

**MESINIAGA BERHAD (79244-V)**  
**UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE**  
**THIRD QUARTER ENDED 30 SEPTEMBER 2014**

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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 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 RM179.0 million for first nine months ended 30 September 2014, a reduction of 15.5% as compared to the corresponding period in the previous year of RM211.8 million. A loss before tax of RM9.9 million was recorded in first nine months of 2014, compared to a profit before tax of RM5.2 million in the previous corresponding period. The loss was attributed by lower revenue and additional costs incurred to ensure delayed projects are successfully delivered.

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

For the third quarter ended 30 September 2014, the Group recorded revenue of RM60.2 million as compared to RM58.6 million in the immediately preceding quarter. The Group recorded a loss before tax of RM4.9 million in the current quarter as compared to a RM3.7 million loss in the immediately preceding quarter.

### B3. PROSPECTS

The Group's business environment remains challenging as evident by lower revenue contribution from the Public and GLC sectors. The management is driving new sales initiatives to strengthen its overall order book by broadening sales efforts into new business sectors.

The recently won Telekom Malaysia New IP Core project, earlier anticipated to contribute to second half results is now expected to roll-out in the first half of next year for which the project is currently in testing phase for all the new network equipment that will be deployed.

The management is rationalising its cost structure to be more adaptive and in line with the Group's revenue.

The management is resolving delayed projects and expects to complete it all by end of this year for which one major delayed project has gone live at end of third quarter.

### 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 30.09.2014 RM'000	9 months Cumulative to 30.09.2014 RM'000
<b><u>Major components of tax expenses:</u></b>		
Current year tax	(752)	739
Deferred tax	681	(850)
Tax expense	(71)	(111)
Zakat	0	0
	(71)	(111)

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 30 September 2014 are as follows:

	As at 30.09.2014 RM '000
<b>Short term borrowings</b>	
<i>Unsecured</i>	
Loan denominated in USD	10,496
Loan denominated in Euro	431
Other short term borrowings	16,078
	<u>27,005</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 30.09.2014	9 months Cumulative 30.09.2014
<b>Basic and Diluted Earnings</b>		
	RM'000	RM'000
Profit attributable to the equity holders of the Company	(4,988)	(10,325)
Weighted average number of ordinary shares in issue	60,402	60,402
Basic earnings/(loss) per share (sen)	(8.26)	(17.09)

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 30.09.2014 RM'000	9 months Cumulative 30.09.2014 RM'000
<b><u>Related party</u></b>		
Subsidiary companies		
- Purchase of goods	27	178
- Purchase of services	14,065	49,424
- Sales of goods	432	1,636
- Sales of services	51	522

B15. CAPITAL COMMITMENT

Capital commitments for the Group in respect of property, plant and equipment not provided for as of 30 September 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 30.09.2014 RM'000	As at 31.12.2013 RM'000
			Restated
	Retained profit		
-	Realised	69,798	86,647
-	Unrealised	15,837	15,353
	<b>TOTAL RETAINED PROFITS</b>	<b>85,635</b>	<b>102,000</b>

B17. ADDITIONAL DISCLOSURES

RM'000	Quarter ended		9 months Cumulative	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
<b>Profit for the period is arrived at after charging:</b>				
Interest expense	232	342	403	1,044
Depreciation	1,837	1,852	5,369	5,587
Foreign loss/(gain)	(39)	513	(725)	(241)
<b>and after crediting:</b>				
Interest income	117	123	476	418

By Order of the Board

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