in the contracts. Any amounts remaining unbilled at the end of the reporting period are presented in the statement of financial position as contract assets, as only the passage of time is required before payment of these amount will be due.

Costs that are incremental to obtaining a contract shall be recognised as an asset if the Group expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(a) Sales of hardware and software

Revenue from the sale of hardware for a fixed fee shall be recognised when control over the hardware is transferred to customer at a point in time. For hardware sales, transfer of control is usually deemed to occur upon delivery of products and customer acceptances. Software licences may be provided to the customer at a point in time, activated or ready to be activated by the customer at a later stage, therefore revenue is recognised when customer obtains control of the software.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (continued)

(a) Sales of hardware and software (continued)

Some contracts include multiple deliverables, such as the installation of hardware and/or software. In most cases, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on stand-alone selling prices. Where these are not directly observable, they are estimated based on cost plus expected margin. If contracts include the installation of hardware and software, the revenue for installation services are recognised at a point in time when the customer has accepted the installation of the hardware and/or software.

(b) Rendering of services

Revenue arising from the rendering of services includes support and maintenance services, managed services, extended warranty, and other services.

The Group and Company enters into fixed price support and maintenance services, managed services and extended warranty contracts with its customers for terms between one and five years in length. Revenue for support and maintenance services, and extended warranties are recognised on a straight-line basis over the term of the contract. This method best depicts the transfer of services to the customer as there is no reliable prediction that can be made as to if and when any individual customer will require their service.

Revenue for other services such as consultation services is recognised as the services are delivered. The costs incurred in delivering recurring services are recognised as cost of sales as they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 REVENUE RECOGNITION (CONTINUED)

Accounting policies applied from 1 January 2018 (continued)

Revenue from contracts with customers (continued)

(c) MB Cloud

The Group and Company enters into fixed price MB Cloud services with its customers for terms of five to ten years in length. Revenue for MB Cloud are recognised on straight-line basis over the term of the contract. This method best depicts the transfer of services to the customer. This type of contract is usually sold separately as single performance obligation. When the contracts with customer includes other identifiable performance obligations, the transaction price will be allocated to each performance obligation based on stand-alone selling price, which are estimated based on cost plus expected margin.

(d) Customised solution

Some products and services are sold together as part of a customised solution to the customer. This type of contract involves design, supply, commissioning and/or implementation of the solutions to the customer in addition to the sale of hardware. Solution services does not have any alternative use to the Company as it can as it cannot be sold to or used by other customers, except for the hardware, software and/or other services such as maintenance and support, included together in the contract. Hence, other performance obligation identified that are sold bundled together with the solution services are deemed to be separate performance obligations, namely hardware, software, maintenance and support services.

Revenue from providing services is recognised over the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on actual services provided to the end of the financial year as a proportion of the total services to be provided. This is determined based on the input method of cost incurred plus expected margin.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group and the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 REVENUE RECOGNITION (CONTINUED)

Accounting policies applied from 1 January 2018 (continued)

Other source of income

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.

Accounting policies applied until 31 December 2017

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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.

2.23 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 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 receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowances. See accounting policy Note 2.11 on impairment of financial assets.

2.25 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 net of transaction costs incurred, which include transfer taxes and duties. Trade payables are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Revenue recognition for contracts with customers

Identification of performance obligation

Certain contracts with customers are bundled packages that may include sales of solution services, hardware, software and maintenance and support services. The Group and the Company account for individual products and services as separate performance obligations if they are distinct promises of goods and services, i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it separately. The Group and the Company exercise judgement to identify if products and services within the bundled package are distinct performance obligations.

Allocation of transaction price to the identified performance obligations

The Group and the Company uses estimates and judgements in determining the amount and timing of revenue recognised, particularly for the allocation of transaction price to the performance obligations identified under the contract by referring to their standalone selling prices. Revenue for solutions services are recognised over time based on cost plus expected margin under the input method. This method is dependent on the estimated cost of each performance obligation in the contract. The Group and the Company exercise judgement when determining the appropriate estimation of costs that best reflects the progress of completion and are aligned with key acceptance stages identified within the contracts.

Significant financing component

The timing of revenue recognition may differ from the timing of billing to customers. When the services rendered by the Group and the Company exceed the payment, a contract asset is recognised. In determining the impact of significant financing component for the contract balances, the Group and the Company had used judgement to anticipate the expected timing between revenue recognition and billing. The billings milestones vary between customers based on the contract terms. The actual timing for the billing may differ due to subsequent changes in specific risk and performance of the actual contracts terms.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting estimates and assumptions (continued)

(i) Revenue recognition for contracts with customers (continued)

Revenue recognition criteria in accordance with MFRS 15

All required criteria under MFRS 15 must be met before the Group and the Company recognised revenue from contracts with customers. The Group and the Company apply judgements when assessing the timing and certainty of revenue and cash flows from contracts. The assessment is based on the customers' credit standing and other relevant information gathered by management. This assessment may change during the contract execution, and if there is evidence of change in the timing and certainty of revenue and cash flows from contract, then under MFRS 15 no revenue shall be recognised until the recognition criteria are met. Conversely, this assessment may also change favourably over time.

During the financial year 31 December 2018, revenue amounting of RM18,867,816 were not recognised as the required criteria have yet to be met. The cost of delivering the performance obligations for these services have been recognised as cost of sales in the current financial year.

(ii) Deferred tax assets

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

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of sales volume, operating costs, capital expenditure, and other capital management transactions. Based on the uncertainty of utilisation of available tax losses and capital allowances, the Directors have assessed that deferred tax assets will be recognised up to the extent that there are probable taxable profit of which these deferred tax benefits will be utilised.

(iii) Measurement of expected credit loss ('ECL') allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and Company use judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of key assumptions and inputs used are disclosed in Note 4.

4 FINANCIAL RISK MANAGEMENT

4.1 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 2018, if Ringgit Malaysia had weakened/strengthened by 1% against the US dollar with other variables held constant.

	Group and Company	
	2018	2017
	RM'000	RM'000
(Increase)/Decrease on profit/(loss) for the year		
1 percent increase in US Dollar exchange rate	(260)	(259)
1 percent decrease in US Dollar exchange rate	260	259

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk

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

The Group and Company are exposed to fair value interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rate. The exposure arises from the Group's and Company's deposits in financial institutions and the Group's finance lease liabilities which are carried at a fixed interest rate.

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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Financial asset				
Fixed rate - deposits with financial institutions	23,901	16,717	15,429	5,916
Financial liability				
Floating rate - borrowings	16,198	16,278	16,198	16,278
Fixed rate - finance lease liabilities	1,168	961	1,168	961

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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL")

As disclosed in Note 2.11, the Group and the Company had apply simplified approach for trade receivables including contract assets and three stages approach for all other non-trade receivables including amount due to subsidiaries. The summary of the assumptions underpinning the Group's and the Company's ECL model for non-trade receivables are disclosed in Note 2.11.

(i) Trade receivables and contract assets

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 for a certain amount, adherence to credit limits, regular monitoring and follow up procedures.

The Group's customers are mainly significant entities in the information, communication, telecommunication and utilities industries. At the reporting date, the Group has significant concentration of credit risk that may arise from exposure to two (2017: one) major customers which accounted for 44% (2017: 33%) of the trade receivables. The Group considers the risk of material loss in the event of non-performance by these two customers to be unlikely.

The credit quality of trade receivables that are not past due can be assessed by reference to historical information about counterparty default rates. Contract assets represent 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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Counterparties without external credit rating:				
- Existing customers with no defaults in the past	70,518	90,432	68,402	89,480
- New customers	695	3,146	673	2,616
	71,213	93,578	69,075	92,096

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") (continued)

(i) Trade receivables and contract assets (continued)

The Group and Company applies MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 2 years before 31 December 2018, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

On that basis, the loss allowance as at 31 December 2018 was determined as follows for trade receivables and contract assets:

	Current RM'000	1 - 180 days past due RM'000	> 180 days past due RM'000	Total RM'000
Group				
31 December 2018				
Expected loss rate	0%-1%	1%-2%	44%-46%	
Gross carrying amount				
– trade receivables	37,714	13,168	524	51,406
– contract assets	33,635	0	0	33,635
Loss allowance	(136)	(169)	(237)	(542)
Carrying amount (net of loss allowance)	71,213	12,999	287	84,499
Company				
31 December 2018				
Expected loss rate	0%-1%	1%-2%	44%-45%	
Gross carrying amount				
– trade receivables	35,576	11,163	518	47,257
– contract assets	33,635	0	0	33,635
Loss allowance	(136)	(169)	(234)	(539)
Carrying amount (net of loss allowance)	69,075	10,994	284	80,353

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") (continued)

(i) Trade receivables and contract assets (continued)

The closing allowance for trade receivables and contract assets as at 31 December 2018 reconcile to the opening loss allowance as follows:

	Group RM'000	Company RM'000
As at the beginning of the financial year calculated under MFRS 139	664	633
Effects of adoption of MFRS 9	-	-
Opening loss allowance as at 1 January 2018, as restated	664	633
Loss allowance reversed	(122)	(94)
At 31 December	542	539

The creation and release of provision for impairment receivables have been included as a net loss on impairment in the consolidated statements of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model under MFRS 139. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

(ii) Other receivables and deposits

Credit risk for other receivables and deposits are mainly arising from rental deposits, staff advances, interest receivables from fixed deposits and receivables from government agencies.

Interest receivables from fixed deposits and receivables from government agencies have a low credit risks as these are receivables from credit worthy counterparty. Staff advances are provided to existing staff and credit risk are managed with salary deduction arrangements. Deposits and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes, amongst others, failure of a debtor to engage in a repayment plan with the Company and failure to make contractual payments or refunds. Nevertheless, deposits and other receivables that are written off could still be subject to enforcement activities.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") (continued)

(ii) Other receivables and deposits (continued)

The following table contains an analysis of the credit risk exposure of other receivables and deposits for which an ECL allowance is recognised. The gross carrying amount of other receivables and deposits disclosed below also represents the Group's and the Company's maximum exposure to credit risk on these assets:

31.12.2018

	ECL rate	Basis for recognition of ECL provision	Gross	Loss allowance	Net
		RM'000	RM'000	RM'000	RM'000
Group					
Performing	0%	12 month ECL	2,310	0	2,310
Not performing	100%	Lifetime ECL	186	(186)	0
			2,496	(186)	2,310
Company					
Performing	0%	12 month ECL	2,035	0	2,035
Not performing	100%	Lifetime ECL	186	(186)	0
			2,221	(186)	2,035

(iii) Amounts due from subsidiaries

Amounts due from subsidiaries consist of advances and amount due arising from trade activities. The Company monitors the results of the subsidiaries regularly.

The following table contains an analysis of the credit risk exposure of amounts due from subsidiaries for which an ECL allowance is recognised. The gross carrying amount due from subsidiaries below also represents the Company's maximum exposure to credit risk on these assets:

31.12.2018

	ECL rate	Basis for recognition of ECL provision	Gross	Loss allowance	Net
		RM'000	RM'000	RM'000	RM'000
Company					
Performing	0%	12 month ECL	16	0	16
Not performing	100%	Lifetime ECL	32,227	(32,227)	0
			32,243	(32,227)	16

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") (continued)

(iii) Amounts due from subsidiaries (continued)

The closing balance of allowance for trade receivables and contract assets as at 31 December 2018 reconcile to the opening loss allowance as follows:

	Company RM'000
As at the beginning of the financial year calculated under MFRS 139	30,609
Effects of adoption of MFRS 9	0
Opening loss allowance as at 1 January 2018, as restated	30,609
Increase in the allowance recognised in profit or loss during the period	1,618
At 31 December	32,227

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.

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
AAA	36,090	40,636	25,915	27,838
AA	107	22	107	22
	36,197	40,658	26,022	27,860

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

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

				2018
	Total	Within 1 year	1 - 5 year	Over 5 year
	RM'000	RM'000	RM'000	RM'000
Group				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short term finance lease	37,953	37,953	0	0
Borrowings	17,046	14,851	1,942	253
Finance lease liabilities	1,376	646	730	0
Total undiscounted financial liabilities	56,375	53,450	2,672	253
Company				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short term finance lease	35,514	35,514	0	0
Amount due to subsidiaries	4,030	4,030	0	0
Borrowings	17,046	14,851	1,942	253
Finance lease liabilities	1,376	646	730	0
Total undiscounted financial liabilities	57,966	55,041	2,672	253

NOTES TO THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (continued)

	Total	Within 1 year	1 - 5 year	2017 Over 5 year
	RM'000	RM'000	RM'000	RM'000
Group				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short term finance lease	59,232	59,232	0	0
Borrowings	16,408	16,408	0	0
Finance lease liabilities	1,065	493	572	0
Total undiscounted financial liabilities	76,705	76,133	572	0
Company				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short term finance lease	56,924	56,924	0	0
Amount due to subsidiaries	3,708	3,708	0	0
Borrowings	16,408	16,408	0	0
Finance lease liabilities	1,065	493	572	0
Total undiscounted financial liabilities	78,105	77,533	572	0

The Group has undrawn banking facilities amounting to RM10,819,144 (2017: RM40,887,222) as at 31 December 2018.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(d) Financial instruments by category

	2018 RM'000	2017 RM'000
Group		
Financial assets classified as amortised cost (FY2017: loan and receivables), as per statement of financial position		
Trade and other receivables, excluding prepayments	54,339	103,493
Deposits, cash and bank balances	36,209	40,668
	90,548	144,161
Financial liabilities classified as other financial liabilities at amortised cost, as per statement of financial position		
Trade and other payables, excluding statutory liabilities	39,121	60,193
Borrowings	16,198	16,278
	55,319	76,471
Company		
Financial assets classified as amortised cost (FY2017: loan and receivables), as per statement of financial position		
Trade and other receivables, excluding prepayments	49,918	99,082
Amounts due from subsidiaries	16	616
Deposits, cash and bank balances	26,032	27,868
	75,966	127,566
Financial liabilities classified as other financial liabilities at amortised cost, as per statement of financial position		
Trade and other payables, excluding statutory liabilities	36,682	57,885
Amounts due to subsidiaries	4,030	3,708
Borrowings	16,198	16,278
	56,910	77,871

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 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 2018 and 31 December 2017. Other than as disclosed, the carrying amounts of the financial instruments are a reasonable approximation of fair value due to their relatively short-term nature or that they are floating rate instruments.

4.2 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.

	2018 RM'000	2017 RM'000
The Group		
Total borrowings (Note 22)	16,198	16,278
Deposits, cash and bank balances (Note 20)	(36,209)	(40,668)
Net debt	0	0
Total equity	122,709	137,176
Total capital	102,698	112,786
Gearing ratio (%)	0	0

There were no externally imposed capital requirements during the financial year.

5 REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers:				
- services	115,423	125,499	115,113	125,294
- hardware	42,055	80,668	32,813	70,059
- software	23,400	20,088	23,400	20,088
	180,878	226,255	171,326	215,441

Disaggregation of the Group's and Company's revenue from contracts with customers

	Group	Company
	2018	2018
	RM'000	RM'000
Timing of revenue recognition:		
- Over time	115,423	115,113
- At point in time	65,455	56,213
	180,878	171,326

Unsatisfied long-term performance obligations

For contracts that exceeded one year, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the financial year is approximately RM21,062,415 and RM654,647 of which the Group and Company expects to recognised as revenue in 2019 and 2020 respectively.

During the financial year ended 31 December 2018, the Group and Company has recognised revenue from contracts with customer amounting to RM13,271,586 that was included in the contract liability at the beginning of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

6 STAFF COST (INCLUDING DIRECTORS' EMOLUMENTS)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonuses and other employment benefits	67,600	72,136	57,325	59,046
Defined contribution retirement plan	6,966	7,829	4,614	4,966
Defined benefit retirement plan (Note 23)	200	245	200	245
	74,766	80,210	62,139	64,257

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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration:				
Non-executive Directors:				
- fees	300	248	300	248
- others	39	25	39	25
Executive Directors:				
- salaries	790	984	790	984
- other emoluments	338	209	338	209
- defined contribution plan	63	63	63	63
Total Directors' remuneration	1,530	1,529	1,530	1,529

7 (LOSS)/PROFIT BEFORE TAXATION

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors' remuneration:				
- Audit	243	226	156	162
- Non-audit	45	44	12	29
Depreciation:				
- property, plant and equipment	4,408	4,712	3,905	4,193
Amortisation of intangible assets	349	490	0	0
Impairment on intangible assets	0	343	0	0
Dividend income from subsidiaries	0	0	(2,040)	(1,530)
Net realised foreign exchange (gain)/loss	124	(302)	118	(290)
Unrealised foreign exchange (gain)/loss	(1,080)	(2,138)	(1,080)	(2,137)
Gain on disposal of property, plant and equipment	0	(6,188)	0	(6,188)
Rental expense	340	338	172	191
Rental income	(76)	(77)	(76)	(77)
Write down/(back) of Inventory	571	(81)	464	(173)
Impairment/(Reversal of impairment) of trade receivables (net)	(122)	126	(94)	95
Loss allowances:				
Trade receivables	(65)	0	(37)	0
Contract assets	(57)	0	(57)	0
Impairment of amounts due from subsidiary	0	0	1,618	3,391
Management fee	0	0	(288)	(294)

NOTES TO THE FINANCIAL STATEMENTS

8 FINANCE INCOME/(COST)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Finance income				
Interest income on:				
- deposits with licensed banks	1,075	628	746	245
- finance lease receivables	111	129	111	129
	1,186	757	857	374
Finance cost				
Finance cost on:				
- bank borrowings	756	1,453	756	1,453
- finance lease liabilities	78	100	78	100
	834	1,553	834	1,553

9 TAXATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current taxation:				
Current financial year	420	832	0	59
Under provision in prior year	0	39	0	49
	420	871	0	108
Deferred taxation (Note 15)	(282)	(3,442)	(282)	(3,395)
Tax expense	138	(2,571)	(282)	(3,287)

9 TAXATION (CONTINUED)

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation	(7,896)	14,558	(8,749)	13,915
Taxation calculated at the applicable Malaysian tax rate of 24% (2017: 24%)	(1,895)	3,494	(2,100)	3,340
Tax effects of:				
- income not subject to tax	(305)	(90)	(782)	(457)
- income subject to different tax rate	0	(1,485)	0	(1,485)
- expenses not deductible for tax purposes	287	374	578	1,077
- current year temporary difference not recognised	1,691	997	1,662	0
- recognition of previously unrecognised deferred taxes	0	(3,235)	0	(3,235)
- utilisation of previously unutilised tax losses and temporary differences	0	(2,665)	0	(2,576)
- Utilisation of current tax losses	(435)	0	(435)	0
- change in real property gain tax rate	795	0	795	0
- under provision in prior year	0	39	0	49
Tax expense	138	(2,571)	(282)	(3,287)

The tax charge relating to components of other comprehensive income during the current financial year is as follows:

	Group and Company		
	Before tax	Tax charged	After tax
	RM'000	RM'000	RM'000
Actuarial gain on defined benefit plan	472	(113)	359

NOTES TO THE FINANCIAL STATEMENTS

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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deductible temporary differences	1,360	1,360	0	0
Unutilised tax losses and capital allowances	34,777	27,856	7,537	614
	36,137	29,216	7,537	614

No deferred tax assets are recognised from the above due to uncertainty of their recoverability. The unutilised tax losses will expire in year 2025, while the unabsorbed capital allowances do not expire under the current tax legislation. The deductible temporary differences 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 and not able to be reliably estimated.

10 EARNINGS PER SHARE

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

	Group	
	2018	2017
(Loss)/Profit attributable to equity holders of the Company (RM'000)	(8,688)	16,420
Weighted average number of ordinary shares in issue ('000)	60,402	60,402
Total basic earnings per share attributable to the ordinary equity holders of the company	(14.38)	27.18

Diluted earnings per share is the same as basic earnings 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 2018	19,567	26,661	56,807	157	103,192
Additions	0	3,410	2,377	0	5,787
Disposal	0	0	(67)	0	(67)
At 31 December 2018	19,567	30,071	59,117	157	108,912
Accumulated depreciation					
At 1 January 2018	0	13,264	48,794	157	62,215
Charge for the financial year	0	604	3,804	0	4,408
Disposal	0	0	(67)	0	(67)
At 31 December 2018	0	13,868	52,531	157	66,556
Net book value					
At 31 December 2018	19,567	16,203	6,586	0	42,356

NOTES TO THE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 2017	23,442	32,748	54,991	157	111,338
Additions	0	142	1,856	0	1,998
Disposal	(3,875)	(6,229)	(40)	0	(10,144)
At 31 December 2017	19,567	26,661	56,807	157	103,192
Accumulated depreciation					
At 1 January 2017	0	14,358	44,763	157	59,278
Charge for the financial year	0	641	4,071	0	4,712
Disposal	0	(1,735)	(40)	0	(1,775)
At 31 December 2017	0	13,264	48,794	157	62,215
Net book value					
At 31 December 2017	19,567	13,397	8,013	0	40,977

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 2018	19,567	26,661	37,001	155	83,384
Additions	0	3,410	2,178	0	5,588
Disposal	0	0	(61)	0	(61)
At 31 December 2018	19,567	30,071	39,118	155	88,911
Accumulated depreciation					
At 1 January 2018	0	13,264	29,938	155	43,357
Charge for the financial year	0	604	3,301	0	3,905
Disposal	0	0	(61)	0	(61)
At 31 December 2018	0	13,868	33,178	155	47,201
Net book value					
At 31 December 2018	19,567	16,203	5,940	0	41,710

The net book value of assets RM2,806,680 are secured against borrowing as disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

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 2017	23,442	32,748	35,230	155	91,575
Additions	0	142	1,807	0	1,949
Disposal	(3,875)	(6,229)	(36)	0	(10,140)
At 31 December 2017	19,567	26,661	37,001	155	83,384
Accumulated depreciation					
At 1 January 2017	0	14,358	26,423	155	40,936
Charge for the financial year	0	641	3,552	0	4,193
Disposal	0	(1,735)	(37)	0	(1,772)
At 31 December 2017	0	13,264	29,938	155	43,357
Net book value					
At 31 December 2017	19,567	13,397	7,063	0	40,027

The net book value of assets under finance lease as at 31 December 2018 amounted to RM982,439 (2017: RM798,174).

12 INTANGIBLE ASSETS

	Internally developed software
Group	RM'000
Cost	
At 1 January 2018	2,374
Addition	1,456
Write off	(343)
	3,487
Accumulated depreciation	
At 1 January 2018	1,516
Charge for the financial year	349
At 31 December 2018	1,865
Accumulated impairment	
At 1 January 2018	343
Write off	(343)
At 31 December 2018	0
Net book value	
At 31 December 2018	1,622

Group	RM'000
Cost	
At 1 January 2017/31 December 2017	2,374
Accumulated depreciation	
At 1 January 2017	1,026
Charge for the financial year	490
At 31 December 2017	1,516
Accumulated impairment	
At 1 January 2017	0
Charge for the financial year	343
At 31 December 2017	343
Net book value	
At 31 December 2017	515

The useful life of the internally developed software is 4 years (2017: 4 years). The amount of staff cost capitalised in current financial year is RM1,456,737 (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2018	2017
	RM'000	RM'000
Unquoted shares, at cost	2,006	2,006
Less: Accumulated impairment losses	(92)	(92)
	1,914	1,914

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

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

		Group's effective interest	
		2018	2017
Names of subsidiaries	Principal activities	%	%
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

All the above subsidiaries are audited by PricewaterhouseCoopers, Malaysia.

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiary with material non-controlling interests

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

Summarised statement of financial position

	2018 RM'000	2017 RM'000
Current		
Assets	16,311	19,076
Liabilities	(563)	(664)
Total current net assets	15,748	18,412
Non-current		
Assets	280	281
Net assets	16,028	18,693

Summarised statement of comprehensive income

	For the financial year ended 31 December	
	2018 RM'000	2017 RM'000
Revenue	9,226	10,642
Profit before taxation	1,755	2,025
Tax expense	(421)	(486)
Profit for the financial year and total comprehensive income	1,334	1,539
Profit and total comprehensive income attributable to non-controlling interest	654	709
Accumulated non-controlling interest	7,805	9,111
Dividends paid to non-controlling interests	1,960	1,470

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised statement of cash flows

	For the financial year ended 31 December	
	2018	2017
	RM'000	RM'000
Cash flow from operating activities		
Cash flow generated from operations	1,734	382
Income tax paid	(443)	(536)
Net cash generated from operating activities	1,291	(154)
Net cash generated from/(used in) investing activities	2,656	(7,465)
Net cash used in financing activities	(4,000)	(3,000)
Net increase in cash and cash equivalents	(53)	(10,619)
Cash and cash equivalents at beginning of financial year	1,624	12,243
Cash and cash equivalents at end of financial year	1,571	1,624

14 INVESTMENT IN JOINT VENTURE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	80	80	80	80
Share of post-acquisition reserves	(80)	41	0	0
	0	121	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	
		2018	2017
		%	%
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.

15 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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets:				
Deferred tax assets to be recovered within 12 months	3,796	3,513	3,518	3,235
At 1 January	3,513	231	3,235	0
Credited/(Charged) to profit or loss: (Note 9)				
- property, plant and equipment	(334)	(997)	(334)	(1,017)
- post-employment benefit obligations	(20)	(66)	(20)	(66)
- tax losses	(840)	851	(840)	851
- provisions	(182)	287	(182)	260
- advance billings	1,270	3,942	1,270	3,942
- others	407	(575)	407	(575)
	301	3,442	301	3,395
Charged to other comprehensive income:				
- post-employment benefit obligations	(18)	(160)	(18)	(160)
At 31 December	3,796	3,513	3,518	3,235
Subject to income tax:				
Deferred tax assets: (before offsetting)				
- post-employment benefit obligations	147	185	147	185
- tax losses	209	1,049	209	1,049
- provisions	578	760	272	454
- advance billings	5,212	3,942	5,212	3,942
	6,146	5,936	5,840	5,630
Offsetting	(2,350)	(2,423)	(2,322)	(2,395)
Deferred tax assets (after offsetting)	3,796	3,513	3,518	3,235

NOTES TO THE FINANCIAL STATEMENTS

15 DEFERRED TAX ASSETS (CONTINUED)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(2,244)	(1,910)	(2,216)	(1,882)
- others	(106)	(513)	(106)	(513)
	(2,350)	(2,423)	(2,322)	(2,395)
Offsetting	2,350	2,423	2,322	2,395
Deferred tax liabilities (after offsetting)	0	0	0	0

16 INVENTORIES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
At net realisable value:				
Cables	0	590	0	0
Equipment	736	769	0	769
Spare parts	362	227	362	227
	1,098	1,586	362	996
At cost:				
Cables	1,387	2,227	0	0
Equipment	1,725	721	1,725	721
Software for re-sale	3,474	3,939	3,474	3,939
Spare parts	154	0	154	0
	6,740	6,887	5,353	4,660
Stock-in-transit	826	0	826	0
	8,664	8,473	6,541	5,656

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current				
Trade receivables	51,406	54,792	47,257	51,037
Accrued unbilled revenue	0	44,487	0	44,487
Less:loss allowance (2017: impairment of receivables)	(485)	(664)	(482)	(633)
	50,921	98,615	46,775	94,891
Finance lease receivables (Note 19)	802	984	802	984
Other receivables	2,360	3,237	2,099	2,565
Less : loss allowance (2017: impairment of receivables)	(186)	(186)	(186)	(186)
	2,174	3,051	1,913	2,379
Prepayment	5,600	13,462	5,115	13,442
Deposits	136	156	122	141
Amounts due from subsidiaries	0	0	32,243	31,225
Impairment of amounts due from a subsidiary	0	0	(32,227)	(30,609)
	0	0	16	616
	59,633	116,268	54,743	112,453
Non-current				
Prepayments	2,844	6,299	2,844	6,299
Finance lease receivables (Note 19)	306	687	306	687
	62,783	123,254	57,893	119,439

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

Credit terms of trade receivables range from 30 days to 90 days (2017: 30 days to 90 days).

Other receivables and deposits are with creditworthy parties and are neither past due nor impaired.

Prepayments consist of prepaid services which costs are incurred upfront for services to be rendered over a range of 1 to 5 years. (2017: 1 to 5 years).

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.

As per Note 2.2 (c), the Group and Company applied ECL model to determine the impairment on financial assets that are measured at amortised cost. The disclosure of loss allowances are set out in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

Accounting policies applied until 31 December 2017

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 31 December 2017 are as follows:

As at 31 December 2017	Group RM'000	Company RM'000
Neither past due nor impaired	93,206	91,724
1 to 30 days past due and not impaired	2,482	2,014
31 to 90 days past due and not impaired	1,902	226
More than 91 days past due and not impaired	1,025	927
More than 91 days past due and impaired	664	633
	99,279	95,524
Less: Impairment of receivables	(664)	(633)
	98,615	94,891

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 industries.

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

As at 31 December 2017, the Group and the Company have trade receivables amounting to RM5,409,000 and RM3,167,000 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 good track record with the Group and the Company. Based on past experience, 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 credit quality and the balances are still considered recoverable.

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

Accounting policies applied until 31 December 2017 (continued)

Trade receivables that are impaired

The Group's and the Company's trade receivables that are impaired as at 31 December 2017 and the movement of the allowance accounts used to record the impairment are as follows:

As at 31 December 2017	Group RM'000	Company RM'000
Trade receivables - nominal amounts	664	633
Less: Impairment of receivables	(664)	(633)
	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.

The movement of allowance accounts is used to record the impairment of trade receivables are as follows:

	Group RM'000	Company RM'000
At 1 January 2017	538	538
Impairment	282	251
Reversal of impairment	(156)	(156)
Written off	0	0
At 31 December 2017	664	633

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 2017 RM'000
At 1 January	27,218
Impairment of trade receivables	3,391
At 31 December	30,609

NOTES TO THE FINANCIAL STATEMENTS

18 CONTRACT ASSETS/(LIABILITIES)

The Group and Company has recognised the following assets and liabilities related to contracts with customers:

	Group/ Company 2018 RM'000
Current assets	
Contract assets	33,635
Less: Loss allowance	(57)
	33,578
Current liabilities	
Contract liabilities	(8,016)

The following table shows the movement of contract assets/(liabilities) during the financial year:

	Contract assets RM'000	Contract liabilities RM'000
Opening balance as at 1 January 2018	0	0
Contract assets previously classified as trade and other receivables (Note 17)	44,487	0
Contract liabilities previously classified as trade and other payables (Note 21)	0	(16,422)
Opening balance as at 1 January 2018 as per MFRS 15	44,487	(16,422)
Increase as a result of changes in the measure of progress	90,940	0
Transfer to receivables	(102,687)	0
Revenue recognised during the financial year that was included in the contract liabilities balance at 1 January 2018, excluding billing made during the financial year	0	13,272
Increases due to billing made, excluding amounts recognised as revenue during the financial year	0	(3,971)
Reclassification	895	(895)
	33,635	(8,016)
	(57)	0
	33,578	(8,016)

19 FINANCE LEASE RECEIVABLES

	Group and Company	
	2018	2017
	RM'000	RM'000
Gross receivables	1,174	1,785
Less: Unearned finance income	(66)	(114)
Present value of lease receivables	1,108	1,671

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

	Group and Company	
	2018	2017
	RM'000	RM'000
Receivable within 12 months	854	1,054
Receivable after 12 months:		
- between 1 and 2 years	320	731
- between 2 and 5 years	0	0
	1,174	1,785
Less: Unearned finance income	(66)	(114)
	1,108	1,671
Current (Note 17)	802	984
Non-current	306	687
	1,108	1,671

The weighted average effective interest rates for finance lease receivables are 3.24% (2017: 5.38%) per annum. The finance lease receivables are denominated in Ringgit Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

20 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	12,308	23,951	10,603	21,952
Deposits with licensed financial institutions	23,901	16,717	15,429	5,916
Total deposits, cash and bank balances	36,209	40,668	26,032	27,868
Less: Restricted cash	(3,429)	(3,252)	(3,429)	(3,251)
Less: Deposits maturing more than three (3) months	(2,904)	(10,975)	0	(175)
Cash and cash equivalents	29,876	26,441	22,603	24,442

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 2.85% (2017: 2.74%) per annum. Deposits, cash and bank balances are denominated in Ringgit Malaysia.

Deposits of the Group's and Company have an average maturity period of between 17 to 360 days (2017: 123 to 349 days).

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Trade payables	32,679	38,887	31,149	38,050
Advance billings	0	16,422	0	16,422
Payroll liabilities	4,721	3,379	3,723	2,652
Accruals	2,890	3,904	2,478	2,486
Finance lease liabilities (Note 24)	630	433	630	433
Amounts due to subsidiaries	0	0	4,030	3,708
	40,920	63,025	42,010	63,751

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	25,173	43,115	26,902	44,274
United States Dollar	15,710	19,706	15,071	19,273
Singapore Dollar	37	204	37	204
	40,920	63,025	42,010	63,751

Credit terms of trade payables range from 7 to 90 days (2017: 7 to 90 days). The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

22 BORROWINGS

	Group/Company	
	2018 RM'000	2017 RM'000
Non-current		
Term financing - Secured	1,898	0
Current:		
Banker acceptance - Unsecured	13,970	16,278
Term financing - Secured	330	0
	14,300	16,278
Total borrowings	16,198	16,278

The average interest rate of short-term bank borrowings is at 6.01% (2017: 5.01%) and term financing is at 5.37% (2017: NIL).

The remaining maturities of the borrowing as at 31 December 2018 are as follows:

			Group/Company 2018		
	Interest/ profit rate	Total RM'000	< 1 year RM'000	1 - 5 year RM'000	5 year RM'000
31.12.2018					
Banker acceptance	floating rate based on LIBOR	13,970	13,970	0	0
Term financing	floating on COF	2,228	330	1,650	248
		16,198	14,300	1,650	248
31.12.2017					
Banker Acceptance	floating rate based on LIBOR	16,278	16,278	0	0
		16,278	16,278	0	0

The Group's and Company's net movement in borrowings are analysed as below:

	Group/Company 2018 RM'000
At 1 January 2018	16,278
Drawdown of borrowings	36,200
Repayment of borrowings	(35,958)
Payment of interest	715
Non cash changes:	
- Currency translation differences	(322)
- Interest expense	(715)
At 31 December 2018	16,198

NOTES TO THE FINANCIAL STATEMENTS

22 BORROWINGS (CONTINUED)

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

	Group/Company	
	2018	2017
	RM'000	RM'000
Ringgit Malaysia	4,184	9,519
United States Dollar	12,014	6,759
Total borrowings	16,198	16,278

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS

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.

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 2015 with an update performed as at 31 December 2017. The movement in the present value of defined benefit obligations during the financial year is as follows:

	Group and Company		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
2018	RM'000	RM'000	RM'000
At 1 January	(3,952)	3,181	(771)
Charged to income statement:			
Service cost	(145)	0	(145)
Interest (cost)/income	(237)	182	(55)
	(382)	182	(200)
Charged to other comprehensive income:			
Re-measurement of gain	584	(225)	359
Payment made:			
Contribution paid by the employer	0	0	0
Benefits paid	334	(334)	0
At 31 December	(3,416)	2,804	(612)

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Defined benefit plan (continued)

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

	Group and Company		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
2017	RM'000	RM'000	RM'000
At 1 January	(4,283)	2,571	(1,712)
Charged to income statement:			
Service cost	(164)	0	(164)
Interest (cost)/income	(246)	165	(81)
	(410)	165	(245)
Charged to other comprehensive income:			
Re-measurement of gain	0	667	667
Payment made:			
Contribution paid by the employer	0	519	519
Benefits paid	741	(741)	0
At 31 December	(3,952)	3,181	(771)

Plan assets comprised the following:

	Group and Company			
	2018		2017	
	RM'000	%	RM'000	%
At 31 December				
Equity instruments	829	30	1,611	51
Government bonds	1,436	51	833	26
Cash and cash equivalents and others	539	19	737	23
Total	2,804	100	3,181	100

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Defined benefit plan (continued)

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	
	2018	2017
At 31 December		
Discount rate	5.7%	5.8%
Rate of price inflation	3.0%	3.0%
Expected rate of salary increases		
- up to age 34	7%	7%
- from age 35 to 44	7%	7%
- from age 45 and above	4%	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%

Significant actuarial assumptions and sensitivity analysis

	Core assumption	Sensitivity analysis	Effect on defined benefit obligation
			RM'000
Discount rate	5.7%	1.0% decrease	1,581
Mortality	M9903 Life Tables	Age adjusted by + 1 year	(271)

Method and assumptions used in sensitivity analysis

The sensitivity analysis 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.

24 FINANCE LEASE LIABILITIES

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

	Group and Company	
	2018	2017
	RM'000	RM'000
Minimum lease payments:		
Repayable within 12 months	646	493
Repayable after 12 months:		
- between 1 and 2 years	554	472
- between 2 and 5 years	176	100
	1,376	1,065
Future finance charges on finance leases	(208)	(104)
Present value of the finance lease liability	1,168	961
Current (Note 21)	630	433
Non-current	538	528
	1,168	961

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

The Group's and Company's net movement in finance lease liabilities are analysed as below:

	Group and Company	
	2018	2017
	RM'000	RM'000
At 1 January 2018	961	1,393
Addition	1,101	0
Repayment of finance lease liabilities	(990)	(532)
Non cash changes:		
- Finance cost on lease	96	100
At 31 December 2018	1,168	961

NOTES TO THE FINANCIAL STATEMENTS

25 SHARE CAPITAL

	Group and Company			
	2018	2018	2017	2017
	Number of shares	RM'000	Number of shares	RM'000
Ordinary shares issued and fully paid:				
At 1 January - ordinary shares of RM1.00 each:	60,402	64,528	60,402	60,402
Transition to no-par value regime on 31 January 2017 under Companies Act 2016	0	0	0	4,126
At 31 December	60,402	64,528	60,402	64,528

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM4,126,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

26 SHARE PREMIUM

	Group and Company	
	2018	2017
	RM'000	RM'000
At 1 January	0	4,126
Transition to no-par value regime on 31 January 2017 under Companies Act 2016 (Note 25)	0	(4,126)
At 31 December	0	0

27 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	
	2018	2017
	RM'000	RM'000
Subsidiary companies		
Purchase of goods	6	107
Purchase of services	16,258	15,962
Sales of services	0	34
Secondment fees	11,910	13,229

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

	Company	
	2018	2017
	RM'000	RM'000
Amounts due from subsidiaries	16	616
Amounts due to subsidiaries	4,030	3,708

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 personnel is defined as "those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity". The key management compensation is disclosed as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Salaries and other short-term employees benefits	2,335	2,528	2,335	2,528
Defined contribution plan	345	196	345	196
	2,680	2,724	2,680	2,724

There are no balances from or to key management personnel as at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

28 NON-CASH TRANSACTION

	Group and Company	
	2018	2017
	RM'000	RM'000
Acquisition of plant and equipment by means of finance leases	1,101	0

29 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 RM36.5 million (2017: RM79.0 million) are derived from a single external customer. These revenues are attributable to sales and service of information technology products segment.

30 DIVIDEND

Dividends paid during the financial year are as follows:

	Group and Company	
	2018	2017
	RM'000	RM'000
Interim dividends in respect of financial year 2018:		
- RM0.06 per share, tax exempt single tier and RM0.02 per share, tax exempt special paid on 3 July 2018	4,832	0
Interim dividends in respect of financial year 2017:		
- RM0.05 per share, tax exempt single tier paid on 6 September 2017	0	3,020

31 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 4 April 2019.

PROPERTIES OWNED BY THE GROUP

 As At 31 December 2018

Address	Description	Usage	Tenure	Terms of Tenant's Leases or Under Leases	Appropriate Age	Net Book Value (RM'000)
Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor	Commercial land comprising of 15-storey office building	Office building	Freehold	Nil	Twenty five (25) years	32,426
5-G-9, Persiaran Mahsuri, Bandar Bayan Baru, 11900, Bayan Lepas, Pulau Pinang	4 Storey Shop	Office building	Leasehold	Nil	Six (6) years	3,344

SHAREHOLDING STATISTICS

Shareholding Structure as at 29 MARCH 2019
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 29 MARCH 2019

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	62	2.29	1,725	0.00
101 – 1,000	983	36.37	857,460	1.42
1,001 – 10,000	1,303	48.21	5,643,141	9.34
10,001 – 100,000	305	11.28	8,514,686	14.10
100,001 – 3,020,099 (Less than 5% of issued shares)	47	1.74	24,192,496	40.05
3,020,100 and above (5% and above issued shares)	3	0.11	21,192,492	35.09
Total	2,703	100.00	60,402,000	100.00

Substantial Shareholders (Excluding Bare Trustees and Deemed Interests) as at 29 MARCH 2019

No.	Names	Direct Shareholdings	%
1	AMANAHRAYA TRUSTEES BERHAD <SKIM AMANAH SAHAM BUMIPUTERA>	11,132,500	18.43
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 29 MARCH 2019

No.	Names	Direct Shareholdings	Deemed Interest	%
1	DATUK WAN MOHAMED FUSIL WAN MAHMOOD	475,940	2,994,100	5.74
2	FATHIL SULAIMAN ISMAIL	6,397,939	0	10.59
3	VOON SENG CHUAN	308,500	0	0.51
4	ABD TALIB BABA	0	0	0
5	WONG FOOK HON	1,000	0	0
6	DATO' AB RASHID MAT ADAM	0	0	0
7	IR. DR. MUHAMAD FUAD ABDULLAH	0	0	0
8	SIM HONG KEE	0	0	0

SHAREHOLDING STATISTICS

30 Largest Shareholders as at 29 MARCH 2019

No.	Name	Holdings	(%)
1	AMANAHRAYA TRUSTEES BERHAD <SKIM AMANAH SAHAM BUMIPUTERA>	11,132,500	18.43
2	FATHIL SULAIMAN ISMAIL	6,397,939	10.59
3	SAFIAH SULAIMAN ISMAIL	3,662,053	6.06
4	PHARIDA SULAIMAN @ PHILOMENA SULAIMAN	2,699,976	4.47
5	AIMI KHALIDAH MOHD PUZI	2,418,940	4.00
6	HOR YEE @ HO CHEONG FATT	1,628,940	2.70
7	DB (MALAYSIA) NOMINEE (ASING) SDN BHD <DEUTSCHE BANK AG SINGAPORE FOR YEOMAN 3-RIGHTS VALUE ASIA FUND (PTSL)>	1,562,500	2.59
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL BIN WAN MAHMOOD>	1,400,000	2.32
9	SRI SUSAYATI RAMLAN	1,120,000	1.85
10	WONG TA NOOY @ WONG KENG YONG	1,025,000	1.70
11	CIMB ISLAMIC TRUSTEE BERHAD <WAN MOHAMED FUSIL BIN WAN MAHMOOD>	1,000,000	1.66
12	CHING HENG ZEE	630,000	1.04
13	YEE MEN FONG	600,000	0.99
14	LIM POH TIONG	560,000	0.93
15	NOR HAFIFAH MOHD PUZI	530,000	0.88
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD <CIMB BANK FOR TEOH KIAT KIONG (MY1847)>	500,000	0.83
17	NOR ZALIZA MOHD PUZI	500,000	0.83
18	LIM POH TIONG	489,000	0.81
19	CHOY SWEE CHUN	481,500	0.80
20	WAN MOHAMED FUSIL BIN WAN MAHMOOD	475,940	0.79
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WONG PHOOI YIN (E-TAI)>	401,000	0.66
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMED FUSIL BIN WAN MAHMOOD (473685)>	400,000	0.66

SHAREHOLDING STATISTICS

30 Largest Shareholders as at 29 MARCH 2019 (continued)

No.	Name	Holdings	(%)
23	TOH KAM CHOY	396,000	0.66
24	GAN KHO @ GAN HONG LEONG	368,900	0.61
25	AFFIN HWANG NOMINEES (ASING) SDN BHD <DBS VICKERS SECS (S) PTE LTD FOR LIM MEE HWA>	350,000	0.58
26	VOON SENG CHUAN	308,500	0.51
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR YEOH MEI YING (E-TAI)>	294,200	0.49
28	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURTITIES ACCOUNT FOR CHEW HAN NGIN (8108397)>	292,000	0.48
29	NOR HASLINA BINTI MD. DAHARI	267,600	0.44
30	KHOR KENG SAW @ KHAW AH SOAY	236,200	0.39

NOTICE OF 37TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Seventh Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Thursday, 30 May 2019 at 2.30pm for the following purposes:-

Agenda

1. To receive the Audited Financial Statements for the year ended 31 December 2018 together with the Report of Directors and the Independent Auditors Report thereon.

2. To approve Directors' Remuneration of RM339,000.00 for the year ended 31 December 2018. **Resolution 1**

3. To approve Directors' Remuneration of up to RM390,000.00 for the year ending 31 December 2019. **Resolution 2**

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

   a. Voon Seng Chuan **Resolution 3**
   b. Ir. Dr. Muhamad Fuad Abdullah **Resolution 4**

5. To retain the following directors to act as Independent Non-Executive Director whom had served the Board for a cumulative term of more than nine (9) years:-

   a. Wong Fook Hon **Resolution 5**
   b. Abd Talib Baba **Resolution 6**
   c. Dato' Ab Rashid Mat Adam **Resolution 7**

6. To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 8**

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
30 April 2019

NOTICE OF 37TH ANNUAL GENERAL MEETING

Note:

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-Seventh Annual General Meeting of the Company, the Company shall be requesting the Record of Depositors as at 23 May 2019. Only a depositor whose name appears on the Record of Depositors as at 23 May 2019 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 Boardroom Share Registrars Sdn. Bhd., Level 6, Symphony House, 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 37TH ANNUAL GENERAL MEETING

a. As stated in the Notice of Annual General Meeting on page 170 of this Annual Report, the Directors standing for re-election are:-

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

a. Voon Seng Chuan
b. Ir. Dr. Muhamad Fuad Abdullah

The following directors have served the Board as Independent Non-Executive Director whom had served the Board for a cumulative term of more than nine (9) years. The Board proposed that they be retained to act as Independent Non-Executive Director until the next Annual General Meeting. They are:-

a. Wong Fook Hon
b. Abd Talib Baba
c. Dato' Ab Rashid Mat Adam

b. The remuneration paid to Non-Executive Directors in year 2018 was RM339,000.00 while the amount approved by the shareholders at the Annual General Meeting on 12 June 2018 was RM336,000.00. Shareholders' approval are being sought to ratify the exceeded amount of the remuneration paid.

c. On the recommendation of the Remuneration Committee, the Board proposes that the remuneration fees payable to the Non-Executive Directors for year ending December 2019 to be up to RM390,000.00.

d. The Thirty-Seventh Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on 30 May 2019 at 2.30pm.

e. Details of the Directors standing for re-election are as stated in the Directors' profile column on pages 15 to 22. Their securities holdings in the Company are as stated on page 167.

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
30 April 2019

PROXY FORM

Mesiniaga

Number of Shares Held																	
CDS Account No.				-				-									

I/We, ... NRIC/Company No.....

(FULL NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN BLOCK LETTERS)

(Tel No: .....) of .....

.....

(FULL ADDRESS)

Being member/members of MESINIAGA BERHAD, hereby appoint the following:

Name of Proxy	**NRIC/Passport No.**	**Proportion of Shareholdings (%)**
and/or failing him/her		

as my/our proxy as to vote for me/us and on my/our behalf at the Thirty-Seventh Annual General Meeting of the Company, to be held at **Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor (Tel: +603-5635 8828) on Thursday, 30 May 2019 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.

No	**Resolution**	**For**	**Against**
1	Approval of Directors' remuneration for the year ended 31 December 2018		
2	Approval Directors' remuneration for the year ending 31 December 2019		
3	Re-election of Voon Seng Chuan as Director		
4	Re-election of Ir. Dr. Muhamad Fuad Abdullah as Director		
5	Retention of Wong Fook Hon as Independent Non-Executive Director		
6	Retention of Abd Talib Baba as Independent Non-Executive Director		
7	Retention of Dato' Ab Rashid Mat Adam as Independent Non-Executive Director		
8	Re-appointment of Messrs PricewaterhouseCoopers as Auditors		

Dated this ..... day of ....., 2019

Signature of Shareholder .....

Note:
For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-Seventh Annual General Meeting of the Company, the Company shall be requesting the Record of Depositors as at 23 May 2019. Only a depositor whose name appears on the Record of Depositors as at 23 May 2019 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 Boardroom Share Registrars Sdn. Bhd., Level 6, Symphony House, 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

BOARDROOM SHARE REGISTRARS SDN. BHD.
(formerly known as Symphony Registrars Sdn. Bhd.)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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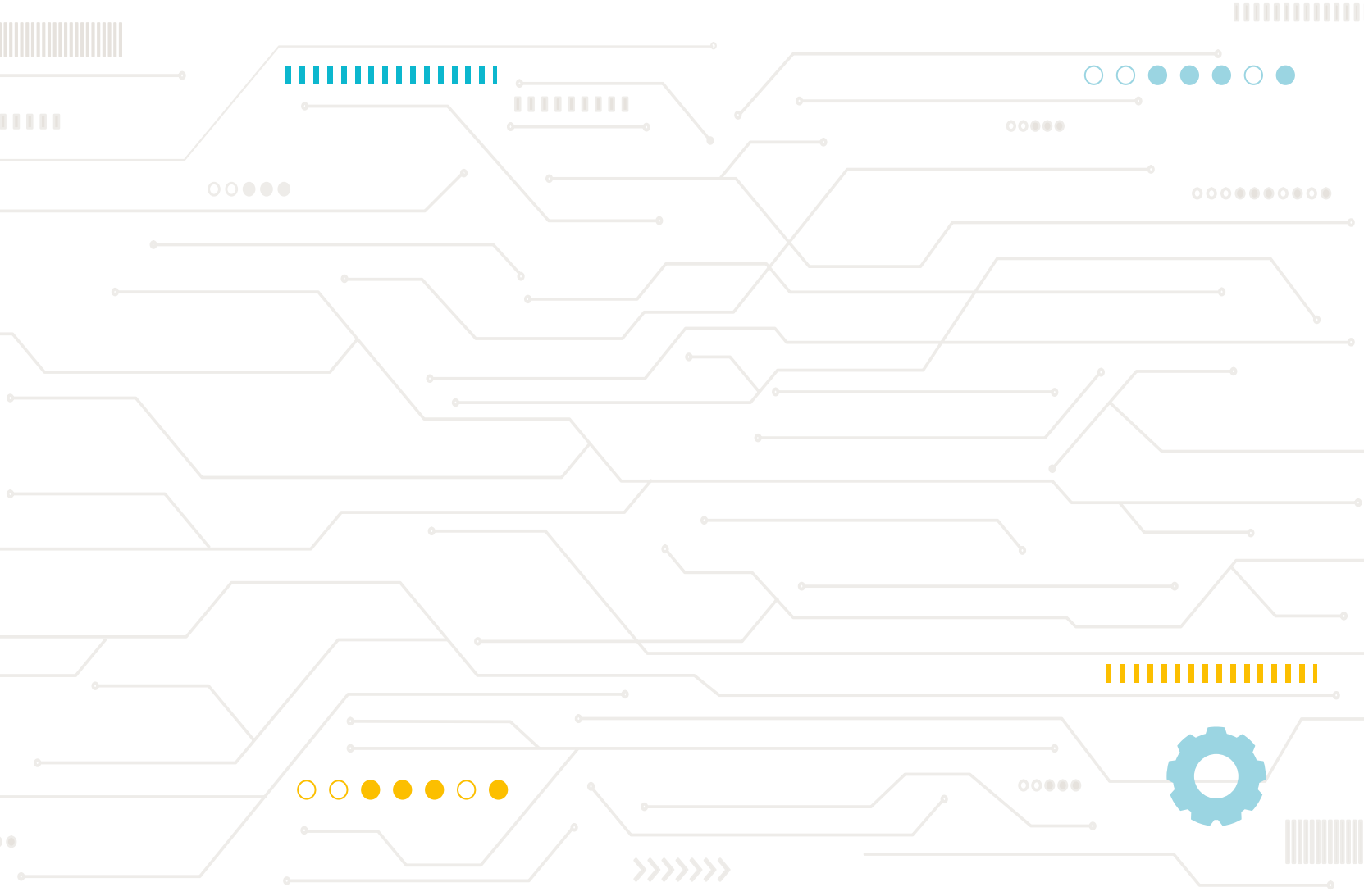

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