

MESINIAGA BERHAD (79244-V)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
FOURTH QUARTER ENDED 31 DECEMBER 2014

**A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT –
FINANCIAL REPORTING STANDARD**

A1. BASIS OF PREPARATION

The unaudited quarterly financial statements have been prepared in accordance with MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”), and Paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited quarterly financial statements should be read in conjunction with the Group’s audited annual financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the unaudited quarterly financial statements.

The significant accounting policies and methods of computation applied in the unaudited quarterly financial statements are consistent with those applied in the most recent annual financial statement for the year ended 31 December 2013.

The adoption of the following amendments to MFRSs and IC Interpretation that came into effect on 1 January 2014 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

Amendments to MFRS 10, 12 and 127	Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation
IC Interpretation 21	Levies
Amendments to MFRS 136	Impairment of Assets

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

The Group will apply the new standards, amendments to standards and interpretation that have been issued by the Malaysian Accounting Standard Board that are applicable to the Group in the following financial periods:

Financial year beginning on/after 1 July 2014

Amendment to MFRS 119	Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs	2010-2012 Cycle
Annual Improvements to MFRSs	2011-2013 Cycle

Effective date to be announced by MASB

MFRS 9	Financial Instruments
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A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the Group's Annual Financial Statements for the year ended 31 December 2013 was not subject to any qualification.

A3. SEASONALITY OR CYCLICALITY OPERATIONS

The Group's operations are not significantly affected by any seasonal or cyclical factors.

A4. UNUSUAL ITEMS

There were no items affecting the assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

A5. MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no changes in accounting estimates of amounts reported in prior interim periods or the current financial year or changes in estimates of amounts reported in prior financial years.

A6. ISSUANCE OR REPAYMENT OF DEBTS AND EQUITY SECURITIES

There were no issuance and repayment of debts and equity securities, shares buy-back, share cancellations, shares held as treasury shares or resale of treasury shares during the current quarter under review.

A7. DIVIDEND PAID

No dividend has been paid for the current quarter. The final dividend in respect of financial year ended 31 December 2013 was approved and paid as per Note B12.

A8. SEGMENTAL REPORTING

Segmental information is not presented as the Group is primarily engaged in the sale of information technology products and related services in Malaysia.

A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The values of property, plant and equipment have been brought forward without amendment from previous annual financial statements.

A10. SUBSEQUENT MATERIAL EVENTS

There were no subsequent material events as at the date of this report that will affect the financial results of the current quarter under review.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in composition of the Group during the interim period, including business combination, acquisition or disposal of subsidiaries and long-term investment, restructurings, and discontinuing operations, except the following two wholly owned subsidiaries of the Company had commenced the process by way of members' voluntary winding up, as per announcement to Bursa Malaysia Securities Berhad, on 8.11.2012 and 4.1.2013, respectively:

- Mesiniaga SSO Sdn Bhd had
- Mesiniaga Technique Sdn Bhd

A12. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed.

B. BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF THE PERFORMANCE

The Group recorded revenue of RM257.2 million for year ended 31 December 2014, a reduction of 8.46% as compared to the corresponding period in the previous year of RM281.0 million. A loss before tax of RM31.2 million was recorded in the year 2014, compared to a loss before tax of RM2.8 million in the previous corresponding period.

The loss incurred by the Group in 2014 was attributed to lower revenue of RM23.8 million primarily from the Public Sector, a one-off provision in doubtful debt of 3.8 million, and additional costs incurred to ensure delayed projects are successfully delivered which contributed approximately 80% of the reported loss. Majority of the delayed projects have been resolved.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS

For the fourth quarter ended 31 December 2014, the Group recorded revenue of RM78.2 million as compared to RM60.2 million in the immediately preceding quarter. The Group recorded a loss before tax of RM20.8 million in the current quarter as compared to a RM4.9 million loss in the immediately preceding quarter.

B3. PROSPECTS

The Group is bracing for another challenging year in 2015 with the anticipated slowdown in GDP growth in Malaysia, tightening of budget by the government, strengthening of the US Dollars, and the implementation of the Goods and Services Tax (GST) this year. In view of these challenges, The Group will take bolder steps to manage down its costs to be more in line with the Group's lower revenue including realignment of its workforce.

The Telekom Malaysia New IP Core project (for which the Group won middle of last year) is currently in final testing phase for which larger network roll-outs are expected during the second half of this year. The Group sees positive development in the recent announcement on the award of HSBB2 and SUBB from the government to Telekom Malaysia.

B4. VARIANCES FROM PROFIT FORECAST AND PROFIT GUARANTEE

Not applicable as there were no profits forecast and profit guarantee published.

B5. TAXATION

Income tax expenses

	Quarter Ended 31.12.2014 RM'000	12 months Cumulative to 31.12.2014 RM'000
<u>Major components of tax expenses:</u>		
Current year tax	(515)	224
Deferred tax	(726)	(1,576)
Tax expense	(1,241)	(1,352)
Zakat	180	180
	(1,061)	(1,172)

Deferred tax assets have been recognised as the Management expects to 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.

B6. SALES OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no sales of unquoted investments and material transactions of properties for the current quarter and financial year to date.

B7. PARTICULARS OF PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no purchases or disposal of quoted securities for the current quarter and financial year to date.

B8. THE STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed at the latest practicable date.

B9. BORROWINGS AND DEBT SECURITIES

Details of the Company's borrowings as at 31 December 2014 are as follows:

	As at 31.12.2014 RM '000
Short term borrowings	
<i>Unsecured</i>	
Loan denominated in USD	13,797
Loan denominated in Euro	891
Other short term borrowings	13,717
	<u>28,405</u>

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There are no financial instruments with off balance sheet risk as at the date of this report.

B11. MATERIAL LITIGATION

There is no pending material litigation as at the date of this report.

B12. DIVIDENDS

The payment of first and final single tier dividend in respect of the financial year ended 31 December 2013 of 10 sen per share, amounting to RM6,040,200 was paid on 9 July 2014.

The payment of a first and final gross dividend in respect of the financial year ended 31 December 2012 of 21 cents per share less tax at 25% amounting to RM 9,513,315 was paid on 5 July 2013.

B13. EARNINGS PER SHARE

	Quarter Ended 31.12.2014	12 months Cumulative 31.12.2014
Basic and Diluted Earnings		
	RM'000	RM'000
Profit/(loss) attributable to the equity holders of the Company	(20,099)	(30,591)
Weighted average number of ordinary shares in issue	60,402	60,402
Basic earnings/(loss) per share (sen)	(33.28)	(50.65)

B14. RELATED PARTY TRANSACTIONS

Listed below are the significant related party transactions. The related party transactions were carried out on the same terms and conditions in transactions with unrelated parties.

The significant related party transactions are as follows:

	Quarter Ended 31.12.2014 RM'000	12 months Cumulative 31.12.2014 RM'000
<u>Related party</u>		
Subsidiary companies		
- Purchase of goods	13	191
- Purchase of services	6,180	55,604
- Sales of goods	52	1,688
- Sales of services	116	638

B15. CAPITAL COMMITMENT

Capital commitments for the Group in respect of property, plant and equipment not provided for as of 31 December 2014 are as follows:

	RM'000
Approved and not contracted for	0
Approved and contracted for	800

B16. BREAKDOWN OF RETAINED EARNINGS TO REALISED AND UNREALISED INCOME OR EXPENSES

		As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
			Restated
	Retained profit		
-	Realised	49,034	86,647
-	Unrealised	16,755	15,353
	TOTAL RETAINED PROFITS	65,789	102,000

B17. ADDITIONAL DISCLOSURES

RM'000	Quarter ended		12 months Cumulative	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Profit for the period is arrived at after charging:				
Interest expense	464	172	868	1,216
Depreciation	1,859	1,794	7,229	7,381
Foreign loss/(gain)	336	(359)	(389)	(871)
and after crediting:				
Interest income	40	166	516	584

By Order of the Board

Jasni Abdul Jalil (MACS 01359)
Company Secretary
27 February 2014