

**MESINIAGA BERHAD (79244-V)**  
**UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE**  
**FIRST QUARTER ENDED 31 MARCH 2016**

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**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 2015 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 2015.

On 1 January 2016, the Group adopted the following new and amended MFRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2016

- Amendments to MFRS 11 “Accounting for Acquisition of Interests in Joint Operations”
- Amendments to MFRS 116 ‘Property, plant & equipment’ & MFRS 138 ‘Intangible assets’ – “Clarification of Acceptable Methods of Depreciation and Amortisation”
- Amendments to MFRS 127 ‘Separate financial statements’ – “Equity Method in Separate Financial Statements”
- Annual Improvements to MFRSs 2012 – 2014 Cycle, amendments to:
  - MFRS 5 ‘Non-current assets held for sale and discontinued operations’
  - MFRS 7 ‘Financial instruments: Disclosures’
  - MFRS 119 ‘Employee benefits’ and
  - MFRS 134 ‘Interim financial reporting’
- Amendments to MFRS 10, 12 & 128 “Investment entities - Applying the Consolidation Exception”
- Amendments to MFRS 101 “Presentation of financial statements - Disclosure Initiative”

The application of the above amendments to published standards had no material impact on the financial position in the Group's financial statements.

### **Standards issued but not yet effective**

#### **Effective for financial periods beginning on or after 1 January 2018**

- MFRS 15 'Revenue from Contracts with Customer'
- MFRS 9 'Financial instruments'

The Directors expect the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of the initial application except the following:

#### **MFRS 15 'Revenue'**

Under MFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when the 'control' of the goods and services underlying the particular performance obligation is transferred to the customers.

The effect of the above amendment is currently being assessed by the Directors.

#### **A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

The audit report of the Group's Annual Financial Statements for the year ended 31 December 2015 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.

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 significant changes in composition of the Group during the interim period, including business combination, acquisition or disposal of subsidiaries and long-term investment, restructurings or discontinued operations other than those disclosed as follows:

1. Mesiniaga SSO Sdn Bhd, the wholly owned subsidiary 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, respectively. The process of voluntary winding up cycle is pending to be completed.
2. Reference is made to our announcement dated 3rd January 2013 in connection to the members' voluntary winding-up of Mesiniaga Techniques Sdn. Bhd. ("MTSB"), a wholly owned subsidiary of Mesiniaga Berhad.

Mesiniaga Berhad wishes to inform that MTSB had on 21st January 2016 had its final meeting to conclude the members' voluntary winding-up of the company. Pursuant to s.272(5) of the Companies Act, 1965, MTSB shall dissolve three months after lodgement of Form 69 (Return of Final Meeting) with the Companies Commission and the Official Receiver.

The voluntary winding-up of MTSB is deemed completed.

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 RM49.7 million for the first quarter ended 31 March 2016, a slight increase of 1.3% compared to the corresponding period in the previous year. A profit before tax of RM0.5 million was recorded during the quarter under review, compared to a loss before tax of RM5.3 million in the previous corresponding period.

The Group returns to profit for the first quarter due to improved margin. This is achieved by better management of expenses and the completion of overrun cost from delayed projects.

### **B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS**

For the quarter ended 31 March 2016, the Group recorded revenue of RM49.7 million, a reduction of 14.8% compared to RM58.3 million in the immediately preceding quarter. The Group recorded a profit before tax of RM0.5 million in the current quarter as compared to a RM0.8 million loss in the immediately preceding quarter.

The improvement reflected a better overall profit margin. There were currency exchange gains recorded during the quarter under review.

### **B3. PROSPECTS**

The Malaysian economy will continue to undergo consolidation and adjustments amidst a weak currency, sluggish crude oil prices and a potential slowdown in domestic consumption. The IT industry itself is also undergoing consolidation as new technologies and borderless competition bring forth threats as well as opportunities. While we do not anticipate government spending to rebound in 2016, we remain optimistic on our growth plans involving our business in the enterprise segments.

Our prudent strategies in cost and expense management have proven to be fruitful, judging by the improved performance in 2015 compared to 2014. We intend to stay the course and focus all our efforts towards improving our financial position and to be profitable in 2016.

### **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 31.03.2016 RM'000	3 months Cumulative to 31.03.2016 RM'000
<b>Major components of tax expenses:</b>		
Current year tax	150	150
Deferred tax	0	0
Tax expense	150	150
Zakat	0	0
	150	150

Deferred tax assets have not been recognised in respect of tax losses and deductible temporary differences.

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 March 2016 are as follows:

	As at 31.03.2016 RM '000
<b>Short term borrowings</b>	
<i>Unsecured</i>	
Loan denominated in USD	8,611
Other short term borrowings	14,189
	<u>22,800</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

a. Originex Networks Sdn. Bhd.

On 30 September 2015, the Company announced that, the Company had on 10 September 2015 received a Writ of Summons together with a Statement of Claim dated 9 September 2015 filed by Originex Networks Sdn Bhd (“Plaintiff”).

Subsequent to the receipt of the Writ of Summons and Statement of Claim, the Company had on 30 October 2015 filed its defence against the claim for unpaid invoices and submitted a counterclaim based on the Supplier’s Agreement entered between Originex Networks Sdn Bhd and the Company on 12 December 2011.

The Company wishes to add that while the outcome of the Writ of Summons would not have any material impact on both the Company’s finance and operations, a positive impact on the Company’s profits could be registered if Company were to succeed in its counterclaim.

The case management for the Company’s counterclaim has been fixed for 11 May 2016.

Further to the announcements dated 30 September 2015, 2 October 2015, 3 November 2015 and 20 January 2016, the Company wishes to update the status of the Writ of Summons and Statement of Claim (Sessions Court, Shah Alam), Writ of Summons No : B52NCVC-192-09-TAHUN 2015 issued against the Mesiniaga Berhad (“Company”) by Originex Networks Sdn. Bhd. through its solicitor Messrs Sukanthan Mizuraini.

The Company had announced that a Notice of Appeal on the summary judgment granted on 18 January 2016 had been filed with the High Court, Shah Alam on 27 January 2016 and the Appeal is fixed for mention at the said court on 7 March 2016.

The High Court has fixed the case management for the Appeal to be heard on 31 May 2016.

b. Synergy Centric Sdn. Bhd.

On 31 December 2015, Mesiniaga Berhad (“the Company”) announced on the status of the Writ of Summons and Statement of Claim (Kuala Lumpur High Court), Writ of Summons No : 22NCVC-703-12/2015 issued against Synergy Centric Sdn. Bhd. by the Company through its solicitor Messrs Azrul Afifi & Azuan.

Pursuant to the entering of a settlement agreement between both parties, the Company had on 17 February 2016 withdrawn the Writ of Summons and Statement of Claim with liberty to file afresh with no order as to costs.

B12. PROPOSED DIVIDEND

There was no dividend proposed in respect of the current financial year during the financial period under review.

B13. EARNINGS PER SHARE

	Quarter Ended 31.03.2016	3 months Cumulative 31.03.2016
<b>Basic and Diluted Earnings</b>		
	RM'000	RM'000
Profit attributable to the equity holders of the Company	124	124
Weighted average number of ordinary shares in issue	60,402	60,402
Basic earnings per share (sen)	0.21	0.21

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 31.03.2016 RM'000	3 months Cumulative 31.03.2016 RM'000
<b><u>Related party</u></b>		
Subsidiary companies		
- Purchase of goods	2	2
- Purchase of services	5,530	5,530
- Sales of goods	1	1
- Sales of services	72	72

B15. CAPITAL COMMITMENT

There is no capital commitment for the Group in respect of property, plant and equipment not provided for as of 31 March 2016.

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

		As at 31.03.2016 RM'000	As at 31.12.2015 RM'000
	Retained profit		
-	Realised	30,219	30,246
-	Unrealised	16,617	16,466
		<b>46,836</b>	<b>46,712</b>

B17. ADDITIONAL DISCLOSURES

RM'000	Quarter ended		3 months Cumulative	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
<b>Profit for the period is arrived at after charging:</b>				
Interest expense	147	300	147	300
Depreciation	1,252	1,780	1,252	1,780
Foreign gain/(loss)	1,334	(667)	1,334	(667)
<b>and after crediting:</b>				
Interest income	76	92	76	92

By Order of the Board

Jasni Abdul Jalil (MACS 01359)  
Company Secretary  
3 May 2016