

**MESINIAGA BERHAD (79244-V)**  
**UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE**  
**SECOND QUARTER ENDED 30 JUNE 2015**

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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 2014 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 2014.

On 1 January 2015, the Group adopted the following new and amended MFRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2015.

**Effective for financial periods beginning on or after 1 July 2014**

- Annual Improvements to MFRSs 2010-2012 Cycle
  - MFRS 2 ‘Share-based payment’
  - MFRS 3 ‘Business Combination’
  - MFRS 8 ‘Operating Segments’
  - MFRS 13 ‘Fair value measurement’
  - MFRS 116 ‘Property, Plant and Equipment’
  - MFRS 124 ‘Related party disclosures’, and
  - MFRS 138 ‘Intangible assets’
- Annual Improvements to MFRSs 2011-2013 Cycle
  - MFRS 1 ‘First-time Adoption of financial reporting standards’
  - MFRS 3 ‘Business combinations’
  - MFRS 13 ‘Fair value measurement’, and
  - MFRS 140 ‘Investment property’
- Amendments to MFRS 119 ‘Employee benefits – defined benefits plans: Employee contributions

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 2016

- Amendments to MFRS 11 ‘Accounting for Acquisitions of Interests in Joint Operations’
- Amendments to MFRS 116 ‘PPE’ and FRS 138 ‘Intangible Assets’ – Clarification of acceptable methods of depreciation and amortization
- Amendments to MFRS 10 ‘Consolidated financial statements’ and MFRS 128 ‘Investment in associates and joint ventures’ – sale or contribution of assets between an investor and its associates/joint venture
- Amendments to MFRS 127 ‘Separate financial statements’ – equity accounting in separate financial statements
- Annual Improvements to MFRS 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’

### Effective for financial periods beginning on or after 1 January 2017

- MFRS 15 ‘Revenue’

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

- 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 2014 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 and Mesiniaga Technique Sdn Bhd, 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. The process of voluntary winding up cycle is pending to be completed.
2. The Company had on 6 July 2015 incorporated a new subsidiary under the name of Mesiniaga Mobility Sdn Bhd with an authorised share capital of RM400,000 divided into 400,000 ordinary shares of RM1.00 per share. While its issued and paid-up capital upon incorporation is RM100, its issued and paid-up capital is to be increased to RM 100,000 divided into 100,000 ordinary shares of RM1.00 each in due course. The Group owns 80% of Mobility Sdn Bhd and the remaining is being held by Alltrix Sdn Bhd.

The principal activities of Mobility Sdn Bhd are develop, market and operate a mobile workforce management system.

## 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 RM98.5 million for the first half ended 30 June 2015, a reduction of 17.1% as compared to the corresponding period in the previous year of RM118.8 million. A loss before tax of RM10.9 million was recorded in the first half of 2015, compared to a loss before tax of RM4.9 million in the previous corresponding period.

During the first half of 2015, the Group incurred additional expenses of RM0.85 million in compliance with the Custom's GST transition provision and RM2.2 million on a Resource Restructuring Programme (Mutual Separation Scheme) to realign the company resources. These are one-time and are non-recurring expenses.

Both delayed projects as highlighted in the previous quarter have been successfully completed and signed-off in May of this year, for which the overrun cost of RM5.9 million was incurred in the first half of this year.

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

For the quarter ended 30 June 2015, the Group recorded revenue of RM49.5 million, an improvement of 1% as compared to RM49.0 million in the immediately preceding quarter. The Group recorded a loss before tax of RM5.7 million in the current quarter as compared to a RM5.3 million loss in the immediately preceding quarter.

The higher loss in second quarter was attributed to one-time costs of RM3.05 million for the GST transition provision and the Resources Restructuring Programme.

**B3. PROSPECTS**

Against the backdrop of a slowing Malaysian economy, and the weakening of the Ringgit Malaysia against the US Dollar, the Group anticipates to operate in a challenging business environment going forward.

Despite the challenging business climate, the Group is optimistic that it will deliver an improved second half business performance over the first half given that it had completed the two delayed projects in second quarter (which had a significant cost impact to the Company). The management has also undertaken various cost management measures including reducing its permanent workforce by 10% via a Resource Restructuring exercise in second quarter of this year.

In order to address key challenges faced by the Group, the management will continue to focus and execute on its business recovery plan encompassing sales transformation to improve overall customer engagement and sales performance, revenue and margin growth initiatives driven by stronger product differentiation and innovation, stronger business controls for cost avoidance, cost management initiatives to drive down our overall cost structure, and strengthening overall delivery capabilities within the Group.

**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 30.06.2015 RM'000	6 months Cumulative to 30.06.2015 RM'000
<b><u>Major components of tax expenses:</u></b>		
Current year tax	136	290
Deferred tax	(311)	(315)
Tax expense	(175)	(25)
Zakat	0	0
	(175)	(25)

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 June 2015 are as follows:

	As at 30.06.2015 RM '000
<b>Short term borrowings</b>	
<i>Unsecured</i>	
Loan denominated in USD	12,681
Other short term borrowings	3,651
	<u>16,332</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 directors do not recommend the payment of any interim dividend in the quarter under review and final dividend in respect of the financial year ended 31 December 2014.

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.

## B13. EARNINGS PER SHARE

	Quarter Ended 30.06.2015	6 months Cumulative 30.06.2015
<b>Basic and Diluted Earnings</b>		
	RM'000	RM'000
Profit/(loss) attributable to the equity holders of the Company	(5,868)	(11,562)
Weighted average number of ordinary shares in issue	60,402	60,402
Basic earnings/(loss) per share (sen)	<u>(9.71)</u>	<u>(19.14)</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 30.06.2015 RM'000	6 months Cumulative 30.06.2015 RM'000
<b><u>Related party</u></b>		
Subsidiary companies		
- Purchase of goods	0	390
- Purchase of services	8,411	11,056
- Sales of goods	10	18
- Sales of services	73	148

B15. CAPITAL COMMITMENT

Capital commitments for the Group in respect of property, plant and equipment not provided for as of 30 June 2015 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 30.06.2015 RM'000	As at 31.12.2014 RM'000
Retained profit		
- Realised	41,500	71,068
- Unrealised	12,727	(5,279)
<b>TOTAL RETAINED PROFITS</b>	<b>54,227</b>	<b>65,789</b>

B17. ADDITIONAL DISCLOSURES

RM'000	Quarter ended		6 months Cumulative	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
<b>Profit for the period is arrived at after charging:</b>				
Interest expense	242	43	542	171
Depreciation	1,820	1,768	3,600	3,532
Foreign loss/(gain)	767	12	1,434	(686)
<b>and after crediting:</b>				
Interest income	141	146	233	359

By Order of the Board

Jasni Abdul Jalil (MACS 01359)  
Company Secretary  
28 August 2015