Mesiniaga

ANNUAL REPORT 2020

WORK FROM ANYWHERE

COMMITMENT

TEAMWORK

INTEGRITY

WHAT'S INSIDE

Vision

To Be the Malaysian IT Partner of Choice

Mission

Helping Customers Succeed

Values

RESPECT

Good conduct towards people, roles, procedures and processes

INTEGRITY

Positive virtues with strong business ethics and professionalism

COMMITMENT

Dedicated to keep our promises to our customers

INNOVATION

Relevant and differentiated products and services in the market

TEAMWORK

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

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Scan this QR Code to download our Annual Report 2020

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FACTS AT A GLANCE

Headquarters
Subang Jaya

Key Office Locations

Mesiniaga
Pulau Pinang

Mesiniaga
Johor Bahru

Incorporated on
17 December 1981

Staff Strength Of More Than

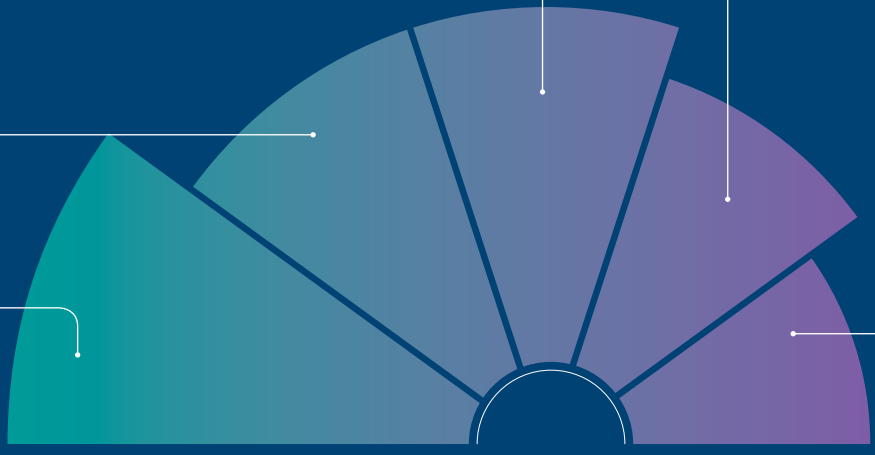
1,000 employees
as of 31 December 2020

Paid-Up Capital of

RM60.4 million

Listed on Bursa Malaysia Securities Berhad (Main Market) on

17 November 1999



28 Service Locations

NORTHERN REGION
- Perlis
- Alor Setar
- Sungai Petani
- Ipoh
- Pulau Pinang
- Seberang Prai
- Taiping

EAST COAST
- Kota Bharu
- Kuala Terengganu
- Kuantan
- Temerloh

CENTRAL REGION
- Subang Jaya

SOUTHERN REGION
- Seremban
- Batu Pahat
- Johor Bahru
- Melaka
- Muar

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

SARAWAK
- Bintulu
- Kuching
- Miri
- Sibu
- Sri Aman

CORPORATE PROFILE

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

Leading Partnership Status:

- Dell EMC Gold Partner
- IBM Gold Partner
- Microsoft Gold Partner for Messaging, Datacenter & Cloud Productivity
- Cisco Gold Partner
- Broadcom Symantec Gold Partner
- Juniper Elite Partner
- Trend Micro Bronze Partner
- VMWare Advanced Partner (Data Centre)
- Oracle Gold Partner
- HP Inc. Amplify Partner
- HP Authorised Partner
- Huawei Gold Partner
- Commvault Authorised Partner
- Lenovo PCG – Silver Partner
- Lenovo DCG – Gold Partner
- Veritas Silver Partner
- Procera Networks Inc. Authorised Partner
- Nutanix Authorised Partner
- Fortinet MSSP, Advocate
- F5 Networks Authorised Partner
- Dynatrace Authorised Partner
- Red Hat Ready Partner
- Veeam Authorised Reseller

RESPECT
Good conduct towards people, roles, procedures and processes

INTEGRITY
Positive virtues with strong business ethics and professionalism

COMMITMENT
Dedicated to keep our promises to our customers

INNOVATION
Relevant and differentiated products and services in the market

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

Within the last 39 years, the technology landscape has changed tremendously. New trends have emerged resulting in a sea of change in the way companies do business. Across the board, companies these days are constantly on the lookout for solutions that will give them an edge over their competitors. As such, we are constantly striving for ways to provide our customers with an experience that will allow them to achieve their business objectives.

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

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

We believe that the strategies implemented for driving customer business performance and enhancing customer satisfaction will ultimately translate into improving our own business performance. This will allow us to reward our shareholders for their faith in us. In order to fulfil this promise, we have also made a commitment to improve our productivity yield. We are now a group of more than 1,000 employees. We have invested significantly in developing measurements over our resource utilisation because it is imperative that all our resources are employed to their most optimum potential.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK WAN MOHAMED FUSIL
Chairman and
Chief Executive Officer

FATHIL ISMAIL
Non-Independent
Non-Executive Director

VOON SENG CHUAN
Independent
Non-Executive Director

WONG FOOK HON
Independent
Non-Executive Director

SIM HONG KEE
Independent
Non-Executive Director

DATUK NOOR AZIAN SHAARI
Independent
Non-Executive Director

DATO' DARAWATI HUSSAIN
Non-Independent
Non-Executive Director
(Appointed on 11 September 2020)

ABD TALIB BABA
Independent
Non-Executive Director
(Retired on 10 September 2020)

IR. DR. MUHAMAD FUAD ABDULLAH
Non-Independent
Non-Executive Director
(Resigned on 10 September 2020)

DATO' AB RASHID MAT ADAM
Independent
Non-Executive Director
(Retired on 10 September 2020)

ZAIM HUSNI OMAR
Non-Independent
Non-Executive Director
(Appointed on 16 April 2021)

NOMINATION AND REMUNERATION COMMITTEE

Voon Seng Chuan (Chairperson)

Wong Fook Hon

Fathil Ismail
(Appointed on 11 September 2020)

Ir. Dr. Muhamad Fuad Abdullah
(Resigned on 10 September 2020)

AUDIT AND RISK MANAGEMENT COMMITTEE

Sim Hong Kee (Chairperson)

Wong Fook Hon

Abd Talib Baba
(Retired on 10 September 2020)

Dato' Ab Rashid Mat Adam
(Retired on 10 September 2020)

Datuk Noor Azian Shaari
(Appointed on 10 September 2020)

Dato' Darawati Hussain
(Appointed on 11 September 2020)

COMPANY SECRETARY

Jasni Abdul Jalil (MACS 01359)

COMPANY REGISTRATION NUMBER

198101013112 (79244-V)

REGISTERED OFFICE

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

AUDITORS

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

PRINCIPAL BANKERS

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

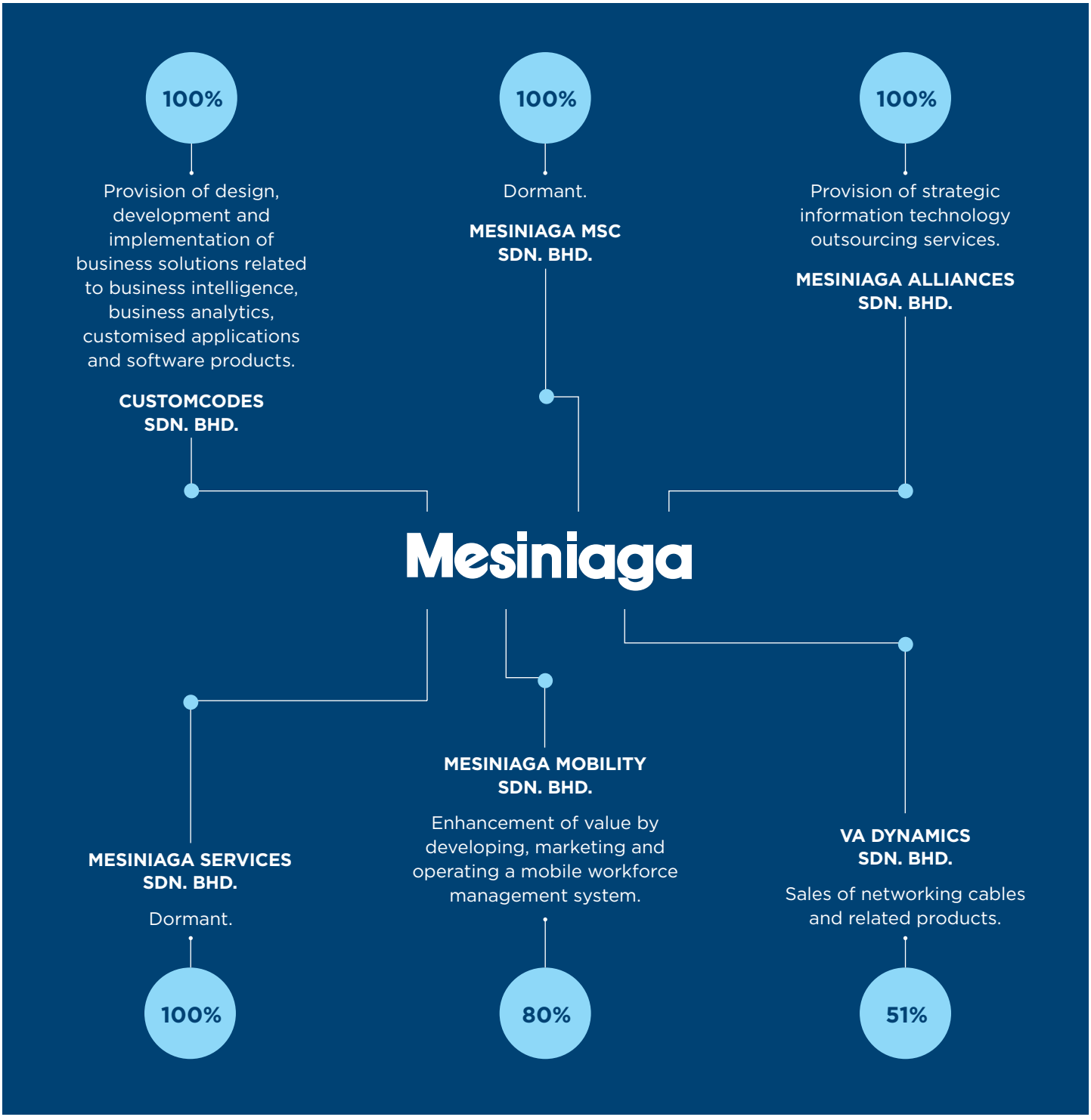
SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7890 4700
Fax : 03-7890 4670

STOCK EXCHANGE LISTING

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

CORPORATE STRUCTURE



MANAGEMENT DISCUSSION AND ANALYSIS

Dear Esteemed Shareholders,

2020 was a tumultuous and challenging year for most companies around the world and Mesiniaga was no exception. The global effort to contain the spread of the COVID-19 pandemic by enforcing movement restrictions and closing borders resulted in an immediate negative impact on local economies and foreign direct investment. Although the outlook for 2021 remains challenging, we look forward to working towards a recovery. It is a privilege to present Mesiniaga's highlights and financial results for the year 2020.

Datuk Wan Mohamed Fusil
Chairman and Chief Executive Officer

Management Discussion And Analysis

OPERATING ENVIRONMENT

As with the rest of the world, Malaysia is living in unprecedented times and with containment measures in place, ongoing projects have been delayed and new projects have had to be deferred, particularly in the Public sector. However, in the third quarter of 2020, Malaysia's GDP decreased at a slower pace of 2.7% compared to the double digit decline of 17.1% in the second quarter, a recovery boosted by the reopening of economic activities and lifting the ban on interstate travel.

Since the first phase of the Movement Control Order (MCO) on 18 March 2020, Mesiniaga has had to adopt a 'work from home' strategy and it is encouraging to see that our employees' productivity has not been affected despite having to adapt to the new environment and work schedule.

OUR BUSINESS

Mesiniaga is an established IT Service Provider offering IT solutions and project management for our customers. We also provide post-implementation services and nationwide technical support to our customers who have branch operations throughout Malaysia. Our other key offerings include IT Outsourcing Services ranging from total IT Operations to Cloud Management and Security Services.

Our customers include public, telecommunications, and enterprise sectors. Within the enterprise sector, we engage with government-linked companies, financial services organisations and universities. We also have a presence in the northern states with a branch office in Penang serving manufacturing, education, and government-related accounts in the states of Perak, Kedah, Penang and Perlis.

GROUP REVENUE	PROFIT BEFORE TAX	NET CURRENT ASSESTS
(RM Million)	(RM Million)	(RM Million)
198	**(9)**	**67**
FYE 2019: 314	**FYE 2019: 2**	**FYE 2019: 76**

OUR BUSINESS STRATEGY

We continue to enhance our value creation by developing differentiators in all our products and services. Our NetsysCare Monitoring tool enables us to offer the highest system uptime by predicting potential system faults and prescribing solutions to prevent any incidents. Consequently, our customers are able to enjoy stable IT services with minimum disruption to their business.

In response to the 82.5% increase in cybersecurity cases during the MCO in 2020, we repositioned our Security business as a CyberSecurity Managed Service Provider. Our XyberGuard managed defence security solution utilises an artificial intelligence (A.I.) system to provide the fastest response time to any cyberthreats thereby ensuring that our customers have the least exposure.

In an effort to expand our business portfolio beyond system integration, we started developing our own intellectual property catering to business-to-business (B2B) as well as business-to-consumer (B2C). In 2020, Mesiniaga completed the development of three applications: MyMOMS, Chup and Intelligent Visitor Management Solutions (IVMS).

Product	Description
MyMOMS	MyMOMS is an antenatal care solution that aims to replace the manual 'pink book' issued to pregnant mothers during their check-up at hospitals or clinics.
Chup	Chup facilitates social distancing and avoids overcrowding in business premises to reduce the risk of infection of COVID-19. The centralised system is accessible through mobile phones to set an appointment, receive reminders and alerts to minimise the risk of overcrowding and improve productivity by reducing waiting time.
IVMS	A cloud-based visitor management system that improves the security and safety for both visitors and owners of office buildings. Through a mobile app, visitors are able to request for appointments, receive reminders, be guided via GPS to the location of the appointment and then gain entry with the use of a digital pass on their phone. Hosts will be able to verify their visitors through the system, eliminating the need for any manual forms.

Management Discussion And Analysis

FINANCIAL AND OPERATIONAL PERFORMANCE

The Group recorded a revenue of RM197.7 million for the year 2020 which was 37% lower than the comparative period in 2019 of RM314 million. The Group posted a loss before tax of RM9 million in 2020, compared to a profit before tax of RM2.2 million in 2019. The loss in 2020 was due to delays in the implementation of many ongoing projects and the deferring of approvals on some new projects in response to the COVID-19 pandemic that affected most of our customers.

The trust and confidence of our customers have sustained the demand for our services. Despite having a tough year, the Group's revenue was bolstered by a few contracts sealed with Kumpulan Wang Simpanan Pekerja (KWSP), Jabatan Kastam Diraja Malaysia, Maxis Broadband Sdn. Bhd. and Pertubuhan Keselamatan Sosial (PERKESO).

BUSINESS RISK

We are highlighting the key anticipated risks that Mesiniaga is exposed to that may affect our operations, performance, financial situation, and liquidity as well as strategies to mitigate these risks.

COVID-19 Pandemic

Measures taken to contain the coronavirus (COVID-19) have significantly affected local and world economic activity, which in turn has had implications on company performance and financial reporting. Mesiniaga has taken a number of safety and health measures to monitor and mitigate the effects of COVID-19 such as supplying hand sanitiser at strategic sites within Menara Mesiniaga, social distancing, practicing online meetings and working from home.

We will continue to follow the various government policies and SOP and conduct our operations in the best and safest way possible without compromising the health of our people. We are also monitoring the situation closely and will continue to assess the impact on expected credit loss, customers' buying capacity, potential projects deferment and earnings.

Strategic - Market and Technology Risks

Economic conditions in which the Company operates remain unstable thereby impacting the Group's revenue. It is important for the Group to take the necessary measures to strengthen efficiency and drive innovation through investments in new technology and services in order to meet evolving customer needs and to strengthen customer loyalty. To this end, we are continuously assessing the development of new technology and the required components while simultaneously upgrading our staff's knowledge and skills.

Operational - Talent Management and Succession Planning Risks

As recruitment, staff development, training and attrition remain perennial challenges for the Company, the Human Resource Department is constantly sourcing for suitable talent through development programmes and structured employee training.

Financial and External - Forex Transaction Risks

Fluctuating currency rates have adversely affected the Company's financial performance especially as the Ringgit continues to depreciate against the US Dollar. The Company is also taking steps to maximise borrowings in local currency while imposing other controls on funding matters, thereby preserving our profitability and ensuring sustainable growth.

External – Cyber-attack Risks

As more companies rely heavily on digital technology, the threat of cyber-attacks continues to increase. In response, Mesiniaga has taken effective measures to the best of our abilities to mitigate these risks. Although there is no one all-encompassing solution and the Company remains potentially vulnerable to this threat, we will continue in our efforts at reducing the risks and cushioning the impact to our business.

Management Discussion And Analysis

MOVING FORWARD

The COVID-19 pandemic continues to impact both the domestic and global economies but Malaysia is projected to rebound between 6.5% and 7.5% in 2021 (Source: World Bank Malaysia Economic Monitor: Sowing the Seeds). The forthcoming arrival of vaccines will alleviate fear and increase the confidence of Malaysians to face future economic challenges but the expected recovery may take a few years to materialise.

The recent launch of MyDigital by our Prime Minister on 19 February 2021 will provide the catalyst for the growth of the IT industry. The MyDigital blueprint will revolve around digital economic transformation requiring the deployment of 5G technology, expanding network infrastructure and the provision of IT access to all Malaysians.

The Government also introduced the National Digital Network Plan (JENDELA) in 2020. The Ministry of Communications and Multimedia is committed to roll out 5G technology by the end of 2022 or early 2023, with connectivity being one of the Government's top priorities. Apart from that, the National Cyber Security Agency (NACSA) has come out with a 5-year (2020-2024) National Cybersecurity Strategy with a budget allocation of RM1.5 billion.

Given that these areas are in line with our current products and services, we are in a favourable position to gain the benefits from these new initiatives. Subsequently, we are committed to developing talent and investing in training to upskill our workforce in order to meet the demands of the booming Information and Communications Technology (ICT) sector. In addition, we believe our business strategy is aligned with the market trends and the Government's aspirations. As an established local IT service provider, we are well-positioned to take advantage of this new digital economy.

We aspire to be our customers' "Partner of Choice" by Helping Our Customers Succeed in their digital transformation journey. We will continue to be prudent in overall cost and expenditure management while also investing in selected businesses to accelerate growth. Even though we expect the playing field to be competitive and demanding, the Management team believes that we have what it takes to thrive and achieve our goals.

ACKNOWLEDGEMENTS

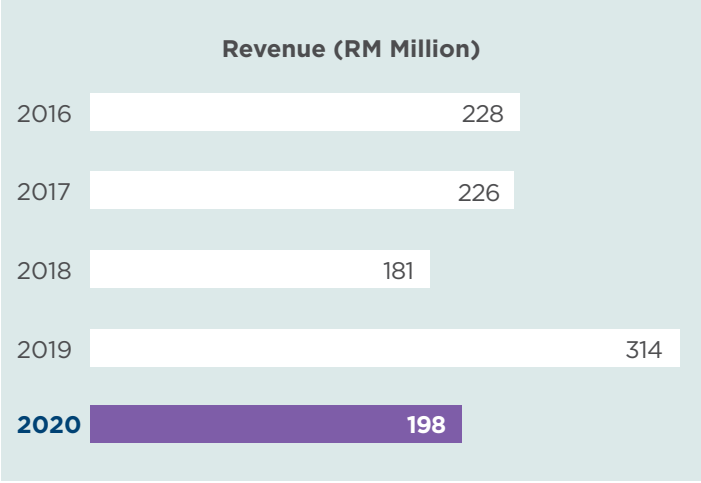
This year more than ever, the strength of our core values, RICIT– Respect, Integrity, Commitment, Innovation and Teamwork was greatly tested. Nevertheless, strong leadership supported by a loyal and enduring workforce throughout this unprecedented time has been fundamental in our ability to overcome the year's challenges. I must commend all our employees for responding well to this new environment. We have shown true perseverance and determination for our business to operate smoothly. Many parties have helped us to get where we are today and we are truly grateful for their invaluable support.

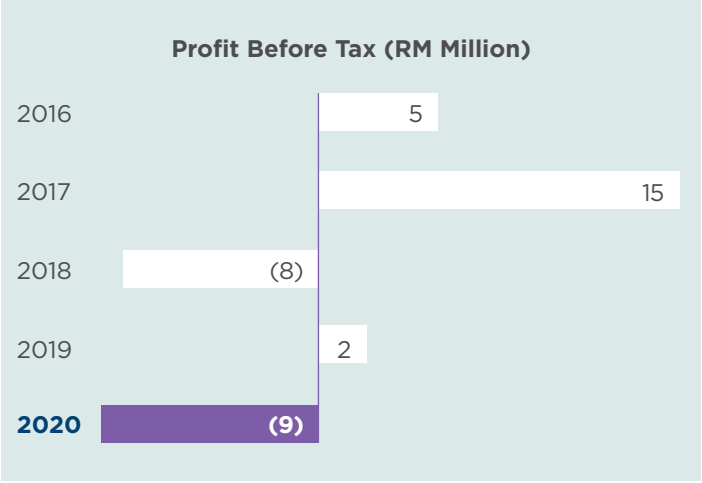
I wish to extend my heartfelt appreciation to my fellow members of the Board as well as our customers and business partners for their confidence and support. My deep appreciation also goes to our shareholders for your continuing faith and trust in us. As we venture forth to embrace new opportunities and face challenges, we call upon all our stakeholders to continue lending us their unwavering support.

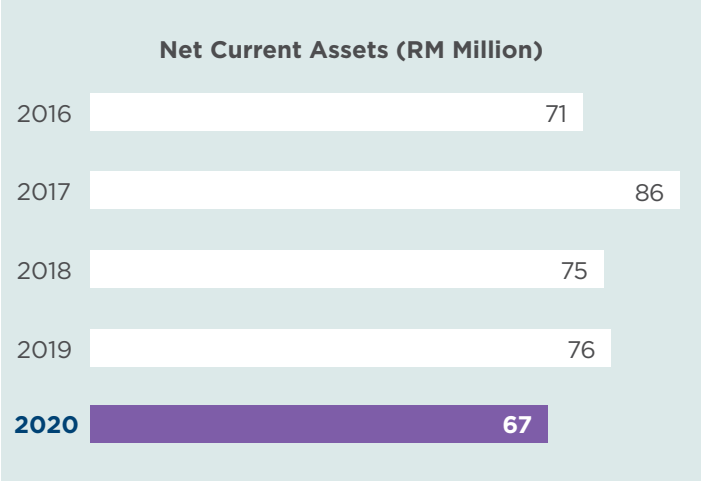
Thank you.

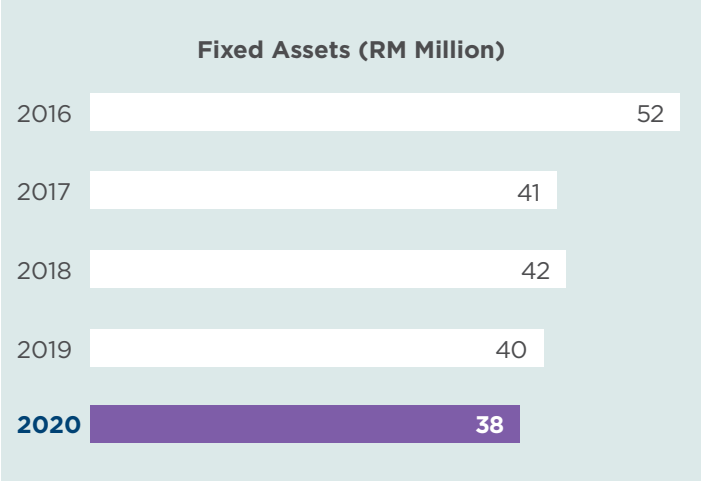
Datuk Wan Mohamed Fusil
Chairman and Chief Executive Officer

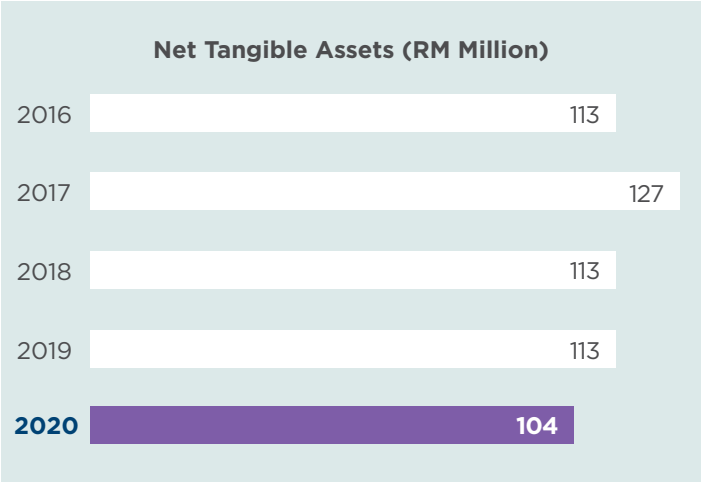
FIVE-YEAR PERFORMANCE STATISTICS

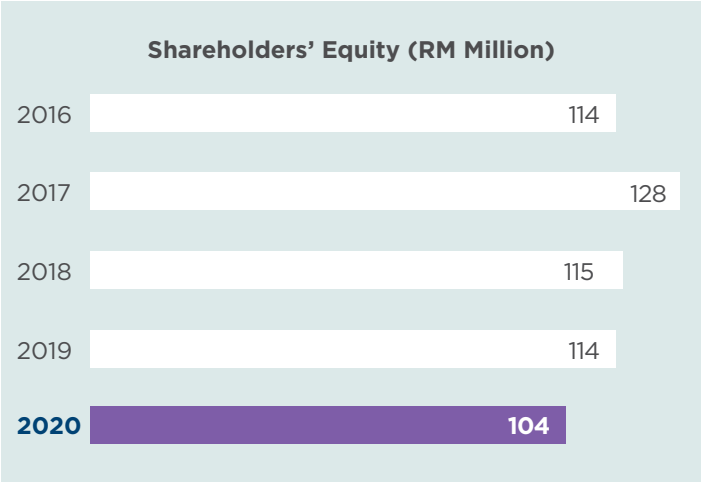












BOARD OF DIRECTORS

Datuk Wan Mohamed Fusil, DMSM

Datuk Wan Mohamed Fusil was appointed to the Board on 17 December 1981 as part of the team who founded the Company. He was elected Chairman of the Board on 14 June 2007. Datuk Wan Mohamed Fusil was appointed as the Chief Executive Officer of Mesiniaga on 25 February 2016.

Prior to joining Mesiniaga, Datuk Wan Mohamed Fusil was with IBM Malaysia. During his tenure with IBM Malaysia, he served in various managerial positions. This included serving as Country Manager - Information Products Division.

Datuk Wan Mohamed Fusil is one of the first serving Board Members of Multimedia Development Corporation (MDeC) and is also one of the founding members of the Association of Computer and Multimedia Industry Malaysia (PIKOM). He has held several positions in PIKOM including serving as Councillor (1987), Deputy Chairman (1989-1991) and Chairman (1991/1992). Datuk Wan Mohamed Fusil graduated with a Diploma in Accountancy from ITM (now known as UiTM).

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Age 70

Male

Malaysian

Board Committee:
NIL

Number of Board Meetings Attended:
6/6

Board Of Directors

Voon Seng Chuan

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 62

Male

Malaysian

Board Committee:
Nomination and Remuneration Committee

Number of Board Meetings Attended:
6/6

Board Of Directors

Datuk Noor Azian Shaari, PMW, JSM, KMN

Datuk Noor Azian was appointed to the Board as an Independent Non-Executive Director on 1 July 2019. She also sits on the Board of Deleum Berhad and Affin Hwang Investment Berhad.

Upon being called to the Bar of the Honourable Society of Lincoln's Inn, London in 1971, Datuk Noor Azian joined the Malaysian Judicial and Legal Service and served for 34 years until her retirement in July 2004. During her tenure with the said service, she held various positions, amongst them being Deputy Parliamentary Draftsman, Official Assignee Malaysia, Treasury Solicitor, Sessions Court Judge, Deputy Head of Civil Division, Chairman of the Special Commissioners for Income Tax and Chairman of Tribunal for Consumer Claims.

After her retirement from the Malaysian Judicial and Legal Service, she was appointed as a Judge of the High Court of Malaya where she presided over cases in the Commercial, Civil and Criminal Divisions. She retired from her position as High Court Judge of Malaya in July 2014.

Datuk Noor Azian is a Registered Arbitrator with the Asian International Arbitration Centre (AIAC). She was admitted to the High Court of Malaya as advocates and solicitors in 1984.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 72

Female

Malaysian

Board Committee:

Audit and Risk Management Committee

Number of Board Meetings Attended:

6/6

Board Of Directors

Fathil Ismail

Fathil Ismail was appointed to the Board on 1 June 2002. Between 2008 and 2013, he helmed the Company as Managing Director.

Beginning 1 January 2014, he continues to sit on the Board as a Non-Independent Non-Executive Director. An accountant by training, Fathil served with Ernst & Young and subsequently with the Corporate Finance Department of Arab Malaysian Merchant Bank before pursuing private enterprise.

He was a founding partner and the Managing Director of Genesis Healthcare for six years until late 2001. Fathil is an alumnus of Malay College Kuala Kangsar and graduated from the Association of Chartered Certified Accountants (ACCA).

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 56

Male

Malaysian

Board Committee:

Nomination and Remuneration Committee *(appointed on 11 September 2020)*

Number of Board Meetings Attended:

5/6

Board Of Directors

Wong Fook Hon

Wong Fook Hon was appointed to the Board on 1 August 2008.

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

Wong Fook Hon will be retiring at the forthcoming Annual General Meeting.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 76

Male

Malaysian

Board Committee:

Audit and Risk Management Committee

Nomination and Remuneration Committee

Number of Board Meetings Attended:

6/6

Board Of Directors

Sim Hong Kee,
C.A. (M), CPA(M), ICDM(M)

Sim Hong Kee was appointed to the Board as an Independent Non-Executive Director on 1 May 2018. He is also the Chairman of the Audit and Risk Committee as well as a member of the Strategic Council.

He began his career under a 4-year articleship with a public accounting firm during before joining IBM Malaysia where, over a period of about 31 years, he held various senior local and regional leadership positions in the areas of financial planning; pricing; treasury operations; real estate strategy; taxation; legal; business controls; joint venture evaluation and formation; leasing operations; accounting, sales and credit control.

Some of the senior positions he held in IBM include: Executive Assistant of Asia Pacific Chief Financial Officer; Chief Financial Officer; Country Marketing Operations Manager; ASEAN/South Asia Y2K Executive to lead the successful Y2K transition for all customers and IBM operation; Senior Manager for Key Accounts; ASEAN/South Asia Regional Project Management Office Leader for the divestment of IBM's PC and Printer businesses and Senior Manager of Credit Centre of Excellence for the Asia Pacific, South Korea, Japan and India. He retired from IBM in 2015. In between his time in IBM, he was the Finance and Human Resource Director of Oracle Malaysia from 1995 to 1997.

Since May 2016, he has been the Senior Advisor of Business Process and Internal Audit on a part time basis at a prominent local private equity company: Creador Sdn. Bhd. He is an Independent Non-Executive Director of Hong Leong Assurance Bhd, Tricor Trustco (Labuan) Ltd and a Corporate Advisor of Tricor Corporate Services Sdn. Bhd. He has attended the Harvard Business School's Senior Management Development Program and the IBM Asia Pacific Advanced Management School. He completed the Malaysian Institute of Certified Public Accountant examination in 1980 and is a Chartered Accountant and a registered member of the Malaysian Institute of Accountants (MIA); member of the Malaysian Institute of Certified Public Accountants (MICPA) as well as a member of the Institute of Corporate Directors Malaysia.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 65

Male

Malaysian

Board Committee:
Audit and Risk Management Committee

Number of Board Meetings Attended:
6/6

Board Of Directors

Dato' Darawati Hussain, DIMP

Dato' Darawati Hussain was appointed to the Board as a Non-Independent Non-Executive Director on 11 September 2020.

She also serves as an Independent Board Member of Magna Prima Berhad and Malaysia Venture Capital Management Berhad, an Independent Director of several of RHB Group's Asset Management subsidiaries, a member of the Audit Oversight Board under the purview of the Securities Commission and other private limited companies. She is currently a Director of Syalin Sdn. Bhd., RHB Trustees Berhad and Malaysian Trustees Berhad.

Dato' Darawati was formerly a Director, Fund and Co-Investor Relations under the Group Strategy and Strategic Investments Division, CIMB Group (Malaysia). She was the former Chairperson of Malaysia Venture Capital and Private Equity Association and committee member of Malaysia Venture Capital Development Corporation under the Securities Commission.

She has over 30 years of experience in corporate finance, asset management and private equity. She was a European equities portfolio manager for a UK based fund management company with assets under management worth US$70 billion.

She holds a Bachelor in Economics and Accountancy from Durham University, UK and a Master in Business Administration from the London Business School, UK. She is also a Chartered Financial Analyst.

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 51

Female

Malaysian

Board Committee:

Audit and Risk Management Committee

Number of Board Meetings Attended:

2/2

(appointed on 11 September 2020)

Board Of Directors

Dato' Ab Rashid Mat Adam, DIMP

Dato' Ab Rashid Mat Adam was appointed to the Board on 30 December 2008. Dato' Ab Rashid began his career in 1974 as a Principal Assistant Director in the Malaysian Public Services Department (PSD).

After a 10-year stint in PSD, he served in various capacities in several government ministries and agencies such as the Malaysian Highway Authority, Ministry of Finance and Ministry of National Unity and Social Development. He was appointed as the Deputy Director General of the National Anti-Drugs Agency in 1996. His last posting before retiring was as the Deputy Secretary General 1 in the Ministry of Home Affairs. Dato' Ab Rashid holds a Bachelor of Arts in International Relations from Universiti Malaya and a Master's Degree in Public Administration from University of Southern California.

Dato' Ab Rashid Mat Adam retired as an Independent Non-Executive Director of the Company on 10 September 2020.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 70

Male

Malaysian

Board Committee:

Audit and Risk Management Committee

Number of Board Meetings Attended:

4/4

(retired on 10 September 2020)

Board Of Directors

Abd Talib Baba, RA (M), FCCA

Abd Talib bin Baba was appointed to the Board on 21 August 2007. Abd Talib is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) and is a registered member of Malaysian Institute of Accountants (MIA).

He started his career with the Ministry of Defence in 1965 before joining the Department of Civil Aviation (DCA) in 1973. Abdul Talib left DCA to join Petronas Berhad as a Senior Internal Auditor in 1980 and subsequently served Petronas Penapisan Sdn. Bhd. and Petronas Mitco Sdn. Bhd. He retired from Petronas in October 1999.

Abd Talib Baba retired as an Independent Non-Executive Director of the Company on 10 September 2020.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 75

Male

Malaysian

Board Committee:

Audit and Risk Management Committee

Number of Board Meetings Attended:

4/4

(retired on 10 September 2020)

Board Of Directors

Ir. Dr. Muhamad Fuad Abdullah

Ir. Dr. Muhamad Fuad Abdullah was appointed to the Board on 16 July 2010. He began his career in 1977 as an Electrical Engineer with the Malaysian Public Works Department. After spending six years in the technical area, he took on the position of Engineering Logistics Manager in Uniphone Sdn. Bhd.

He then served as a tutor in Universiti Kebangsaan Malaysia (UKM) in 1992 and thereafter became the Vice President of Kolej UNITI in 1996. He was also CEO of Kausar Corporation Sdn. Bhd. and later the Managing Director of Five-H Associates Sdn. Bhd. He is currently a Board member of Gagasan Nadi Cergas Berhad and Universiti Tun Abdul Razak Sdn. Bhd. He is a Professional Engineer with Practising Certificate (PEPC), a Fellow of the Institution of Engineers Malaysia (FIEM), an ASEAN Chartered Professional Engineer (ACPE), an APEC Engineer (APEC Eng.) and an International Professional Engineer [IntPE(MY)]. Ir. Dr. Muhamad Fuad holds a Bachelor of Science and an M.Phil. in Electrical Engineering from University of Southampton. He also holds a Bachelor of Arts (Jayyid) in Syariah from Jordan University and a Ph.D. in Muslim Civilisation from the Aberdeen University.

Ir. Dr. Muhamad Fuad resigned as a Non-Independent Non-Executive Director of the Company on 10 September 2020.

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 67

Male

Malaysian

Board Committee:

Nomination and Remuneration Committee

Number of Board Meetings Attended:

4/4

(resigned on 10 September 2020)

Board Of Directors

Zaim Husni Omar

Zaim Husni Omar was appointed to the Board as a Non-Independent Non-Executive Director on 16 April 2021.

He started his career with Permodalan Nasional Berhad in 1995 where he stayed in service for 13 years. His career expanded across various strategic and corporate planning positions after his tenure with PNB. Among the positions he held were Head of Corporate Strategy and Investment for MARA Incorporated Sdn. Bhd., Vice President 1, Head Group Strategic Planning for Bank Pembangunan Malaysia Berhad and Senior General Manager, Strategic Planning and Investment for MTD Capital Berhad. He is currently the Head of Corporate Affairs at Dayang Enterprise Holdings Berhad.

Zaim has acquired 25 years of invaluable working experience in complex business restructuring and re-organisation. These include financial and treasury management, business development, as well as, corporate and project financing initiatives. He has vast experience in supply value chain for numerous business sectors such as asset and fund management, healthcare, construction, and waste management sectors.

He holds a Bachelor in Business Administration (Finance) and a Master in Business Administration (MBA) majoring in Finance and Investment from International Islamic University Malaysia. He also holds a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australia and an Executive Diploma in Investment Analysis from MARA University of Technology (UiTM).

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 50

Male

Malaysian

Board Committee:

NIL

Number of Board Meetings Attended:

NIL

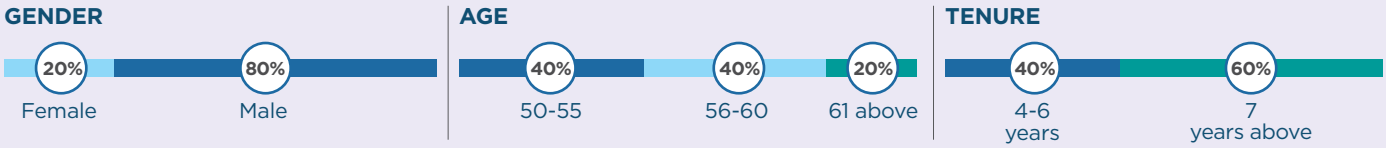
(appointed on 16 April 2021)

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

SENIOR LEADERSHIP TEAM

Mesiniaga continues to be led by an active, engaged and experienced Senior Leadership Team. The Company strives to ensure it has an appropriate mix of diversity, skills and experience to discharge its responsibilities effectively.

Our Statistics



DATUK WAN MOHAMED FUSIL
Chairman and Chief Executive Officer
Malaysian | Male | Aged 70

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

ARIFFIN ABD MAJID
Chief Financial Officer
Malaysian | Male | Aged 57

Ariffin Abd Majid joined the Company in February 2017. As the Chief Financial Officer, he is responsible for the overall Company's corporate and financial affairs. Ariffin worked as an external auditor in Cooper Lancaster Brewers, Chartered Accountants in the UK prior to joining Petronas in 1992. Subsequently, he joined Business Focus Group as the Group Financial Controller and later joined Boustead Group as the Senior General Manager.

His last position before joining Mesiniaga was as the Chief Executive Officer of Dominion Defence Industries Sdn. Bhd., a subsidiary of Boustead. Ariffin is an alumnus of Malay College Kuala Kangsar and graduated from the Association of Chartered Certified Accountants (ACCA).

Senior Leadership Team

NORDIN MAT ISA

Director of Products and Services

Malaysian | Male | Aged 55

Nordin Mat Isa joined the Company in 2008 as the Head of Public Sector Business and subsequently as Director of Sales, Public Sector and Telco Business after he had successfully led his team to expand the scope of public sector sales. In March 2017, he was further entrusted with a new portfolio as the Director of Products and Services to drive product-to-market strategies, lead initiatives around keeping promises to customers and create differentiation in our product and service offerings.

Prior to joining the Company, he was the Head of Public Sector Sales in Hewlett Packard Malaysia Sdn. Bhd. Nordin has had 20 years of experience in the corporate world and graduated with a Bachelor's Degree in Computer Science, Mathematics and Statistics from Australian National University.

WONG KENG HOE

Director of Sales

Malaysian | Male | Aged 55

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

PATRICIA CHAN FONG MUI

General Manager,
Corporate Strategy and Planning

Malaysian | Female | Aged 56

Patricia joined the Company in 1989 as Trainee Programmer Analyst after graduated with a Bachelor in Computer Science from Universiti Sains Malaysia. After nine years of serving in Application Development Division, she took on the post of Application Development Services Manager. From then on, she has held various managerial positions including as a head for a newly formed Solutions Integration Division in 2009. In December 2010, she was promoted to General Manager in charge of an extensive portfolio comprising Solutions Integration, Internal Systems and Application Development.

She is now the General Manager for Corporate Strategy and Planning. Her responsibilities are designing business models and recommending to the Company's executives on strategic direction and initiatives. In addition, she plans the Company's yearly budget and tracks the implementation of strategic initiatives.

None of the Senior Leadership Team have relationships among each other or with any of the substantial shareholder of the Company. They also do not have any conflict of interest with the Company as well as were never convicted of anything other than traffic offences within the past 10 years. All of the Senior Leadership Team do not hold any directorship positions in any public listed companies.

MEDIA APPEARANCES

10 JULY 2020

TheStar #26YearsOnline

Mesiniaga accepts RM10.6mil maintenance contract from Home Affairs Ministry

CORPORATE NEWS

Friday, 10 Jul 2020 1:48 PM MYT

KUALA LUMPUR: Mesiniaga Bhd has accepted a letter of award from the Home Affairs Ministry for the maintenance of hardware and software for the National Registration Department valued at RM10.6mil.

The contract commenced on July 1, 2020 and is expected to be completed on June 30, 2023.

In a filing with Bursa Malaysia, the company said the contract will have a positive effect on the company's net assets for the financial year ending Dec 31, 2020, and the company's earnings over the period of the contract.

THE EDGE MARKETS
MAKE BETTER DECISIONS

Mesiniaga bags RM10.6m maintenance contract from KDN

KUALA LUMPUR (July 10): Mesiniaga Bhd has won a maintenance contract worth RM10.6 million from the Ministry of Home Affairs (KDN).

The contract involves comprehensive maintenance services of hardware and software systems for National Registration Department branches, the group said in an exchange filing.

The three-year contract is expected to be completed by June 30, 2023, said Mesiniaga.

"The proposed transaction will have a positive effect on the company's net assets for the financial year ending Dec 31, 2020. It is also expected to contribute positively to the company's earnings over the period of the contract," the group said.

Shares in Mesiniaga were up seven sen or 6.5% at RM1.14 in afternoon trading, giving the group a market capitalisation of RM608 million.

7 SEPTEMBER 2020

TheStar #26YearsOnline

Mesiniaga accepts RM42mil contract from Customs

KUALA LUMPUR: Mesiniaga Bhd has accepted a letter of award from Royal Malaysian Customs Department for the provision of MYGST maintenance systems and license renewal services.

The contract, Mesiniaga told Bursa Malaysia today, will commence from Oct 16, 2020 and is expected to complete by Oct 15, 2022.

Mesiniaga said the job is expected to contribute positively to the Company's earnings over the period of the contract.

NEW STRAITS TIMES

Mesiniaga bags RM42.01mil contract for MYGST maintenance system

Mesiniaga Bhd bags a RM42.01 million contract from the Royal Malaysian Customs for the provision of the MYGST maintenance systems and licence renewal services from 2020 to 2022. Pix courtesy of Mesiniaga

KUALA LUMPUR: Mesiniaga Bhd has bagged a RM42.01 million contract from the Royal Malaysian Customs for the provision of the MYGST maintenance systems and licence renewal services from 2020 to 2022.

In an exchange filing today, Mesiniaga said the contract would begin on October 16 this year and complete by October 15, 2022.

"The proposed transaction will have positive effect on our net assets for the financial year ending December 31, 2020.

"It is also expected to contribute positively to our earnings over the period of the contract," said Mesiniaga.

The company said risks in relation to the contract included meeting deadlines imposed by the Customs and meeting the terms of the service level commitments.

12 NOVEMBER 2020

THE EDGE MARKETS
MAKE BETTER DECISIONS

Ministry of Home Affairs awards Mesiniaga RM15 mil hardware, software maintenance contract

KUALA LUMPUR (Nov 12): Mesiniaga Bhd has been awarded an RM15.19 million contract by the Ministry of Home Affairs for the provision of comprehensive maintenance services of hardware, software and helpdesk support at branches of the Immigration Department of Malaysia.

In a filing with the bourse, the company said the contract will commence on Dec 1, 2020, to be completed by Nov 30, 2023. It added that there is no clause in the letter of award on automatic renewal.

"The management would like to inform that the contract will have a positive effect on the earnings per share and gearing. The contract however is not likely to have an effect on the dividend policy, share capital and the substantial shareholders' shareholdings of the company for the financial year ending Dec 31, 2020," said Mesiniaga.

It said that none of its directors, substantial shareholders or any person connected to the directors or substantial shareholders have any direct or indirect interest in the contract.

Mesiniaga's share price has been on an uptrend since March, surging 129% to date since its closing of 55 sen on March 19. Today, Mesiniaga rose three sen or 2.4% to close at RM1.26, giving it a market capitalisation of RM76.11 million.

Edited by Kathy Fong

Media Appearances

23 NOVEMBER 2020

THE EDGE MARKETS
MAKE BETTER DECISIONS

Tech

Mesiniaga to provide hardware and software services to Maxis for RM22m

A

KUALA LUMPUR (Nov 23): Mesiniaga Bhd has inked an agreement to provide hardware and software services for an information technology (IT) and engineering network modernisation project with Maxis Broadband Sdn Bhd for RM22 million.

The duration of the contract is from Nov 19, 2020 to Dec 31, 2025, the group said in a filing with Bursa Malaysia today.

However, the duration of the contract may be extended by way of mutual agreement between Maxis Broadband Sdn Bhd and the company.

"The proposed transaction will have a positive effect on the company's net assets for the financial year ending Dec 31, 2020 (FY20). It is also expected to contribute positively to the company's earnings over the period of the contract.

"In addition to the company's information disclosed, the management would like to inform that the contract will have a positive effect on its earnings per share (EPS) and gearing," it said.

Shares in Mesiniaga ended one sen or 0.8% lower at RM1.24, with a market capitalisation of RM74.9 million.

Edited by Lam Ai Lin

26 NOVEMBER 2020

TheStar #26YearsOnline

Mesiniaga wins Socso contract

CORPORATE NEWS

Thursday, 26 Nov 2020

In a filing with Bursa Malaysia, the information technology company said the contract would commence on Dec 7,2020, and is expected to be completed by July 6,2026.

KUALA LUMPUR: Mesiniaga Bhd has received a RM19.11mil contract for the supply, delivery, installation, configuration, testing, training, commissioning, and maintenance of local area network and network access control for the Social Security Organisation (Socso).

In a filing with Bursa Malaysia, the information technology company said the contract would commence on Dec 7,2020, and is expected to be completed by July 6,2026.

The proposed transaction will have a positive effect on the company's net assets for the financial year ending Dec 31,2020. It is expected to contribute positively to its earnings. — Bernama

THE EDGE MARKETS
MAKE BETTER DECISIONS

Mesiniaga bags RM19m contract from Socso

KUALA LUMPUR (Nov 25): Mesiniaga Bhd has bagged a RM19.11 million contract from the Social Security Organisation (Socso).

In a bourse filing, the IT systems integrator and solutions provider said it has accepted a letter of award for the supply, installation and maintenance of local area network and network access control.

The contract, it said, is expected to start on Dec 7, 2020 and be completed by July 6, 2026.

The group expects the contract to contribute positively to its earnings over the period.

Mesiniaga shares were traded as low as 55 sen on March 18, a day after Movement Control Order was imposed to contain the spread of Covid-19.

Since then, the shares have been trending upward and finished unchanged at RM1.24 today, with a market capitalisation of RM74.90 million. Some 14,600 shares were transacted.

Edited by S Kanagaraja

SUSTAINABILITY STATEMENT

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

Sustainability Statement

This Statement is guided by the amendments to Main Market Listing Requirements, Sustainability Reporting Guide (2nd Edition) and its accompanying toolkits by Bursa Malaysia Securities Berhad (Bursa Malaysia).

SUSTAINABILITY SCOPE

This Sustainability Statement covers Mesiniaga Berhad (the Group) and its subsidiary companies' sustainability efforts within Malaysia, from 1 January 2020 to 31 December 2020.

SUSTAINABILITY GOVERNANCE

The responsibility to promote and embed sustainability in the Group lies with the Board of Directors (the Board), and managed under the Chief Executive Officer's Department, assisted by the Sustainability Steering Committee and the Department Heads. The CEO is responsible to oversee the following:-

- Stakeholder engagement
- Materiality assessment and identification of sustainability risks and opportunities
- Management of material sustainability risks and opportunities

MATERIALITY ASSESSMENT

Through our annual materiality assessment, we have identified the Economic, Environmental and Social issues affecting our business based on the materiality assessment process outlined in the Sustainability Reporting Guide (2nd Edition) and Toolkit: Materiality Assessment. These issues were assessed and prioritised according to our operational context, corporate strategy and stakeholder expectation.

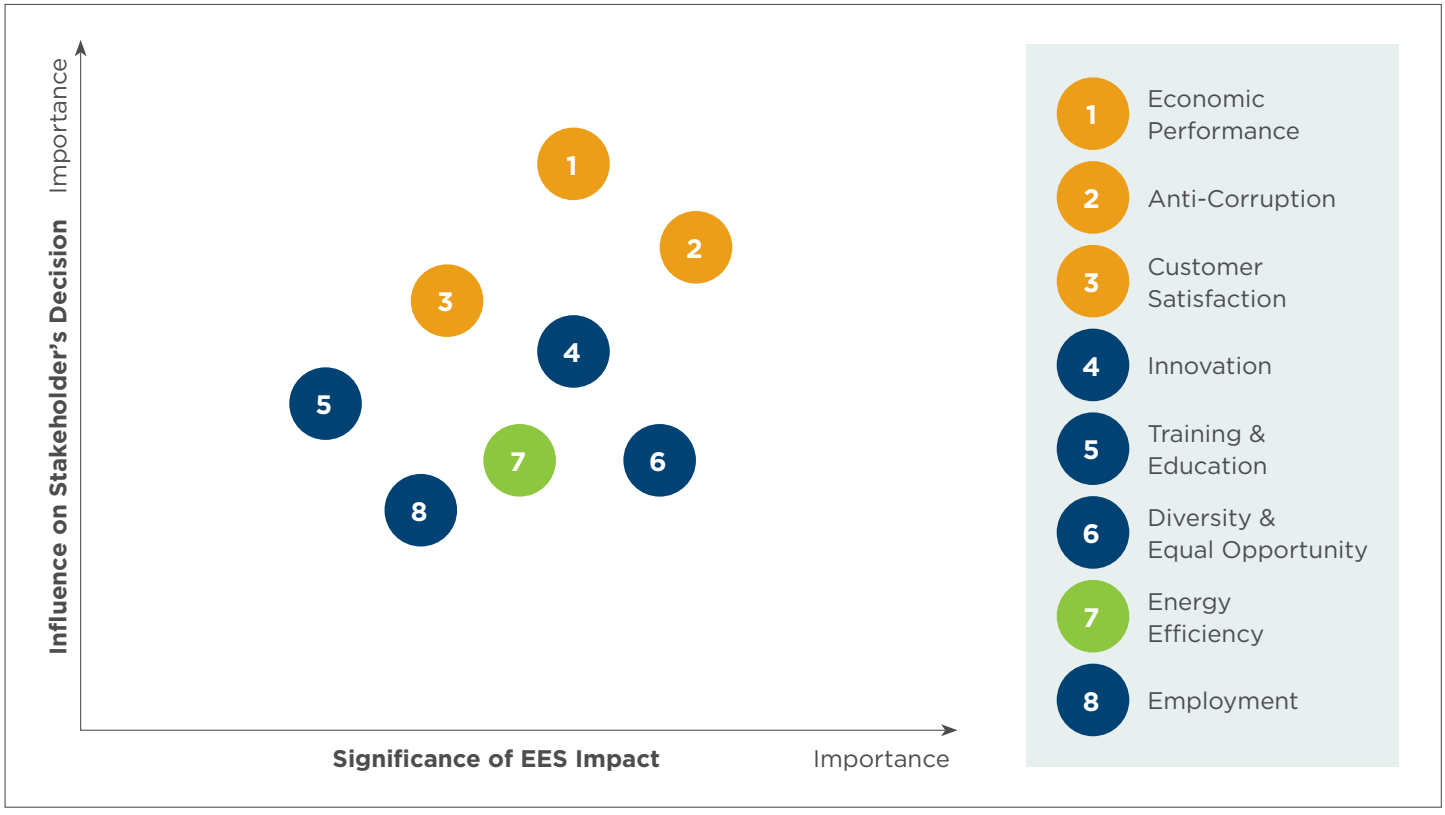


Figure 1: *Mesiniaga Berhad's Materiality Map*

Sustainability Statement

STAKEHOLDER ENGAGEMENT

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

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

Sustainability Statement

ECONOMIC

1. Economic Performance

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

- Continuously upgrading the technical skills of our employees
- Adhering to the high standards of good governance
- Inculcating integrity and professionalism in procurement and supply chain management
- Adhering to the applicable International Standards Organisation (ISO) standards

2. Customer Satisfaction

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

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

Our customers are also encouraged to provide feedback directly to feedback@mesiniaga.com.my as well as complete post-implementation project surveys provided by our Project Management Unit. The Customer Satisfaction Management Department has been established to report directly to the Chief Executive Officer where it has been tasked with obtaining feedbacks from customers regularly and any reported issues will be escalated and handled thoroughly.

Our constant focus on customer satisfaction has proven effective as evidenced by the improved customer satisfaction index over the years and we will continue to work on enhancing our customers' experience.

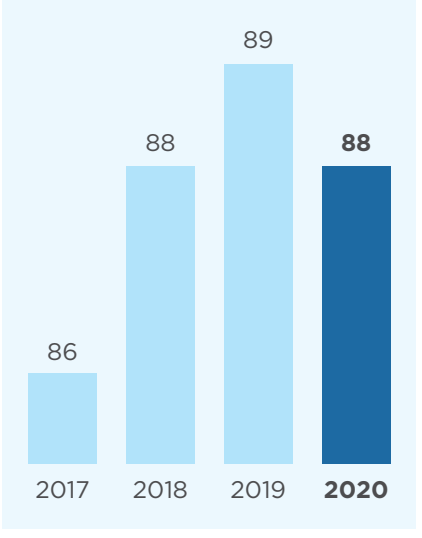


Figure 2: *Mesiniaga's Customer Satisfaction Index*

Sustainability Statement

3. Enterprise Risk Management

The Group Risk Management Committee was established to identify the principal risks affecting the Group's business objectives and to help implement risk management processes in a structured and focused approach. It consists of six (6) levels of committee members: the Board of Directors, the Board of Audit and Risk Management Committee, the Group Risk Steering Committee, the Group Audit and Risk Department, the Group Risk Working Committee and the Group Risk Owners.

The risk management processes and activities within the Group are guided by the COSO (Committee of Sponsoring Organisation of the Treadway Commission), Enterprise Risk Management (ERM) Framework and ISO 31000 Risk Management Principles & Guidelines.

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

Mesiniaga Berhad's Risk Management Structure

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

For more information, please refer to the Management Discussion and Analysis and Statement of Risk Management and Internal Controls on page 10 and 52 respectively.

Sustainability Statement

4. Anti-Corruption

The Group firmly believes in operating its businesses based on high standards of integrity, transparency, ethics and accountability and is against corruption in all its forms. The Group's Corporate Governance stance observes ethical conduct and practices in compliance with all regulatory requirements. We have a zero-tolerance policy towards any unethical, illegal and corrupt work malpractices and are committed to professionalism, fairness and ethical business dealings.

To ensure all employees, vendors and business partners are committed to complying with this practice; formal communications have been established on policies and processes and these are made available and accessible on the Company's website. Such policies and procedures include:-

- Anti-Bribery and Corruption Policy
- Whistleblowing Policy
- Vendor Code of Conduct
- Business Conduct and Guideline

Anti-Bribery and Corruption Policy

We enhanced our Anti-Bribery and Corruption Policy (ABC Policy), which aligns with the Malaysian Anti-Corruption Commission Act 2009 to govern our ability to mitigate this risk. The purpose of the ABC Policy is to ensure a sound bribery and corruption risk management and prevention process which involve monitoring, treatment, and reporting in a structured, systematic and consistent manner.

Whistleblowing Policy

The Group has in place a Whistleblowing Policy to deal with the disclosure of improprieties within the Group. It is applicable to all employees of Mesiniaga, external parties who have business relationships with the Group and members of the public. The main objective is to enable concerns to be raised by anyone about unethical and unlawful conduct, malpractice and any other wrongdoings that may occur within the organisation. If necessary, the Board Audit and Risk Management Committee will appoint an investigating team and decide the next course of action. This Policy protects the whistle-blower against any adverse and detrimental actions as a result of whistleblowing including the protection of their identity in accordance with the Whistleblower Protection Act 2010.

Vendor Code of Conduct

Mesiniaga's Vendor Code of Conduct (VCC) sets out the expectations of Mesiniaga on vendors to conduct business with Mesiniaga in a lawful and ethical manner with the highest standard of professional conduct. This Vendor Code of Conduct shall apply to external third-parties appointed by Mesiniaga (Vendors) which includes their principals, employees, agents, suppliers and subcontractors or any other party with a contractual relationship to deliver the goods and services to Mesiniaga or to any parties on behalf of Mesiniaga.

Mesiniaga is committed to conducting business in a legal, ethical, safe, fair and responsible manner and our approved Vendors are required to work at the same high level of standards. All Vendors engaged in providing products and services to Mesiniaga are expected to act in accordance with the VCC, including aligning guidelines, policies and practices, and communicating and enforcing the VCC provisions throughout their organisation and across their supply chain, including to sub-vendors and sub-contractors.

Sustainability Statement

Business Conduct Guidelines

All Mesiniagans (including sub-contractors and their employees) are guided by the Mesiniaga Business Conduct Guidelines. As seen below, this Business Conduct Guidelines provide a code of ethics which covers a broad range of issues that can affect an employee's responsibilities towards the Group.

Issues	Guidelines and Ethics
Recording and reporting information	• Accurately • Honestly
General standards	• Avoid misrepresentation • Avoid reciprocal dealing
Fairness in the field	• No disparaging competitors • No premature disclosure and selling against competitive orders
Multiple relationships with other organisations	• Avoid discussing any proprietary or confidential information • Follow published marketing and services guidelines
Information about others	• Treated with sensitivity and discretion • Limited to the ways that information should be acquired and used
Bribes, gifts and entertainment	• Following the correct receiving and giving etiquette • Being aware of and adhering to the laws and regulations between customers and suppliers • Compliance with policies
Fraudulent Act	• Ensures that policies and procedures are in place to cover the prevention, deterrence and detection of fraud
Conflicts of interest	• Assisting competitors, competing against Mesiniaga, performing outside work that uses Mesiniaga's time and assets and acting as a supplier for Mesiniaga are prohibited
Personal financial interests	• No financial interest in any organisation that does business with Mesiniaga including suppliers, competitors, customers and distributors
Using inside information	• Refrain from using inside or non-public information about Mesiniaga or another company for their own financial benefit
Ethics practice policy	• Whistleblowing process and guidelines

Sustainability Statement

ENVIRONMENTAL

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

5. Energy Efficiency

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

Cutting down on air conditioning is significant for us. We have made every effort to reduce electricity usage by making the most of natural daylight and natural ventilation within our building. Our electricity usage significantly dropped as large numbers of employees started working from home due to the COVID-19 pandemic. Allowing employees to work remotely has reduced the electrical usage of electricity, air conditioning and all other little necessities. We have saved more than RM 400,000 since this initiative was in place. We continue to save another RM 224,093 for the reporting year.

Energy Usage (RM)

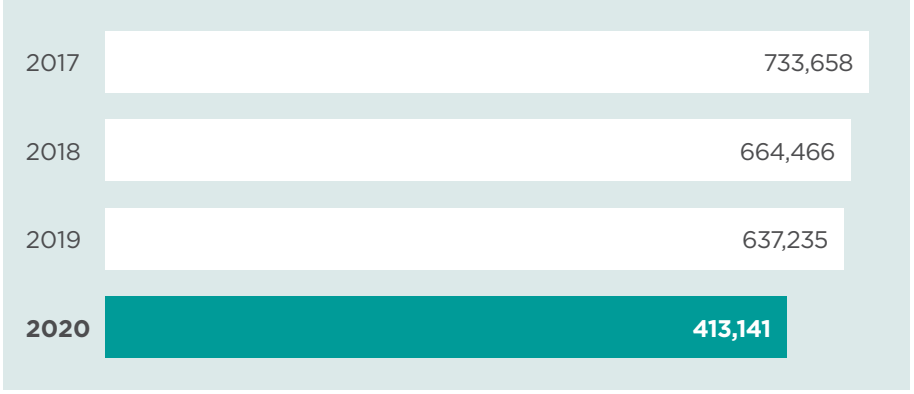


Figure 3: *Mesiniaga's Energy Usage*

Sustainability Statement

SOCIAL

6. Innovation

COVID-19 pandemic is unprecedented. This catalyses the new norm and forces organisations to explore an improved method of operating their businesses. Solutions that help organisations reduce physical exchanges of documents, interactions, and automation, which drive down the cost for the organisations are highly favoured.

Innovation, which is one of Mesiniaga's core values, has been tested during this challenging time. It pushes us to transform the way we organise for innovation. This is to support the sustainability of social development within the organisation, business exploration into new areas and technology experimentation to ensure we remain relevant and in-line with Industrial Revolution 4.0.

In the year 2020, Mesiniaga has started to build products that are relevant for business-to-business (B2B) as well as business-to-consumer (B2C) products. Our Products and Innovations Department has built four products, three of which are ready to go-to-market. The products are MyMOMS, Chup and Intelligent Visitor Management Solutions (IVMS). Below is the summary of each of the solutions.

Product	Description
MyMOMS	MyMOMS is an antenatal care solution that aims to replace the manual 'pinkbook' issued to pregnant mothers during their check-up at hospitals or clinics. The system will be used by the patient, doctors and nurses and has the ability to highlight and identify risks to reduce morbidity, mortality and near-miss disasters which may lead to litigation.
Chup	Chup facilitates social distancing and avoids overcrowding in business premises to reduce the risk of infection on COVID-19. The centralised system is accessible through mobile phones to set appointments, receive reminders and alerts to reduce the risk of overcrowding in the business premises and improve productivity by reducing waiting time. It also increases visibility for businesses and enhances productivity for the users through a just-in-time alert notification.
IVMS	An intelligent visitor management system that integrates IoT capability from the barrier gate to endpoint devices. It improves the security, safety and productivity of the visitors as well as the host by allowing visibility and improving guidance to the location beyond the capability of generic GPS platforms. The solution improves security through visitor confirmation and has built-in safety features. The digital visitor pass improves productivity, reduces costs and the risk of COVID-19 infection as it eliminates the need for physical exchanges or close interactions on visitor's registration process.

Sustainability Statement

7. Diversity in Workforce

We believe that diversity can positively contribute to enriching and creating a thriving working environment. With this in mind, we continue to commit towards providing equal opportunities regardless of race, gender, age or religious beliefs. As of December 2020, female employees make up 56% of our total workforce and 19% of total managerial position.

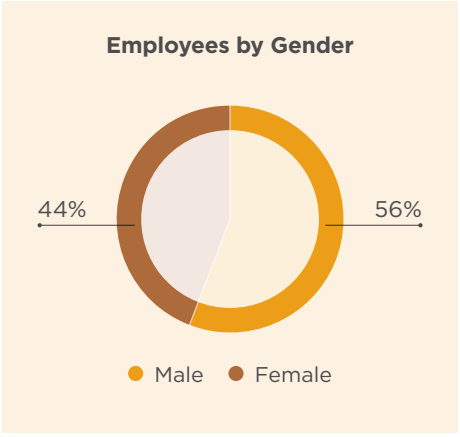


Figure 4: *Employees by Gender*

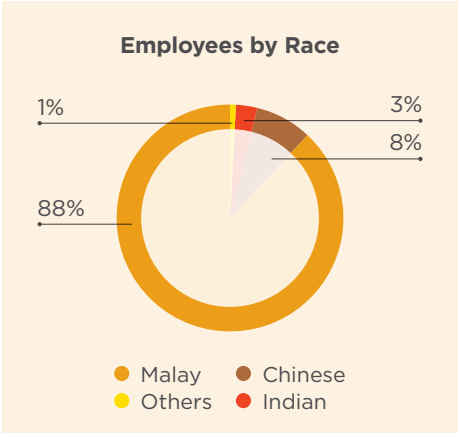


Figure 5: *Employees by Race*

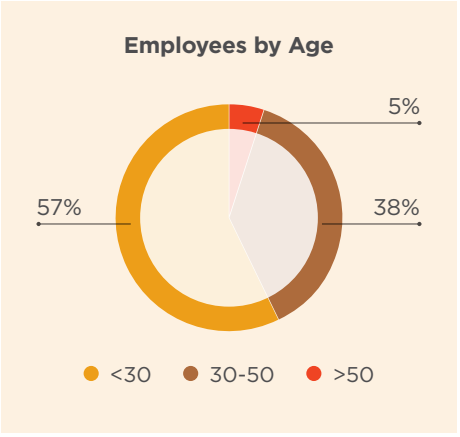


Figure 6: *Employees by Age*

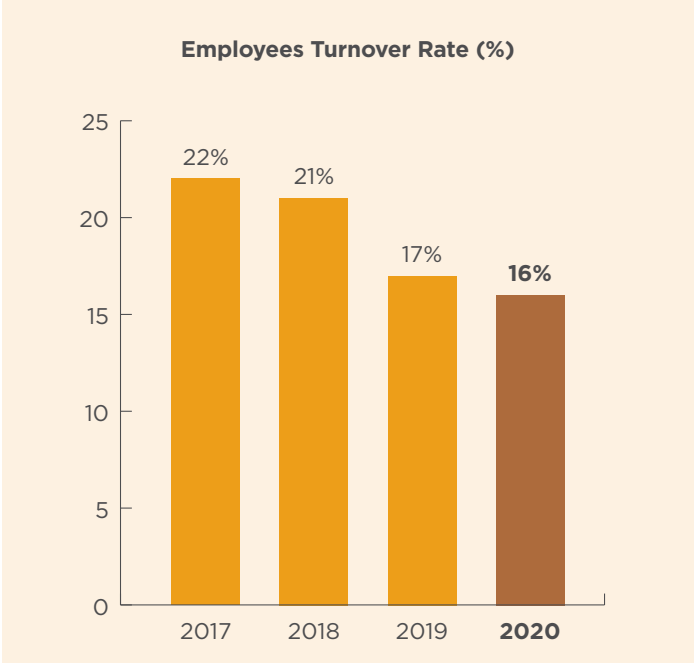


Figure 7: *Employees Turnover Rate (%)*

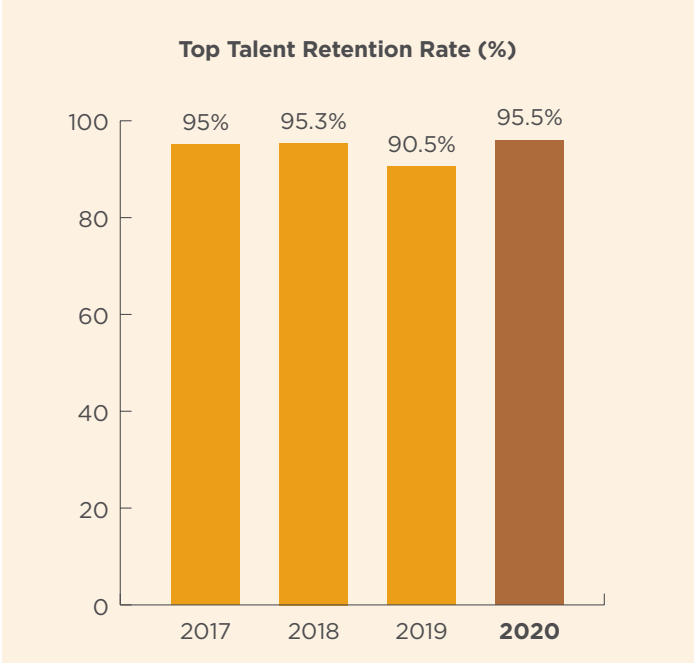
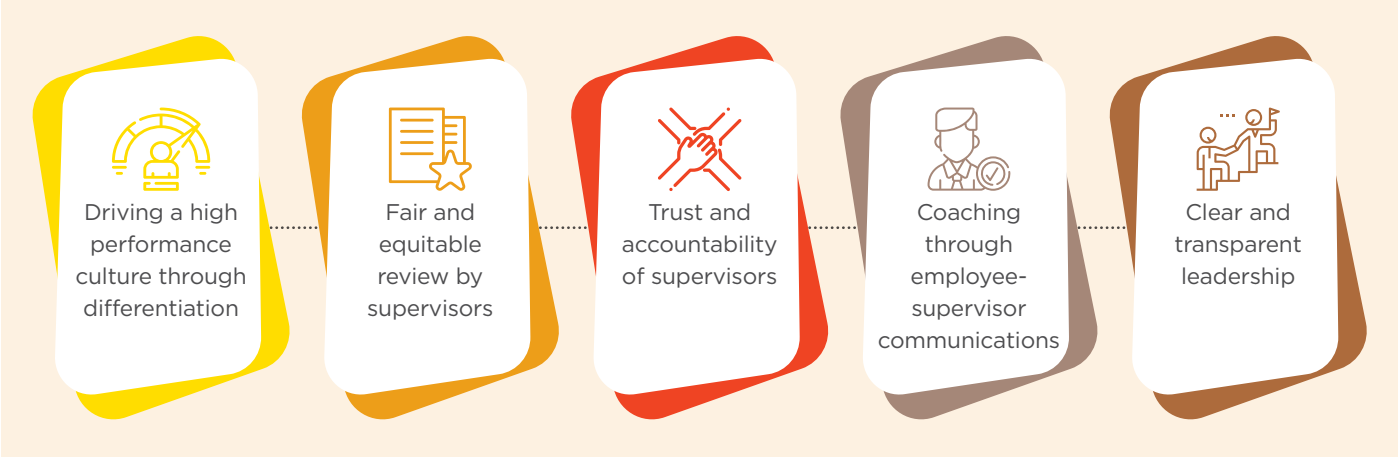


Figure 8: *Top Talent Retention Rate (%)*

Sustainability Statement

8. Performance Management

In 2014, Mesiniaga launched a Performance Management program aligned with the Group's Mission and Vision. The principles of the program, later rebranded as My Mesiniaga Commitment (MMC), are listed below:-



Individual Goal/ Target Setting	Monitoring & Feedback	Mid-Year Review	Monitoring & Feedback	Year-End Performance Review	Management Team Approval
Jan Feb Mar	Apr May Jun July	Aug	Sept Oct Nov Dec	Jan Feb	Mar

Figure 9: *MMC Yearly Plan Timeline*

To minimise the impact of the COVID-19 pandemic on employees' performance results, Mesiniaga has allowed the employees to work remotely to focus on their safety and flexibility to deliver the tasks.

From 2015 to 2020, about 90% of Mesiniaga's employees received their performance and career evaluations via MMC.

9. Training and Development

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

Due to the COVID-19 pandemic, the Group recorded a 45% decrease of training hours compared to 2019. The average training hours per employee is 6.21 hours compared to 23.5 hours in 2019, while the corresponding expenditure reduced by 72% from RM415,687 to RM113,635. The decreased was mainly due to cancellation and postponement of trainings scheduled to be held during the year.

Sustainability Statement

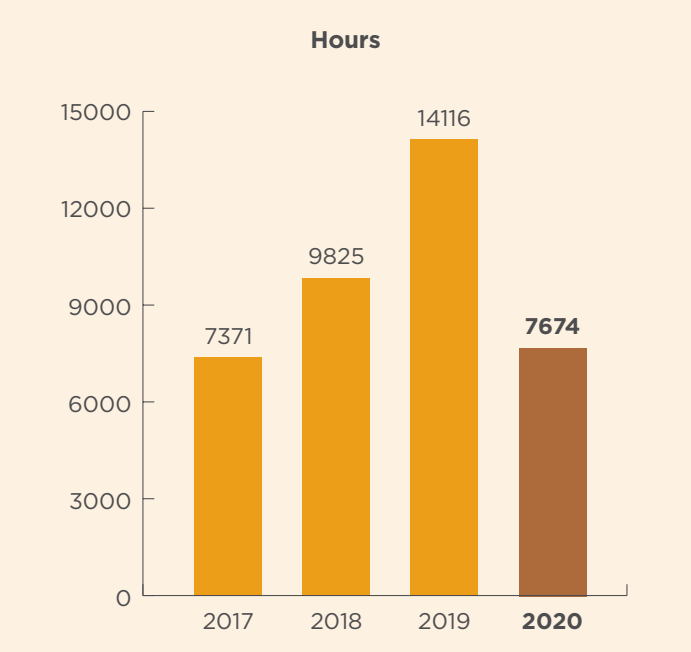


Figure 10: *Hours Spent on Training*

Figure 11: *Total Cost (RM) Spent on Training*

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Mesiniaga Berhad (the Group) recognises the importance of adopting high standards of corporate governance in the Group in order to safeguard stakeholders' interest as well as enhancing shareholders' value. Good corporate governance practices are instilled to ensure long-term sustainability.

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

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

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

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

The Group has applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2020, except for the following:-

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

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Providing leadership in meeting the objectives and goals of the Group

With the goal of achieving our Group's stated vision and mission, we are committed to continue our efforts to be the "Malaysian IT Partner of Choice" by Helping our Customers Succeed. We pledge to strive for the highest level of good governance in the Group, to meet and exceed the expectations of all our stakeholders particularly our shareholders. The Board of Directors (the Board) firmly believes that adopting and operating in accordance with the highest standards of corporate governance are vital for sustainable performance and economic value creation for all our stakeholders. The values adopted by the Group are:-

Corporate Governance Overview Statement

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

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

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

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

Apart from playing the role as an advisor to the Directors, the duties of the Group Secretary also include, amongst others, attending all Board meetings, ensuring that the proceedings of Board meetings and decisions made thereof are accurately and sufficiently recorded and properly kept for the purposes of meeting statutory obligations, ensuring all appointments and resignations of Directors are in accordance with the relevant legislations, formulation and review of Board Charter periodically, coordinating on dividend payments, and making corporate disclosure announcements. The appointment and removal of the Group Secretary are exclusively within the purview of the Board.

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

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

Demarcation of responsibilities between the Board, Board Committees and Management
The Board Charter which establishes clear functions, roles and responsibilities of the Board of the Group is published in the Group's website www.mesiniaga.com.my. The Board Charter is subject to periodical review.

Corporate Governance Overview Statement

The Board and its Committees meet regularly to deliberate on matters under their purview. In addition to the scheduled meetings, the Board and Board Committees also convene special meetings when urgent and important deliberations are required or decisions need to be taken between scheduled meetings. During the year, the Board has deliberated on business strategies and critical issues concerning the Group, including business plans, annual budget, financial results as well as key performance indicators. Throughout 2020, the Board of Directors met six (6) times. The attendance of individual Directors for the meetings of the Board and Board Committees are outlined below:-

Directors	Attendance
Datuk Wan Mohamed Fusil	6/6
Fathil Ismail	5/6(i)
Voon Seng Chuan	6/6
Wong Fook Hon	6/6
Sim Hong Kee	6/6
Datuk Noor Azian Shaari	6/6
Dato' Darawati Hussain	2/2(ii)

Former Directors	Attendance
Dr. Ir. Muhamad Fuad Abdullah	4/4(iii)
Abd Talib Baba	4/4(iv)
Dato' Ab Rashid Mat Adam	4/4(iv)

(i) Absent with apologies
(ii) Appointed on 11 September 2020
(iii) Resigned on 10 September 2020
(iv) Retired on 10 September 2020

All meetings before the Movement Control Order were held at the Boardroom, 11th Floor, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan. Thereafter, they were held through tele-conferencing via Cisco Webex.

Commitment to the promotion of good business conduct and maintenance of a healthy corporate culture
Mesiniaga abides by strict ethical conduct and practices in doing our business and in our dealings with all stakeholders as well as regulatory requirements. An integral part of our Employee e-Handbook is the Mesiniaga Business Conduct Guidelines (BCG) which defines the expected ethical behaviour of our employees. The Guidelines encompass areas of personal conduct, fairness in business, relationship with other organisations, use and dissemination of proprietary and confidential information and fraud prevention. Apart from that, it is also our undertaking to support the utilisation of licensed software and the implementation of good software asset management practices. Our commitment to ethical and best practices is exemplified by our upgraded ISO 9001:2015 accreditation.

On 8 October 2019, Mesiniaga had issued the Anti-Bribery and Corruption Policy, Whistleblowing Policy and Vendor Code of Conduct to complement the BCG in enhancing the Group's culture for having good ethics and fair dealings.

Corporate Governance Overview Statement

In this respect, it has been the responsibility of the Board and Management to uphold the high reputation of the Group, as well as the responsibility of each employee to behave in the prescribed manner, as required by the BCG and the policies as described above. The policies and procedures as outlined in the BCG and the said policies are based on the principles of the Code on Corporate Governance and the relevant legal provisions under the MACC Act 2009 and the recently gazetted Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018. The main objective of the BCG and the said policies are to encourage and enable employees to whistle-blow and raise serious concerns of illegal activities, such as corruption, and other wrongdoings that may occur within the organisation. This BCG and the said policies are available in the Employee e-Handbook for the reference of all employees in the Group's effort to continue promoting accountability, transparency and ethical practices.

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

Board decision making process

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

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

The Board also recognises the need to enhance Board diversity, as it is essential to the effective functioning of the Board. The Board has attained diversification in terms of experience, skills, expertise, competencies, ethnicity and age to enable the Group to maximise its business and governance performance. In line with the recommendation to have gender diversity on the Board, another lady Director was appointed to the Board on 11 September 2020. Every effort would be taken to comply with the recommended gender diversity on the Board in the future. The representation of the members of the Board as of 31 December 2020 is as follows:-

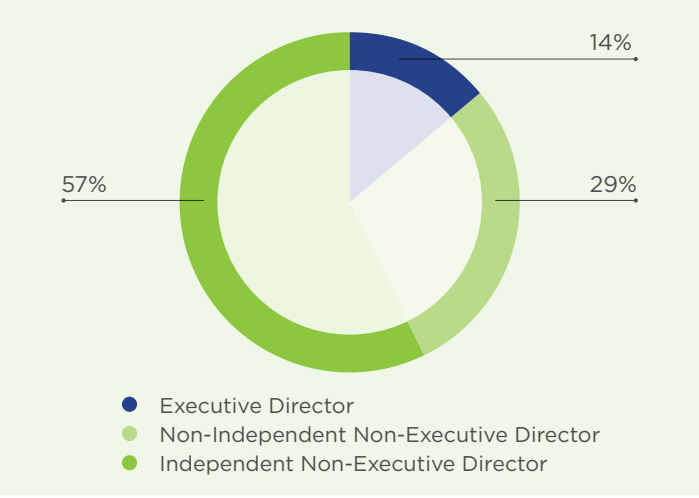


Figure 1: *Composition of Board*

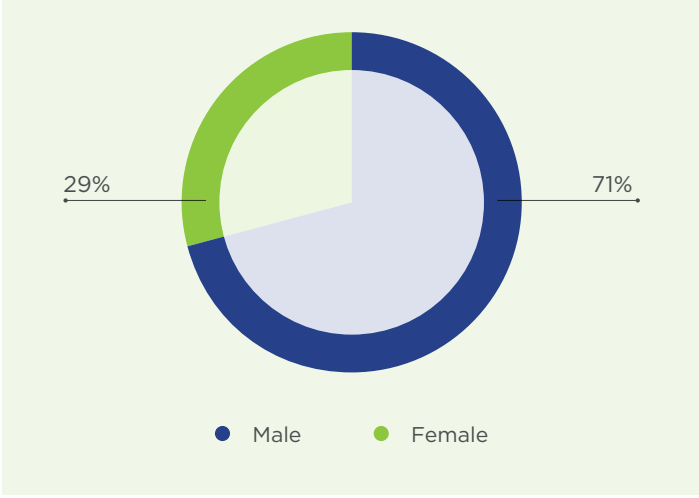


Figure 2: *Directors' Gender Composition*

Corporate Governance Overview Statement

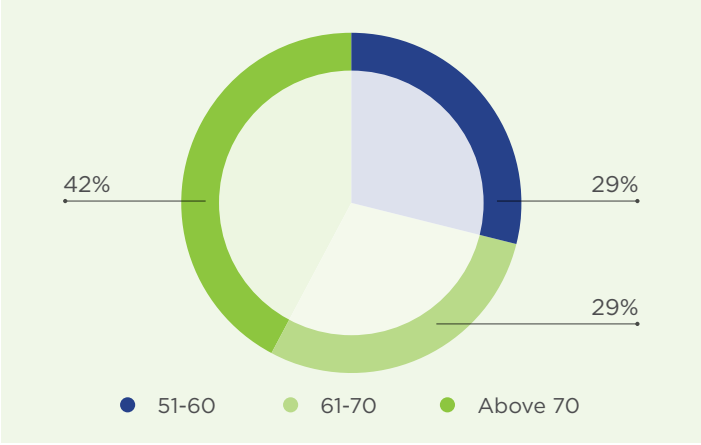


Figure 3: *Directors' Age Group*

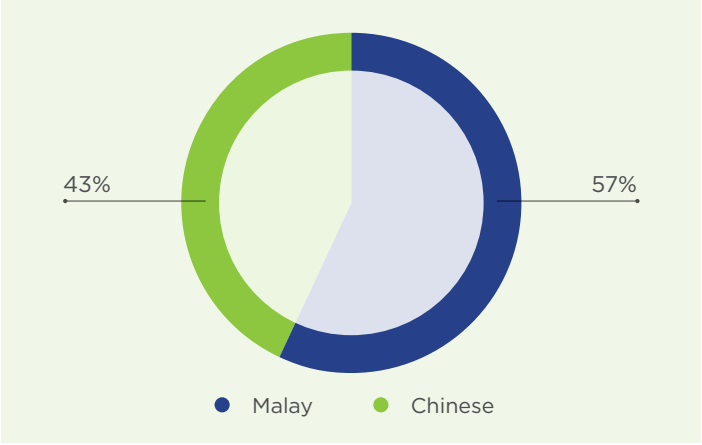


Figure 4: *Directors' Ethnicity*

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

The Board recognises MCCG 2017's practice on the tenure of an Independent Director that should not exceed a cumulative term of nine (9) years. Wong Fook Hon was reappointed last year upon his completion of a cumulative term of nine years. He would not seek re-election at the forthcoming Annual General Meeting.

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

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

The Board fully embraces gender diversity within the Group. As at 31 December 2020, 56% of the Group's employment strength consists of females. Females constitute 31% and 19% at Senior Management and total management levels respectively. Though the NRC has been tasked to review and make recommendations for appointment to the Board, the Board does not solely rely on recommendations received from the Committee. The Board is open to consider independent sources to identify suitably qualified candidates.

The NRC is chaired by Voon Seng Chuan who is a Non-Executive Independent Director. In exercising his role, he coordinates the independent assessment of the effectiveness of each Board member.

Corporate Governance Overview Statement

Level and composition of remuneration
The NRC oversees the implementation of the policy and procedure on remuneration including reviewing and recommending matters relating to the remuneration of the Board in general and in particular the remuneration of the Executive Director. Its Terms of Reference is as stated on page 63 of this Annual Report.

Considerations include Director's responsibilities, experience competencies, commitment, contribution and performance. The market rates are also taken into account when deciding remuneration.

The NRC reviews the performance and remuneration of the Executive Director and makes recommendations to the Board on an annual basis. In relation to the remuneration of the Independent Non-Executive Directors, comparison is made with peer companies and recommendations made to the Board for deliberation.

Detailed information on named basis regarding the remuneration of each individual Director is not disclosed as the Board considers the information is sensitive and proprietary. Besides, the issue of personal security is also taken into consideration.

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

RM('000)	Executive Director	Non-Executive Director
Fees	-	335
Salaries	768	-
Other emoluments	203	47
Defined contribution plan	36	-

RM('000)	Executive Director	Non-Executive Director
Below RM50,000	0	6
RM50,001 to RM100,000	0	3
RM100,001 to RM150,000	0	0
RM150,001 to RM200,000	0	0
RM200,001 to RM300,000	0	0
RM400,001 to RM450,000	0	0
RM450,001 to RM500,000	0	0
RM500,001 to RM550,000	0	0
RM550,001 to RM1,000,000	0	0
RM1,000,001 to RM1,500,000	1	0

Corporate Governance Overview Statement

Directors' Training

All Board members have attended the Mandatory Accreditation Programme (MAP) organised by Bursa Malaysia. In addition, Board members have also attended various training programmes and conferences which the Board believes have aided them in discharging their duties as Directors of the Group. Board members are also encouraged to participate in training programmes deemed appropriate for the needs of the respective Directors in discharging their duties to the Group and such attendance would be at the Group's expense. The following is the list of training programmes and conferences attended by the Directors:-

Board Leadership and Corporate Governance	• The Board Chair – The First Among Equals • COVID-19 Lockdown: Legal Perspectives for Development Projects • COVID-19: Virtual General Meeting for Listed Companies • Roles and Responsibilities of Directors and Guidelines on Conduct of Directors of Listed Corporations and their Subsidiaries • PwC Webinar - Upskilling and reskilling: Strategies to prepare the workforce of today and tomorrow • Intelektualisme dan Pembangunan Negara Bangsa - Dewan Zaaba • FIDE Forum - 1st Distinguished Board Leadership Series: COVID-19 & Current Economic Reality • FIDE Forum - 3rd Distinguished Board Leadership Series: Challenging Times - What Role Must the Board Play? • Banking on Governance, Insuring Sustainability • Corporate Board Leadership Symposium 2020 - Sustainability and Digitalisation A New Normal • Webinar ICDM: Stakeholder Engagement - Stakeholder Primacy: Increased Emphasis on ESG • Webinar ICDM: Leadership - Leadership Today: Authentic, Open & Transparent • Navigating through COVID-19: Now, Next and Beyond • Institutionalisation of Reforms in the New Malaysia (Bank Rakyat Integrity Forum) • Webinar ICDM Power Talk: The Path to the Next Normal : So What Now for Leadership - CEO Inspire Group Asia New Zealand
Risk Manageament/ Internal Audit	• Managing Political Risk • Anti-Money Laundering (ACAMS) by AmBank Group Learning & Development • Webinar ICDM: Crisis Management - Readiness, Response & Recovery • Webinar ICDM: Crisis Management - Managing HR for the Long Haul: Road to Recovery • Webinar PwC: Cash conservation and management: Keeping the cash flowing • Governance and Risk: An Uncertain World, A riskier Landscape • COVID-19 Impact on Financial Reporting: Not Business as usual • COVID-19 Audit Implications • Enterprise Risk Management: Business Council for Sustainable Development (BCSD) Malaysia in collaboration with World Business Council for Sustainable Development (WBCSD) • FIDE Forum - Risks: A fresh look from the Board's perspective
Nomination and Remuneration	• FIDE Forum on Board and Executive Pay During and Post COVID-19 • On Board: The Insider's Guide to Surviving Life in the Board Room • The Modern Board Architecture

Corporate Governance Overview Statement

Others	• Adequate Procedures: The Director's Response to Individual Liability - ICDM Power Talk Series • Webinar Tricor: Corporate Liability Under COVID-19 - Are We Ready • Webinar ICDM: Stakeholder Engagement - In Times of Crisis: Stakeholders Take Centre Stage • Institute of Entrepreneurship: 5 Business Continuity Strategies: KC See Quest Mastery Asia Group • Webinar MIA: The Contemporary Issues in Applying IFRS • Webinar Axcelasia: Tax Impact of COVID-19 • Webinar PwC: Optimising operations: 'Supply' your supply chain with resilience • Webinar PwC: Resource planning: Taking care of your people amid challenging business conditions • Sustainable and Responsible Investment (SRI): The Strategic Value of Sustainability - SIDC

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

The Audit and Risk Management Committee (ARMC) comprises of four (4) members and is headed by Sim Hong Kee. He and two (2) other ARMC members are Independent Non-Executive Directors, while Dato' Darawati is a Non-Independent Non-Executive Director. This composition is in full compliance with MCCG 2017.

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

Sim Hong Kee is a chartered accountant and member of the Malaysia Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA) while Dato' Darawati is a Chartered Financial Analyst. The other two (2) members though not having financial background, have sufficient experience that enables them to be financially literate and understand matters under the purview of the ARMC including the financial reporting process. All members of the ARMC had participated in various continuing professional developments to keep themselves abreast of relevant development in accounting standards, practices and rules.

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

Mitigating and managing risk

An effective risk management and internal control framework has been established and the features of the framework are as stated in the Statement of Risk Management and Internal Control on page 52 of this Annual Report. A synopsis of the key risk areas as identified and monitored by the ARMC are as stated in the Management Discussion and Analysis on page 10.

The risk management framework adopted by the Group is tailored to the local condition based on an internationally recognised framework. The report on risk management is presented to the Board on a quarterly basis and the Board is of the opinion that the risk management adequate considering the complexity and size of the business in place.

Corporate Governance Overview Statement

Effective governance, risk management and internal control framework
Ensuring that the internal audit function is effective and able to function independently is part of the function and duties of the ARMC.

Internal audit personnel are free from any relationship or conflict of interest which could impair their objectivity and independence. The internal audit unit is headed by the Head of Audit and Risk Department. He holds an MBA (Finance) and is a professional member of the Institute of Internal Auditors Malaysia and Certification in Risk Management Assurance (CRMA). He is assisted by a team of two (2) internal auditors who have sufficient auditing experience and tertiary academic qualifications.

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

Communication with stakeholders
The Group welcomes all queries from shareholders and these queries could be channelled directly to the Chief Executive Officer or through the Group's website www.mesiniaga.com.my. The Chief Executive Officer provides update on the Group's performance through quarterly results announcement and also responds to analysts and shareholders' queries from time to time.

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

Conduct of General Meeting
At each Annual General Meeting (AGM), the Board presents the Group's business progress and performance and encourages shareholders to participate in the question and answer session. All Directors attend the Annual General Meeting.

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

The Group has been holding its Annual General Meeting at its own premise since 1998. While the Group has no intention to introduce voting in absentia or remote shareholders participation for the time being, the Group will explore using such avenues for future AGMs.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2016 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year, and the statement of comprehensive income and cash flow of the Group for the financial year.

In preparing the financial statements of the Group for the year ended 31 December 2020, the Directors have:-

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction
The Malaysian Code on Corporate Governance 2017 requires the board to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets.

In compliance with the provision of Bursa Malaysia Securities Berhad (Bursa Malaysia) Listing Requirements Paragraph 15.26(b) and Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers (Risk Management and Internal Control Guidance), the Board of Directors (the Board) is pleased to present the Statement on Risk Management and Internal Control (SORMIC), which outlines the risk management framework and the internal control structure of the Group during the financial year under review and up to the date of approval of this statement for inclusion in this Annual Report.

Board Responsibility
The Board acknowledges its responsibility for the Group's risk management system and internal control framework to safeguard shareholders' interest. To this end, strong focus is placed on adequate financial and operational controls and regulatory compliance.

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

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

Internal Audit
The principal role of the Audit and Risk Department is to ensure the internal control mechanism is in place and provide independent assurance and assessment on its effectiveness and soundness.

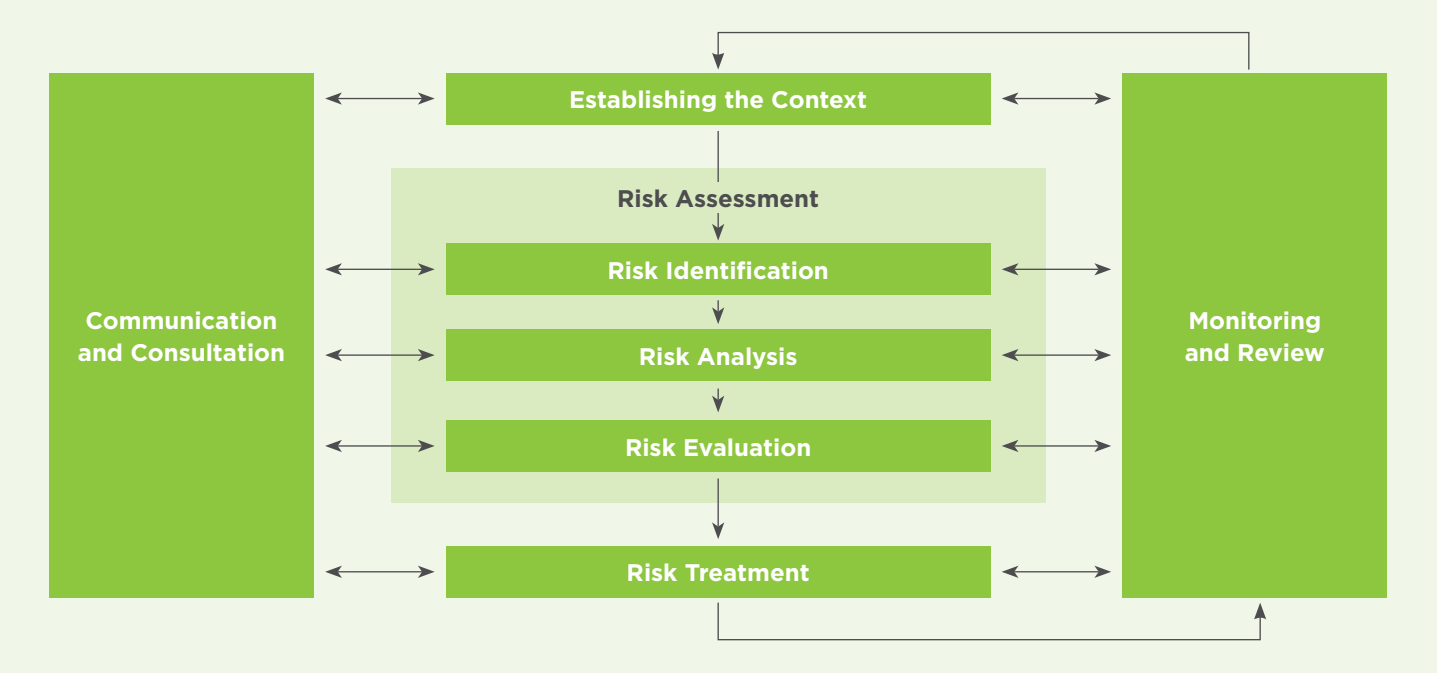
The Audit and Risk Department adopts a risk-based approach in its audit plans and examination. The internal audit function is guided by IPPF (International Professional Practices Framework) issued by the Global Institute of Internal Auditors. Additionally and separately, the Audit and Risk Department performs on-going reviews of processes and activities within the Group in compliance with the ISO 9001:2015 standards. The audit plan, based on the areas of significant risk exposure to the Group, was approved by the ARMC.

Statement On Risk Management And Internal Control

Risk Management
The ARMC monitors the implementation of a risk management programme for the Group and to formalise the identification of principal risks affecting the achievement of the Group's business objectives. It allows for a more structured and focussed approach to managing the Group's significant business risks.

The Group has established a Risk Management Program under the oversight of the Risk Management Steering Committee. Under the program, on-going proactive identification, assessment, remediation or mitigation, monitoring and reporting is conducted. Periodic self-assessment results rereviewed by the ARMC on behalf of the Board, and the Board appraised of the results of the review.

The ARMC determines the Group's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Group's assets. Progress on risk management activities is reported at every ARMC meeting in 2020 by the risk coordinator. The processes of risk management are illustrated as per below:-



Statement On Risk Management And Internal Control

Amongst others, the duly identified and monitored risks by the ARMC include people risk, contract risk, Group performance risk, operational risk, cyber security risk and corruption risk.

Context	Risk	Mitigation
People Risk	While IT is the backbone of our business, it is the people in management and operations that sustain our ability to meet our business commitments to our customers. The lack of adequate key talent and resources with the correct skill set could hinder the Group from achieving its objectives.	The Human Resource Department is constantly working on various initiatives by improving recruitment, staff development, employee engagement, training and retention processes to combat the perennial challenge of retaining key talents within the Group. Human Resource Department also is committed to implement the succession planning across the Group to ensure that there is a stream of good talent to steer the Group into the future.
Contract Risk	The Group accords utmost focus on the Contracts and Agreements entered into with the Group's stakeholders. Contract risk is the risk of the Group failing to keep track of and meet or enforce its contractual obligations or rights, or entering into contracts with terms that are inadequate, unfair or enforceable.	Review individual contracts and agreements with the clients as well as regular engagement by the Legal function has been one of the many mitigation measures taken in order to ensure the risk of breaching the contract is minimised.
Group Performance Risk	The constant and rapid changes in the IT industry and entry of new industry participants has resulted the market to be more competitive which may in turn impact the business performance of the Group. The MCO enforcement due to COVID-19 by the government have affected the Company's performance.	The Group has taken necessary measures in order to improve the business strategies which include upgrading the core capabilities to provide a better service experience and eventually improve the Group's performance.
Operational Risk (Business Continuity Plan)	Business Continuity Plan refers to the processes and procedures that the Group must implement to ensure that mission-critical functions can continue during and after disaster.	The Group's Business Continuity Plan has been documented and tested. The plan serves as the main communication vehicle to ensure that everyone is aware and knowledgeable of the objectives and how they will be accomplished. During the MCO period most of the employee are working from home and this practice did not affect the operations since staff are able to continue to do their work remotely from home.

Statement On Risk Management And Internal Control

Context	Risk	Mitigation
Cyber Security Risk	Adequacy of cyber security measure is a necessity in today's business world because a major portion of business transactions and operations activities have gone online. While this has made the conduct of business easier, there are risks associated therewith.	The Company has maintained regular monitoring, analysis and reporting of cyber attempts and improved the end point security protection such as:- - Upgrade Trend Micro anti-virus. - Deploy AD to manage all users' notebooks. - Upgrade all Win 7 machines to Win 10. - Rollout OneDrive cloud storage as the primary. - Rollout network access control (NAC) to manage devices connecting to Mesiniaga network. The Company will in addition, engage 3rd party to perform system scanning and conduct system penetration testing.
Corruption Risk	Risk of involvement in the offering and receiving of bribes.	Initiatives undertaken by the Group to mitigate this risk include:- - Organised online talk and presentation on MACC Act (Sec 17A) Anti-Bribery & Corruption to staffs. - Updating Group policies & procedures. - Continuous newsletter issued to all employees reminding on anti-corruption initiatives and case study.

Internal Control

The Group's internal control system is incorporated within the organisation structure, policies, procedures and the Mesiniaga Business Conduct Guidelines.

Control environment includes the following:-

- The Group's core values of Respect, Integrity, Commitment, Innovation and Teamwork is embedded within the corporate culture;
- The Code of Business Conduct Guidelines reinforces the Group's core value on integrity by providing guidance on moral and ethical behaviour that is expected from all employees in following the laws, policies, standards and procedures;
- The Audit and Risk Management Committee and Nomination and Remuneration Committee established by the Board of Directors are governed by clearly defined terms of reference and authority for areas within their scope; and
- The Group has an organisational structure that is aligned with its business and operational requirements with clearly defined lines of responsibility and authority levels.

Statement On Risk Management And Internal Control

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

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

COVID-19 Pandemic
The coronavirus (COVID-19) pandemic has developed rapidly in 2020, with a significant number of cases globally. Measures taken to contain the virus have significantly affected local and world economic activities, which in turn has implications on the Company performance and the financial reporting.

Mesiniaga have taken a number of measures to monitor and mitigate the effects of COVID-19, such as, but not limited to, safety and health measures for staff include supplying hand sanitiser at strategic site within Menara Mesiniaga, social distancing, practicing online meeting and working from home.

Mesiniaga will continue to follow the various government policies and SOP and conduct our operations in the best and safest way possible without compromising the health of our people.

Potential business risk resulted from COVID-19:-

- Ongoing government-imposed MCO impacting demand for goods or services
- Travel restrictions impacting supply chains or customers
- Pandemic outbreak among employees, in particular key management personal
- Cessation or reduction of government support
- Political instability in the country
- Foreign exchange fluctuations

Control Weakness
During the financial year 2020, our external auditors have highlighted findings over several deficiencies. The Management acknowledged these deficiencies in internal controls and appropriate action has been taken to resolve the issues and mitigate any related risk. The majority of prior year findings are closed as management continues to review and strengthen the internal control environment. There were no material losses incurred as a result of weakness in the internal controls that would require disclosure in this Annual Report.

Assurance from Management
The Chief Executive Officer and the Chief Financial Officer have provided the Board with assurance that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the systems and processes set up for the Company.

Statement On Risk Management And Internal Control

Taking into consideration the assurance from the management team, the Board is of the view that risk management and internal control are in place for the year under review and that they remain sound up to the date of issuance of the financial statements.

In addition, the Board remains committed to maintain a sound system of risk management and internal control and therefore, recognise that the systems must be continuously reviewed and revised to support the business and ensure compliance with:-

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

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

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This Statement is presented by the ARMC on 24 March 2021 and approved by the Board on 1 April 2021.

BOARD OF DIRECTORS
MESINIAGA BERHAD

AUDIT AND RISK MANAGEMENT COMMITTEE

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

The ARMC is pleased to present the ARMC report for the financial year ended 31 December 2020 in compliance with paragraph 15.15 of the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Malaysia) and the Malaysian Code on Corporate Governance 2017 (the Code).

COMPOSITION OF THE ARMC

The ARMC comprises the following members:-

Sim Hong Kee C.A. (M), CPA (M), ICDM (M)
Chairman, Independent Non-Executive Director

Wong Fook Hon
Member, Independent Non-Executive Director

Abd Talib Baba
Member, Independent Non-Executive Director
(Retired 10 September 2020)

Dato' Ab Rashid Mat Adam
Member, Independent Non-Executive Director
(Retired 10 September 2020)

Datuk Noor Azian Shaari
Member, Independent Non-Executive Director
(Appointed 10 September 2020)

Dato' Darawati Hussain
Member, Non-Independent Non-Executive Director
(Appointed 11 September 2020)

Syed Jamalludin Syed Osman Jamallulail
Secretary

NUMBER OF ARMC MEETINGS AND DETAILS OF ATTENDANCE

During the financial year ended 31 December 2020, the ARMC held a total of five (5) meetings. The details of the attendance of each ARMC members are as follows:-

Date	20.02.2020	02.04.2020	21.05.2020	10.08.2020	10.11.2020
Sim Hong Kee	✔	✔	✔	✔	✔
Wong Fook Hon	✔	✔	✔	✔	✔
Abd Talib Baba[(i)]	✔	✔	✔	✔	-
Dato' Ab Rashid Mat Adam[(i)]	✔	✔	✔	✔	-
Datuk Noor Azian Shaari[(ii)]	-	-	-	-	✔
Dato' Darawati Hussain[(iii)]	-	-	-	-	✔

(i) Retired on 10 September 2020
(ii) Appointed on 10 September 2020
(iii) Appointed on 10 September 2020

Audit And Risk Management Committee

TERMS OF REFERENCE FOR THE AUDIT AND RISK MANAGEMENT COMMITTEE

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

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

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

The Chairman of the Committee shall be an Independent Director.

Frequency of Meetings
Meetings shall be held not less than four (4) times a year and as and when required during the financial year. The quorum for a meeting shall be at least two (2) committee members.

Secretary
The Secretary of the Audit and Risk Management Committee shall be the Head of Audit and Risk Department of the Group. Minutes of meetings shall be recorded, circulated and adopted by the Committee.

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

Audit And Risk Management Committee

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2020, the ARMC carried out the following activities:-

1) Financial Reporting

a) Reviewed the unaudited quarterly financial reports and year-end financial statements of Mesiniaga for financial year ended 31 December 2020 before they were presented to the Board for approval for release to Bursa Securities and Securities Commission Malaysia accordingly; and

b) Reviewed and discussed the unaudited quarterly financial reports and year-end financial statements with the Management and external auditors on the:-

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

2) Audit Reports

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

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

c) To note the significant disagreements between the ARMC and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact, the disagreements may have on the audit process or findings.

3) External Audit

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

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

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

d) Discussed with the external auditors without the presence of the Management on 10 August 2020 and 10 November 2020, to provide an avenue to the external auditors to express any concerns, including areas related to their ability to perform work without restraint or interference;

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

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

g) Assessed the performance and effectiveness of the external auditors of the Group for re-appointment for the ensuing year at the Annual General Meeting.

Audit And Risk Management Committee

4) Internal Audit

The Audit and Risk Committee's responsibilities in respect of the internal audit functions include:-

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

5) Risk Management

The Board of Directors has the overall responsibility for risk oversight and risk management within the Group. As a committee of the Board, the ARMC is responsible to the Board for:-

a) leading the Group's strategic direction in the management of the Group's business risks;
b) oversight on the establishment and implementation of a risk management framework;
c) reviewing the effectiveness of the risk management framework in identifying and managing risks and internal processes which include but not limited to ensuring the adequacy of risk management policy and infrastructure to facilitate the implementation of action plans for risk management.

The objectives of the framework are to ensure the provision of quality product and services and direct the risk culture and processes throughout the Group. To take advantage of opportunities while managing and monitoring risks that may adversely affect the Group's achievement of its business objectives.

Duties And Responsibilities

In order to fulfil its responsibilities to the Board, the Committee shall:-

i. Oversee and recommend the risk management policies and procedures of the Group;
ii. Review and recommend changes as needed to ensure that the Group has in place at all times a Risk Management policy which addresses the strategic, operational, financial and compliance risks;
iii. Implement and maintain a sound risk management framework which identifies, assesses, manages and monitors the Group's business risks;
iv. Set reporting guidelines for management to report to the Committee on the effectiveness of the Group's management of its business risks;
v. Review the Group and its subsidiaries' risk profiles and evaluate the measures taken to mitigate the business risks;
vi. Ensure adequate infrastructure, resources and systems are in place for effective risk and internal control management;
vii. Review and deliberate the quarterly risk profile report;
viii. Ensure that all governance instruments are reviewed and updated continuously to reflect changes in the operating environment;
ix. Review the Statement on Risk Management and Internal Control (SORMIC) of the Group for inclusion in the Annual report; and
x. Update on any ISO certification changes and development on Mesiniaga ISO 9001:2015 Certification.

The Committee is to review its duties and responsibilities on an annual basis.

Audit And Risk Management Committee

6) Related Party Transaction
Reviewed the related party transactions and conflict of interest situations within the Group if such transaction are transacted.

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

The Internal Audit and Risk Management function is established to conduct independent, objective assurance and consulting activities through its audit of Group's key operations to identify opportunities to improve the Group's operational efficiency, enhance control posture as well as assurance of policies and procedures compliance.

The Internal Audit and Risk Profile reports arising from the audits and the corresponding Management's response are first circulated to the Chief Executive Officer, Chief Financial Officer as well as to the relevant Heads of Department prior to tabling them at the ARMC meetings.

During the financial year ended 31 December 2020, the Head of Audit and Risk Department and/or his representative attended all the ARMC meetings to report on a quarterly basis, at a minimum, on their findings of the effectiveness of the governance, risk management and internal control processes within the Group.

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

Audit and Risk Management Cost
The total costs incurred by Audit and Risk Management Department in discharging its functions and responsibilities in 2020 amounted to RM222,900.00 against RM309,000.00 in 2019 comprising of mainly salaries, training, benefits and travelling expenses.

NOMINATION AND REMUNERATION COMMITTEE

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

The NRC is pleased to present the NRC report for the financial year ended 31 December 2020 in compliance with paragraph 15.08A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

COMPOSITION OF THE NRC

Voon Seng Chuan
Chairman, Independent Non-Executive Director

Wong Fook Hon
Member, Independent Non-Executive Director

Ir. Dr. Muhamad Fuad Abdullah
Member, Non-Independent Non-Executive Director (resigned on 10 September 2020)

Fathil Ismail
Member, Non-Independent Non-Executive Director (appointed on 11 September 2020)

Rosmawati Haron
Secretary

NUMBER OF NRC MEETING AND DETAILS OF ATTENDANCE

Date	12.03.2020	17.08.2020
Voon Seng Chuan	✔	✔
Wong Fook Hon	✔	✔
Ir. Dr. Muhamad Fuad Abdullah	✔	✔
Fathil Ismail[(i)]	-	-

(i) appointed on 11 September 2020

TERMS OF REFERENCE FOR THE NOMINATION AND REMUNERATION COMMITTEE

Size and Composition

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

Frequency of Meetings

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

Nomination And Remuneration Committee

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

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

Functions and Duties
a) To administer the selection and assessment of Directors;
b) To ensure that board composition meets the needs of the the Group;
c) To develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors;
d) To assess and recommend to the Board the candidature of Directors, appointment of Directors to Board committees, review of Board's succession plans and training programmes for the Board;
e) To establish formal and transparent remuneration policies and procedures to attract and retain Directors;
f) To review the performance of Executive Directors based on KPIs; and
g) To perform other related duties as directed by the Board of Directors.

Summary of Activities
a) Reviewed the performance of the Chief Executive Officer;
b) Formulated the KPI for the Chief Executive Officer for Year 2020; and
c) Recommended the remuneration package for the Chief Executive Officer.

OTHER INFORMATION REQUIRED

By the listing requirements of Bursa Securities

UTILISATION OF PROCEEDS

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

NON-AUDIT FEES

An amount of RM85,007.00 was paid for tax services provided by PwC Taxation Services Sdn. Bhd.

MATERIAL CONTRACTS

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

CONTRACTS RELATING TO LOAN

There was no contract relating to a loan by the Company during the financial year.

CONFLICT OF INTEREST

Unless otherwise disclosed, the directors were not aware of any conflict of interest among the directors with the Company, existing at the end of the financial year 2020.

EMPLOYEES SHARE OPTION SCHEME

The Company did not implement any employee share options scheme in the financial year 2020.

INTERNAL AUDIT EXPENSES

The costs incurred for the internal audit function in respect of FY2020 was RM222,900.00.

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DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

DIRECTORS

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

Datuk Wan Mohamed Fusil bin Wan Mahmood	
Voon Seng Chuan	
Fathil Sulaiman bin Ismail	
Wong Fook Hon	
Sim Hong Kee	
Datuk Noor Azian binti Shaari	
Dato' Darawati Hussain	(Appointed on 11 September 2020)
Abd Talib bin Baba	(Retired on 10 September 2020)
Dato' Ab Rashid bin Mat Adam	(Retired on 10 September 2020)
Ir. Dr. Muhamad Fuad bin Abdullah	(Resigned on 10 September 2020)

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

PRINCIPAL ACTIVITIES

The Company is principally involved in the sale of information technology products and services. The principal activities of the subsidiaries and joint venture are described in Note 13 and Note 14 to the financial statements respectively. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net (loss)/profit for the financial year attributable to:		
- Owners of the Company	(9,344)	(7,161)
- Non-controlling interests	347	0
Net loss for the financial year	(8,997)	(7,161)

RESERVES AND PROVISIONS

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

Directors' Report (continued)

DIRECTORS' BENEFITS

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

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

INDEMNITY AND INSURANCE

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

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares			
	At 1.1.2020 '000	Bought '000	Sold '000	At 31.12.2020 '000
Datuk Wan Mohamed Fusil bin Wan Mahmood[1]	3,470	0	0	3,470
Fathil Sulaiman bin Ismail	6,398	1,350	0	7,748
Wong Fook Hon	1	1	0	2
Voon Seng Chuan	309	0	0	309

(1) Including interests held under nominee accounts with CIMB Islamic Trustee Berhad, Citigroup Nominees (Tempatan) Sdn. Bhd., Alliancegroup Nominees (Tempatan) Sdn. Bhd. and CGS-CIMB Nominees (Tempatan) Sdn. Bhd.

DIVIDENDS

No dividend has been paid or declared by the Company since 31 December 2019. The Directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2020.

Directors' Report (continued)

DIRECTORS' REMUNERATION

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

(c) At the date of this report:

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

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

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

(e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

Directors' Report (continued)

OTHER STATUTORY INFORMATION (CONTINUED)

(f) In the opinion of the Directors:

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

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

SUBSIDIARIES

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

AUDITORS' REMUNERATION

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

AUDITORS

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

This report was approved by the Board of Directors on 1 April 2021. Signed on behalf of the Board of Directors:

DATUK WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

SIM HONG KEE
DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS

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

We, Datuk Wan Mohamed Fusil bin Wan Mahmood and Sim Hong Kee, two of the Directors of Mesiniaga Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 78 to 159 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and financial performance of the Group and of the Company for the financial year ended 31 December 2020 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 1 April 2021.

DATUK WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

SIM HONG KEE
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

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

I, Ariffin bin Abd Majid, the Officer primarily responsible for the financial management of Mesiniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 78 to 159 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

ARIFFIN BIN ABD MAJID
OFFICER
MIA No. CA 43071

Subscribed and solemnly declared by the above named, Ariffin bin Abd Majid at Kuala Lumpur, Malaysia on 1 April 2021.

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To The Members Of Mesiniaga Berhad
(Incorporated In Malaysia)
(Company No. 198101013112 (79244-V))

Our opinion

In our opinion, the financial statements of Mesiniaga Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 78 to 159.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of

Independent Auditors' Report

To The Members Of Mesiniaga Berhad (continued)
(Incorporated In Malaysia)
(Company No. 198101013112 (79244-V))

Key audit matters (continued)

our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
During the financial year ended 31 December 2020, the Group and the Company recognised revenues amounting to RM197.8 million and RM190.7 million respectively (2019: RM313.9 million and RM306.4 million respectively). We focused on this area as there are judgements involved in arriving at the quantum and timing of revenue recognised. Certain contracts with customers with multi element arrangements may include sales of hardware, software, maintenance and support services. Judgement is exercised in determining the number of distinct performance obligations included within these contracts with customers. Allocation of transaction price to the identified performance obligations based on the standalone selling prices. Judgement is exercised in determining the appropriate estimation of costs. The timing of revenue recognition may differ from the timing of billing to customers. When the services rendered by the Group and Company exceed the payment, a contract asset is recognised. Judgement is exercised in anticipating the timing between recognition of revenue and billings to the customers which may subsequently change due to specific risks and performance of the actual contract terms. As at 31 December 2020, the Group and Company had recognised contract assets amounting to RM34.3 million (2019: RM29.5 million). As a result of the above conditions, we regard revenue recognition from contracts with customers as a key audit matter for the Group and Company.	We performed the following audit procedures: We read and understood the key terms and conditions of significant contracts with customers containing multiple performance obligations; We obtained an understanding of the process surrounding customer acceptance and the acceptance of letters of award; We tested the operating effectiveness of controls over the approval of customer contracts and budgets including the estimation of cost in determining the standalone selling price; and management's assessment of the allocation of transaction price between various performance obligations; We have also obtained management's assessment of the identification of separate performance obligations over significant customer contracts with bundling arrangements and sighted to customer contracts on a sampling basis; We tested the amount of allocated transaction price and revenue recognised (services, hardware and software) to acceptance documents from customers and/or service delivery periods based on contractual terms; We have obtained management's assessment of expected billings for contract assets and checked against the billing terms in the contract on sampling basis. Held discussions with project managers to corroborate the project milestones used in determining the timing of expected billings against project reports; We have tested the appropriateness of non-standard manual journal entries made to the revenue accounts by assessing the basis for the journals and reviewing supporting documents; We did not identify any material exceptions from performing the procedures above.

Independent Auditors' Report

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis, Five-Year Performance Statistics, Corporate Governance Overview Statement, Statement of Directors' Responsibility in Relation to Financial Statements, Statements on Risk Management and Internal Control, Audit and Risk Management Committee, Nomination and Remuneration Committee, Sustainability Statement, Other Information Required by the Listing Requirement of Bursa Securities, Directors' Report and other sections of the 2020 annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Independent Auditors' Report

To The Members Of Mesiniaga Berhad (continued)
(Incorporated In Malaysia)
(Company No. 198101013112 (79244-V))

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

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

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

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

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

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

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

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

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

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

Independent Auditors' Report

To The Members Of Mesiniaga Berhad (continued)
(Incorporated In Malaysia)
(Company No. 198101013112 (79244-V))

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SUBATHRA A/P GANESAN
03020/08/2022 J
Chartered Accountant

Kuala Lumpur
1 April 2021

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2020

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Revenue	5	197,718	313,956	190,707	306,365
Changes in inventories of finished goods		(331)	913	(1,095)	(122)
Finished goods purchased		(64,340)	(177,401)	(62,133)	(188,504)
Information technology services purchased		(56,203)	(49,693)	(65,936)	(49,693)
Staff cost	6	(74,775)	(73,358)	(60,187)	(58,912)
Depreciation and amortisation		(3,694)	(4,134)	(2,966)	(3,184)
Travelling expenses		(1,257)	(1,967)	(894)	(1,239)
Administrative expenses		(4,776)	(5,043)	(4,519)	(4,813)
Other operating expenses		(1,592)	(1,719)	(981)	(1,471)
Net impairment losses on financial and contract assets		(1,223)	(479)	(1,474)	(479)
Other operating income		6	12	804	1,320
Other gains		952	909	952	909
(Loss)/Profit from operations		(9,515)	1,996	(7,722)	177
Finance cost	8	(543)	(1,016)	(539)	(1,015)
Finance income	8	1,071	1,206	922	951
Share of results of a joint venture company		0	0	0	0
Loss before taxation and zakat	7	(8,987)	2,186	(7,339)	113
Taxation and zakat	9	(10)	(2,664)	178	(2,348)
Loss for the financial year		(8,997)	(478)	(7,161)	(2,235)
Other comprehensive income:					
Item that will not be reclassified to profit or loss:					
Actuarial (loss)/gain on defined benefit plan (net of tax)	23	(1,043)	75	(1,043)	75
Total comprehensive loss for the financial year		(10,040)	(403)	(8,204)	(2,160)

The notes on pages 86 to 159 are an integral part of these financial statements.

Statements Of Comprehensive Income

For The Financial Year Ended 31 December 2020 (continued)

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Loss for the financial year attributable to:					
Equity holders of the Company		(9,344)	(881)	(7,161)	(2,235)
Non-controlling interests		347	403	0	0
Loss for the financial year		(8,997)	(478)	(7,161)	(2,235)
Total comprehensive loss for the financial year attributable to:					
Equity holders of the Company		(10,387)	(806)	(8,204)	(2,160)
Non-controlling interests		347	403	0	0
Total comprehensive loss for the financial year		(10,040)	(403)	(8,204)	(2,160)
Basic/diluted loss per share (sen)	10	(15.47)	(1.46)		

The notes on pages 86 to 159 are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2020

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	37,923	40,242	37,496	39,594
Intangible assets	12	0	979	0	0
Investment in subsidiaries	13	0	0	1,798	1,814
Investment in joint venture	14	0	0	0	0
Finance lease receivables	19	2,389	3,456	2,389	3,456
Trade and other receivables	17	3,791	2,881	3,791	2,881
Contract assets	18	2,703	0	2,703	0
Deferred tax assets	15	1,867	1,879	1,584	1,585
TOTAL NON-CURRENT ASSETS		48,673	49,437	49,761	49,330
Current assets					
Inventories	16	9,245	9,577	5,324	6,419
Trade and other receivables	17	40,509	50,587	37,597	46,754
Contract assets	18	31,623	29,598	31,623	29,598
Tax recoverable		164	7	11	0
Deposits with licensed financial institutions	20	32,309	144,833	27,899	138,573
Cash and bank balances	20	19,433	7,758	15,235	4,742
TOTAL CURRENT ASSETS		133,283	242,360	117,689	226,086
TOTAL ASSETS		181,956	291,797	167,450	275,416

The notes on pages 86 to 159 are an integral part of these financial statements.

Statements Of Financial Position

As At 31 December 2020 (continued)

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	25	64,528	64,528	64,528	64,528
Retained earnings		39,559	48,903	29,376	36,537
Retirement benefit reserves		(376)	667	(376)	667
		103,711	114,098	93,528	101,732
Non-controlling interests	13	7,085	7,228	0	0
Total equity		110,796	121,326	93,528	101,732
Non-current liabilities					
Post-employment benefit Obligations	23	1,980	737	1,980	737
Lease liabilities	24	1,354	2,113	1,277	2,008
Borrowings	22	1,238	1,568	1,238	1,568
TOTAL NON-CURRENT LIABILITIES		4,572	4,418	4,495	4,313
Current liabilities					
Trade and other payables	21	48,437	143,919	51,276	147,233
Contract liabilities	18	13,001	19,601	13,001	19,601
Borrowings	22	5,150	2,360	5,150	2,360
Tax payable		0	173	0	177
TOTAL CURRENT LIABILITIES		66,588	166,053	69,427	169,371
TOTAL LIABILITIES		71,160	170,471	73,922	173,684
TOTAL EQUITY AND LIABILITIES		181,956	291,797	167,450	275,416

The notes on pages 86 to 159 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2020

		Attributable to owners of the parent						
		Issued and fully paid ordinary shares						
Group	Note	Number of shares '000	Share capital RM'000	Retirement benefit reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total RM'000
At 1 January 2019		60,402	64,528	592	49,784	114,904	7,805	122,709
(Loss)/income for the financial year		0	0	0	(881)	(881)	403	(478)
Other comprehensive income for the financial year	23	0	0	75	0	75	0	75
Total other comprehensive (loss)/income for the financial year		0	0	75	(881)	(806)	403	(403)
Transactions with owners:								
Dividend paid to non-controlling interest		0	0	0	0	0	(980)	(980)
At 31 December 2019		60,402	64,528	667	48,903	114,098	7,228	121,326
At 1 January 2020		60,402	64,528	667	48,903	114,098	7,228	121,326
(Loss)/income for the financial year		0	0	0	(9,344)	(9,344)	347	(8,997)
Other comprehensive loss for the financial year	23	0	0	(1,043)	0	(1,043)	0	(1,043)
Total other comprehensive income/(loss) for the financial year		0	0	(1,043)	(9,344)	(10,387)	347	(10,040)
Transactions with owners:								
Dividend paid to non-controlling interest		0	0	0	0	0	(490)	(490)
At 31 December 2020		60,402	64,528	(376)	39,559	103,711	7,085	110,796

The notes on pages 86 to 159 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2020

Company	Note	Issued and fully paid ordinary shares: Number of shares '000	Issued and fully paid ordinary shares: Share capital RM'000	Retirement benefit reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019		60,402	64,528	592	38,772	103,892
Loss for the financial year		0	0	0	(2,235)	(2,235)
Other comprehensive income for the financial year	23	0	0	75	0	75
Total other comprehensive (loss)/ income for the financial year		0	0	75	(2,235)	(2,160)
At 31 December 2019		60,402	64,528	667	36,537	101,732
At 1 January 2020		60,402	64,528	667	36,537	101,732
Loss for the financial year		0	0	0	(7,161)	(7,161)
Other comprehensive loss for the financial year	23	0	0	(1,043)	0	(1,043)
Total other comprehensive loss for the financial year		0	0	(1,043)	(7,161)	(8,204)
At 31 December 2020		60,402	64,528	(376)	29,376	93,528

The notes on pages 86 to 159 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2020

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss for the financial year		(8,997)	(478)	(7,161)	(2,235)
Adjustments for					
Taxation	9	0	2,614	(188)	2,298
Zakat	9	10	50	10	50
Depreciation of property, plant and equipment		3,218	3,491	2,966	3,184
Amortisation of intangible assets		476	643	0	0
Dividend income from subsidiaries		0	0	(510)	(1,020)
Interest expense	8	543	1,016	539	1,015
Interest income	8	(1,071)	(1,206)	(922)	(951)
Retirement benefits		200	200	200	200
Gain on sales of property, plant and equipment		0	(31)	0	(31)
Impairment of intangible assets		503	0	0	0
Impairment of investment in subsidiaries		0	0	16	100
Impairment of investment in joint venture		0	0	0	80
Net impairment/(reversal) of losses:					
- trade receivables		253	500	504	240
- contract assets		926	239	926	239
- other receivables		(105)	(66)	(105)	(66)
- lease receivables		149	0	149	0
Gain on net investment of sublease		0	(594)	0	(594)
Unrealised foreign exchange loss/(gain)		73	585	407	585
Loss on written off of property, plant and equipment		6	0	3	0
Write down of inventory		1,539	126	1,284	220
		(2,277)	7,089	(1,882)	3,314
Changes in working capital:					
Inventories		(1,207)	(1,039)	(188)	(98)
Intercompany balances		0	0	(2,478)	3,003
Trade and other receivables		9,938	6,291	9,177	5,354
Contract assets		(5,735)	3,587	(5,735)	3,587
Trade and other payables		(96,088)	104,392	(94,476)	103,779
Contract liabilities		(6,600)	11,585	(6,600)	11,585
Cash (used in)/generated from operations		(101,969)	131,905	(102,182)	130,524
Tax paid		(187)	(546)	0	(188)
Zakat paid		(10)	(50)	(10)	(50)
Net cash (used in)/generated from operating activities		(102,166)	131,309	(102,192)	130,286

The notes on pages 86 to 159 are an integral part of these financial statements.

Statements Of Cash Flows

For The Financial Year Ended 31 December 2020 (continued)

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	11, 27	(905)	(1,245)	(871)	(1,068)
Interest received		1,071	1,059	702	803
Dividends received from subsidiaries		0	0	510	1,020
Proceeds from disposal of property, plant and equipment		0	31	0	31
Investment in deposits maturing more than three months		0	(99)	0	0
Net cash generated from/(used in) investing activities		(166)	(254)	341	786
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to non-controlling interests in a subsidiary		(490)	(980)	0	0
Repayment of lease liabilities		(424)	(421)	(398)	(418)
Interest paid on lease liabilities		(26)	(80)	(23)	(80)
Drawdown of borrowings	22	22,203	31,321	22,203	31,321
Repayment of borrowings	22	(19,486)	(43,511)	(19,486)	(43,511)
Interest paid on borrowings	22	(218)	(610)	(218)	(610)
Repayment of term loan	22	(330)	(330)	(330)	(330)
Interest paid on term loan	22	(73)	(108)	(73)	(108)
Interest paid on overdraft		(5)	(53)	(5)	(53)
Drawdown/(Increase) in restricted deposits		183	(1,467)	182	(1,467)
Net cash generated from/(used in) financing activities		1,334	(16,239)	1,852	(15,256)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(100,666)	114,816	(99,999)	115,816
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		144,692	29,876	138,419	22,603
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	20	44,026	144,692	38,420	138,419

The notes on pages 86 to 159 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2020

1 GENERAL INFORMATION

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

The principal activities of the Company are sale of information technology products and services. The principal activities of the subsidiaries and joint venture are described in Note 13 and Note 14 to the financial statements respectively. There have been no significant changes in the nature of these activities during the financial year.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(a) Standards, amendments to published standards and interpretations that are effective for the Group's and the Company's financial year beginning on 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are effective for the Group's and the Company's financial year beginning on 1 January 2020 (continued):

Amendments to MFRS 3 'Definition of a Business'

Amendments to MFRS 3 'Definition of a Business' revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs.

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

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

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. There is no acquisition during the financial year.

Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the statement of comprehensive income. The reliefs will cease to apply when the uncertainty arising from interest rate benchmark reform is no longer present.

In accordance with the transition provisions, the Group and Company have adopted the amendments to MFRS 9 and MFRS 7 retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date. These amendments had no impact on the amounts recognised in the current or prior period.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective:

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2021. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Company, except the following set out below:

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions' (effective 1 June 2020) grant an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

  The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

  (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  (ii) any reduction in lease payments affects only payments due on or before 30 June 2021; and
  (iii) there is no substantive change to other terms and conditions of the lease.

  The amendments shall be applied retrospectively.

- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

  An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

  The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

  The amendments shall be applied prospectively.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards and amendments that have been issued but not yet effective (continued):

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2021. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below (continued):

- Amendments to MFRS 116 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

  The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date.

- The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date. The assessment of whether an entity has the right to defer settlement of a liability at reporting date is not affected by expectations of the entity or events after the reporting date.

  The amendments shall be applied retrospectively.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION

(a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

(b) Joint arrangements

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION (CONTINUED)

(b) Joint arrangements (continued)

Joint ventures

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

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

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

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

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

2.3 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, who is responsible for allocating resources and assessing performance of the operating segments. There is only one reportable segment based on the information reviewed by the Chief Executive Officer.

2.5 FOREIGN CURRENCIES

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

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

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.8 on impairment of non-financial assets.

2.7 INTANGIBLE ASSET

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

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

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

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

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

2.9 FINANCIAL ASSETS

(a) Classification

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Recognition and derecognition

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

(c) Measurement

Initial recognition

At initial recognition, the Group and Company measure financial assets at their respective fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

Subsequent measurement

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

Subsequent measurement (continued)

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

(d) Impairment

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

The Group and Company have four types of financial instruments that are subjected to the Expected Credit Loss (ECL) model:

- Trade and other receivables
- Loans to subsidiaries and amount due from subsidiaries
- Amount due from a related party
- Contract assets

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

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

The measurement of ECL reflects:

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

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

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

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

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

Significant increase in credit risk

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

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 FINANCIAL ASSETS (CONTINUED)

(d) Impairment (continued)

Definition of default and credit-impaired financial assets

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

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

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

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

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

(ii) Individual assessment

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

Write off

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

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 OFFSETTING FINANCIAL INSTRUMENTS

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

2.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs, which include purchase price and other incidental charges, are assigned to individual items of inventory on the basis of weighted average cost. Costs of purchased inventory are inclusive of government taxes which are Sales and Service tax (SST). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale. Project inventories are stated at cost plus incidental charges.

2.12 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value. The restricted cash are held as fix deposit in the banks. These deposits are subject to term and conditions of the bank borrowings and are not available for general use by the group.

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

2.13 SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity.

(b) Dividend distribution

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 SHARE CAPITAL (CONTINUED)

(c) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

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

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

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

2.14 BORROWINGS AND BORROWING COSTS

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

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

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

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

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 CURRENT AND DEFERRED INCOME TAX

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

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

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

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

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

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

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

2.16 EMPLOYEE BENEFITS

(a) Short-term employee benefits

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 EMPLOYEE BENEFITS (CONTINUED)

(b) Post-employment pension benefits

The Group has various post-employment pension benefit schemes in accordance with local conditions and practices in the countries in which it operates. These benefits plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Defined contribution plans

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

Defined benefit plans

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

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

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

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

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 EMPLOYEE BENEFITS (CONTINUED)

(c) Termination benefits

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

2.17 PROVISIONS

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

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

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

2.18 REVENUE RECOGNITION

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

Revenue from contracts with customers

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (continued)

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

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

(a) Sales of hardware and software

Revenue from the sale of hardware shall be recognised when control over the hardware is transferred to the customer at a point in time. For hardware sales, transfer of control is usually deemed to occur upon delivery of products and customer acceptances.

Revenue recognition for software depend on whether the software licenses are perpetual or term based. Perpetual licenses are provided to the customer at a point in time, activated or ready to be activated by the customer at a later stage, therefore revenue is recognised when the customer obtains control of the software.

Term-based software licenses typically include multiple performance obligations where the licenses are recognised upfront upon transfer of control with the associated software maintenance revenue recognised on a straight-line basis over the respective contract period. Where the bundled maintenance services are essential for the continued functionality of the software, they are recognised as a single performance obligation with the license. Revenue is then recognised over time as control transfers over the period.

(b) Rendering of services

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (continued)

(b) Rendering of services (continued)

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

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

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

MB Cloud

The Group and Company enter into fixed price MB Cloud services with its customers for terms of five to ten years in length. MB cloud services constitute a software-as-a-service (SaaS) arrangement and do not include the right for the customer to take possession of the software during the term. Therefore, it is accounted for as a distinct performance obligation to be satisfied over time. Revenue is recognised on a straight-line basis over the term of the contract as this method best depicts the transfer of services to the customer. When the contracts with customers include other identifiable performance obligations, the transaction price will be allocated to each performance obligation based on stand-alone selling price, which are estimated based on cost plus expected margin.

(c) Revenue from other sources

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised as part of other operating income in the profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial assets that are subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (continued)

(c) Revenue from other sources (continued)

Dividend income is recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

2.19 LEASES

(a) Accounting by lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 LEASES (CONTINUED)

(a) Accounting by lessee (continued)

ROU assets (continued)

ROU assets are not investment properties and are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in loss during the year in the statement of comprehensive income.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise photocopy machine, multi-functional printer and water dispenser. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 LEASES (CONTINUED)

(b) Accounting by lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Finance leases

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment (refer to Note 2.9 on impairment of financial assets). In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

Sublease classification

When the group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lessee, not with reference to the underlying asset.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 LEASES (CONTINUED)

(b) Accounting by lessor (continued)

Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15. A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

2.20 CONTINGENT ASSETS AND LIABILITIES

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

2.21 TRADE AND OTHER RECEIVABLES

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

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

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowances. See accounting policy Note 2.9 on impairment of financial assets.

2.22 TRADE PAYABLES

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment which are due within 12 months after the reporting period. Otherwise, they are presented as non-current liabilities.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 TRADE PAYABLES (CONTINUED)

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

(a) Revenue recognition for contracts with customers

Identification of performance obligation

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

Allocation of transaction price to the identified performance obligations

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

Significant financing component

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting estimates and assumptions (continued)

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

Revenue recognition criteria in accordance with MFRS 15

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

(b) Deferred tax assets

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

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

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

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

4 FINANCIAL RISK MANAGEMENT

4.1 FINANCIAL RISK FACTORS

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

The table illustrates the impact on the loss for the year, equity and net assets resulting from currency sensitivities as at 31 December 2020, if Ringgit Malaysia had weakened/strengthened by 1% against the US dollar with other variables held constant.

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(Increase)/Decrease on (loss) for the year				
1 percent increase in US Dollar exchange rate	(107)	(28)	(101)	(28)
1 percent decrease in US Dollar exchange rate	107	28	101	28

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's and Company's income and operating cash flows' exposure to changes in interest rate risk relates primarily to the Group's and Company's bank borrowings.

Interest rate risk exposure arises from the Group's and Company's borrowings as it is carried at floating interest rates. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

As at the financial year end, the Group and the Company has no significant exposure to interest rate risk. The Directors believe that a reasonable fluctuation in the interest rate would not cause any material effect to the Group's and Company's profit.

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Financial asset				
Fixed rate – deposits with financial institutions	32,309	144,833	27,899	138,573
Financial liabilities				
Floating rate – term loan	1,568	1,898	1,568	1,898
Fixed rate – banker acceptance	4,820	2,030	4,820	2,030
Fixed rate – lease liabilities	2,890	3,414	2,787	3,285

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

(b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group and the Company. At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amounts of each class of financial assets recognised in the statements of financial position.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

As disclosed in Note 2.9, the Group and the Company had applied simplified approach for trade receivables including contract assets and three stages approach for all other non-trade receivables including amounts due to subsidiaries. The summary of the assumptions underpinning the Group's and the Company's ECL model for non-trade receivables are disclosed in Note 2.9 to the financial statements.

Measurement of Expected Credit Loss ("ECL")

(i) Trade receivables, contract assets and lease receivables

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

The Group's customers are mainly significant entities in the information, communication, telecommunication and utilities industries. At the reporting date, the Group has significant concentration of credit risk that may arise from exposure to two (2019: two) major customers which accounted for 21% (2019: 44%) of the trade receivables. The Group considers the risk of material loss in the event of non-performance by these two customers to be unlikely.

The credit quality of trade receivables that are not past due can be assessed by reference to historical information about counterparty default rates. Contract assets represent unbilled value of goods delivered and services rendered to be billed in accordance with respective terms and conditions agreed with customers. Credit risk arising from non-trade receivables is not significant at the Group and Company level.

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

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

To measure the expected credit losses, trade receivables, contract assets and lease receivable have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 2 years before 31 December 2020, and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

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

(i) Trade receivables, contract assets and lease receivables (continued)

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables, contract assets and lease receivables:

	Current RM'000	1 – 180 days past due RM'000	> 180 days past due RM'000	Total RM'000
Group				
31 December 2020				
Expected loss rate	0%-3%	1%-8%	13%-14%	
Gross carrying amount				
– trade receivables	16,914	11,821	760	29,495
– contract assets	35,548	0	0	35,548
– lease receivables	5,055	0	0	5,055
Loss allowance	(1,505)	(648)	(453)	(2,606)
Carrying amount (net of loss allowance)	56,012	11,173	307	67,492

	Current RM'000	1 – 180 days past due RM'000	> 180 days past due RM'000	Total RM'000
Company				
31 December 2020				
Expected loss rate	0%-3%	1%-8%	13%-14%	
Gross carrying amount				
– trade receivables	14,881	11,568	760	27,209
– contract assets	35,548	0	0	35,548
– lease receivables	5,055	0	0	5,055
Loss allowance	(1,499)	(645)	(453)	(2,597)
Carrying amount (net of loss allowance)	53,985	10,923	307	65,215

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

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

(i) Trade receivables, contract assets and lease receivables (continued)

On that basis, the loss allowance as at 31 December 2019 was determined as follows for trade receivables, contract assets and lease receivables:

	Current RM'000	1 – 180 days past due RM'000	> 180 days past due RM'000	Total RM'000
Group				
31 December 2019				
Expected loss rate	0%-1%	0%-1%	16%-60%	
Gross carrying amount				
– trade receivables	31,113	5,392	3,402	39,907
– contract assets	29,894	0	0	29,894
– lease receivables	1,962	0	3,456	5,418
Loss allowance	(468)	(44)	(766)	(1,278)
Carrying amount (net of loss allowance)	62,501	5,348	6,092	73,941

	Current RM'000	1 – 180 days past due RM'000	> 180 days past due RM'000	Total RM'000
Company				
31 December 2019				
Expected loss rate	0%-1%	0%-1%	16%-17%	
Gross carrying amount				
– trade receivables	28,958	4,637	2,990	36,585
– contract assets	29,894	0	0	29,894
– lease receivables	1,962	0	3,456	5,418
Loss allowance	(456)	(39)	(523)	(1,018)
Carrying amount (net of loss allowance)	60,358	4,598	5,923	70,879

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

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

(i) Trade receivables, contract assets and lease receivables (continued)

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

The loss allowances for trade receivables, contract assets and lease receivable as at 31 December reconcile to the opening loss allowances as follows:

	Contract assets	Trade receivables	Lease receivables
	RM'000	RM'000	RM'000
Group:			
31 December 2020			
Opening loss allowance	296	982	0
Increase loss allowance recognised in profit or loss during the year	1,122	505	149
Receivables written off during the year as uncollectible	0	0	0
Reversal of loss	(196)	(252)	0
Closing loss allowance	1,222	1,235	149
Company:			
31 December 2020			
Opening loss allowance	296	722	0
Increase loss allowance recognised in profit or loss during the year	1,122	504	149
Receivables written off during the year as uncollectible	0	0	0
Reversal of loss	(196)	0	0
Closing loss allowance	1,222	1,226	149

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

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

(i) Trade receivables, contract assets and lease receivables (continued)

	Contract assets	Trade receivables	Lease receivables
	RM'000	RM'000	RM'000
Group:			
31 December 2019			
Opening loss allowance	57	485	0
Increase loss allowance recognised in profit or loss during the year	239	500	0
Receivables written off during the year as uncollectible	0	(3)	0
Reversal of loss	0	0	0
Closing loss allowance	296	982	0
Company:			
31 December 2019			
Opening loss allowance	57	482	0
Increase loss allowance recognised in profit or loss during the year	239	240	0
Receivables written off during the year as uncollectible	0	0	0
Reversal of loss	0	0	0
Closing loss allowance	296	722	0

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 270 days past due.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

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

(ii) Other receivables and deposits

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

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

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

	ECL rate	Basis for recognition of ECL provision	Gross	Loss allowance	Net
			RM'000	RM'000	RM'000
31 December 2020					
Group					
Performing	0%	12 months ECL	374	0	374
Not performing	100%	Lifetime ECL	15	(15)	0
			389	(15)	374
Company					
Performing	0%	12 months ECL	347	0	347
Not performing	100%	Lifetime ECL	15	(15)	0
			362	(15)	347

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

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

(ii) Other receivables and deposits (continued)

	ECL rate	Basis for recognition of ECL provision	Gross	Loss allowance	Net
			RM'000	RM'000	RM'000
31 December 2019					
Group					
Performing	0%	12 months ECL	1,671	0	1,671
Not performing	100%	Lifetime ECL	120	(120)	0
			1,791	(120)	1,671
Company					
Performing	0%	12 months ECL	1,575	0	1,575
Not performing	100%	Lifetime ECL	120	(120)	0
			1,695	(120)	1,575

(iii) Amounts due from a related party

The Group considers the amounts due from a related party to have low credit risk as the Group is able to determine the timing of payments when they are payable. The Group determines their probability of default individually using internal information available and collection received subsequent to the reporting date.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

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

(iv) Amounts due from subsidiaries

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

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

	ECL rate	Basis for recognition of ECL provision	Gross	Loss allowance	Net
			RM'000	RM'000	RM'000
31 December 2020					
Company					
Performing	0%	12 months ECL	0	0	0
Not performing	100%	Lifetime ECL	32,227	(32,227)	0
			32,227	(32,227)	0
31 December 2019					
Company					
Performing	0%	12 months ECL	0	0	0
Not performing	100%	Lifetime ECL	32,227	(32,227)	0
			32,227	(32,227)	0

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

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

(iv) Amounts due from subsidiaries (continued)

The closing balance of allowance for amounts due from subsidiaries as at 31 December reconcile to the opening loss allowance as follows:

	Company	
	2020	2019
	RM'000	RM'000
Opening loss allowance as at 1 January, as stated	32,227	32,227
Increase in the allowance recognised in profit or loss during the period	0	0
As at 31 December	32,227	32,227

Deposits and bank balances

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

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

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
AAA	36,707	133,956	28,101	124,682
AA	15,023	18,623	15,023	18,623
	51,730	152,579	43,124	143,305

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

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

				2020
	Total	Within 1 year	1 - 5 years	Over 5 years
	RM'000	RM'000	RM'000	RM'000
Group				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short-term lease	42,603	42,603	0	0
Borrowings	6,616	5,251	1,365	0
Lease liabilities	3,007	1,622	1,385	0
Total undiscounted financial liabilities	52,226	49,476	2,750	0
Company				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short-term lease	41,201	41,201	0	0
Amount due to subsidiaries	4,730	4,730	0	0
Borrowings	6,616	5,251	1,365	0
Lease liabilities	2,892	1,593	1,299	0
Total undiscounted financial liabilities	55,439	52,775	2,664	0

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (continued)

				2019
	Total	Within 1 year	1 - 5 years	Over 5 years
	RM'000	RM'000	RM'000	RM'000
Group				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short-term lease	140,130	140,130	0	0
Borrowings	4,225	2,454	1,518	253
Lease liabilities	3,679	1,456	2,223	0
Total undiscounted financial liabilities	148,034	144,040	3,741	253
Company				
Financial Liabilities				
Trade and other payables, excluding statutory liabilities and short-term lease	136,954	136,954	0	0
Amount due to subsidiaries	7,017	7,017	0	0
Borrowings	4,225	2,454	1,518	253
Lease liabilities	3,535	1,427	2,108	0
Total undiscounted financial liabilities	151,731	147,852	3,626	253

The Group has undrawn banking facilities amounting to RM22,774,048 (2019: RM21,349,160) as at 31 December 2020.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(d) Financial instruments by category

	2020 RM'000	2019 RM'000
Group		
Financial assets classified as amortised cost as per statement of financial position		
Trade and other receivables, excluding prepayments	33,731	46,139
Deposits, cash and bank balances	51,742	152,590
	85,473	198,729
Financial liabilities classified as other financial liabilities at amortised cost, as per statement of financial position		
Trade and other payables, excluding statutory liabilities	44,974	143,410
Borrowings	6,388	3,928
	51,362	147,338
Company		
Financial assets classified as amortised cost as per statement of financial position		
Trade and other receivables, excluding prepayments	31,427	42,856
Amounts due from subsidiaries	0	0
Deposits, cash and bank balances	43,134	143,315
	74,561	186,171
Financial liabilities classified as other financial liabilities at amortised cost, as per statement of financial position		
Trade and other payables, excluding statutory liabilities	42,710	140,239
Amounts due to subsidiaries	4,730	7,017
Borrowings	6,388	3,928
	53,828	151,184

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(e) Fair value estimation

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

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

There were no amounts measured at fair value in the statement of financial position as at 31 December 2020 and 31 December 2019. Other than as disclosed, the carrying amounts of the financial instruments are a reasonable approximation of fair value due to their relatively short-term nature or that they are floating rate instruments.

4.2 CAPITAL MANAGEMENT

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

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

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

	2020 RM'000	2019 RM'000
The Group		
Total borrowings (Note 22)	6,388	3,928
Deposits, cash and bank balances (Note 20)	(51,742)	(152,591)
Net debt	0	0
Total equity	110,796	121,326
Total capital	65,442	(27,337)
Gearing ratio (%)	0	0

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

5 REVENUE

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers:				
- services	115,075	97,906	115,073	97,903
- hardware and software	82,643	216,050	75,634	208,462
	197,718	313,956	190,707	306,365

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Timing of revenue recognition:				
- over time	116,052	69,634	116,264	70,077
- at point in time	81,666	244,322	74,443	236,288
	197,718	313,956	190,707	306,365

Unsatisfied long-term performance obligations

For contracts that exceeded one year, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the financial year is approximately RM95,698,150 (2019: RM106,218,553) and RM153,017,675 (2019: RM36,709,082) of which the Group and Company expect to recognise as revenue in 2021 and 2022 (2019: 2020 and 2021) respectively.

During the financial year ended 31 December 2020, the Group and Company has recognised revenue from contracts with customers amounting to RM18,724,103 (2019: RM13,581,470) that was included in the contract liability at the beginning of the reporting period.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

6 STAFF COST (INCLUDING DIRECTORS' EMOLUMENTS)

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonuses and other employment benefits	67,399	66,109	55,232	54,116
Defined contribution retirement plan	7,176	7,049	4,755	4,596
Defined benefit retirement plan (Note 23)	200	200	200	200
	74,775	73,358	60,187	58,912

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration:				
Non-Executive Directors:				
- fees	333	335	333	335
- others	46	41	46	41
Executive Director:				
- salaries	768	802	768	802
- other emoluments	203	195	203	195
- defined contribution plan	36	38	36	38
Total Directors' remuneration	1,386	1,411	1,386	1,411

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

7 (LOSS)/PROFIT BEFORE TAXATION

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration:				
- audit	246	256	188	188
- non-audit	40	40	12	12
Depreciation of property, plant and equipment	3,218	3,491	2,966	3,184
Amortisation of intangible assets	476	643	0	0
Dividend income from subsidiaries	0	0	(510)	(1,020)
Net realised foreign exchange gain	(334)	(943)	(152)	(834)
Unrealised foreign exchange (gain)/loss	(758)	585	(730)	585
Gain on disposal of property, plant and equipment	0	(31)	(7)	(31)
Rental expense	324	285	110	105
Rental income	(91)	(67)	(91)	(67)
Write down of inventory	1,539	126	1,284	220
Loss on written off property, plant and equipment	6	0	5	0
Net impairment/(reversal) of losses:				
- trade receivables	253	500	504	240
- lease receivables	149	0	149	0
- contract assets	926	239	926	239
- other receivables	(105)	(66)	(105)	(66)
Impairment of intangible assets	503	0	0	0
Impairment of investment in joint venture	0	0	0	80
Impairment of investment in subsidiaries	0	0	16	100
Gain on net investment of sublease	0	(594)	0	(594)
Management fee	(6)	(12)	(300)	(300)

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

8 FINANCE INCOME/(COST)

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Finance income				
Interest income on:				
- deposits with licensed banks	851	1,059	701	803
- lease receivables	220	147	221	148
	1,071	1,206	922	951
Finance cost				
Finance cost on:				
- bank borrowings	(291)	(718)	(291)	(718)
- lease liabilities	(166)	(91)	(162)	(90)
- bank overdraft	(5)	(53)	(5)	(53)
- contract assets	(81)	(154)	(81)	(154)
	(543)	(1,016)	(539)	(1,015)

9 TAXATION

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current taxation:				
Current financial year	198	499	0	188
(Over)/Under provision in prior year	(210)	219	(188)	177
	(12)	718	(188)	365
Deferred taxation (Note 15)	12	1,896	0	1,933
Tax expense	0	2,614	(188)	2,298
Zakat	10	50	10	50
	10	2,664	(178)	2,348

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

9 TAXATION (CONTINUED)

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation and zakat	(8,987)	2,136	(7,339)	63
Taxation calculated at the applicable Malaysian tax rate of 24% (2019: 24%)	(2,157)	513	(1,761)	15
Tax effects of:				
- income not subject to tax	(6)	(309)	(123)	(616)
- expenses not deductible for tax purposes	233	435	220	527
- tax losses, capital allowances and temporary differences not recognised	3,051	0	2,575	262
- previously unrecognised tax losses now recouped to reduce current tax expense	(911)	(177)	(911)	0
- derecognition of deferred tax assets	0	1,933	0	1,933
- (over)/under provision in prior year	(210)	219	(188)	177
- zakat	10	0	10	0
Tax expense and zakat	10	2,614	(178)	2,298

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

	Group and Company		
	Before Tax	Tax Charge	After Tax
	RM'000	RM'000	RM'000
Actuarial loss on defined benefit plan as at 31 December 2020	(1,373)	330	(1,043)
Actuarial gain on defined benefit plan as at 31 December 2019	99	(24)	75

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

9 TAXATION (CONTINUED)

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deductible temporary differences	0	735	0	0
Unutilised tax losses	36,762	26,484	9,404	477
Unabsorbed capital allowances	3,083	1,178	2,894	1,093
	39,845	28,397	12,298	1,570

No deferred tax assets are recognised from the above due to uncertainty of their recoverability. The unutilised business losses arising from a year of assessment ("YA") are allowed to only be carried forward for utilisation up to 7 consecutive YAs from that YA. The deductible temporary differences are available indefinitely for offset against future taxable profits of the Group and the Company subject to agreement with the tax authorities. These tax benefits will only be obtained if the Group and Company derive future assessable income of a nature and amount sufficient for the tax benefits to be utilised. Deferred tax assets have not been recognised in respect of tax losses and deductible temporary differences of certain entities within the Group having a history of losses or where future taxable income is not probable and not able to be reliably estimated.

Expiry date of unutilised losses are as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Year Assessment 2025	25,455	25,728	0	456
Year Assessment 2026	1,164	141	1,023	1,185
Year Assessment 2027	10,143	0	8,381	0
	36,762	25,869	9,404	1,641

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

10 LOSS PER SHARE

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

	Group	
	2020	**2019**
Loss attributable to equity holders of the Company (RM'000)	(9,344)	(881)
Weighted average number of ordinary shares in issue ('000)	60,402	60,402
Total basic loss per share attributable to the ordinary equity holders of the Company (sen)	(15.47)	(1.46)

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

11 PROPERTY, PLANT AND EQUIPMENT

Group	**Leasehold land**	**Freehold land**	**Building**	**Office equipment, furniture and fittings**	**Motor vehicle**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cost						
At 1 January 2020	300	19,567	29,771	59,590	145	109,373
Additions	0	0	0	905	0	905
Write off	0	0	0	(934)	0	(934)
At 31 December 2020	300	19,567	29,771	59,561	145	109,344
Accumulated depreciation						
At 1 January 2020	10	0	14,476	54,636	9	69,131
Charge for the financial year	6	0	608	2,567	37	3,218
Write off	0	0	0	(928)	0	(928)
At 31 December 2020	16	0	15,084	56,275	46	71,421
Net book value						
At 31 December 2020	284	19,567	14,687	3,286	99	37,923

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land	Building	Office equipment, furniture and fittings	Motor vehicle	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cost					
At 1 January 2019	19,567	30,071	59,117	157	108,912
Additions	0	0	1,238	139	1,377
Disposal	0	0	0	(151)	(151)
Write off	0	0	(765)	0	(765)
At 31 December 2019	19,567	30,071	59,590	145	109,373
Accumulated depreciation					
At 1 January 2019	0	13,868	52,531	157	66,556
Charge for the financial year	0	618	2,870	3	3,491
Disposal	0	0	0	(151)	(151)
Write off	0	0	(765)	0	(765)
At 31 December 2019	0	14,486	54,636	9	69,131
Net book value					
At 31 December 2019	19,567	15,585	4,954	136	40,242

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold land	Freehold land	Building	Office equipment, furniture and fittings	Motor vehicle	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost						
At 1 January 2020	300	19,567	29,771	39,476	4	89,118
Additions	0	0	0	871	0	871
Write off	0	0	0	(709)	0	(709)
At 31 December 2020	300	19,567	29,771	39,638	4	89,280
Accumulated Depreciation						
At 1 January 2020	10	0	14,476	35,034	4	49,524
Charge for the financial year	6	0	608	2,352	0	2,966
Write off	0	0	0	(706)	0	(706)
At 31 December 2020	16	0	15,084	36,680	4	51,784
Net book value						
At 31 December 2020	284	19,567	14,687	2,958	0	37,496

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land	Building	Office equipment, furniture and fittings	Motor vehicle	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cost					
At 1 January 2019	19,567	30,071	39,118	155	88,911
Additions	0	0	1,068	0	1,068
Disposal	0	0	0	(151)	(151)
Write off	0	0	(710)	0	(710)
At 31 December 2019	19,567	30,071	39,476	4	89,118
Accumulated depreciation					
At 1 January 2019	0	13,868	33,178	155	47,201
Charge for the financial year	0	618	2,566	0	3,184
Disposal	0	0	0	(151)	(151)
Write off	0	0	(710)	0	(710)
At 31 December 2019	0	14,486	35,034	4	49,524
Net book value					
At 31 December 2019	19,567	15,585	4,442	0	39,594

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of assets RM3,223,363 (2019: RM3,291,583) are secured against borrowings as disclosed in Note 22 to the financial statements.

The Group's and the Company's property, plant and equipment balances disclosed above include the right-of-use of leasehold land and various office equipment as shown below:

	Group and Company		
	Leasehold land	Office equipment	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January and 31 December 2020	300	2,115	2,415
Accumulated depreciation			
At 1 January 2020	10	979	989
Charge for the financial year	6	377	383
At 31 December 2020	16	1,356	1,372
Net book value			
At 31 December 2020	284	759	1,043

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of assets RM3,223,363 (2019: RM3,291,583) are secured against borrowings as disclosed in Note 22 to the financial statements. (continued)

The Group's and the Company's property, plant and equipment balances disclosed above include the right-of-use of leasehold land and various office equipment as shown below: (continued)

	Group and Company		
	Leasehold land	Office equipment	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January 2019	300	2,077	2,377
Additions	0	38	38
At 31 December 2019	300	2,115	2,415
Accumulated depreciation			
At 1 January 2019	4	577	581
Charge for the financial year	6	402	408
At 31 December 2019	10	979	989
Net book value			
At 31 December 2019	290	1,136	1,426

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

12 INTANGIBLE ASSETS

Group	Internally developed software RM'000
Cost	
At 1 January 2020	3,030
Addition	0
Write off	0
	3,030
Accumulated depreciation	
At 1 January 2020	2,051
Charge for the financial year	476
Impairment for the financial year	503
At 31 December 2020	3,030
Net book value	
At 31 December 2020	0

Group	RM'000
Cost	
At 1 January 2019	3,144
Addition	0
Write off	(114)
	3,030
Accumulated depreciation	
At 1 January 2019	1,522
Charge for the financial year	643
Write off – depreciation	(114)
At 31 December 2019	2,051
Net book value	
At 31 December 2019	979

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2020	2019
	RM'000	RM'000
Unquoted shares, at cost	2,006	2,006
Less: Accumulated impairment losses	(208)	(192)
	1,798	1,814

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

Details of the subsidiaries, all of which are incorporated and the place of their businesses are in Malaysia, are as follows:

		Group's effective interest	
		2020	2019
Name of subsidiaries	**Principal activities**	**%**	**%**
VA Dynamics Sdn. Bhd.	Sales of networking cables and related products	51	51
CustomCodes Sdn. Bhd.	Provision of design, development and implementation of business solutions related to business intelligence, business analytics, customised applications and software products	100	100
Mesiniaga Alliances Sdn. Bhd.	Provision of strategic information technology outsourcing services	100	100
Mesiniaga Services Sdn. Bhd.	Dormant	100	100
Mesiniaga MSC Sdn. Bhd.	Dormant	100	100

All the above subsidiaries are audited by PricewaterhouseCoopers PLT Malaysia.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiary with material non-controlling interests

The amounts disclosed for each subsidiary are before inter-company eliminations. Set out below are the summarised financial information for the subsidiary, VA Dynamics Sdn. Bhd., that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	2020 RM'000	2019 RM'000
Current		
Assets	14,927	15,594
Liabilities	(686)	(1,058)
Total current net assets	14,241	14,536
Non-current		
Assets	303	305
Net assets	14,544	14,841

Summarised statement of comprehensive income

	For the financial year ended 31 December	
	2020 RM'000	2019 RM'000
Revenue	7,071	7,838
Profit before taxation	888	1,138
Tax expense	(180)	(316)
Profit for the financial year and total comprehensive income	708	822
Profit and total comprehensive income attributable to non-controlling interest	347	395
Accumulated non-controlling interest	7,085	7,228
Dividends paid to non-controlling interests	490	980

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Summarised statement of cash flows

	For the financial year ended 31 December	
	2020	2019
	RM'000	RM'000
Cash flow from operating activities		
Cash flow generated from operations	497	1,271
Net income tax paid	(318)	(327)
Net cash generated from operating activities	179	944
Net cash generated from investing activities	3,139	145
Net cash used in financing activities	(1,000)	(2,000)
Net decrease in cash and cash equivalents	2,318	(911)
Cash and cash equivalents at beginning of financial year	6,230	7,139
Cash and cash equivalents at end of financial year	8,548	6,228

14 INVESTMENT IN JOINT VENTURE

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	80	80	80	80
Accumulated impairment losses	0	0	(80)	(80)
Share of post-acquisition reserves	(80)	(80)	0	0
	0	0	0	0
Unrecognised share of net assets	265	105	0	0

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

14 INVESTMENT IN JOINT VENTURE (CONTINUED)

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

		Group's effective interest	
		2020	2019
Name of joint venture	**Principal activities**	**%**	**%**
Mesiniaga Mobility Sdn. Bhd. ("MMSB")	Develop, market and operate a mobile workforce management system.	80	80

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

15 DEFERRED TAX ASSETS

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets:				
	1,867	1,879	1,584	1,585
At 1 January	1,879	3,796	1,585	3,518
Credited/(Charged) to profit or loss: (Note 9)				
- property, plant and equipment	210	171	214	144
- post-employment benefit obligations	19	12	19	12
- tax losses	153	0	153	0
- provisions	(642)	1,062	(636)	1,073
- advance billings	(31)	(3,286)	(30)	(3,286)
- others	0	106	0	106
	(291)	(1,935)	(280)	(1,951)
Credited to other comprehensive income:				
- post-employment benefit obligations	279	18	279	18
At 31 December	1,867	1,879	1,584	1,585

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

15 DEFERRED TAX ASSETS (CONTINUED)

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Subject to income tax:				
Deferred tax assets (before offsetting):				
- post-employment benefit obligations	475	177	475	177
- tax losses	362	209	362	209
- provisions	997	1,640	709	1,345
- advance billings	1,896	1,926	1,896	1,926
	3,730	3,952	3,442	3,657
Offsetting	(1,863)	(2,073)	(1,858)	(2,072)
Deferred tax assets (after offsetting)	1,867	1,879	1,584	1,585
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(1,863)	(2,073)	(1,858)	(2,072)
Offsetting	1,863	2,073	1,858	2,072
Deferred tax liabilities (after offsetting)	0	0	0	0

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

16 INVENTORIES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At net realisable value:				
Cables	1,220	591	0	0
Equipment	2,098	0	2,098	0
Software	845	0	845	0
Spare parts	59	40	59	41
	4,222	631	3,002	41
At cost:				
Cables	2,701	2,567	0	0
Equipment	860	3,681	860	3,680
Software for re-sale	1,203	2,444	1,203	2,444
Spare parts	259	254	259	254
	5,023	8,946	2,322	6,378
	9,245	9,577	5,324	6,419

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current				
Trade receivables	29,495	39,907	27,209	36,585
Less: loss allowance	(1,235)	(982)	(1,226)	(722)
	28,260	38,925	25,983	35,863
Finance lease receivables (Note 19)	2,517	1,962	2,517	1,962
Other receivables	134	1,547	122	1,465
Less: loss allowance	(15)	(120)	(15)	(120)
	119	1,427	107	1,345
Prepayment	9,167	7,904	8,559	7,354
Deposits	255	244	240	230
Amounts due from subsidiaries	0	0	32,227	32,227
Less: loss allowance	0	0	(32,227)	(32,227)
	0	0	0	0
Amounts due from a related party	191	125	191	0
	40,509	50,587	37,597	46,754
Non-current				
Prepayments	3,791	2,881	3,791	2,881
Finance lease receivables (Note 19)	2,389	3,456	2,389	3,456
	46,689	56,924	43,777	53,091

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

Credit terms of trade receivables range from 30 days to 90 days (2019: 30 days to 90 days).

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

Details of amounts due from subsidiaries and related party are disclosed in Note 26 to the financial statements.

Prepayments consist of prepaid services which costs are incurred upfront for services to be rendered over a range of 1 to 5 years. (2019: 1 to 5 years).

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

As per Note 2.9, the Group and Company applied ECL model to determine the impairment on financial assets that are measured at amortised cost. The disclosure of loss allowances is set out in Note 4 to the financial statements.

18 CONTRACT ASSETS/(LIABILITIES)

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

	Group and Company	
	2020	2019
	RM'000	RM'000
Current assets		
Contract assets	32,832	29,894
Less: loss allowance	(1,209)	(296)
	31,623	29,598
Non-Current assets		
Contract assets	2,716	0
Less: loss allowance	(13)	0
	2,703	0
Current liabilities		
Contract liabilities	(13,001)	(19,601)

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

18 CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

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

	Group and Company	
	2020	2019
	RM'000	RM'000
Contract assets		
Opening balance as at 1 January	29,894	33,578
Increase as a result of performance obligation fulfilled but not yet billed	28,735	31,308
Decrease due to billings made during the financial year	(23,001)	(34,992)
	35,628	29,894
Less: loss allowance and discounting	(1,302)	(296)
Closing balance as at 31 December	34,326	29,598
Contract liabilities		
Opening balance as at 1 January	(19,601)	(8,016)
During the financial year that was included in the contract liabilities balance as at 1 January	18,724	13,581
Increases due to billing made, excluding amounts recognised as revenue during the financial year	(12,124)	(25,166)
Closing balance as at 31 December	(13,001)	(19,601)

19 FINANCE LEASE RECEIVABLES

	Group and Company	
	2020	2019
	RM'000	RM'000
Gross receivables	5,317	5,672
Less: unearned finance income	(262)	(254)
Less: loss allowance	(149)	0
Present value of finance lease receivables	4,906	5,418

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

19 FINANCE LEASE RECEIVABLES (CONTINUED)

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

	Group and Company	
	2020	2019
	RM'000	RM'000
Receivable within 12 months	2,683	2,114
Receivable after 12 months:		
- between 1 and 2 years	1,988	1,976
- between 2 and 5 years	646	1,582
	5,317	5,672
Less: unearned finance income	(262)	(254)
Less: loss allowance	(149)	0
	4,906	5,418
Current assets		
Finance lease receivable	2,524	1,962
Less: loss allowance	(7)	0
Current (Note 17)	2,517	1,962
Non-Current assets		
Finance lease receivable	2,531	3,456
Less: loss allowance	(142)	0
	2,389	3,456

Finance lease receives are related to lease of laptops and related IT equipment. The weighted average effective interest rate for finance lease receivables is 5.04% (2019: 4.55%) per annum. The finance lease receivables are denominated in Ringgit Malaysia.

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

	2020	2019
	RM'000	RM'000
Balance as at 1 January	5,418	1,108
New leases entered into during the financial year	2,222	5,880
Lease payments received during the financial year	(2,585)	(1,570)
Loss allowance	(149)	0
Balance as at 31 December	4,906	5,418

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

20 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	19,433	7,758	15,235	4,742
Deposits with licensed financial institutions	32,309	144,833	27,899	138,573
Total deposits, cash and bank balances	51,742	152,591	43,134	143,315
Less: restricted cash	(4,714)	(4,896)	(4,714)	(4,896)
Less: deposits maturing more than three (3) months	(3,002)	(3,003)	0	0
Cash and cash equivalents	44,026	144,692	38,420	138,419

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

The Group's and the Company's effective weighted average interest rate of deposits at the end of the financial year is 1.94% (2019: 3.19%) per annum. Deposits, cash and bank balances are denominated in Ringgit Malaysia.

Deposits of the Group and Company have an average maturity period of between 7 to 365 days (2019: 6 to 365 days).

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Trade payables	40,902	135,820	40,156	133,968
Other payables	131	169	0	0
Payroll liabilities	2,887	3,500	2,115	2,139
Accruals	2,981	3,129	2,765	2,832
Lease liabilities (Note 24)	1,536	1,301	1,510	1,277
Amounts due to subsidiaries	0	0	4,730	7,017
	48,437	143,919	51,276	147,233

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

21 TRADE AND OTHER PAYABLES (CONTINUED)

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	39,491	141,224	42,942	145,408
United States Dollar	8,946	2,695	8,334	1,825
Singapore Dollar	0	0	0	0
	48,437	143,919	51,276	147,233

Credit terms of trade payables range from 7 to 90 days (2019: 7 to 90 days). The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

22 BORROWINGS

	Group/Company	
	2020	2019
	RM'000	RM'000
Non-current		
Term financing – Secured	1,238	1,568
Current		
Banker Acceptance – Unsecured	4,820	2,030
Term financing – Secured	330	330
	5,150	2,360
Total borrowings	6,388	3,928

The average interest rate of short-term bank borrowings is at 3.21% (2019: 5.25%) and term financing is at 5.37% (2019: 5.37%).

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

22 BORROWINGS (CONTINUED)

The remaining maturities of the borrowing as at 31 December 2020 and 2019 are as follows:

		Group/Company 2020			
	Interest/ profit rate	Total	< 1 year	1 - 5 years	5 years
		RM'000	RM'000	RM'000	RM'000
31 December 2020					
Banker acceptance	fixed rate	4,820	4,820	0	0
Term financing	floating on COF	1,568	330	1,238	0
		6,388	5,150	1,238	0
31 December 2019					
Banker acceptance	fixed rate	2,030	2,030	0	0
Term financing	floating on COF	1,898	330	1,320	248
		3,928	2,360	1,320	248

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

	Group/Company	
	2020	2019
	RM'000	RM'000
At 1 January	3,928	16,198
Drawdown of borrowings	22,203	31,321
Repayment of borrowings	(19,816)	(43,841)
Payment of interest	(291)	(718)
Non-cash changes:		
- currency translation difference	73	250
- interest expense	291	718
At 31 December	6,388	3,928

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

22 BORROWINGS (CONTINUED)

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

	Group/Company	
	2020	2019
	RM'000	RM'000
Ringgit Malaysia	6,388	1,963
United States Dollar	0	1,965
Total borrowings	6,388	3,928

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS

Defined contribution plan

The Company and its subsidiaries, which are all incorporated in Malaysia, contribute to the Employees' Provident Fund, the national defined contribution plan. Once contributions have been paid, the Group has no further payment obligations.

Defined benefit plan

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Defined benefit plan (continued)

The latest actuarial valuation of the plan was carried out as at 31 December 2018 with an update performed as at 31 December 2020. The movement in the present value of defined benefit obligations during the financial year is as follows:

	Group and Company		
2020	**Defined benefit obligation**	**Fair value of plan assets**	**Net defined benefit liability**
	RM'000	**RM'000**	**RM'000**
At 1 January	(3,462)	2,725	(737)
Charged to income statement:			
Service cost	(156)	(42)	(198)
Interest (cost)/income	(204)	202	(2)
	(360)	160	(200)
Charged to other comprehensive income:			
Actuarial loss	(1,354)	311	(1,043)
Payment made:			
Contribution paid by the employer	0	0	0
Benefits paid	847	(847)	0
At 31 December	(4,329)	2,349	(1,980)

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Defined benefit plan (continued)

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

	Group and Company		
2019	**Defined benefit obligation**	**Fair value of plan assets**	**Net defined benefit liability**
	RM'000	**RM'000**	**RM'000**
At 1 January	(3,416)	2,804	(612)
Charged to income statement:			
Service cost	(138)	(42)	(180)
Interest (cost)/income	(192)	172	(20)
	(330)	130	(200)
Charged to other comprehensive income:			
Actuarial gain	0	75	75
Payment made:			
Benefits paid	284	(284)	0
At 31 December	(3,462)	2,725	(737)

Plan assets comprised the following:

	Group and Company			
	2020		**2019**	
	RM'000	**%**	**RM'000**	**%**
At 31 December				
Equity instruments	663	28	842	31
Government bonds	1,583	68	1,695	62
Cash and cash equivalents and others	103	4	188	7
Total	2,349	100	2,725	100

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Defined benefit plan (continued)

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

	Group and Company	
	2020	**2019**
At 31 December		
Discount rate	4.93%	5.7%
Rate of price inflation	3.0%	3.0%
Expected rate of salary increases:		
- up to age 34	7%	7%
- from age 35 to 44	7%	7%
- from age 45 and above	4%	4%
Turnover (per annum):		
- up to age 44	6%	6%
- from age 45 to 54	3%	3%
Retirement age:		
- normal retirement age, 60	50%	50%
- early retirement age, 55	50%	50%

Significant actuarial assumptions and sensitivity analysis

	Core assumption	**Sensitivity analysis**	**Effect on defined benefit obligation**
			RM'000
Discount rate	4.93%	1.0% decrease	1,373,463
Mortality	M9903 Life Tables	Age adjusted by + 1 year	(317,128)

Method and assumptions used in sensitivity analysis

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

24 LEASE LIABILITIES

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Minimum lease payments				
Repayable within 12 months	1,622	1,456	1,593	1,427
Repayable after 12 months:				
- between 1 and 2 years	1,176	1,382	1,147	1,353
- between 2 and 5 years	209	841	152	755
	3,007	3,679	2,892	3,535
Future finance charges on leases	(117)	(265)	(105)	(250)
Present value of the lease liability	2,890	3,414	2,787	3,285
Current (Note 21)	1,536	1,301	1,510	1,277
Non-current	1,354	2,113	1,277	2,008
	2,890	3,414	2,787	3,285

The lease liabilities are secured as the rights to the leased assets revert to the lessor in the event of default. The weighted average effective interest rate for lease liabilities is 6.21% (2019: 5.49%) per annum.

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At 1 January	3,414	1,168	3,285	1,168
Addition	921	2,903	921	2,771
Repayment of lease liabilities	(1,614)	(748)	(1,584)	(744)
Non-cash changes:				
- finance cost on lease	169	91	165	90
At 31 December	2,890	3,414	2,787	3,285

The Company leases office equipment and IT equipment. IT equipment comprise mainly laptops which are subsequently subleased to its customers over a term of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

25 SHARE CAPITAL

	Group and Company			
	2020	2020	2019	2019
	Number of shares		Number of shares	
	'000	RM'000	'000	RM'000
Ordinary shares issued and fully paid:				
At 1 January and 31 December				
- ordinary shares of RM1.00 each	60,402	64,528	60,402	64,528

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual arrangement of the particular instrument.

26 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

	Company	
	2020	2019
	RM'000	RM'000
Subsidiary companies		
Purchase of goods	51	249
Purchase of services	16,997	22,477
Sales of goods	11	0
Accounting fees	288	288
Secondment fees	8,990	9,920

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

26 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Company	
	2020	2019
	RM'000	RM'000
Amounts due from related parties and subsidiaries	4,730	7,017

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

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

(c) Key management compensation

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Salaries and other short-term employee benefits	2,238	2,203	2,238	2,203
Defined contribution plan	188	184	188	184
	2,426	2,387	2,426	2,387

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

Notes To The Financial Statements

For The Financial Year Ended 31 December 2020 (continued)

27 NON-CASH TRANSACTION

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Acquisition of plant and equipment by means of leases	0	132	0	0

28 DIVIDEND

No dividend paid during the financial year.

29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 1 April 2021.

PROPERTIES OWNED BY THE GROUP

As at 31 December 2020

Address	Description	Usage	Tenure	Terms of Tenant's Leases or Under Leases	Appropriate Age	Net Book Value (RM'000)
Menara Mesiniaga 1A, Jalan SS16/1 47500 Subang Jaya Selangor	Commercial land comprising of 15-storey office building	Office building	Freehold	Nil	Twenty-seven (27) years	31,134
5-G-9, Persiaran Mahsuri Bandar Bayan Baru 11900 Bayan Lepas Pulau Pinang	4-storey Shop	Office building	Leasehold	Nil	Eight (8) years	3,120

SHAREHOLDING STATISTICS

Shareholding Structure as at 31 March 2021
Authorised Share Capital : RM100,000,000
Issued and Paid-up Capital : RM60,402,000
Class of Shares : There is only one class of shares, namely Ordinary Shares of RM1.00 each

Analysis of Shareholdings as at 31 March 2021

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	64	2.45	1,624	0.00
100 – 1,000	962	36.77	823,261	1.36
1,001 – 10,000	1,271	48.59	5,606,088	9.28
10,001 – 100,000	275	10.51	7,983,339	13.22
100,001 – 3,020,099 (Less than 5% of issued shares)	39	1.49	19,020,620	31.49
3,020,100 and above (5% and above issued shares)	1	0.04	15,438,601	25.56
Director's Shareholdings	4	0.15	11,528,467	19.09
Total	2,616	100.00	60,402,000	100.00

Substantial Shareholders as at 31 March 2021

No.	Name	Direct Shareholdings	%
1	Shapadu Capital Sdn Bhd	13,896,600	23.01
2	Fathil Sulaiman Ismail	7,747,927	12.83
3	Safiah Sulaiman Ismail	5,012,041	8.30
4	Datuk Wan Mohamed Fusil Wan Mahmood	3,470,040	5.74

Directors Direct and Deemed Interests as at 31 March 2021

No.	Name	Direct Shareholdings	Deemed Interest	%
1	Datuk Wan Mohamed Fusil Wan Mahmood	475,940	2,994,100	5.74
2	Fathil Sulaiman Ismail	7,747,927	-	12.83
3	Voon Seng Chuan	308,500	-	0.51
4	Wong Fook Hon	2,000	-	-
5	Abd Talib Baba[(i)]	-	-	-
6	Dato' Ab Rashid Mat Adam[(i)]	-	-	-
7	Ir. Dr. Muhamad Fuad Abdullah[(ii)]	-	-	-
8	Sim Hong Kee	-	-	-
9	Datuk Noor Azian Shaari	-	-	-
10	Dato' Darawati Hussain[(iii)]	-	-	-
11	Zaim Husni Omar[(iv)]	-	-	-

(i) Retired on 10 September 2020
(ii) Resigned on 10 September 2020
(iii) Appointed on 11 September 2020
(iv) Appointed on 16 April 2021

Shareholding Statistics

30 Largest Shareholders as at 31 March 2021

No.	Name	Holdings	%
1	Shapadu Capital Sdn Bhd	13,896,600	23.01
2	Fathil Sulaiman Bin Ismail	7,747,927	12.83
3	Safiah Sulaiman Binti Ismail	5,012,041	8.30
4	Hor Yee @ Ho Cheong Fatt	1,728,940	2.86
5	Alliancegroup Nominees (Tempatan) Sdn Bhd <Pledged Securities Account for Wan Mohamed Fusil Bin Wan Mahmood>	1,400,000	2.32
6	Nor Hafifah Binti Mohd Puzi	1,319,646	2.18
7	Nor Zaliza Binti Mohd Puzi	1,289,648	2.14
8	Sri Susayati Binti Ramlan	1,090,000	1.80
9	CIMB Islamic Trustee Berhad <Wan Mohamed Fusil Bin Wan Mahmood>	1,000,000	1.66
10	DB (Malaysia) Nominee (Asing) Sdn Bhd <Deutsche Bank AG Singapore for Yeoman 3-Rights Value Asia Fund>	1,000,000	1.66
11	Wong Ta Nooy @ Wong Keng Yong	1,000,000	1.66
12	Aimi Khalidah Binti Mohd Puzi	869,646	1.44
13	Lim Poh Tiong	753,200	1.25
14	Ching Heng Zee	625,000	1.03
15	Yee Men Fong	600,000	0.99
16	Lim Poh Tiong	550,000	0.91
17	Wan Mohamed Fusil Bin Wan Mahmood	475,940	0.79
18	Lee Kok Hin	460,100	0.76
19	Citigroup Nominees (Tempatan) Sdn Bhd <Pledged Securities Account for Wan Mohamed Fusil Bin Wan Mahmood (473685)>	400,000	0.66
20	Toh Ying Choo	396,000	0.66
21	Affin Hwang Nominees (Asing) Sdn Bhd <DBS Vickers Secs (S) Pte Ltd for Lim Mee Hwa>	350,000	0.58
22	Public Nominees (Tempatan) Sdn Bhd <Pledged Securities Account for Wong Phooi Yin (E-Tai)>	333,300	0.55
23	Voon Seng Chuan	308,500	0.51
24	Choy Swee Chun	281,500	0.47
25	Khor Keng Saw @ Khaw Ah Soay	256,200	0.42
26	Siew Kim Man	203,500	0.34
27	Goh See Wee	200,000	0.33
28	Khalijah @ Khadijah Binti Jamari	200,000	0.33
29	Low Lay Ping	200,000	0.33
30	CGS-CIMB Nominees (Tempatan) Sdn Bhd <Pledged Securities Account for Wan Mohamed Fusil Bin Wan Mahmood (MY1107)>	194,100	0.32

NOTICE OF 39TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Ninth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Thursday, 3 June 2021 at 2.30pm for the following purposes:-

Agenda

1. To receive the Audited Financial Statements for the year ended 31 December 2020 together with the Report of Directors and the Independent Auditors Report thereon.

2. To approve Directors' Remuneration of up to RM375,000 to the Non-Executive Directors for the year ending 31 December 2021. **Resolution 1**

3. To re-elect the following Directors, who retire by rotation in accordance with Article 104 of the Company's Article of Association, who being eligible, offered themselves for re-election: -

   a. Voon Seng Chuan **Resolution 2**
   b. Sim Hong Kee **Resolution 3**

4. To re-elect the following Directors who retire in accordance with Article 108 of the Company's Article of Association, who being eligible, offered themselves for re-election: -

   a. Dato' Darawati Hussain **Resolution 4**
   b. Zaim Husni Omar **Resolution 5**

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

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
30 April 2021

Notice of 39th Annual General Meeting

Note:

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-Ninth Annual General Meeting of the Company, the Company shall be requesting the Record of Depositors as at 27 May 2021. Only a depositor whose name appears on the Record of Depositors as at 27 May 2021 shall be entitled to attend and vote at the meeting, as well as for the appointment of proxy(ies) to attend and vote on his/her stead.

2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.

4. All forms of proxy must be deposited at the Company's Share Registrar's Office at Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

COVID-19 OUTBREAK MEASURE NOTES

1. In view of the outbreak of COVID-19, you are required to read and adhere to the **Administrative Guide** issued in this annual report page 166 and published on the Company's website at https://mesiniaga.com.my/annual-general-meeting/
2. The health and safety of our members and staff who will attend the 39th AGM are the top priority of the Company. Hence, the following precautionary measures will be taken for the conduct of the 39th AGM:-
   a. Members or proxies are to abide by the most current regulations in place and enforced by the Ministry of Health and Government of Malaysia.
   b. Members are encouraged to appoint the Chairman of the meeting to act as proxy to attend and vote at the AGM on their behalf by submitting the proxy form with predetermined voting instruction.
   c. Members are **NOT ALLOWED** to attend the meeting and advised to appoint proxy(ies) to attend in your stead, if:-
      i. you are unwell with sore throat, flu, cough, fever, diarrhea and/or shortness of breath; or
      ii. you have contact with a person who is confirmed with COVID-19 infection in the past 14 days.
   d. In the interest of the public health including the well-being of our members, members must cooperate with the precautionary measures put in place by the Company should members (or your proxies) wish to attend the 39th AGM in person.
   e. Members or proxies must sanitise their hands and wear a face mask if they are attending the meeting in person.
   f. Members or proxies are to observe/maintain social distancing throughout the meeting.
   g. **NO door gift and refreshment will be provided to the Members or proxies. In view of the constantly evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 39th AGM at short notice.** Kindly refer to the Bursa Malaysia Securities Berhad's and the Company's website at www.mesiniaga.com.my for the latest updates on the status of the said meeting.

STATEMENT ACCOMPANYING THE NOTICE OF THE 39TH ANNUAL GENERAL MEETING

1) The Directors standing for re-election are:-

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

   a. Voon Seng Chuan
   b. Sim Hong Kee

   Pursuant to Article 108 of the Company's Article of Association:-

   a. Dato' Darawati Hussain
   b. Zaim Husni Omar

2) On the recommendation of the Remuneration Committee, the Board proposes that the remuneration fees payable to the Non-Executive Directors for year ending December 2021 to be up to RM375,000.

3) The Thirty-Ninth Annual General Meeting of the Company will be held at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on 3 June 2021 at 2.30pm.

4) Details of the Directors standing for re-election are as stated in the Company's Annual Report on pages 15 to 25. Their securities holdings in the Company are as stated on page 161.

BY ORDER OF THE BOARD

JASNI ABDUL JALIL (MACS 01359)
Company Secretary
Subang Jaya
30 April 2021

ADMINISTRATIVE GUIDE

Administrative Guide for the Thirty-Ninth Annual General Meeting ("39th AGM") of Mesiniaga Berhad ("Company")

Date : 3 June 2021 (Thursday)
Time : 2.30pm
Venue : Auditorium Ismail Sulaiman, Menara Mesiniaga
1A, Jalan SS16/1, 47500 Subang Jaya, Selangor

(I) SAFETY MEASURES IN LIGHT OF CORONAVIRUS DISEASE 2019 (COVID-19) OUTBREAK

The Company takes the well-being of all stakeholders, including employees, shareholders, proxies, customers, suppliers and service providers seriously and precautionary measures will be taken at the 39th AGM in order to minimise the risk of community spread of COVID-19.

If you have been in contact with a COVID-19 affected person or if you are unwell with sore throat, flu, fever, cough, shortness of breath or any symptoms of the COVID-19, please quarantine yourself at home. You are strongly encouraged to appoint a proxy or the Chairman of the meeting to attend and vote at the 39th AGM on your behalf.

In addition, we will be carrying out temperature checks on all attendees upon arrival at the 39th AGM venue. Any person with a body temperature of above 37.5 degrees celsius or showing symptoms of respiratory illness such as flu, coughing and sneezing, will be denied entry into the meeting venue.

All attendees are advised to keep abreast with the latest news and safety precautions directed by the authorities from time to time. The Company requires all attendees to sanitise their hands before the meeting and to wear a mask in advance as well as adhere to social distancing rules of at least one (1) meter between each attendee throughout the 39th AGM.

(II) PRE-REGISTRATION TO ATTEND THE 39TH AGM

Shareholders are required to register ahead of the 39th AGM to allow the Company to make the necessary arrangements in relation to the meeting i.e. infrastructures, logistics and meeting venue(s) to accommodate the meeting participants by 1 June 2021, 2.30pm.

Walk-ins will not be guaranteed a seat. priority will be given to shareholders, proxies and invitees who have pre-registered. please follow the following steps to pre-register:-

STEP 1 (Registration as user)

- Access Boardroom Smart Investor Portal at https://boardroomlimited.my
- Click <<Login>> and click <<Register>> to sign up as a user. **This is a ONE-TIME free registration**. If you are already a registered user of Boardroom Smart Investor Portal, you need not register again.
- Complete registration with a VALID email address and upload a copy of your MyKAD (front and back in JPG/PNG format only) or Passport (in JPG/PNG format only).
- An email will be sent to you to verify your email address.
- Once your email address is verified, your registration will be approved within one (1) business day and you will receive an email notification.

Administrative Guide

STEP 2 (Pre-registration of attendance)

- Log in to https://boardroomlimited.my
- At left-menu, click on <<PRE-REGISTRATION>>
- Look for "**MESINIAGA BHD 39th AGM**", click <<Register>>
- Read and agree to the terms and conditions, click <<Next>>
- Key in your CDS Account Number, click <<Submit>>
- You will receive email notification from Boardroom that your request(s) has been received.

STEP 3 (Verification)

- Upon system verification against the General Meeting Record of Depositors as at 27 May 2021, you will receive an email either approving or rejecting your pre-registration.
- On the day of the 39th AGM, please present your original MyKAD or Passport to the registration staff for verification against the pre-registration attendance list.

Shareholders may submit questions in advance on the AGM resolutions and Annual Report 2020 commencing from **30 April 2021** and in any event no later than **2.30pm, Tuesday, 1 June 2021** via Boardroom's website at https://boardroomlimited.my using the same user ID and password provided in Step 2 as above, and select "SUBMIT QUESTION" to pose questions ("Pre-AGM Meeting Questions").

(III) REGISTRATION

Registration counter will be opened at 12.30pm on Thursday, 3 June 2021 at Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan.

Attendees are requested to produce/show their original Identity Card or Passport (for non-Malaysian) to the registration staff for verification purposes. Kindly make sure the original Identity Card or Passport is returned to you thereafter. Please take note that no person will be allowed to register on behalf of another person, even with the original Identity Card or Passport of that person.

Upon verification, attendees are required to write their name and sign on the Attendance List placed on the registration table.

Attendees will also be given an identification wristband with personalised passcode for the voting purposes. No person will be allowed to enter the meeting hall without the identification wristband. There will be no replacement for the identification wristband in the event that you lost or misplaced it.

(IV) ELIGIBILITY TO ATTEND BASED ON THE RECORD OF DEPOSITORS

Only shareholder whose name appears on the Record of Depositors as at 27 May 2021 shall be entitled to attend or appoint proxy(ies) to attend and/or vote on his/her behalf.

Administrative Guide

(V) APPOINTMENT OF PROXY(IES)

A shareholder who is unable to attend the 39th AGM on 27 May 2021 may appoint proxy and indicate the voting instructions in the proxy form. Please deposit the proxy form with the Share Registrar of the Company, Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor. Alternatively, you have the option of submitting the proxy form electronically via facsimile at 03-7890 4670.

The last date and time for lodging the proxy form is on Tuesday, **1 June 2021 at 2.30pm**.

(VI) VOTING PROCEDURES

The voting will be conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. All resolutions set out in the Notice of 39th AGM will be put to vote by way of poll. Boardroom Share Registrars Sdn. Bhd. has been appointed as the Poll Administrator to conduct the polling process. The Independent Scrutineers will verify the results of the poll thereafter.

(VII) NO REFRESHMENT, DOOR GIFT(S) OR FOOD VOUCHERS

To ensure social and physical distancing, there will be no refreshment, door gift(s) or food vouchers provided to shareholders, proxies or invited guests who attend the 39th AGM.

(VIII) ENQUIRY

If you have any enquiry prior to the 39th AGM, please contact our Share Registrar during office hours on Mondays to Fridays, from 9.00am to 5.00pm (except on public holidays):-

Boardroom Share Registrars Sdn. Bhd.
[Registration No. 199601006647 (378993-D)]

Address	: 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan.
General Line	: +603-7890 4700
Fax Number	: +603-7890 4670
Email	: bsr.helpdesk@boardroomlimited.com

PROXY FORM
FOR 39TH ANNUAL GENERAL MEETING

MESINIAGA BERHAD
Company's No.: 198101013112 (79244-V)
(Incorporated in Malaysia)

Number of Shares Held																	
CDS Account No.				-				-									

I/We, _____ NRIC/Company No. _____
(FULL NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN BLOCK LETTERS)

(Tel No: _____) of _____

_____
(FULL ADDRESS)

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

Proxy 1	
Full Name of Proxy as per NRIC	
NRIC/Passport No.	
Proportion of Shareholdings (%)	

and/or failing him/her;

Proxy 2	
Full Name of Proxy as per NRIC	
NRIC/Passport No.	
Proportion of Shareholdings (%)	

as my/our proxy as to vote for me/us and on my/our behalf at the Thirty-Ninth Annual General Meeting of the Company, to be held at **Auditorium Ismail Sulaiman, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor (Tel: +603-5635 8828) on Thursday, 3 June 2021 at 2.30pm** and at any adjournment thereof.

The proxy is to vote on the resolutions set out in the Notice of Meeting as indicated, with an "X" in the appropriate space. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

No.	Resolution	For	Against
1	Approval of Directors' remuneration for the year ending 31 December 2021		
2	Re-election of Voon Seng Chuan as Director		
3	Re-election of Sim Hong Kee as Director		
4	Re-election of Dato' Darawati Hussain as Director		
5	Re-election of Zaim Husni Omar as Director		
6	Re-appointment of Messrs PricewaterhouseCoopers as Auditors		

Dated this _____ day of _____, 2021

_____
Signature/Common Seal of Shareholders

Note:

For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming Thirty-Ninth Annual General Meeting of the Company, the Company shall be requesting the Record of Depositors as at 27 May 2021. Only a depositor whose name appears on the Record of Depositors as at 27 May 2021 shall be entitled to attend and vote at the meeting as for appointment of proxy(ies) to attend and vote on his/her stead.

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney. All forms of proxy must be deposited at the Company's Share Registrar's Office at Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

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AFFIX STAMP

Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan

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www.mesiniaga.com.my

Mesiniaga

MESINIAGA BERHAD
198101013112 (79244-V)

Menara Mesiniaga
1A, Jalan SS16/1
47500 Subang Jaya
Selangor Darul Ehsan

Tel : 03 5635 8828
Fax : 03 5636 3838