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 2018. The audited financial statements of the Group for the year ended 31 December 2018 were prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group's consolidated audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following MFRS and Amendments to MFRS during the current financial period:

(i) Effective from financial year beginning on or after 1 January 2019

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

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

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

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

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

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

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

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

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

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

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

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

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

Based on the work performed to date, the Company does not currently expect the impact of these changes to be significant.

(ii) Effective from financial year beginning on or after 1 January 2020 with earlier application permitted

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

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

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

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

The effect of the amendments to these standards are currently being assessed by the Directors of the Company.

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the Group's Annual Financial Statements for the year ended 31 December 2018 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 of disposal of subsidiaries and long-term investment, restructurings or discontinued operations.

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 RM101.0 million for the first nine months of 2019, a reduction of 23.0% compared to the corresponding period in 2018 of RM131.1 million. A loss before tax of RM11.7 million was recorded in the first nine months of 2019, compared to a profit before tax of RM3.0 million in the previous corresponding period.

The reduction in revenue and the loss incurred for the period were due to lower contribution from Telecommunication sector and delays in several projects.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS

For the quarter ended 30 September 2019, the Group recorded a revenue of RM37.6 million, compared to RM31.1 million in the preceding quarter, an increase of 20.9%. The Group recorded a reduced loss before tax of RM2.7 million in the current quarter, compared to a loss before tax of RM5.2 million in the preceding quarter.

B3. PROSPECTS

The Company recently announced two major wins: RM261.3 million from Accountant General’s Department of Malaysia (AG) and RM16.0 million from Employees Provident Fund (EPF). With these major wins, the Company is looking forward to a much improved performance for the final quarter of 2019 and a reversal of some or all of the earlier losses.

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 30.09.2019 RM'000	9 months Cumulative to 30.09.2019 RM'000
Major components of tax expenses:		
Current year tax	132	220
Deferred tax	0	0
Tax expense	132	220
Zakat	0	0
	132	220

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 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 30 September 2019 are as follows:

		As at 30.09.2019 RM '000
	Short term borrowings	
	Unsecured	
	Loan denominated in USD	5,233
	Short term borrowings in RM	5,116
		10,349
	Term loan in RM	
	Secured	330
		10,679
	Long term loan	
	Secured	
	Term loan in RM	1,650
		12,329

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

As announced on 3 March 2017, Amanah Raya Berhad filed a claim of RM8.2 million against the Company disputing the obligations of a contract that was awarded to the Company in 2014.

Subsequent to the receipt of the Writ of Summons and Statement of Claim, the Company had on 17 April 2017 filed its defence against the claim and submitted a counterclaim for the damages of RM18.7 million for unlawful termination and/or repudiation of the agreement between the parties under the law.

The hearing at the High Court has been fixed from 8th January to 10th January 2020.

B12. PROPOSED DIVIDEND

There was no dividend proposed for the financial period under review.

B13. EARNINGS PER SHARE

		Quarter Ended 30.09.2019		9 months Cumulative 30.09.2019
	Basic and Diluted Earnings			
		RM'000		RM'000
	Loss attributable to the equity holders of the Company	(3,059)		(12,228)
	Weighted average number of ordinary shares in issue	60,402		60,402
	Basic loss earnings per share (sen)	(5.06)		(20.24)

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 30.09.2019 RM'000	9 months Cumulative 30.09.2019 RM'000
	Related party		
	Subsidiary companies		
	- Purchase of goods	4	185
	- Purchase of services	8,652	23,393
	- Sales of goods	0	0
	- Sales of services	72	216

B15. CAPITAL COMMITMENT

Capital commitments for the Group in respect of property, plant and equipment not provided for as of 30 September 2019 are as follows:

		RM'000
	Approved and not contracted for	NIL
	Approved and contracted for	NIL

B16. ADDITIONAL DISCLOSURES

RM'000	Quarter ended 30.09.2019	Quarter ended 30.09.2018	9 months Cumulative 30.09.2019	9 months Cumulative 30.09.2018
Profit/(loss) for the period is arrived at after charging:				
Interest expense	203	120	649	569
Depreciation	1,013	891	3,074	3,250
Foreign exchange gain/(loss)	268	(419)	287	538
and after crediting:				
Interest income	105	320	529	743

By Order of the Board

Jasni Abdul Jalil (MACS 01359)
Company Secretary
29 November 2019

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statement of Comprehensive Income
For the third quarter ended 30 September 2019

	2019	2018	2019	2018
	CURRENT	Comparative	9 Months	9 Months
	Qtr ended 30-Sep (RM '000)	Qtr ended 30-Sep (RM '000)	Cumulative to-date (RM '000)	Cumulative to-date (RM '000)
Revenue	37,555	53,234	101,029	131,148
Operating expenses	-39,213	-51,068	-109,564	-125,442
Depreciation	-1,013	-891	-3,074	-3,250
Other operating income	34	250	102	390
(Loss)/profit from operations	-2,637	1,525	-11,507	2,846
Finance costs	-203	-120	-649	-569
Finance income	105	320	529	743
Share of results of associated company	0	-18	-39	-57
(Loss)/profit before tax	-2,735	1,707	-11,666	2,963
Taxation	-132	-140	-220	-290
(Loss)/profit after tax	-2,867	1,567	-11,886	2,673
Other Comprehensive gain/(loss)	0	0	0	0
Total Comprehensive (loss)/income	-2,867	1,567	-11,886	2,673
Profit/(loss) attributable to:				
- Equity holders of the Company	-3,059	1,346	-12,228	2,220
- Non-controlling interest	192	221	342	453
	-2,867	1,567	-11,886	2,673
Profit/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the period				
(Loss)/profit Per Share - Basic	-5.06	2.23	-20.24	3.68

Remarks

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Annual Financial Statements for the year ended 31st December 2018)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statement of Financial Position
As at 30 September 2019

	As at 30.09.2019 (RM '000)	As at 31.12.2018 (RM '000)
ASSETS		
Non-current assets		
Property, plant and equipment	40,958	42,356
Intangible assets	1,139	1,622
Finance lease receivable	-	306
Trade and other receivables	462	2,844
Deferred tax assets	3,796	3,796
	46,355	50,924
Current assets		
Inventories	10,805	8,664
Receivables	36,128	59,633
Contract assets	34,076	33,578
Tax recoverable	188	14
Cash and cash equivalents	22,268	36,209
	103,465	138,098
TOTAL ASSETS	149,820	189,022
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the parent		
Share capital	64,528	64,528
Reserves	38,148	50,376
	102,676	114,904
Non-controlling interest	8,147	7,805
Total equity	110,823	122,709
Non-current liabilities		
Other deferred liabilities	750	1,150
Bank term loan	1,650	1,898
	2,400	3,048

Current liabilities

Trade and other payables	6,372	40,920
Contract liabilities	19,510	8,016
Short term borrowing	10,349	13,970
Bank term loan	330	330
Taxation	36	29
	36,597	63,265
Total liabilities	38,997	66,313
TOTAL EQUITY AND LIABILITIES	149,820	189,022
Net asset per share attributable to ordinary equity holders of the parent(RM)	1.70	1.90

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statements for the year ended 31st December 2018)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statement of Cash Flow
For the third quarter ended 30 September 2019

	2019 **9 months ended** **30-Sep** **(RM '000)**	**2018** **9 months ended** **30-Sep** **(RM '000)**
Cash Flows From Operating Activities		
Net (loss)/profit attributable to shareholders	(11,886)	2,673
Adjustments for:		
Depreciation of property, plant and equipment	3,074	3,250
Taxation	220	290
Share of results of associates	39	60
Interest expense	649	569
Interest income	(529)	(743)
Operating (loss)/profit before working capital changes	(8,433)	6,099
Changes in working capital:		
Inventories	(2,141)	(6,160)
Receivables	25,905	38,340
Payables	(23,087)	(34,322)
Net cash generated from operations	(7,756)	3,957
Interest paid	(649)	(569)
Retirement benefits paid	-	-
Net taxation refunded/(paid)	(423)	18
Net cash generated from operating activities	(8,828)	3,406
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(1,373)	(4,770)
Proceeds from sales of property, plant and equipment	-	-
Investment in deposits marturing more than 3 months	-	-
Interest received	529	743
	(844)	(4,027)

Cash Flows From Financing Activities

Dividends paid to shareholders	-	(4,832)
Dividends paid to non-controlling interest	-	(1,960)
Proceed from term loan	-	2,310
Repayment of finance lease	(400)	(74)
Net drawndown of short term borrowing	(3,869)	(4,446)
Repayment of capital	-	-
	(4,269)	(9,002)
Net increase/(decrease) in cash and cash equivalents	(13,941)	(9,623)
Cash and cash equivalents b/f	36,209	40,668
Cash and cash equivalents c/f	22,268	31,045

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited Annual Financial Statements for the year ended 31st December 2018)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statements of Changes in Equity
For the third quarter ended 30 September 2019

	Share Capital (RM '000)	Share Premium (RM '000)	Retirement benefit reserves	Retained Earnings (RM '000)	Total (RM '000)	Non-controlling Interest (RM '000)	Total (RM '000)
9 months quarter ended 30 September 2019							
Balance at beginning of year	64,528	-	592	49,784	114,904	7,805	122,709
Total comprehensive income/(loss) for the period	-	-	-	(12,228)	(12,228)	342	(11,886)
Dividends	-	-	-	-	-	-	-
Other Comprehensive Income	-		-	-	-	-	-
Balance at end of period	64,528	-	592	37,556	102,676	8,147	110,823
9 months quarter ended 30 September 2018							
Balance at beginning of year	64,528	-	233	63,304	128,065	9,111	137,176
Total comprehensive income for the period	-	-	-	2,220	2,220	453	2,673
Dividends	-	-	-	(4,832)	(4,832)	(1,960)	(6,792)
Other Comprehensive Income	-	-	-	-	-	-	-
Balance at end of period	64,528	-	233	60,692	125,453	7,604	133,057

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited Annual Financial Statements for the year ended 31st December 2018)