

MESINIAGA BERHAD (79244-V)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
FIRST QUARTER ENDED 31 MARCH 2015

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 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 RM49.0 million for the first quarter ended 31 March 2015, a reduction of 18.5% as compared to the corresponding period in the previous year of RM60.2 million. A loss before tax of RM5.5 million was recorded in the first quarter 2015, compared to a loss before tax of RM1.5 million in the previous corresponding period.

The loss is attributed due to lower revenue and costs incurred to deliver delayed projects.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS

For the quarter ended 31 March 2015, the Group recorded revenue of RM49.0 million as compared to RM78.2 million in the immediately preceding quarter. The Group recorded a loss before tax of RM5.5 million in the current quarter as compared to a RM20.8 million loss in the immediately preceding quarter.

B3. PROSPECTS

In order to address key challenges faced by the Group, the management has come out with a comprehensive business recovery plan encompassing sales transformation to improve overall 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.

The Group anticipates a challenging first half for 2015 due to lower business momentum, additional costs to complete delayed projects, and one-time cost for right sizing the workforce. Both delayed projects have been successfully completed and signed-off by customers in May of this year. The Group also embarked on a workforce right sizing exercise in early May in order to lower its workforce and cost structure going forward. The first batch of orders for the Telekom Malaysia New IP Core project has been received for which network roll-out will happen in end Q2 and early Q3 of this year.

The management is optimistic of better performance in second half of 2015.

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 31.03.2015 RM'000	3 months Cumulative to 31.03.2015 RM'000
<u>Major components of tax expenses:</u>		
Current year tax	154	154
Deferred tax	(4)	(4)
Tax expense	150	150
Zakat	0	0
	150	150

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 December 2015 are as follows:

	As at 31.03.2015 RM '000
Short term borrowings	
<i>Unsecured</i>	
Loan denominated in USD	13,478
Other short term borrowings	11,660
	<u>25,138</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 31.03.2015	3 months Cumulative 31.03.2015
Basic and Diluted Earnings		
	RM'000	RM'000
Profit/(loss) attributable to the equity holders of the Company	(5,694)	(5,694)
Weighted average number of ordinary shares in issue	60,402	60,402
Basic earnings/(loss) per share (sen)	(9.43)	(9.43)

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 31.12.2015 RM'000	3 months Cumulative 31.03.2015 RM'000
<u>Related party</u>		
Subsidiary companies		
- Purchase of goods	390	390
- Purchase of services	2,645	2,645
- Sales of goods	8	8
- Sales of services	75	75

B15. CAPITAL COMMITMENT

Capital commitments for the Group in respect of property, plant and equipment not provided for as of 31 December 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 31.03.2015 RM'000	As at 31.12.2014 RM'000
Retained profit		
- Realised	46,984	71,068
- Unrealised	13,111	(5,279)
TOTAL RETAINED PROFITS	60,095	65,789

B17. ADDITIONAL DISCLOSURES

RM'000	Quarter ended		3 months Cumulative	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Profit for the period is arrived at after charging:				
Interest expense	300	128	300	128
Depreciation	1,780	1,764	1,780	1,764
Foreign loss/(gain)	667	(698)	667	(698)
and after crediting:				
Interest income	92	213	92	213

By Order of the Board

Jasni Abdul Jalil (MACS 01359)
Company Secretary
29 May 2015