



## Mission & Vision

Mesiniaga's Mission is:

“ To provide solutions in IT Products and Services which enable our customers to serve their customers efficiently and effectively.”

We are guided by this Vision:

“ To be the leading Malaysian company in the IT industry.”

# Mission & Vision

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# Notice Of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Twenty First Annual General Meeting of the Company will be held at The Auditorium, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Monday 19th May 2003 at 2.30 p.m. for the following purposes:

## Agenda

1. To receive and adopt the Audited Accounts for the year ended 31st December 2002 together with the Reports of Directors and Auditors thereon. **Resolution 1**
2. To approve a First and Final Gross Dividend of 13% less tax and 3% tax exempt, for the year ended 31st December 2002. **Resolution 2**
3. To approve Directors' Fees for the year ended 31st December 2002. **Resolution 3**
4. To re-elect the following Directors retiring pursuant to Article 104 of the Company's Articles of Association:
  - i. Wan Mohamed Fusil Wan Mahmood **Resolution 4**
  - ii. Mohd. Puzi Ahamad **Resolution 5**
  - iii. Ramli Amat **Resolution 6**
5. To re-elect the following Director retiring pursuant to Article 108 of the Company's Articles of Association:
  - i. Fathil Sulaiman Ismail **Resolution 7**
6. To re-appoint Messrs. PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 8**
7. As Special Business, to consider and, if thought fit, to pass the following Ordinary Resolution:

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

**Resolution 9**

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (LS 008039)  
LEE LOONG FOOK (MAICSA 0767097)  
Company Secretaries

Subang Jaya  
25th April 2003

## Notice Of Annual General Meeting (Cont'd)

### Note:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
3. All forms of proxy should be deposited at the Company's Share Registrar's Office at Malaysian Share Registration Services Sdn. Bhd. 7th Floor, Exchange Square, Bukit Kewangan, 50200 KUALA LUMPUR, P.O. Box 13274, 50804 KUALA LUMPUR not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
4. The proposed Ordinary Resolution No. 9 under item 7 if passed, will authorised the Directors of the Company to allot and issue up to ten per cent (10%) of the issued capital of the Company for time being for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting of the Company.

## Additional Statements

1. As stated in the Notice of Annual General Meeting on page 2 of this Annual Report, the Directors standing for re-election are:  
**Pursuant to Article 104 of the Company's Articles of Association:**
  - i. Wan Mohamed Fusil Wan Mahmood
  - ii. Mohd. Puzi Ahamad
  - iii. Ramli Amat**Pursuant to Article 108 of the Company's Articles of Association:**
  - i. Fathil Sulaiman Ismail

Hor Yee is retiring at the forthcoming General Meeting and is not offering himself for a re-election.

Details of the Directors standing for re-election are as stated in the Directors' profile column in pages 6 to 9.
2. Securities holdings of all Directors in the Company is as stated in page 70.
3. Details of Board Meetings and the attendance of Directors at those meetings are as stated on page 17.

# Notice Of Book Closure

**NOTICE IS ALSO HEREBY GIVEN** that the Register of members will be closed on 23rd May 2003 to determine shareholders' entitlement to the dividend payment.

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

- a. Shares transferred into the Depositor's Securities account before 4.00 p.m. on 23rd May 2003 in respect of ordinary shares.
- b. Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the rules of the Kuala Lumpur Stock Exchange.

The final dividend, if approved by the shareholders at the forthcoming Annual General Meeting, will be paid on 18th June 2003 to shareholders whose names appear in the Record of Depositors on 23rd May 2003.

**BY ORDER OF THE BOARD**

**JASNI ABDUL JALIL (LS 008039)**  
**LEE LOONG FOOK (MAICSA 0767097)**  
Company Secretaries

Subang Jaya  
25th April 2003



# Corporate Information

## BOARD OF DIRECTORS

DATO' DR. MOHAMAD ZAWAWI ISMAIL  
ISMAIL SULAIMAN  
(until 16/5/2002)  
WAN MOHAMED FUSIL WAN  
MAHMOOD  
MOHD PUZI AHAMAD  
RAMLI AMAT  
HOR YEE  
JAMIAH ABDUL HAMID  
DATO' WAN ABDULLAH MOHAMAD  
NOR HAYATI MOHD. KASIM  
CHUNG THIAN SINN  
VOON SENG CHUAN  
ZAITON MOHD. HASSAN  
FATHIL SULAIMAN ISMAIL  
(since 1/6/2002)  
JOSEPH TAN JEOK SIAK  
(Alternate Director to Voon Seng Chuan)

## NOMINATION COMMITTEE

JAMIAH ABDUL HAMID  
(Chairperson)  
CHUNG THIAN SINN  
NOR HAYATI MOHD. KASIM

## OPTION COMMITTEE

JAMIAH ABDUL HAMID  
(Chairperson)  
NOR HAYATI MOHD. KASIM

## REMUNERATION COMMITTEE

NOR HAYATI MOHD. KASIM  
(Chairperson)  
DATO' WAN ABDULLAH MOHAMAD  
ISMAIL SULAIMAN  
(until 16/05/2002)

## AUDIT COMMITTEE

NOR HAYATI MOHD. KASIM  
(Chairperson)  
CHUNG THIAN SINN  
ZAITON MOHD. HASSAN

## COMPANY SECRETARY

JASNI ABDUL JALIL (LS 008039)  
LEE LOONG FOOK (MAICSA 0767097)

## 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 AND REPORTING ACCOUNTANTS

PRICEWATERHOUSECOOPERS  
11th Floor, Wisma Sime Darby  
Jalan Raja Laut  
P.O.Box 10192  
50706 Kuala Lumpur  
Tel : 03-2693 1077

## PRINCIPAL BANKERS

CITIBANK BERHAD  
BANK ISLAM MALAYSIA BERHAD  
STANDARD CHARTERED BANK  
(MALAYSIA) BERHAD  
MAYBANK BERHAD

## SHARE REGISTRAR

MALAYSIAN SHARE REGISTRATION  
SERVICES SDN. BHD.  
7th Floor, Exchange Square  
Bukit Kewangan  
52000 Kuala Lumpur  
Tel : 03-2026 8099  
Fax : 03-2026 3736

## STOCK EXCHANGE LISTING

Main Board of KUALA LUMPUR STOCK  
EXCHANGE

# Board Of Directors' Profiles

## **Ismail Sulaiman, 77**

Executive Director and Chairman – 1st January 2002 – 16th May 2002

Ismail Sulaiman was appointed to the Board in 1982. He graduated with a Bachelor of Engineering (Mechanical Branch) from the University of Madras in 1953. He has more than 41 years of experience in the IT industry, having joined IBM World Trade Corporation in 1953, serving in various capacities, including Special Assistant to the Vice President of IBM WTC Headquarters in New York and as District Manager of IBM South East Asia. His last position at IBM Malaysia was General Manager from 1972 to 1981. Upon retirement from IBM Malaysia, he together with four Senior IBM Managers formed Mesiniaga in 1981. He is a member of the Malaysian Business Council and the Institute of Strategic and International Studies, a Founding Fellow of the Academy of Sciences Malaysia and a recipient of an Honorary Doctorate in Science from Universiti Teknologi Malaysia. He has also served as the President of the Malaysian Mensa. Not standing for a re-election in the last Annual General Meeting, he automatically retired from the Board on 16th May 2002.

## **Dato' Dr. Mohamad Zawawi Ismail, PhD, DPSK, FASc, FIPM, MIEM Peng, 57**

Independent Non-Executive Director and Chairman

Dato' Dr. Mohamad Zawawi Ismail was appointed to the Board on 16th November 2001. He was appointed as the Non-Executive Chairman on 16th May 2002. Gained both his degree and doctorate in Electronic Engineering from the University of Leeds, England. In 1996, he was awarded the Honorary Degree of Doctor of Engineering by his alma mater. He was the founding Vice-Chancellor of Universiti Malaysia Sarawak (Unimas), a position he held until December 2000. He is a professional Engineer and Consultant, and a member of the National Information Technology Council (NITC) and National Aerospace Council (NAC). He is also a Board member of Bumiputra-Commerce Bank Berhad and Bumi Armada Berhad. Other previous appointments include Deputy Director-General Malaysian Institute of Microelectronics Systems (now Mimos Bhd.) and Deputy Vice-Chancellor of Universiti Kebangsaan Malaysian. He is an Honorary Fellow of the Institute of Physics Malaysia and a founding Fellow of the Academy of Sciences Malaysia.

## **Wan Mohamed Fusil Wan Mahmood, 52**

Executive Director and Chief Executive Officer

Wan Mohamed Fusil Wan Mahmood was appointed to the Board in 1982. He graduated with a Diploma in Accountancy from ITM (now known as UiTM) in 1972. He is one of the founder members of PIKOM. He served PIKOM in several capacities as Councillor (1987), Deputy Chairman (1989-1991) and Chairman (1991/92). He was in IBM Malaysia for nine (9) years in various capacities. Prior to joining Mesiniaga, he was Country Manager – Information Products Division, IBM Malaysia.

## **Mohd. Puzi Ahamad, RA(M), FCCA, 50**

Executive Director and Chief Financial Officer

Mohd. Puzi Ahamad was appointed to the Board in 1982. He is a fellow member of the Chartered Association of Certified Accountants, and a member of the Malaysian Institute of Accountants. He has 27 years of experience in the IT industry, where prior to joining Mesiniaga, he served in IBM Malaysia in various capacities over a period of 7 years up until 1981, the last being the Sales and Administration Manager.

### **Ramli Amat, 51**

Non-Executive Director

Ramli Amat was appointed to the Board in 1982. Until March 2000, he was serving as an Executive Director. He graduated with a Diploma in Business Studies from ITM (now known as UiTM) in 1971. He has 31 years experience in the IT industry and has served in IBM Malaysia over a period of 10 years holding several positions, the last being Marketing Manager prior to joining Mesiniaga.

### **Hor Yee, 63**

Non-Executive Director

Hor Yee was first appointed to the Board in 1982. He served as an Executive Director until 1998. He studied Mechanical Engineering in the Singapore Polytechnic. He has more than 31 years of working experience in the IT industry where, prior to joining Mesiniaga in 1982, he served IBM Malaysia for a total of 17 years holding various positions, the last being its Information Products Customer Engineering Manager for the South East Asia region where he was responsible for countries within the region as well as South Korea, Taiwan and Hong Kong.

### **Jamiah Abdul Hamid, JSM, 48**

Non-Executive Director

Jamiah Abdul Hamid was appointed to the Board in 1992. She holds a Masters in Business Administration from Universiti Kebangsaan Malaysia and Bachelor of Science (Finance) from Northern Illinois University. She also holds a Diploma in Public Administration from ITM (now known as UiTM). She has served in various positions in the Investment Operation Department of PNB from 1982 to 1995. In early 1995, she was promoted to head the Corporate Services Division of PNB as the General Manager. She is also on the Board of various public companies namely Malaysia Mining Corporation Berhad, UMW Holdings (M) Berhad and Singapore Unit Trusts Limited. She is the Chairperson of Mesiniaga's Nomination Committee and the Option Committee.

### **Dato' Wan Abdullah Mohamad, DPMT, 62**

Non-Executive Director

Dato' Wan Abdullah Mohamad was appointed to the Board in 1995. He graduated from The College of Agriculture Serdang (now known as Universiti Putra Malaysia) in 1962, with a Diploma in Agriculture. In 1984, he attended the Advanced Management Programme (AMP) at Harvard Business School, USA. He started his career with the Terengganu State Agriculture Department as an Agricultural Assistant. He later joined Rothmans of Pall Mall (M) Berhad as a pioneer and was Leaf Advisor. He has served as Director of the Leaf Growing Scheme and Director of the Leaf Tobacco Development Corporation since 1970. He was promoted to Director, Rothmans of Pall Mall (Malaysia) Berhad in 1973. He was the Regional Leaf Director Asia-Pacific until his retirement in 1997. He is a member of the Remuneration Committee.



## Board Of Directors' Profiles (Cont'd)

### **Voon Seng Chuan, 44**

Non-Executive Director

Voon Seng Chuan was appointed to the Board on 24th October 2000. He Holds a Bachelor in Mathematics from Univerisity of Malaya. He has served IBM Malaysia since 1983 and has been holding various positions starting with his first appointment as a Marketing Representative. He is now as the Managing Director of IBM Malaysia Sdn. Bhd.

### **Chung Thian Sinn, 60**

Independent Non-Executive Director

Chung Thian Sinn was appointed to the Board on 17th September 1999. He graduated with Bachelor of Science (Hons) in 1964 and subsequently joined Mobil (Malaysia) as a Technical Sales Executive. He later joined IBM Malaysia in 1967 as a Systems Engineer and served the Company for a number of years, with his last position there being IBM Malaysia's Country Systems Engineering Manager. He subsequently left IBM Malaysia in 1981 and in the same year joined Time Engineering Sdn. Bhd., and was subsequently appointed as a Company Secretary and Director, a position from which he later retired in 1990. He is a Committee Member of Mesiniaga's Audit Committee and the Nomination Committee.

### **Nor Hayati Mohd. Kasim, 56**

Independent Non-Executive Director

Nor Hayati Mohd. Kasim was appointed to the Board of Directors on 17th September 1999. She obtained a Bachelor of Arts from Universiti Malaya in 1970, and a Masters of Arts (Organisational Psychology) from the University of Lancaster in 1981. She joined Bank Negara Malaysia in 1971 as a Human Resource Officer, and subsequently joined IBM Malaysia as Personnel Assistant in 1974. Her last position in IBM Malaysia was Human Resource Manager, after which she was appointed as Management Development Manager of IBM ASEAN in 1997, a position she later retired from in June 1999. She chairs the Mesiniaga's Audit Committee. She is also a member of Remuneration, Nomination and Option Committees.

### **Zaiton Mohd. Hassan, FCCA, MICPA, 46**

Independent Non-Executive Director

Zaiton Mohd. Hassan was appointed to the Board on 16th November 2001. A Member of MICPA (Malaysian Institue of Certified Accountants) and a Fellow Member of Chartered Association of Certified Accountants. She is the President and Chief Executive Officer of Malaysian Rating Corporation Berhad (MARC). Prior to joining MARC, she served 12 years with Maybank, in various senior positions, the last being General Manager of Corporate Planning. Before Maybank, she was also with PriceWaterhouse, Bank Pembangunan (M) Berhad and Bapema Corporation Sdn. Bhd. (a subsidiary of Permodalan Nasional Berhad). She is a member of Mesiniaga's Audit Committee.

### **Fathil Sulaiman Ismail, 39**

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Non-Executive Director

Fathil Sulaiman Ismail was appointed as a Non-Executive Director of the Company on 1st June 2002. Attended The Malay College Kuala Kangsar and later qualified from the Chartered Association of Certified Accountants. He worked in Ernst & Young and the Corporate Finance Department of Arab Malaysian Merchant Bank before pursuing private enterprise as a partner of Graha Karsa in 1992.

He was a founding partner and the Managing Director of Aetna Genesis Healthcare (formerly known as Genesis Healthcare) for six years until late 2001.

### **Joseph Tan Jeok Siak, 52**

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Alternate Director to Voon Seng Chuan

Joseph Tan Jeok Siak was appointed to the Board of Mesiniaga as Alternate Director to Voon Seng Chuan on 24th October 2000. He holds a Masters degree from the University of Bath and a Diploma in Management from the Malaysian Institute of Management. He joined IBM Malaysia in 1969 as an Administrative Assistant and now holds the position of Chief Financial Officer of IBM Malaysia.

All Board Members are Malaysia citizens and with the exception of Fathil Sulaiman Ismail, all of the Board Members have no family relationship among themselves or with any of the major shareholders of the Company. All Board Members do not have any conflict of interest with the Company as well as were never convicted for any offences other than traffic offences within the past 10 years. Other than the Director positions held by Dato' Dr. Mohamad Zawawi Ismail, Jamiah Abdul Hamid and Zaiton Mohd Hassan in other public companies as stated in their respective profiles, all of the Directors do not hold any directorship positions in any public companies other than Mesiniaga Berhad.

# Company Profile

## HISTORY

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In 1982, Mesiniaga was initiated in response to the spirit of the New Economic Policy to nurture bumiputera expertise and entrepreneurship by carving out a piece of the IBM business and entrusting it to a local team to represent IBM as dealer and sole agent in Malaysia. Today, the 500-strong public listed company represents IBM, as well as several different blue chip names in the industry, including Lotus, Cisco, Microsoft, SAP and others. Mesiniaga has been repeatedly honoured for excellence as a business partner, systems integrator, network solutions provider and marketer.

Starting with a paid-up capital of RM500,000, its paid-up capital has now grown to RM60.2 million. It became a public company on 24th December 1996 and proceeded to be listed on the Main Board of the Kuala Lumpur Stock Exchange on 17th November 1999.

The main office is located at Menara Mesiniaga, 1A, Jalan SS 16/1, 47500 Subang Jaya, Selangor with branch offices in Pulau Pinang and Johor Bahru. There are also 16 service locations throughout Malaysia.

## PRINCIPAL ACTIVITIES

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Its core business area includes; systems integration services, network installation and implementation, systems and network management services, IT outsourcing, application development and customisation, e-business solutions, systems support and maintenance, systems engineering services, project management services, sales of computer hardware, software, network equipment, communication equipment and IT related equipment.

Mesiniaga assists customers in all aspects of IT projects; from the planning and development phase to implementation, system documentation, user education, user assistance, systems and network management and system maintenance.

The Group consisting of its subsidiaries and associate companies are involved in the sales of computer software and provision of programming and maintenance services, development and marketing software products and provision of service online data access.

## PRODUCTS OFFERED BY MESINIAGA

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The Mesiniaga Group, through its dealership with various IT suppliers represent major brandnames such as IBM, Lotus, Microsoft, Novell, 3Com, Cisco, Tivoli, SAP and Avaya, offers an extensive range of IT products, which includes:

### Hardware

- Computer Systems;
- Printers and Scanners;
- Networking Systems

### Software;

- Desktop Productivity;
- Office Systems (OS) and Backoffice;
- Security Solution;
- Customised Solution;
- Systems Management

### SERVICES OFFERED BY MESINIAGA

Mesiniaga is in the business of adding value by combining IT Products and Services into a single functional offering that satisfies the customers' specific requirements for a total integrated business solution. The range of services offered by Mesiniaga are as follows:

- Application Development;
- Education and Training;
- Systems Deployment; and
- Workgroup Solution

### SUPPORT OFFERED BY MESINIAGA

Mesiniaga provides services for all IBM PC products and major third party offerings. The following product support options are currently available:

#### **Hardware Maintenance**

- Personal computers such as IBM and Compaq;
- Networking products such as IBM, Cisco Systems and 3Com;
- Printers such as HP and Lexmark;
- Other peripherals.

#### **Networking Systems Maintenance**

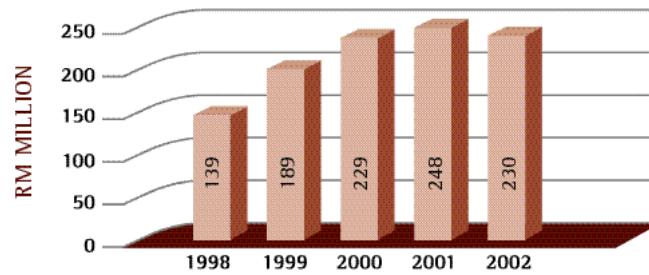
- Novell Netware;
- Microsoft Windows NT.

To date, Mesiniaga is a service provider for IBM, Lexmark and other principals.

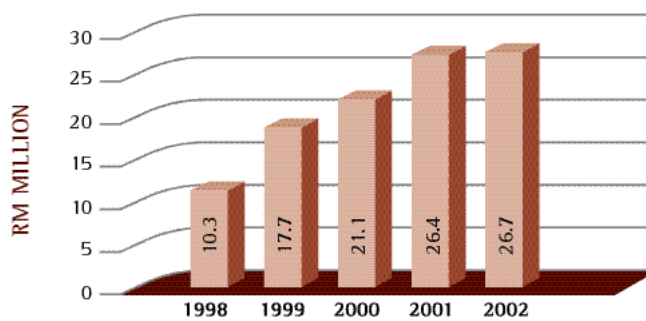


# Five Year Performance Statistics

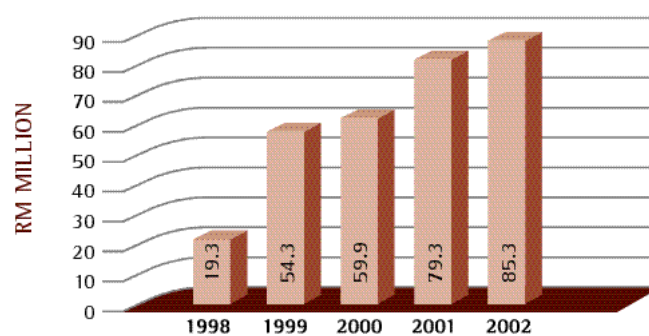
## REVENUE



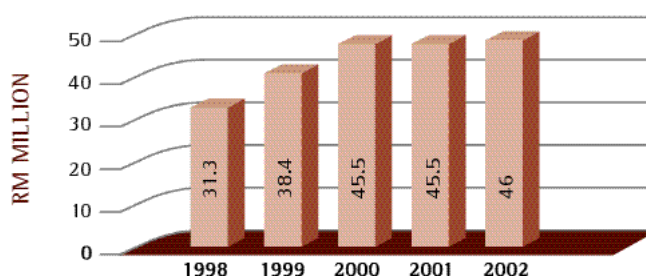
## PROFIT BEFORE TAX



## NET CURRENT ASSETS

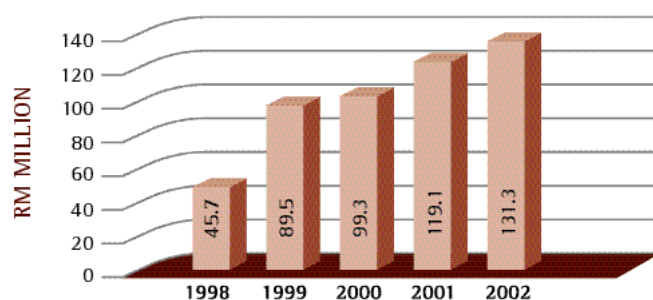


## FIXED ASSETS

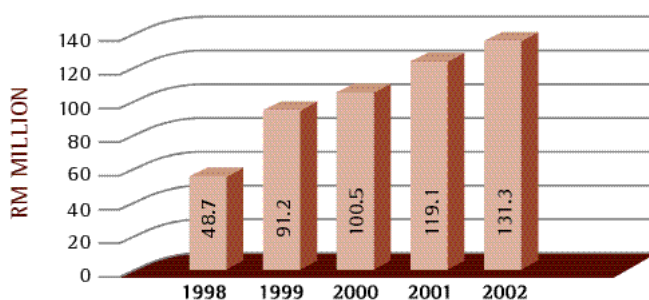


## Five Year Performance Statistics (Cont'd)

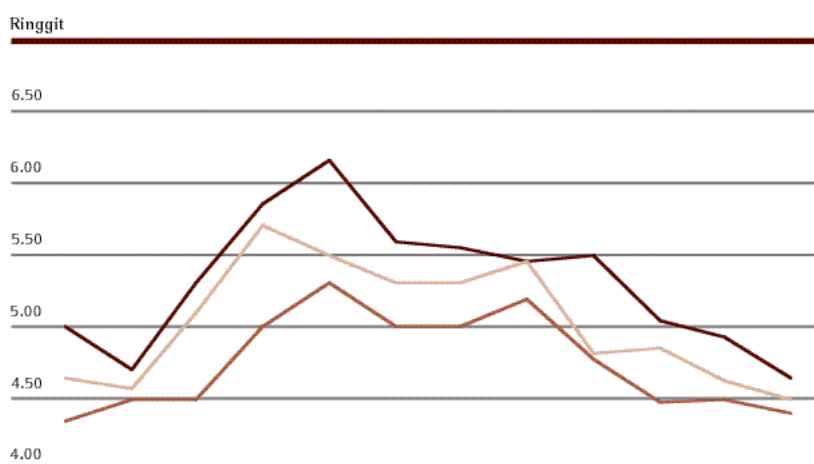
### NET TANGIBLE ASSETS



### SHAREHOLDERS' EQUITY



### SHARE PRICE MOVEMENT IN YEAR 2002



Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Low	4.34	4.50	4.50	5.00	5.30	5.00	5.00	5.20	4.78	4.48	4.50	4.40
High	5.00	4.70	5.30	5.85	6.15	5.60	5.55	5.45	5.50	5.05	4.92	4.64
Close	4.64	4.56	5.10	5.70	5.50	5.30	5.30	5.45	4.82	4.86	4.62	4.50

— Month's Low      — Month's High      — Month End Close

# Chairman's Statement

I am pleased to report that Mesiniaga performed well last year, especially in the first six months of the year. This performance is especially noteworthy given the uncertainties that hung over global businesses and the tough competition within the local ICT market. In fact, the Company's mid-year position was the strongest in its history. However, the impact of a tough economic climate made itself felt in the second half, slowing down the pace of growth noticeably.

For the first half of the year, our profits grew by more than 30 percent over the previous year. For the year, the Company recorded a pre-tax profit of RM26.7 million, a slight increase over the preceding year's pre-tax profit of RM26.4 million, and a new high for the Company. A gross dividend of 16 percent, less tax was declared for the previous financial year ending December 2001. For the year ended December 2002, I am pleased to report that your Board will be recommending a gross dividend of 13 percent less tax plus a 3 percent tax exempt.

Our success during 2002 stemmed from our effort throughout the year to promote an organisational culture that places the highest possible priority on customer satisfaction. It is a culture that rewards performance and promotes the professional growth of the many highly talented people who deliver the kind of exceptional performance that delights customers and builds their loyalty. Keeping customers happy is a simple idea, but one that is challenging to execute. We are pleased to say that this is something Mesiniaga people understand very well. The many awards the Company has won over the past year from its business partners attest to the strength of this understanding and the results that follow from it. Mesiniaga's employees are unwavering in their dedication to ensuring, through the IT services and support they provide, that our customers are well positioned to serve their customers.

We cannot say with certainty what is to come for the coming year. There is no doubt that our business activities will continue to be linked with the rest of the world that we, as

well as the customers we serve, will inevitably feel the stresses and strains of adverse developments in the economies of our major trading partners. We are also mindful of the potential effects of the conflict in Iraq on the industry at the home front. While the local ICT sector is said to be quite insulated from the events in the Gulf, global uncertainties could see a possible dwindling of foreign direct investments in the sector as multinational corporations are expected to take measures at cushioning their businesses by decreasing ICT spending. As cautious as we may sound, we are also very much aware that our local ICT sector is still relatively young, hence ICT spending among local businesses, in terms of technology back-up, could well continue, although perhaps not as vigorously as we would want it to. In anticipating continued growth and investment in ICT amongst our customers, we will spare no effort to further strengthen our position as the leading Malaysian Company in the industry. We think that a Company like Mesiniaga is able to withstand the uncertainties of the general environment because it is fortified by its own robust business practices and prudent management.

Nevertheless, our successes can also cause us to stumble if they create blind spots in our vision of what lies ahead. We cannot rest on our laurels. We need to quickly respond to changes, be it in technology, in the marketplace or in customer demand. We need to review our short and long-term position within the ICT industry, in order to sustain our growth and increase our market share. More importantly we need to continually invest in our most important asset - our people. We need to not only enhance their skills to fulfill present requirements but also to prepare them for future areas of service or business.

Once again, we thank you for your confidence in Mesiniaga. We trust that you will look forward with us to another year of continuing growth, for ourselves and for the customers who have chosen us to be their partners.

**Dato' Dr. Mohamad Zawawi Ismail**





# Corporate Structure

## SUBSIDIARY COMPANY

Mesiniaga MSC Sdn. Bhd. 100%  
Dormant.

Mesiniaga Techniques Sdn. Bhd. 100%  
Provision of human resources to the Parent Company.

Secure Online Transactions Sdn. Bhd. 100%  
Dormant.

Mesiniaga-SCS Sdn. Bhd. 70%  
Provision of management training & consulting services to the public & private sectors in strategic planning, strategic management implementation, management training & development, strategic sales & marketing consulting & human resource management consulting.

VA Dynamics Sdn. Bhd. 51%  
Sales of networking cables and related products.

# Mesiniaga

## ASSOCIATE COMPANY

SJA Infotech Sdn. Bhd. 35%  
Development & Maintenance of Web Sites.

Advantage Systems Sdn. Bhd. 30%  
Provision of Data Connectivity and Communication services.

PWR Powerlan (Malaysia) Sdn. Bhd. 30%  
Development & sale of computer software & equipment, installation & support of computer software systems.

# Corporate Governance Statement

## CODE

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

## THE BOARD OF DIRECTORS

All Board Members have attended the mandatory accreditation programme organised by KLSE. Throughout 2002, the Board of Directors met 4 times. Details of the meetings are as follows:

Date & Time	5/4/2002 3.00 p.m.	4/7/2002 2.00 p.m.	7/10/2002 9.00 a.m.	27/11/2002 9.00 a.m.
ISMAIL SULAIMAN	•	R	R	R
DATO' DR. MOHAMAD ZAWAWI ISMAIL	•	•	•	•
WAN MOHAMED FUSIL WAN MAHMOOD	•	•	•	•
MOHD. PUZI AHAMAD	•	•	•	•
HOR YEE	•	•	•	•
DATO' WAN ABDULLAH MOHAMAD	M	•	•	•
JAMIAH ABD. HAMID	•	•	•	•
CHUNG THIAN SINN	•	•	•	•
NOR HAYATI MOHD. KASIM	•	•	•	•
RAMLI AMAT	•	•	•	•
VOON SENG CHUAN	•	•	•	M
ZAITON MOHD. HASSAN	•	•	•	•
FATHIL SULAIMAN ISMAIL	Y	•	•	•
JOSEPH TAN JEOK SIAK (Alternate to Voon Seng Chuan)	-	-	-	-

Key: • Attended                      M Absent with Apologies  
 R Retired                              Y Appointed on 1st June 2002

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

## Corporate Governance Statement (Cont'd)

### Board Balance

The Board consists of three Executive Directors and nine Non-Executive Directors, four of whom are Independent Non-Executive Directors. With the resignation of Ismail Sulaiman on 16th May 2002, the number of Executive Directors is reduced to two.

There is a clear division of responsibility between the Chairman and the Chief Executive Officer to ensure that there is a balance of power and authority.

Together, the Directors bring a wide range of business, commercial and financial experience relevant to the Company. A brief description on the background of each Director is presented in the Directors Profile column on page 6 to 9.

### Supply of Information

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

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

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

### Appointments to the Board

New Directors were appointed based on the recommendations of a Nomination Committee headed by Jamiah Abdul Hamid. All new Directors attended an orientation programme to familiarise themselves with the Company and its operations.

### Re-election

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

## DIRECTORS' REMUNERATION

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

Details of the remuneration for the Directors are as follows:

	Basic Salary RM	Fees RM	Bonus RM	Benefit -in-kind RM	Pension RM	Others RM	Total RM
Executive Directors	672,240	0	110,210	133,413	0	93,912	1,009,775
Non-Executive Directors	0	163,500	0	0	30,290	0	193,790

### Directors' Remuneration in Bands

	Number of Directors	
	Executive	Non Executive
Below RM 50,000	-	10
RM 50,000 to RM 99,999	-	-
RM 100,000 to RM 149,999	1	-
RM 150,000 to RM 199,999	-	-
RM 200,000 to RM 249,999	-	-
RM 250,000 to RM 299,999	-	-
RM 300,000 to RM 349,999	1	-
RM 350,000 to RM 399,999	-	-
RM 400,000 to RM 449,999	-	-
RM 450,000 to RM 499,999	-	-
RM 500,000 to RM 549,999	1	-

## SHAREHOLDERS

### Dialogue between the Company and Investors

The Company's Advisor holds discussions with analysts and shareholders from time to time especially after the announcement of the Company's quarterly financial results. The Company's web site [www.mesiniaga.com.my](http://www.mesiniaga.com.my) is also accessible for further information.

### The Annual General Meeting

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

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

## ACCOUNTABILITY AND AUDIT

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### Financial Reporting

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

The Statement of Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 34 of this Annual Report.

### Internal Control

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

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

## RELATIONSHIP WITH AUDITORS

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The role of the Audit Committee is as stated on pages 22 to 23. Through the Audit Committee of the Board, the Company has established transparent and appropriate relationships with the Company's Auditors, both Internal and External. When required, the External Auditors attend the meetings of the Committee.

# Statement Of Directors Responsibilities In Relation To Financial Statements

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

The Directors consider that, in preparing the financial statements of the Company for the year ended 31st December 2002, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors have also considered that all applicable accounting standards have been followed and confirm that the financial statements have been prepared on the going concern basis.

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

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



# The Audit Committee

## CHAIRPERSON

NOR HAYATI MOHD. KASIM (Independent Non-Executive Director)

## MEMBERS

CHUNG THIAN SINN (Independent Non-Executive Director)

ZAITON MOHD. HASSAN (Independent Non-Executive Director)

## SECRETARY

ALAIN WEE KIM SUAN

## TERMS OF REFERENCE

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### Size and Composition

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

The Chairman of the Committee shall be an Independent Directors appointed by the Board of Directors. No Alternate Director is appointed as a member to this Committee.

### Frequency of Meeting

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

### Secretary

The Secretary of the Audit Committee shall be the Internal Auditor of the Company.

### Purpose of the Committee

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

### Functions and Duties

The functions and duties of the Audit Committee are:

- i. To consider the appointment of the External Auditor, the audit fee and any questions of resignation or dismissal.
- ii. To review with the External Auditor, the Audit Plan, evaluation of the system of internal accounting controls, Audit report and assistance given by the Company's officers to the auditors.
- iii. To review the balance sheet and profit and loss account and any related transactions that may arise within the Company/Group.
- iv. To perform any other related duties as directed by the Board of Directors.

Meeting Held

Date	NOR HAYATI MOHD. KASIM	CHUNG THIAN SINN	ZAITON MOHD. HASSAN
20/2/2002	•	•	•
29/4/2002	•	•	•
1/8/2002	•	•	•
11/11/2002	•	•	•

Key: • Attended

Summary Of Activities

1. Review and approval of financial results announcements to KLSE.
2. Review and adoption of quarterly financial results and yearly financial statements.
3. Review of Audit Plan.
4. Review of Internal Audit reports.
5. Participation in training programmes in related areas.
6. Review of referencing guidelines pertaining to rules and regulations as well as best practices that govern Mesinaga Berhad.
7. Independent meetings with External Auditor.

Summary of Internal Audit function/activity

1. Presentation of reports on Audits carried out.
2. Maintenance of effective audit programmes.
3. Planning and coordination of ISO Audit.
4. Preparation of Audit Committee meeting reports.
5. Secretarial function to the Audit Committee.
6. Risks Audits and Assessments.
7. Any other functions as instructed by the Audit Committee and the Board of Directors.





# Statement On Internal Control

The internal control system has clear management support, including involvement of the Board, and is designed to manage the risks to which the Company is exposed. Such processes are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material errors, losses, fraud or occurrence of unforeseeable circumstances.

## Risk Management

In November 2002, a Risk Management Committee (“RMC”) was set up consisting of four members, two being Non-Executive Directors. The RMC shall review and guide the Company’s risk management program (“RMP”), and advise the Board accordingly. The RMP is intended to provide an ongoing process for identifying, evaluating and managing significant risk faced by the Company.

## Other key elements of internal control

The Board is committed to maintaining a strong control structure and environment for the proper conduct of the Company’s business operations. The key elements are:

- The operating structure includes clearly defined delegation of responsibilities to the committees of the Board, the management of the Company and the operating units.
- Documented standard operating policies and procedures which are subject to regular review and improvement.
- On-line financial information available to management, covering current profit and loss, the status of accounts receivables, account payable and cash position.
- The Audit & Examination Committee of Directors is independent and comprise of Independent Non-Executive Directors. The Committee has full access to both the Internal and External Auditors and it meets with the External Auditors without any executive present at least once a year. The Internal Auditors report to the Audit & Examination Committee who reviews the audit reports.

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

The Board of Directors  
Mesiniaga Berhad

## Other Information Required By The Listing Requirements Of The KLSE

UTILISATION OF PROCEEDS	No funds were raised by the Company from any corporate proposal during the financial year.
SHARE BUY BACK	During the financial year, the Company did not enter into any share buy back transactions.
OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES	Other than the implementation of Employees' Share Option Scheme (ESOS) as reported on page of this Annual Report, the Company did not implement any other Options, Warrants or Convertible Securities.
AMERICAN DEPOSITORY RECEIPT ("ADR")/GLOBAL DEPOSITORY RECEIPT ("GDR")	During the financial year, the Company did not enter into any ADR/GDR transactions.
SANCTIONS AND/OR PENALTIES	There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.
NON-AUDIT FEES	There were no non-audit fees paid to the External Auditors by the Group and by the Company for the financial year.
VARIATION IN RESULTS	There is no significant difference between the Audited and Unaudited Results.
PROFIT GUARANTEE	The Company has never provided any Profit Guarantee.
MATERIAL CONTRACTS	There were no material contracts by the Company and its subsidiaries involving Directors or substantial shareholders' interest during the financial year.
CONTRACTS RELATING TO LOAN	There were no contracts relating to a loan by the Company during the financial year.
REVALUATION OF LANDED PROPERTIES	The Company did not carry out any revaluation exercise on its landed properties during the financial year.

# Financial Statements

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# Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2002.

## PRINCIPAL ACTIVITIES

The Company is principally involved in the sale and service of information technology products and related services. The principal activities of the subsidiaries are described in Note 12 to the financial statements.

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

## FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Profit from ordinary activities after taxation	19,375	17,816
Minority interests	(563)	-
Net profit attributable to shareholders	<u>18,812</u>	<u>17,816</u>

## DIVIDENDS

The dividends paid or declared by the Company since 31 December 2001 are as follows:

	RM'000
In respect of the financial year ended 31 December 2001, as shown in the Directors' report of that financial year, final gross dividend of 16 sen per share on 60,060,000 ordinary shares, less income tax, paid on 22 June 2002	<u>6,919</u>

The Directors now recommend the payment of a final gross dividend of 13 sen per share, less income tax, amounting to RM5,631,725 and a final gross dividend of 3 sen per share, tax exempt, amounting to RM1,805,040, subject to the approval of the members at the forthcoming Annual General Meeting, will be paid on 18 June 2003 to shareholders registered on the Company's Register of Members at the close of business on 22 May 2003.

## RESERVES AND PROVISIONS

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

## Directors' Report (Cont'd)

### SHARE CAPITAL

During the financial year, 168,000 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's Employees' Share Option Scheme at the following issue prices:

Issue price RM	Number of ordinary shares of RM1.00 each '000
4.65	139
4.25	29
	<hr/>
	168

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

### EMPLOYEES' SHARE OPTION SCHEME

The Company's Employees' Share Option Scheme ('ESOS') was approved by the shareholders on 17 September 1999 and became effective on 7 February 2001 for a period of five years.

The main features of the ESOS are as follows:

- The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company.
- The option price under the ESOS is set at a discount of not more than ten (10) percent on the weighted average market price of the shares of the Company for the five (5) market days immediately preceding the Date of Offer. The Exercise Price per new share shall in no event be less than its par value.
- Eligible participants of the ESOS are full-time and confirmed employees of the Group who have served the Group for one (1) continuous year on or prior to the Date of Offer. An Executive Director of the Company shall only be eligible to participate in the Scheme if he is holding a full-time executive position and the specific allotment to be made to the Executive Director has been approved by the Company in a members' general meeting.

## EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

The main features of the ESOS are as follows: (Cont'd)

- The basis on which the options may be exercised by virtue of Bye-Law 8.2 of the ESOS is as follows:

Number of options granted and unexercised as at 31 December 2002 '000	Option price RM per share	Percentage of options exercisable			
		2003 %	2004 %	2005 %	2006 %
1,131	4.65	100	-	-	-
1,975	4.65	70	30	-	-
280	4.65	40	20	20	20
<b>3,386</b>					
369	4.25	20	20	20	40
247	4.25	20	20	20	40
580	4.25	20	20	20	40
<b>1,196</b>					

- The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

During the financial year, 1,260,000 options were granted at an exercise price of RM4.25 per share.

The movements during the financial year in the number of options over the ordinary shares of the Company are as follows:

Option price RM per share	Number of options over ordinary shares of RM1.00 each				At 31.12.2002 '000	Expiry date
	At 1.1.2002 '000	Granted '000	Exercised '000	Lapsed '000		
4.65	3,875	-	(139)	(350)	3,386	6.2.2006
4.25	-	1,260	(29)	(35)	1,196	6.2.2006
	<b>3,875</b>	<b>1,260</b>	<b>(168)</b>	<b>(385)</b>	<b>4,582</b>	

## Directors' Report (Cont'd)

### EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the option holders and their holdings of those less than 70,000 shares. The list of the options holders and their holdings of those more than 70,000 shares are as follows:

Name	Option price RM	Number of options over ordinary share of RM1.00 each at option price of RM4.65 per share				At 31.12.2002 '000
		At 1.1.2002 '000	Granted '000	Exercised '000	Lapsed '000	
Yeow Daw Swee	4.65	200	-	(5)	-	195
Noorizan Ali	4.65	103	-	-	-	103
Uji Sherina						
Abdullah	4.65	93	-	(11)	-	82
Loke Soo Mae	4.65	73	-	-	-	73
Lim Kew Seng	4.65	73	-	-	-	73
Zuraida						
Jamaluddin	4.65	70	-	(2)	-	68
Noorizan Ali	4.25	-	45	-	-	45
Zuraida						
Jamaluddin	4.25	-	3	(2)	-	1

### DIRECTORS

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

Wan Mohamed Fusil bin Wan Mahmood

Ramli bin Amat

Mohd Puzi bin Ahamad

Hor Yee

Jamiah bte Abd Hamid

Dato' Wan Abdullah bin Mohamad

Nor Hayati Mohd Kasim

Chung Thian Sinn

Voon Seng Chuan

Joseph Tan Jeok Siak

(alternate Director to Voon Seng Chuan)

Dato' Dr. Mohamad Zawawi Ismail

Zaiton Mohd Hassan

Fathil Sulaiman Ismail

(Appointed on 1.6.2002)

Ismail bin Sulaiman

(Resigned on 16.5.2002)

**DIRECTORS (Cont'd)**

In accordance with Article 108 of the Company's Articles of Association, Fathil Sulaiman Ismail, who was appointed during the period, retires at the forthcoming Annual General Meeting and, being eligible, offers himself for election.

In accordance with Article 104 of the Company's Articles of Association, Wan Mohamed Fusil bin Wan Mahmood, Ramli bin Amat and Mohd Puzi bin Ahamad retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

**DIRECTORS' BENEFITS**

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

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

**DIRECTORS' INTERESTS IN SHARES**

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

	Number of ordinary shares of RM1.00 each			
	At 1.1.2002 '000	Bought '000	Sold '000	At 31.12.2002 '000
Wan Mohamed Fusil bin Wan Mahmood *	4,376	-	(100)	4,276
Ramli bin Amat **	1,876	-	(501)	1,375
Mohd Puzi bin Ahamad	3,949	-	-	3,949
Hor Yee	4,329	-	-	4,329
Jamiah bte Abd Hamid	8	-	-	8
Dato' Wan Abdullah bin Mohamad	28	-	-	28
Nor Hayati Mohd Kasim	28	-	-	28
Fathil Sulaiman Ismail	-	130	-	130

\* Including interests held under their respective nominee accounts with Alliancegroup Nominees (T) Sdn. Bhd.

\*\* Including interests held under their respective nominee accounts with Bumiputra Commerce Nominees (T) Sdn. Bhd.

None of the other Directors in office at the end of the financial year held any interest in shares in the Company and its related corporations during the financial year.



### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

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

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

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

In the opinion of the Directors:

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

**AUDITORS**

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

In accordance with a resolution of the Board of Directors dated 31 March 2003.

WAN MOHAMED FUSIL BIN WAN MAHMOOD  
DIRECTOR

MOHD PUZI BIN AHAMAD  
DIRECTOR



# Statement By Directors

Pursuant To Section 169(15) Of The Companies Act, 1965

We, Wan Mohamed Fusil bin Wan Mahmood and Mohd Puzi bin Ahamad, two of the Directors of Mesiniaga Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 36 to 66 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2002 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 31 March 2003.

WAN MOHAMED FUSIL BIN WAN MAHMOOD  
DIRECTOR

MOHD PUZI BIN AHAMAD  
DIRECTOR

# Statutory Declaration

Pursuant To Section 169(16) Of The Companies Act, 1965

I, Mohd Puzi bin Ahamad, the Director primarily responsible for the financial management of Mesiniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 66 are, to the best of my knowledge and believe, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

MOHD PUZI BIN AHAMAD  
DIRECTOR

Subscribed and solemnly declared by the abovenamed, Mohd Puzi bin Ahamad, at Subang Jaya in Malaysia on 31 March 2003, before me.

COMMISSIONER FOR OATHS

# Report Of The Auditors

To The Members Of Mesiniaga Berhad

We have audited the financial statements set out on pages 36 to 66. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31 December 2002 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

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

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

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

MOHD DARUIS ZAINUDDIN  
(No. 969/3/03 (J)/PH)  
Partner of the firm

31 March 2003



# Income Statements

for the Financial Year Ended 31 December 2002

	NOTE	GROUP		COMPANY	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue	5	230,354	248,261	219,544	237,940
Changes in inventories of finished goods		(6,889)	570	(4,433)	(1,036)
Finished goods purchased		(155,530)	(181,523)	(150,255)	(172,737)
Staff cost		(28,289)	(26,952)	(27,343)	(25,931)
Cost of contract staff		(2,881)	(2,024)	(2,881)	(2,024)
Depreciation of property, plant and equipment		(3,635)	(3,356)	(3,533)	(3,214)
Amortisation of software development expenditure		-	(675)	-	(675)
Software development expenditure written off		-	(502)	-	(502)
Travelling expenses		(2,656)	(3,149)	(2,592)	(3,081)
Other operating income		1,810	1,437	2,255	1,948
Other operating expenses		(5,672)	(5,451)	(5,917)	(4,665)
<b>Profit from operations</b>	6	<b>26,612</b>	<b>26,636</b>	<b>24,845</b>	<b>26,023</b>
Finance cost	7	(42)	(381)	(42)	(381)
Share of results of associates		107	122	-	-
<b>Profit from ordinary activities before taxation</b>		<b>26,677</b>	<b>26,377</b>	<b>24,803</b>	<b>25,642</b>
Taxation	8				
- Company and subsidiaries		(7,257)	(7,193)	(6,987)	(6,920)
- Share of taxation of an associate		(45)	(121)	-	-
		(7,302)	(7,314)	(6,987)	(6,920)
<b>Profit from ordinary activities after taxation</b>		<b>19,375</b>	<b>19,063</b>	<b>17,816</b>	<b>18,722</b>
Minority interests		(563)	(435)	-	-
<b>Net profit attributable to shareholders</b>		<b>18,812</b>	<b>18,628</b>	<b>17,816</b>	<b>18,722</b>
Earnings per share (sen)	9				
- basic		31.3	31.0		
- diluted		31.1	-		
Dividends per share (sen)	10	16	16	16	16

The notes on pages 42 to 66 form an integral part of these financial statements.

# Balance Sheets

as at 31 December 2002

	NOTE	GROUP		COMPANY	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	11	46,876	46,046	46,724	45,822
Subsidiaries	12	-	-	1,140	1,640
Associates	13	6,470	7,017	6,635	6,785
Software development expenditure	14	-	-	-	-
		<b>53,346</b>	<b>53,063</b>	<b>54,499</b>	<b>54,247</b>
<b>CURRENT ASSETS</b>					
Inventories	15	6,925	13,814	4,702	9,135
Trade and other receivables	16	85,834	89,589	81,471	87,999
Cash, bank balances and deposits	17	20,350	16,030	18,858	14,996
		<b>113,109</b>	<b>119,433</b>	<b>105,031</b>	<b>112,130</b>
<b>LESS: CURRENT LIABILITIES</b>					
Trade and other payables	18	25,645	40,071	24,254	38,131
Taxation		2,173	7,064	2,116	6,806
		<b>27,818</b>	<b>47,135</b>	<b>26,370</b>	<b>44,937</b>
<b>NET CURRENT ASSETS</b>					
		<b>85,291</b>	<b>72,298</b>	<b>78,661</b>	<b>67,193</b>
		<b>138,637</b>	<b>125,361</b>	<b>133,160</b>	<b>121,440</b>
<b>LESS: NON-CURRENT LIABILITIES</b>					
Retirement benefits	19	882	882	882	882
Finance lease creditors	20	153	98	153	98
Deferred taxation	21	2,563	2,566	2,550	2,550
		<b>3,598</b>	<b>3,546</b>	<b>3,585</b>	<b>3,530</b>
		<b>135,039</b>	<b>121,815</b>	<b>129,575</b>	<b>117,910</b>
Represented by:					
<b>CAPITAL AND RESERVES</b>					
Share capital	22	60,168	60,000	60,168	60,000
Share premium		3,392	2,792	3,392	2,792
Revaluation reserve		6,800	6,800	6,800	6,800
Capital reserve on consolidation		40	40	-	-
Retained earnings		61,407	49,514	59,215	48,318
<b>SHAREHOLDERS' EQUITY</b>					
		<b>131,807</b>	<b>119,146</b>	<b>129,575</b>	<b>117,910</b>
<b>MINORITY INTERESTS</b>					
		<b>3,232</b>	<b>2,669</b>	<b>-</b>	<b>-</b>
		<b>135,039</b>	<b>121,815</b>	<b>129,575</b>	<b>117,910</b>

The notes on pages 42 to 66 form an integral part of these financial statements.

# Consolidated Statement Of Changes In Equity

for the Financial Year Ended 31 December 2002

	Issued and fully paid ordinary shares of RM1.00 each			Non-distributable		Distributable		Total RM'000
	Number of shares '000	Normal value RM'000	Share premium RM'000	Revaluation reserve RM'000	Capital reserve on consolidation RM'000	Retained earnings RM'000		
<b>NOTE</b>								
At 1 January 2001	60,000	60,000	2,792	6,800	40	30,886	100,518	
- as previously reported	-	-	-	-	-	6,000	6,000	
- prior year adjustment	23							
As restated	60,000	60,000	2,792	6,800	40	36,886	106,518	
Final dividends	-	-	-	-	-	(6,000)	(6,000)	
- 31 December 2000	-	-	-	-	-	18,628	18,628	
Net profit attributable to shareholders								
At 31 December 2001	60,000	60,000	2,792	6,800	40	49,514	119,146	
At 1 January 2002	60,000	60,000	2,792	6,800	40	42,602	112,234	
- as previously reported	-	-	-	-	-	6,912	6,912	
- prior year adjustment	23							
As restated	60,000	60,000	2,792	6,800	40	49,514	119,146	
Final dividends	-	-	-	-	-	(6,912)	(6,912)	
- 31 December 2001	-	-	-	-	-	(7)	(7)	
- 31 December 2001 (under provision)								
Net profit attributable to shareholders								
Issuance of shares on exercise of - share options	168	168	600	-	-	-	768	
At 31 December 2002	60,168	60,168	3,392	6,800	40	61,407	131,807	

The notes on pages 42 to 66 form an integral part of these financial statements.

# Company Statement Of Changes In Equity

for the Financial Year Ended 31 December 2002

NOTE	Issued and fully paid ordinary shares of RM1.00 each					Distributable Retained earnings RM'000	Total RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Non-distributable Revaluation reserve RM'000	Distributable Retained earnings RM'000		
	60,000	60,000	2,792	6,800	29,596	99,188	
23	-	-	-	-	6,000	6,000	
At 1 January 2001	60,000	60,000	2,792	6,800	35,596	105,188	
As restated							
Final dividends							
- 31 December 2000	-	-	-	-	(6,000)	(6,000)	
Net profit attributable to shareholders	-	-	-	-	18,722	18,722	
At 31 December 2001	60,000	60,000	2,792	6,800	48,318	117,910	
	60,000	60,000	2,792	6,800	41,406	110,998	
23	-	-	-	-	6,912	6,912	
At 1 January 2002	60,000	60,000	2,792	6,800	48,318	117,910	
As restated							
Final dividends							
- 31 December 2001	-	-	-	-	(6,912)	(6,912)	
- 31 December 2001 (under provision)	-	-	-	-	(7)	(7)	
	-	-	-	-	(6,919)	(6,919)	
Net profit attributable to shareholders	-	-	-	-	17,816	17,816	
Issuance of shares on exercise of share options	168	168	600	-	-	768	
At 31 December 2002	60,168	60,168	3,392	6,800	59,215	129,575	

The notes on pages 42 to 66 form an integral part of these financial statements.



# Cash Flow Statements

for the Financial Year Ended 31 December 2002

	NOTE	GROUP		COMPANY	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net profit attributable to shareholders		18,812	18,628	17,816	18,722
Adjustments for non-cash items:					
Minority interests		563	435	-	-
Depreciation of property, plant and equipment		3,635	3,356	3,533	3,214
Property, plant and equipment written off		8	-	8	-
Amortisation of software development expenditure		-	675	-	675
Software development expenditure written off		-	502	-	502
Taxation		7,302	7,314	6,987	6,920
Share of results of associates		(107)	(122)	-	-
Interest expense		42	381	42	381
Interest income		(659)	(527)	(650)	(511)
Dividends from an associate		-	-	-	(417)
Dividends from a subsidiary		-	-	(349)	-
Gain on disposal of an associate		-	(1)	-	(1)
Impairment of investment in an associate		401	-	150	-
Impairment of investment in a subsidiary		-	-	500	-
Amortisation of goodwill		207	214	-	-
		30,204	30,855	28,037	29,485
Changes in working capital:					
Inventories		6,889	(33)	4,433	1,573
Receivables		3,862	1,530	6,620	(765)
Payables		(14,533)	(10,775)	(13,992)	(9,557)
Net cash generated from operations		26,422	21,577	25,098	20,736
Interest paid		(42)	(381)	(42)	(381)
Taxation paid		(12,160)	(3,634)	(11,579)	(3,005)
Net cash generated from operating activities		14,220	17,562	13,477	17,350

## Cash Flow Statements (Cont'd)

as at 31 December 2002

	NOTE	GROUP		COMPANY	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(4,132)	(4,457)	(4,102)	(4,459)
Purchase of shares in associates		-	(635)	-	(635)
Proceeds from disposal of shares in an associate		-	1	-	1
Interest received		553	662	544	646
Dividends received from subsidiaries		-	-	264	-
Dividends received from an associate		-	600	-	600
Net cash used in investing activities		(3,579)	(3,829)	(3,294)	(3,847)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of short term borrowings		-	(49,300)	-	(49,300)
Drawdown of short term borrowings		-	45,300	-	45,300
Dividends paid to shareholders of the Company		(6,919)	(6,000)	(6,919)	(6,000)
Proceeds from issuance of shares		768	-	768	-
Repayment of term loan		-	(469)	-	(469)
Repayment of finance lease liability		(170)	(106)	(170)	(106)
Net cash used in financing activities		(6,321)	(10,575)	(6,321)	(10,575)
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		4,320	3,158	3,862	2,928
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		16,030	12,872	14,996	12,068
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	17	20,350	16,030	18,858	14,996

The notes on pages 42 to 66 form an integral part of these financial statements.

# Notes To The Financial Statements

for the Financial Year Ended 31 December 2002

## 1. GENERAL INFORMATION

The Company is principally involved in the sale and service of information technology products and related services. The principal activities of the subsidiaries are described in Note 12 to the financial statements. There have been no significant changes in the activities of the Group and of the Company during the financial year.

The average number of employees during the financial year was 463 (2001: 434) employees in the Group and 441 (2001: 412) employees in the Company.

The Company is a limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of the Kuala Lumpur Stock Exchange.

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

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

## 2. BASIS OF PREPARATION

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

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The new applicable approved accounting standards adopted in these financial statements are as follows:

### (a) Retrospective application

- MASB Standard 19 "Events After Balance Sheet Date"
- MASB Standard 20 "Provisions, Contingent Liabilities and Contingent Assets"
- MASB Standard 22 "Segment Reporting"

### (b) Prospective application

- MASB Standard 21 "Business Combinations"
- MASB Standard 23 "Impairment of Assets"
- MASB Standard 24 "Financial Instruments: Disclosure and Presentation"

With the exception of MASB Standard 19 (See Note 23), there are no changes in accounting policy that affect the net profit attributable to shareholders as a result of the adoption of the above standards in these financial statements as the Group and the Company were already following the recognition and measurement principles in those standards.

Comparatives were not presented upon first application of MASB Standard 24 as permitted by the Standard.

The preparation of financial statements in conformity with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported financial year. Actual results could differ from those estimates.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The excess of the cost of acquisition over the fair value of the Group's share of the subsidiaries' identifiable net assets at the date of acquisition is reflected as goodwill on consolidation.

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

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

#### (b) Goodwill

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

Goodwill on acquisition is amortised using the straight line method over its estimated useful life or 20 years, whichever is shorter. Where an indication of impairment exists, the carrying amount of the goodwill on acquisition is assessed and written down immediately to its recoverable amount.

Negative goodwill represents the excess of the fair value of the Group's share of identifiable net assets acquired over the cost of acquisition. In the Group's balance sheet, negative goodwill is treated as a permanent item and presented as capital reserve on consolidation.

#### (c) Property, plant and equipment

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

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

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

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (c) Property, plant and equipment (Cont'd)

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

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

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

#### (d) Investments

Investments in subsidiaries, associates and other non-current investments are stated at cost unless there is an indication of impairment, in which case the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

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

#### (e) Associates

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

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

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

#### (f) Software development expenditure

Software development expenditure relates to development work carried out in developing specialised software packages. Costs that are clearly associated with an identifiable and unique product which will be controlled by the Group and has a probable benefit exceeding the cost beyond one financial year, are recognised as software development expenditure. Costs include direct costs such as licence fee, salaries and hardware costs specifically attributable to each project. Costs incurred in software development which are not or have ceased to be commercially viable are written off in the financial year.

Software development expenditure recognised as asset is amortised using a straight line basis over a period of five years.

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (g) Inventories

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

#### (h) Trade receivables

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

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

#### (i) Foreign currencies

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

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

Foreign currency	2002 RM	2001 RM
1 US Dollar	3.830	3.810

#### (j) Finance leases

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

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

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

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (k) Retirement benefits

##### Defined contribution plan

The Group's contributions to defined contribution plans are charged to the income statement in the financial year to which they relate.

##### Defined benefit plan

The Group operates a defined benefit plan, the assets of which are held in a separate trustee-administered fund.

The cost of retirement benefits is determined based on independent qualified actuarial valuation carried out every two years using the 'Attained Age Method', a form of the Projected Benefit Valuation Method. Under this method, costs in respect of retirement benefits for eligible employees under the Mesiniaga Retirement Plan, a defined benefit plan, are allocated to the income statement evenly over the expected remaining service lives of those employees. The latest actuarial valuation was carried out as at 31 December 2002.

#### (l) Deferred taxation

The tax expense is determined on the basis of tax effect accounting using the liability method. Deferred taxation is provided for timing differences between accounting income and taxable income except when there is reasonable evidence that such timing differences are not expected to reverse in the foreseeable future. Debit balances on the deferred taxation account are recognised where there is reasonable expectation of their realisation in the foreseeable future.

The potential tax savings relating to a tax loss carried forward is only recognised if there is assurance beyond any reasonable doubt that future taxable income will be sufficient for the benefit of the loss to be realised.

Where there is intention to dispose of revalued assets, the deferred tax relating to such assets is recognised through a transfer from the related revaluation surplus. No provision or disclosure is made of this tax effect where the Group intends to hold such assets for the foreseeable future.

#### (m) Revenue recognition

Revenue is recognised upon delivery of goods sold or services rendered to customers, net of discount and after excluding intra-group transactions. Revenue relating to services rendered is accounted for under the percentage of completion method; the stage of completion is measured by reference to the services performed as a percentage of total services to be performed.

#### (n) Cash and cash equivalents

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

#### (o) Financial instruments

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

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

#### (a) Foreign currency exchange risk

The Group is only exposed to the United States foreign currency which currently is on a fixed change rate with the Ringgit Malaysia. Foreign currency exposure are kept to an acceptable level to minimise short term impact of foreign currency fluctuations.

#### (b) Interest rate risk

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

#### (c) Credit risk

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

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

#### (d) Liquidity and cash flow risk

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

### 5. REVENUE

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue of the Group and of the Company includes:				
Sale of:				
Equipment	113,996	141,532	113,996	141,532
Network products	53,173	58,571	43,309	48,954
Services rendered	63,185	48,158	62,239	47,454
	<b>230,354</b>	<b>248,261</b>	<b>219,544</b>	<b>237,940</b>



## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 6. PROFIT FROM OPERATIONS

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Profit from operations is arrived at after charging:				
Auditors' remuneration	84	68	66	51
Directors' remuneration:				
- Fees	164	132	164	132
- Other emoluments	907	1,113	907	1,006
Rental of premises	417	498	277	458
Allowance for doubtful debts:				
- Subsidiaries	-	-	467	-
- Trade receivables	198	-	198	-
Impairment of investment in an associate	401	-	150	-
Impairment of investment in a subsidiary	-	-	500	-
And crediting:				
Net realised foreign exchange gain	162	467	164	469
Rental income	69	66	97	101
Gross dividend income from an associate	-	-	-	417
Gross dividend income from a subsidiary	-	-	349	-
Interest income	659	527	650	511

The estimated monetary value of benefits-in-kind received/receivable by the Directors during the financial year from the Group and the Company amounted to RM133,000 (2001: RM127,000).

### 7. FINANCE COST

	GROUP AND COMPANY	
	2002 RM'000	2001 RM'000
Interest expenses on:		
Bank overdraft	18	22
Bankers' acceptance	8	290
Lease financing	16	14
Term loan	-	55
	42	381

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 8. TAXATION

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Taxation based on the profit for the financial year:				
Malaysian income tax	7,260	7,253	6,987	6,920
Deferred tax (Note 23)	(3)	(60)	-	-
	7,257	7,193	6,987	6,920
Share of taxation of an associate	45	121	-	-
	7,302	7,314	6,987	6,920

The effective tax rate of the Company is lower than the applicable statutory tax rate due to the utilisation of available capital allowances. The amount of tax savings arising from the utilisation of the capital allowances for the Company for which credit is taken for the financial year is approximately RM856,000 (2001: RM1,414,000).

	GROUP	
	2002 RM'000	2001 RM'000
Tax losses		
Tax losses for which the related tax credit has not been recognised in the financial statements	1,021	1,198

Subject to the agreement by the tax authorities, the Company has sufficient tax credits available under Section 108(6) of the Malaysian Income Tax Act, 1967 to frank the payment of net dividends out of all its retained earnings as at 31 December 2002 if paid out as dividends.

In addition, the Company has tax exempt income as at 31 December 2002 arising from the Income Tax (Amendment) Act, 1999, relating to tax on income earned in 1999 being waived and first tier exempt dividend income amounting to approximately RM7,278,000 (2001: RM7,278,000) available for distribution as tax exempt dividends to shareholders. This tax exempt income is subject to agreement by the tax authorities.

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 9. EARNINGS PER SHARE

#### (a) Basic earnings per share

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

		GROUP	
		2002	2001
		RM'000	RM'000
Net profit attributable to shareholders	(RM'000)	18,812	18,628
Weighted average number of ordinary shares in issue	('000)	60,101	60,000
Basic earnings per share	(sen)	31.3	31.0

#### (b) Diluted earnings per share

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

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

		GROUP	
		2002	2001
		RM'000	RM'000
Net profit attributable to shareholders	(RM'000)	18,812	-
Weighted average number of ordinary shares in issue	('000)	60,101	-
Adjustment for share options	('000)	441	-
Weighted average number of ordinary shares for diluted earnings per share	('000)	60,542	-
Diluted earnings per share	(sen)	31.1	-

As at 31 December 2001, the exercise price of the share options granted to employees is above the fair value of the Company's ordinary shares calculated on the basis of the average price of the ordinary shares during the financial year and hence, the options are anti-dilutive and have no dilutive effect on the Group's earnings per share in the financial year ended 31 December 2001.

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 10. DIVIDENDS

Dividends declared or proposed in respect of the financial year ended 31 December 2002 are as follows:

	2002 RM'000	2001 RM'000
Proposed final dividends of:		
13 sen per share less income tax at 28% (2001: 16 sen per share less income tax)	5,632	6,919
3 sen per share tax exempt (2001: Nil)	1,805	-
	<u>7,437</u>	<u>6,919</u>

The financial statements do not reflect the proposed final dividends, which will only be accrued as a liability in the financial year ending 31 December 2003 after approval by the shareholders. This represents a change in accounting treatment from that of prior years as explained in Note 23.

The underprovision of dividends in the financial year ended 31 December 2001 of RM7,000 represents the dividends paid to additional shareholders of the Company at the book closure date on 23 May 2002 following the issuance of additional ordinary shares of RM1 each on the exercise of share options by the employees of the Company.

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furniture and fittings, at cost RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Group</b>								
<b>2002</b>								
<b>Cost/Valuation</b>								
At 1 January								
2002	3,874	11,059	620	26,373	4,339	18,101	750	65,116
Additions	-	-	-	-	341	2,571	1,561	4,473
Assets written off	-	-	-	-	(86)	(2,962)	-	(3,048)
At 31 December	3,874	11,059	620	26,373	4,594	17,710	2,311	66,541
<b>Accumulated depreciation</b>								
At 1 January								
2002	-	-	24	4,749	1,538	12,759	-	19,070
Charge for the financial year	-	-	12	528	706	2,389	-	3,635
Assets written off	-	-	-	-	(86)	(2,954)	-	(3,040)
At 31 December	-	-	36	5,277	2,158	12,194	-	19,665
Net book value	3,874	11,059	584	21,096	2,436	5,516	2,311	46,876

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furniture and fittings, at cost RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Group</b>								
<b>2001</b>								
<b>Cost/Valuation</b>								
At 1 January								
2001	3,874	11,059	620	26,373	3,245	17,860	-	63,031
Additions	-	-	-	-	721	2,986	750	4,457
Assets written off	-	-	-	-	-	(1,655)	-	(1,655)
Transfers	-	-	-	-	-	(717)	-	(717)
Reclassifications	-	-	-	-	373	(373)	-	-
At 31 December	3,874	11,059	620	26,373	4,339	18,101	750	65,116
<b>Accumulated depreciation</b>								
At 1 January								
2001	-	-	12	4,221	806	12,510	-	17,549
Charge for the financial year	-	-	12	528	602	2,214	-	3,356
Assets written off	-	-	-	-	-	(1,655)	-	(1,655)
Transfers	-	-	-	-	-	(180)	-	(180)
Reclassifications	-	-	-	-	130	(130)	-	-
At 31 December	-	-	24	4,749	1,538	12,759	-	19,070
<b>Net book value</b>								
At 31 December								
2001	3,874	11,059	596	21,624	2,801	5,342	750	46,046

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furniture and fittings, at cost RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Company</b>								
<b>2002</b>								
<b>Cost/Valuation</b>								
At 1 January								
2002	3,874	11,059	620	26,373	4,339	17,100	750	64,115
Additions	-	-	-	-	341	2,541	1,561	4,443
Assets written off	-	-	-	-	(86)	(2,921)	-	(3,007)
At 31 December	3,874	11,059	620	26,373	4,594	16,720	2,311	65,551
2002								
<b>Accumulated depreciation</b>								
At 1 January								
2002	-	-	24	4,749	1,538	11,982	-	18,293
Charge for the financial year	-	-	12	528	706	2,287	-	3,533
Assets written off	-	-	-	-	(86)	(2,913)	-	(2,999)
At 31 December	-	-	36	5,277	2,158	11,356	-	18,827
2002								
<b>Net book value</b>								
At 31 December	3,874	11,059	584	21,096	2,436	5,364	2,311	46,724
2002								

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furniture and fittings, at cost RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Company</b>								
<b>2001</b>								
<b>Cost/Valuation</b>								
At 1 January								
2001	3,874	11,059	620	26,373	3,245	16,857	-	62,028
Additions	-	-	-	-	721	2,988	750	4,459
Assets written off	-	-	-	-	-	(1,655)	-	(1,655)
Transfers	-	-	-	-	-	(717)	-	(717)
Reclassifications	-	-	-	-	373	(373)	-	-
At 31 December	3,874	11,059	620	26,373	4,339	17,100	750	64,115
<b>Accumulated depreciation</b>								
At 1 January								
2001	-	-	12	4,221	806	11,875	-	16,914
Charge for the financial year	-	-	12	528	602	2,072	-	3,214
Assets written off	-	-	-	-	-	(1,655)	-	(1,655)
Transfers	-	-	-	-	-	(180)	-	(180)
Reclassifications	-	-	-	-	130	(130)	-	-
At 31 December	-	-	24	4,749	1,538	11,982	-	18,293
<b>Net book value</b>								
At 31 December								
2001	3,874	11,059	596	21,624	2,801	5,118	750	45,822

The Company's freehold land and building were revalued by the Directors on 19 August 1999 based on an independent professional valuation firm's appraisal of the open market value.

The net book values of the revalued freehold land and building of the Group and of the Company that would have been included in the financial statements, had these assets been carried at cost less accumulated depreciation, are as follows:

	GROUP AND COMPANY	
	2002	2001
	RM'000	RM'000
Freehold land	3,805	3,805
Freehold building	20,790	21,315



## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Included in property, plant and equipment of the Group and of the Company are machines acquired under finance lease agreements, with net book value of RM455,000 (2001: RM242,000).

### 12. SUBSIDIARIES

	COMPANY	
	2002 RM'000	2001 RM'000
Unquoted shares, at cost	1,790	1,790
Accumulated impairment losses	(650)	(150)
	<u>1,140</u>	<u>1,640</u>

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

The details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Equity interests	
			2002 %	2001 %
Mesiniaga Techniques Sdn. Bhd.	Provision of human resources to the parent company	Malaysia	100	100
Secure Online Transactions Sdn. Bhd.	Dormant	Malaysia	100	100
VA Dynamics Sdn. Bhd.	Sales of networking cables and related products	Malaysia	51	51
Mesiniaga-SCS Sdn. Bhd.	Provision of management training and consulting services	Malaysia	70	70
Mesiniaga MSC Sdn. Bhd.	Dormant	Malaysia	100	100

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 13. ASSOCIATES

	GROUP	
	2002 RM'000	2001 RM'000
Share of net assets other than goodwill of associates	2,859	3,199
Goodwill on acquisition	3,611	3,818
	<b>6,470</b>	<b>7,017</b>

	COMPANY	
	2002 RM'000	2001 RM'000
Unquoted shares, at cost	6,785	6,785
Accumulated impairment losses	(150)	-
	<b>6,635</b>	<b>6,785</b>

The details of the associates are as follows:

Name of company	Principal activities	Country of incorporation	Equity interests	
			2002 %	2001 %
PWR Powerlan (Malaysia) Sdn. Bhd.*	Development and sale of computer software and equipment	Malaysia	30	30
Advantage Systems Sdn. Bhd.*	Provision of data connectivity and communication services	Malaysia	30	30
SJA-Infotech Sdn. Bhd.	Development and maintenance of web-site	Malaysia	35	35

\* Not audited by PricewaterhouseCoopers.

### 14. SOFTWARE DEVELOPMENT EXPENDITURE

	GROUP AND COMPANY	
	2002 RM'000	2001 RM'000
As at 1 January	-	1,177
Incurred during the financial year	-	-
	-	<b>1,177</b>
Amortised during the financial year	-	(675)
Written off during the financial year	-	(502)
	-	<b>-</b>
As at 31 December	-	-

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 15. INVENTORIES

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
At cost:				
Equipment	1,143	5,380	1,143	5,380
Spare parts	579	912	579	912
Supplies	213	318	141	272
Cables	3,917	6,663	2,192	2,262
	5,852	13,273	4,055	8,826
At net realisable value:				
Equipment	346	113	346	113
Spare parts	116	106	116	106
Supplies	13	6	13	6
Cables	598	316	172	84
	6,925	13,814	4,702	9,135

### 16. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade receivables	83,756	86,583	79,219	84,141
Allowance for doubtful debts	(1,066)	(1,138)	(926)	(992)
	82,690	85,445	78,293	83,149
Other receivables	1,807	2,804	1,801	2,804
Deposits and prepayments	187	194	177	194
Amounts due from subsidiaries	-	-	50	706
Amounts due from associates	1,150	1,146	1,150	1,146
	85,834	89,589	81,471	87,999

Credit terms of trade receivables ranged from payment in advance to 60 days.

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

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 17. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cash and bank balances	5,736	2,536	4,244	1,752
Deposits with a licensed bank	8,295	6,549	8,295	6,549
Deposits with a licensed finance company	6,319	3,095	6,319	3,095
Deposits with a licensed financial institution	-	3,850	-	3,600
	20,350	16,030	18,858	14,996

The weighted average interest rates of deposits were effective at the end of the financial year were are follows:

	GROUP AND COMPANY	
	2002 %	2001 %
Deposits with a licensed bank	3.18	3.32
Deposits with a licensed finance company	3.25	3.35
Deposits with a licensed financial institution	2.70	2.81

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

Deposits of the Group and the Company have an average maturity of 3 months (2001: 3 months).

### 18. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade payables	22,046	35,786	20,646	33,734
Accruals	3,054	3,870	2,941	3,735
Other payables	325	311	214	264
Finance lease liability (Note 20)	220	104	220	104
Amounts due to subsidiaries	-	-	233	294
	25,645	40,071	24,254	38,131

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

	GROUP	COMPANY
	RM'000	RM'000
Ringgit Malaysia	25,276	23,885
US Dollar	369	369
	25,645	24,254

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

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

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 19. RETIREMENT BENEFITS

The Company and its subsidiaries which are all incorporated in Malaysia contribute to the Employees Provident Fund, the national defined contribution plan.

The Group operates a funded defined benefit plan for its employees. This Scheme is valued by an independent actuary every two years using the 'Attained Age Method', a form of the Projected Benefit Valuation Method. The latest actuarial valuation was carried out as at 31 December 2002 and this valuation showed that the fund as at that date is sufficient to meet the actuarially determined value of vested benefits.

### 20. FINANCE LEASE LIABILITY

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

	GROUP AND COMPANY	
	2002	2001
	%	%
Minimum lease payments:		
Repayable within 12 months	242	111
Repayable after 12 months		
- between 1 and 2 years	131	103
- between 2 and 5 years	43	2
	416	216
Future finance charges on finance leases	(43)	(14)
Present value of finance lease liability	373	202
Current (Note 18)	220	104
Non-current	153	98
	373	202

	GROUP AND COMPANY	
	2002	2001
	%	%
Present value of finance lease liability:		
Repayable within 12 months	220	104
Repayable after 12 months		
- between 1 and 2 years	116	96
- between 2 and 5 years	37	2
	153	98
Present value of finance lease liability	373	202

Finance lease liability is effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The carrying value at the balance sheet date of this finance lease liability approximated the fair value.

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 21. DEFERRED TAXATION

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
As at 1 January	2,566	2,626	2,550	2,550
Transfer from income statement	(3)	(60)	-	-
As at 31 December	2,563	2,566	2,550	2,550

The deferred tax effects of revalued assets has not been provided for as the Group has no intention to dispose of these assets in the foreseeable future.

All timing differences of the Group and of the Company that are expected to reverse in the foreseeable future have been provided for.

### 22. SHARE CAPITAL

	GROUP AND COMPANY	
	2002 RM'000	2001 RM'000
Ordinary shares of RM1.00 each:		
Authorised	100,000	100,000
Issued and fully paid:		
As at 1 January	60,000	60,000
Issuance of ordinary shares of RM1.00 each under the Employees' Share Option Scheme	168	-
As at 31 December	60,168	60,000

During the financial year, 168,000 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's Employees' Share Option Scheme at the following issue prices:

Issue price RM	Number of ordinary shares of RM1.00 each '000
4.65	139
4.25	29
	168

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 22. SHARE CAPITAL (Cont'd)

#### Employees' Share Option Scheme

The Company's Employees' Share Option Scheme ('ESOS') was approved by the shareholders on 17 September 1999 and became effective on 7 February 2001 for a period of five years.

The main features of the ESOS are as follows:

- The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company.
- The option price under the ESOS is set at a discount of not more than ten (10) percent on the weighted average market price of the shares of the Company for the five (5) market days immediately preceding the Date of Offer. The Exercise Price per new share shall in no event be less than its par value.
- Eligible participants of the ESOS are full-time and confirmed employees of the Group who have served the Group for one (1) continuous year on or prior to the Date of Offer. An Executive Director of the Company shall only be eligible to participate in the Scheme if he is holding a full-time executive position and the specific allotment to be made to the Executive Director has been approved by the Company in a members' general meeting.
- The basis on which the options may be exercised by virtue of Bye-Law 8.2 of the ESOS is as follows:

Number of options granted exercised as at 31 December 2002 '000	Option price RM per share	Percentage of options exercisable			
		2003 %	2004 %	2005 %	2006 %
1,131	4.65	100	-	-	-
1,975	4.65	70	30	-	-
280	4.65	40	20	20	20
<b>3,386</b>					
369	4.25	20	20	20	40
247	4.25	20	20	20	40
580	4.25	20	20	20	40
<b>1,196</b>					

- The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

During the financial year, 1,260,000 options were granted at an exercise price of RM4.25 per share.

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 22. SHARE CAPITAL (Cont'd)

#### Employees' Share Option Scheme (Cont'd)

The movements during the financial year in the number of options over the ordinary shares of the Company are as follows:

Option price RM per share	Number of options over ordinary shares of RM1.00 each				At 31.12.2002 '000	Expiry date
	At 1.1.2002 '000	Granted '000	Exercised '000	Lapsed '000		
4.65	3,875	-	(139)	(350)	3,386	6.2.2006
4.25	-	1,260	(29)	(35)	1,196	6.2.2006
	<u>3,875</u>	<u>1,260</u>	<u>(168)</u>	<u>(385)</u>	<u>4,582</u>	

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the option holders and their holdings of those less than 70,000 shares. The list of the options holders and their holdings of those more than 70,000 shares are as follows:

Name	Option price	Number of options over ordinary share of RM1.00 each at option price of RM4.65 per share				At 31.12.2002 '000
		At 1.1.2002 '000	Granted '000	Exercised '000	Lapsed '000	
Yeow Daw Swee	4.65	200	-	(5)	-	195
Noorizan Ali	4.65	103	-	-	-	103
Uji Sherina Abdullah	4.65	93	-	(11)	-	82
Loke Soo Mae	4.65	73	-	-	-	73
Lim Kew Seng	4.65	73	-	-	-	73
Zuraida Jamaluddin	4.65	70	-	(2)	-	68
Noorizan Ali	4.25	-	45	-	-	45
Zuraida Jamaluddin	4.25	-	3	(2)	-	1



## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 23. PRIOR YEAR ADJUSTMENT

In previous years, dividends were accrued as a liability when proposed by the Directors. The Group has now changed this accounting policy to recognise dividends in shareholders' equity in the period in which the obligation to pay is established in accordance with MASB Standard 19. Therefore, final dividends are now accrued as a liability after approval by shareholders at the Annual General Meeting.

This change in accounting policy has been accounted for retrospectively.

The effects of the above change of accounting policy on the Group's and the Company's financial statements are as follows:

	As previously reported RM'000	Effects of change in policy RM'000	As restated RM'000
<b>Group</b>			
Retained earnings			
- 31 December 2000	30,886	6,000	36,886
- 31 December 2001	42,602	6,912	49,514
<b>Company</b>			
Retained earnings			
- 31 December 2000	29,596	6,000	35,596
- 31 December 2001	41,406	6,912	48,318
<b>Group and Company</b>			
Proposed dividends			
- 31 December 2000	6,000	(6,000)	-
- 31 December 2001	6,912	(6,912)	-

### 24. FINANCIAL INSTRUMENTS

#### (a) Fair value

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

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

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

##### (i) Trade and other receivables and payables

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

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 24. FINANCIAL INSTRUMENTS (Cont'd)

- (ii) Deposits, cash and bank balances

The carrying amount of cash and bank balances approximates fair value due to relatively short term maturity of these instruments.

### 25. NON CASH TRANSACTION

During the financial year, the Company purchased property, plant and equipment with an aggregate cost of RM4,443,000 of which RM341,000 (2001: Nil) were acquired by means of finance lease agreements.

### 26. SIGNIFICANT RELATED PARTY DISCLOSURES

- (a) A general mandate has been obtained from shareholders vide a Circular dated 23 April 2002 for recurrent related party transactions with the following related parties:

- (i) IBM World Trade Corporation, a corporate shareholder  
 (ii) IBM Malaysia Sdn Bhd, a subsidiary of IBM World Trade Corporation

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

The significant related party transactions are as follows:

Related party	Relationship	2002 RM'000	2001 RM'000
Purchase of goods from:			
- IBM Malaysia Sdn. Bhd.	Subsidiary of a corporate shareholder, IBM World Trade Corporation	76,743	10,565
- IBM Singapore Pte. Ltd.	Subsidiary of a corporate shareholder, IBM World Trade Corporation	-	52,874
- Advantage System Sdn. Bhd.	An associate of the Company	1,427	610
Sales of goods/services to:			
- IBM Malaysia Sdn. Bhd.	Subsidiary of a corporate shareholder, IBM World Trade Corporation	1,220	2,328
Loan to:			
- SJA Infotech Sdn. Bhd.	An associate of the Company	-	665

## Notes To The Financial Statements (Cont'd)

for the Financial Year Ended 31 December 2002

### 26. SIGNIFICANT RELATED PARTY DISCLOSURES (Cont'd)

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

Related party	Type of transaction	2002 RM'000	2001 RM'000
Payables:			
- IBM Malaysia Sdn. Bhd.	Purchase of goods	3,730	-
Receivables:			
- IBM Malaysia Sdn. Bhd.	Sales of goods	650	584
- SJA Infotech Sdn. Bhd.	Sales of services	478	454
- SJA Infotech Sdn. Bhd.	Loan	575	575

### 27. SEGMENTAL REPORTING

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

### 28. CONTINGENT LIABILITIES (UNSECURED)

As at 31 December 2002, the contingent liabilities arising in the ordinary course of business of the Company are as follows:

	GROUP AND COMPANY	
	2002 %	2001 %
Bank guarantees for contracts undertaken by the Company	17,014	4,997

## Utilisation Of Funds During Year 2002

Description	Approved Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance (RM'000)	Comments
Joint Venture in Privatised Project	5,000	5,000	0	Utilised in full.
Research & Development (R&D)	5,000	5,000	0	Utilised in full.
Purchase of Building/Land	7,000	7,000	0	Utilised in full.
Working Capital	10,166	10,166	0	Utilised in full.
Listing Expenses	2,200	2,200	0	Utilised in full.

All Funds were raised during the Initial Public Offer Exercise in 1999.

# Properties Owned By The Group

as at 31st December 2002

Address	Description	Usage	Tenure	Terms of Tenant's leases or under leases	Approximate age	Present Capital Value (RM'000)
HS(D) 65056, PT 12204, Mukim Damansara, Daerah Petaling Selangor (1A, Jalan SS16/1, Subang Jaya, 47500 PETALING JAYA)	Commercial Land comprising a 15-storey office Building	Office Building	Freehold	Nil	Ten (10) Years	32,155
Tingkat 4, Unit 08-04, Lot No. 8 Jalan 4/146, Bandar Tasik Selatan Wilayah Persekutuan Kuala Lumpur	Shoplot	Retention Store	99 Years Leasehold expiring on 29.06.2087	Nil	Three (3) Years	287
Tingkat 5, Unit 08-05, Lot No. 8 Jalan 4/146, Bandar Tasik Selatan Wilayah Persekutuan Kuala Lumpur	Shoplot	Retention Store	99 Years Leasehold expiring on 29.06.2087	Nil	Three (3) Years	297
No. Lot 1047, Sek. 13 Daerah Timur Laut, Georgetown Pulau Pinang	Land	Proposed Office Building	Freehold	Nil	Three (3) Years	3,874

# Shareholding Statistics

## SHAREHOLDING STRUCTURE

as at 31st March 2003

Authorised Share Capital : RM 100,000,000

Issued & Paid-up Capital : RM 60,168,000

Class of Shares : There is only one class of shares, namely Ordinary Shares of RM 1.00 each

## ANALYSIS OF SHAREHOLDINGS

as at 31st March 2003

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 1,000	12	0.44	947	0.00
1,000 to 10,000	2,562	93.54	4,929,553	8.19
10,001 to 100,000	117	4.27	3,402,405	5.66
100,001 to less than 5%	42	1.53	118,639,584	30.98
5% and above	6	0.22	33,195,511	55.17
Grand Total	2,739	100.00	60,168,000	100.00

## SUBSTANTIAL SHAREHOLDERS (Excluding Bare Trustee)

as at 31st March 2003

No.	Names	Direct Shareholdings	Indirect Shareholdings	%
1	Ismail Sulaiman	9,998,468		16.62
2	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Skim Amanah Saham Bumiputera)	7,229,823		12.02
3	Hor Yee @ Ho Cheong Fatt	4,328,940		7.19
4	Wan Mohamed Fusil Wan Mahmood <sup>2</sup>	4,175,940		6.94
5	Mohd. Puzi Ahamad	3,948,940		6.56
6	IBM World Trade Corporation	3,513,400		5.84

<sup>2</sup> Including interest held under his nominee account with Alliancegroup Nominees (T) Sdn. Bhd.

## Shareholding Statistics (Cont'd)

### DIRECTORS DIRECT & DEEMED INTERESTS

as at 31st March 2003

No.	Names	Direct Shareholdings	Deemed Interest	%
1	Dato' Dr. Mohamad Zawawi Ismail	0	0	0
2	Wan Mohd. Fusil Wan Mahmood <sup>1</sup>	4,175,940	-	6.94
3	Hor Yee	4,328,940	-	7.19
4	Mohd. Puzi Ahamad	3,948,940	-	6.56
5	Ramli Amat <sup>2</sup>	1,144,963	-	1.90
6	Dato' Wan Abdullah Mohamad	28,000	-	0.05
7	Nor Hayati Mohd. Kasim	28,000	-	0.05
8	Jamiah Abdul Hamid	8,000	-	0.01
9	Chung Thian Sinn	0	-	0.00
10	Voon Seng Chuan	0	-	0.00
11	Zaiton Mohd. Hassan	0	-	0.00
12	Fathil Sulaiman Ismail <sup>3</sup>	130,000	9,998,468	16.62
13	Joseph Tan Jeok Siak (Alternate to Voon Seng Chuan)	0	-	0.00

<sup>1</sup> Including interest held under nominee account with Alliancegroup Nominees (T) Sdn. Bhd.

<sup>2</sup> Including interest held under his nominee account with Bumiputra Commerce Nominees (T) Sdn. Bhd.

<sup>3</sup> Deemed interested by virtue of relationship to Ismail Sulaiman, a substantial shareholder of the Company.

# 30 Largest Shareholders

as at 31st March 2003

No.	Name	Holdings	(%)
1	Ismail Sulaiman	9,998,468	(16.62%)
2	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Skim Amanah Saham Bumiputera)	7,229,823	(12.02%)
3	Hor Yee @ Ho Cheong Fatt	4,328,940	(7.19%)
4	Wan Mohamed Fusil Wan Mahmood	4,175,940	(6.94%)
5	Mohd. Puzi Ahamad	3,948,940	(6.56%)
6	IBM World Trade Corporation	3,513,400	(5.84%)
7	Malaysian Assurance Alliance Berhad (A/c for Beneficial Owner Equity Investments)	2,424,000	(4.03%)
8	Employees Provident Fund Board	2,196,000	(3.65%)
9	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Amanah Saham Didik)	1,721,000	(2.86%)
10	Malaysia Nominees (Tempatan) Sdn. Bhd (Great Eastern Life Assurance(Malaysia) Bhd.)	1,284,000	(2.14%)
11	Permodalan Nasional Berhad	1,265,526	(2.10%)
12	Ramli Amat	1,144,963	(1.90%)
13	HSBC Nominees (Tempatan) Sdn. Bhd. (OSK-UOB Small Cap Opportunity Unit Trust)	639,000	(1.06%)
14	Nor Hayati Abdul Malik	527,000	(0.88%)
15	HSBC Nominees (Asing) Sdn. Bhd. (Fidelity Funds South East Asia)	480,000	(0.80%)
16	AMMB Nominees (Tempatan) Sdn. Bhd. (A/c for BHLB Pacific Dana Al-Ihsan)	452,000	(0.75%)
17	Low Kong Boo	420,000	(0.70%)
18	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Mayban Dana Yakin)	400,000	(0.66%)
19	Lembaga Tabung Angkatan Tentera	379,000	(0.63%)
20	Pharida Sulaiman @ Philomena Sulaiman	371,000	(0.62%)
21	Amanah Raya Nominees (T) Sdn. Bhd. (A/c for Mayban Dana Ikhlas)	363,000	(0.60%)
22	John Hancock Life Assurance (Malaysia) Berhad	318,000	(0.53%)
23	Universal Trustee (Malaysia) Berhad (A/c BHLB Pacific Emerging Companies Growth Fund)	312,000	(0.52%)
24	Mayfin Nominees (Tempatan) Sdn. Bhd. (A/c for Amanah Saham Pahang Berhad)	266,000	(0.44%)
25	Wong Ta Nooy @ Wong Keng Yong	258,000	(0.43%)
26	HSBC Nominees (Asing) Sdn. Bhd. (Fidelity Funds South East Asia Fund)	250,000	(0.42%)
27	Citicorp Nominees (Asing) Sdn. Bhd. (A/c for American International Assurance (Co) Limited (AIA Equity FD))	227,000	(0.38%)
28	Allianz Life Insurance Malaysia Berhad	203,000	(0.34%)
29	Safiah Sulaiman Ismail	200,000	(0.33%)
30	Allianz General Insurance Malaysia Berhad	193,000	(0.32%)
	<b>Total</b>	<b>49,489,000</b>	<b>(82.26%)</b>



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# Proxy Form



I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of the abovementioned Company, hereby appoint

\_\_\_\_\_

of \_\_\_\_\_

or failing him \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy to vote for me/us and on my/our behalf at the Twenty First Annual General Meeting of the Company, to be held on Monday, 19th May 2003 at 2.30p.m.. and at any adjournment thereof. The proxy is to vote on the resolutions set out in the Notice of Meeting as indicated, with an "X" in the appropriate space. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

Resolution	For	Against
1		
2		
3		
4		
5		
6		
7		
8		
9		

Signature of Shareholder \_\_\_\_\_

No. of Shares held

## Note :

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.

All forms of proxy should be deposited at the Company's Share Registrar Office at Malaysian Share Registration Services Sdn. Bhd., 7th Floor, Exchange Square, Bukit Kewangan, 50200 KUALA LUMPUR, P.O Box 13274, 50804 KUALA LUMPUR not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

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STAMP

MALAYSIAN SHARE REGISTRATION SERVICES SDN. BHD.  
7TH FLOOR, EXCHANGE SQUARE, BUKIT KEWANGAN  
P.O. BOX 13274  
50804 KUALA LUMPUR

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