

MESINIAGA BERHAD (79244-V)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE THIRD
QUARTER ENDED 30 SEPTEMBER 2018

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 2017. The audited financial statements of the Group for the year ended 31 December 2017 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 2017, except for the adoption of the following:

(i) Effective from financial year beginning after 1 January 2018

- Amendments to MFRS 140 ‘Classification on “Change in Use” – Assets transferred to, or from, Investment Properties’ clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meets, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management’s intention in isolation is not sufficient to support a transfer of property.

The amendments also clarify the same principle applies to assets under construction.

- IC Interpretation 22 ‘Foreign Currency Transactions and Advance Consideration’ applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the ‘date of the transaction’ to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine ‘the date of transaction’ when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

- MFRS 9 ‘Financial Instruments’ will replace MFRS 139 ‘Financial Instruments: Recognition and Measurement’.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (‘OCI’). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch prospectively.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

In relation to MFRS 9 ‘Financial Instruments’, the Company expects the adoption of the above standards and interpretations will have no material impact on the financial statement in the period of the initial application.

- MFRS 15 ‘Revenue from contracts with customers’ replaces MFRS 118 ‘Revenue’ and MFRS 111 ‘Construction contracts’ and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

Under MFRS 15, the Company 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. Given the scope of work required to implement the recognition and disclosure requirements under the new standard, the Company has performed the assessment using the 5-step model. Based on 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 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.

The effect of the above amendment to published standard 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 2017 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

The following dividend was paid out in the financial period under review:
In respect of the financial year ending 31 December 2018:

RM'000

Single-tier interim dividend of 6.0 sen and special single tier of 2.0 sen per ordinary share paid on 5 July 2018

4,832

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 other than those disclosed as follows:

Mesiniaga SSO Sdn Bhd, the wholly owned subsidiary of the Company had commenced the process of members' voluntary winding up, as per announcement to Bursa Malaysia Securities Berhad on 8.11.2012. The process of voluntary winding up cycle is pending completion.

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 a revenue of RM131.1 million for the first nine months of 2018, a reduction of 20.9% compared to the corresponding period in 2017 of RM165.8 million. Profit before tax of RM3.0 million was recorded in the first nine months of 2018, a reduction of 64.7% compared to RM7.1 million in the previous corresponding period.

The reduction in revenue is mainly due to lower contribution from customers in the telecommunication industry and deferment of some key projects particularly from the Government Linked Companies.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS

For the quarter ended 30 September 2018, the Group recorded a revenue of RM53.2 million, compared to RM40.3 million in the preceding quarter. The Group recorded a

profit before tax of RM3.0 million in the current quarter, compared to a profit of RM0.3 million in the preceding quarter.

The improvement of both revenue and profit before tax is a result of a few major orders won in the 3rd quarter.

B3. PROSPECTS

Government spending is expected to remain prudent in 2018. We remain optimistic of our growth plans, especially for the Enterprise and Public Sector business. To achieve this, we will continue to leverage on our differentiated products and services: Mesiniaga Integrated Managed Services, to increase our win rate and to help us focus on our key customers.

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 30.09.2018 RM'000	9 months Cumulative to 30.09.2018 RM'000
<u>Major components of tax expenses:</u>		
Current year tax	140	290
Deferred tax	0	0
Tax expense	140	290
Zakat	0	0
	140	290

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 2018 are as follows:

	As at 30.09.2018 RM '000
Short term borrowings	
<i>Unsecured</i>	
Loan denominated in USD	11,832
Short term borrowings in RM	0
	<hr/> 11,832
Term loan in RM	
<i>Secured</i>	330

		12,162
	Long term loan	
	<i>Secured</i>	
	Term loan in RM	1,980
		<u>14,142</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

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.

At the case management held on 5th October 2018, the Court has set trial dates between January and March 2019. The Court has instructed for the parties to file pre-trial documents by the next case management date on 7th December 2018.

B12. PROPOSED DIVIDEND

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

B13. EARNINGS PER SHARE

	Quarter Ended 30.09.2018	9 months Cumulative 30.09.2018
Basic and Diluted Earnings		
	RM'000	RM'000
(Loss)/profit attributable to the equity holders of the Company	1,346	2,220
Weighted average number of ordinary shares in issue	60,402	60,402
Basic (loss)/earnings per share (sen)	<u>2.23</u>	<u>3.68</u>

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 30.09.2018 RM'000	9 months Cumulative 30.09.2018 RM'000
<u>Related party</u>		
Subsidiary companies		
- Purchase of goods	4	6
- Purchase of services	7,377	20,474
- Sales of goods	1	1
- 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 2018 are as follows:

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

B16. ADDITIONAL DISCLOSURES

RM'000	Quarter ended		9 months Cumulative	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Profit for the period is arrived at after charging:				
Interest expense	120	422	569	1,124
Depreciation	891	1,262	3,250	3,964
Foreign exchange (loss)/gain	(419)	741	538	2,508
Gain on disposal of property	0	0	0	188
and after crediting:				
Interest income	320	167	743	398

By Order of the Board

Jasni Abdul Jalil (MACS 01359)
Company Secretary
29 November 2018

Malaysia Berhad (79244V)
Incorporated in Malaysia)
Consolidated Statement of Comprehensive Income
for the third quarter ended 30 September 2018

	2018	2017	2018	2017
	CURRENT	Comparative	9 Month	9 Month
	Qtr ended 30-Sep (RM '000)	Qtr ended 30-Sep (RM '000)	Cumulative to-date (RM '000)	Cumulative to-date (RM '000)
Revenue	53,234	61,269	131,148	165,772
Operating expenses	-51,068	-56,922	-125,442	-155,906
Depreciation	-891	-1,262	-3,250	-3,964
Operating income	570	949	1,133	2,423

from operations	1,845	4,034	3,589	8,325
se costs	-120	-422	-569	-1,124
of results of associated company	-18	-40	-57	-64
before tax	<u>1,707</u>	<u>3,572</u>	<u>2,963</u>	<u>7,137</u>
on and Zakat	-140	-194	-290	-426
after tax	<u>1,567</u>	<u>3,378</u>	<u>2,673</u>	<u>6,711</u>
Comprehensive gain/(loss)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Comprehensive profit	<u><u>1,567</u></u>	<u><u>3,378</u></u>	<u><u>2,673</u></u>	<u><u>6,711</u></u>
(loss) attributable to:				
ty holders of the Company	1,346	3,168	2,220	6,158
controlling interest	<u>221</u>	<u>210</u>	<u>453</u>	<u>553</u>
	<u><u>1,567</u></u>	<u><u>3,378</u></u>	<u><u>2,673</u></u>	<u><u>6,711</u></u>
(loss) per share for profit/(loss) attributable to the equity				
s of the Company during the period				
Per Share - Basic	<u><u>2.23</u></u>	<u><u>5.24</u></u>	<u><u>3.68</u></u>	<u><u>10.20</u></u>
cks				

Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Annual Financial Statements for the year ended 31st December 2017)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statement of Financial Position
As at 30 September 2018

	<u>As at 30.09.2018</u> (RM '000)	<u>As at 31.12.2017</u> (RM '000)
ASSETS		
Non-current assets		
Property, plant and equipment	42,610	40,977
Intangible assets	344	515
Investment in associated company	61	121
Finance lease receivable	638	687
Trade and other receivables	2,460	6,299
Deferred tax assets	3,513	3,513
	49,626	52,112
Current assets		
Inventories	14,633	8,473
Receivables	81,816	116,268
Tax recoverable	56	566
Cash and cash equivalents	31,045	40,668
	127,550	165,975
TOTAL ASSETS	<u><u>177,176</u></u>	<u><u>218,087</u></u>
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the parent		
Share capital	64,528	64,528
Reserves	60,926	63,537
	125,454	128,065
Non-controlling interest	7,603	9,111
Total equity	<u><u>133,057</u></u>	<u><u>137,176</u></u>

Non-current liabilities

Other deferred liabilities	1,225	1,299
Bank term loan	1,980	-
Deferred tax liabilities	-	-
	<u>3,205</u>	<u>1,299</u>

Current liabilities

Trade and other payables	28,723	63,025
Short term borrowing	11,832	16,278
Bank term loan	330	-
Taxation	29	309
	<u>40,914</u>	<u>79,612</u>

Total liabilities

44,119 80,911

TOTAL EQUITY AND LIABILITIES

177,176 218,087

Net asset per share attributable to ordinary equity holders of the parent(RM)

2.08

2.12

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statements for the year ended 31st December 2017)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statement of Cash Flow
For the third quarter ended 30 September 2018

	<u>2018</u> 9 months ended 30-Sep (RM '000)	<u>2017</u> 9 months ended 30-Sep (RM '000)
Cash Flows From Operating Activities		
Net profit attributable to shareholders	2,673	6,711
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	3,250	3,964
Property, plant and equipment write off	-	37
Taxation	290	426
Share of results of associates	60	64
Interest expense	569	1,124
Interest income	(743)	(398)
Gain on sales of property, plant and equipment	-	(188)
Unrealised foreign exchange Gain	-	295
	<hr/>	<hr/>
Operating profit before working capital changes	6,099	12,035
Changes in working capital:		
Inventories	(6,160)	(2,870)
Receivables	38,340	4,025
Payables	(34,322)	(8,563)
	<hr/>	<hr/>
Net cash generated from operations	3,957	4,627
Interest paid	(569)	(1,124)
Retirement benefits paid	-	(100)
Net taxation refunded/(paid)	18	(153)
	<hr/>	<hr/>
Net cash generated from operating activities	<u><u>3,406</u></u>	<u><u>3,250</u></u>

Cash Flows From Investing Activities

Purchase of property, plant and equipment	(4,770)	(1,666)
Proceeds from sales of property, plant and equipment	-	1,510
Interest received	743	398
	<u>(4,027)</u>	<u>242</u>

Cash Flows From Financing Activities

Dividends paid to shareholders	(4,832)	(3,020)
Dividends paid to minority interest	(1,960)	(1,470)
Proceeds from finance lease	-	(797)
Proceed from term loan	2,310	-
Repayment of finance lease	(74)	-
Net drawdown of short term borrowing	(4,446)	8,006
	<u>(9,002)</u>	<u>2,719</u>

Net (decrease)/increase in cash and cash equivalents (9,623) 6,211

Cash and cash equivalents b/f 40,668 27,348

Cash and cash equivalents c/f 31,045 33,559

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited Annual Financial Statements for the year ended 31st December 2017)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statements of Changes in Equity
For the third quarter ended 30 September 2018

	<u>Share Capital</u> (RM '000)	Share <u>Premium</u> (RM '000)	Retirement <u>benefit</u> <u>reserves</u>	Retained <u>Earnings</u> (RM '000)	<u>Total</u> (RM '000)	Non- controlling <u>Interest</u> (RM '000)	<u>Total</u> (RM '000)
<u>9 months quarter ended 30 September 2018</u>							
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	<u>64,528</u>	<u>-</u>	<u>233</u>	<u>60,692</u>	<u>125,453</u>	<u>7,604</u>	<u>133,057</u>
<u>9 months quarter ended 30 September 2017</u>							
Balance at beginning of year	60,402	4,126	-	49,630	114,158	9,872	124,030
Total comprehensive income for the period	-	-	-	6158	6,158	553	6,711
Dividends	-	-	-	(3,020)	(3,020)	(1,470)	(4,490)
Other Comprehensive Income	-	-	-	-	-	-	-
Balance at end of period	<u>60,402</u>	<u>4,126</u>	<u>-</u>	<u>52,768</u>	<u>117,296</u>	<u>8,955</u>	<u>126,251</u>

(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 2017)