

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statement of Comprehensive Income
For the third quarter ended 30 September 2016

	2016	2015	2016	2015
	CURRENT Qtr ended 30-Sep (RM '000)	Comparative Qtr ended 30-Sep (RM '000)	9 Month Cumulative to-date (RM '000)	9 Month Cumulative to-date (RM '000)
Revenue	53,098	48,171	156,934	146,649
Operating expenses	(49,429)	(50,022)	(149,195)	(155,652)
Depreciation	(1,204)	(1,808)	(3,678)	(5,408)
Other operating income	97	165	1,287	478
Profit/(loss) from operations	<u>2,562</u>	<u>(3,494)</u>	<u>5,348</u>	<u>(13,933)</u>
Finance costs	(199)	(202)	(587)	(744)
Share of results of associated company	15	-	54	-
Profit/(loss) before tax	<u>2,378</u>	<u>(3,696)</u>	<u>4,815</u>	<u>(14,677)</u>
Taxation and Zakat	(172)	35	(452)	60
Profit/(loss) after tax	<u>2,206</u>	<u>(3,661)</u>	<u>4,363</u>	<u>(14,617)</u>
Other Comprehensive profit/(loss)	-	-	-	-
Total Comprehensive profit/(loss)	<u><u>2,206</u></u>	<u><u>(3,661)</u></u>	<u><u>4,363</u></u>	<u><u>(14,617)</u></u>
Profit/(loss) attributable to:				
- Equity holders of the Company	1,979	(3,924)	3,700	(15,486)
- Non-controlling interest	<u>227</u>	<u>263</u>	<u>663</u>	<u>869</u>
	<u><u>2,206</u></u>	<u><u>(3,661)</u></u>	<u><u>4,363</u></u>	<u><u>(14,617)</u></u>
Profit/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the period				
Profit/(loss) Per Share - Basic	<u><u>3.28</u></u>	<u><u>-6.50</u></u>	<u><u>6.13</u></u>	<u><u>-25.64</u></u>
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 2015)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statement of Financial Position
As at 30 September 2016

	<u>As at 30.09.2016</u> (RM '000)	<u>As at 31.12.2015</u> (RM '000)
ASSETS		
Non-current assets		
Property, plant and equipment	50,937	51,987
Intangible assets	681	954
Investment properties	1,328	1,346
Investment in associated company	134	88
Finance lease receivable	890	1,031
Deferred tax assets	243	243
	<u>54,213</u>	<u>55,649</u>
Current assets		
Inventories	6,752	7,420
Receivables	83,240	79,191
Tax recoverable	805	950
Cash and cash equivalents	27,488	25,433
	<u>118,285</u>	<u>112,994</u>
TOTAL ASSETS	<u><u>172,498</u></u>	<u><u>168,643</u></u>
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the parent		
Share capital	60,402	60,402
Reserves	54,538	50,838
	<u>114,940</u>	<u>111,240</u>
Non-controlling interest	9,700	10,507
Total equity	<u><u>124,640</u></u>	<u><u>121,747</u></u>
Non-current liabilities		
Other deferred liabilities	2,027	2,265
Deferred tax liabilities	-	-
	<u>2,027</u>	<u>2,265</u>
Current liabilities		
Trade and other payables	24,083	39,923
Short term borrowing	21,669	4,708
Taxation	79	-
	<u>45,831</u>	<u>44,631</u>
Total liabilities	47,858	46,896
TOTAL EQUITY AND LIABILITIES	<u><u>172,498</u></u>	<u><u>168,643</u></u>
Net asset per share attributable to ordinary equity holders of the parent(RM)	1.90	1.84

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statements for the year ended 31st December 2015)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statement of Cash Flow
For the third quarter ended 30 September 2016

	<u>2016</u> 9 months ended 30-Sep (RM '000)	<u>2015</u> 9 months ended 30-Sep (RM '000)
Cash Flows From Operating Activities		
Net profit/(loss) attributable to shareholders	4,363	(14,617)
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	3,678	5,408
Property, plant and equipment write off	39	-
Taxation	452	150
Share of results of associates	(46)	-
Interest expense	587	300
Interest income	(408)	(92)
Unrealised foreign exchange Gain	275	(449)
	<hr/>	<hr/>
Operating profit/(loss) before working capital changes	8,940	(9,300)
Changes in working capital:		
Inventories	668	1,021
Receivables	(3,908)	18,003
Payables	(16,115)	(12,126)
	<hr/>	<hr/>
Net cash generated from operations	(10,415)	(2,402)
Interest paid	(587)	(300)
Retirement benefits paid	(50)	-
Tax and Zakat paid	(228)	(326)
	<hr/>	<hr/>
Net cash generated from operating activities	<u>(11,280)</u>	<u>(3,028)</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(2,376)	(1,574)
Interest received	408	92
	<hr/>	<hr/>
	<u>(1,968)</u>	<u>(1,482)</u>
Cash Flows From Financing Activities		
Dividends paid to minority interest	(1,470)	-
Repayment of finance lease	(188)	(93)
Net drawdown of short term borrowing	16,961	(3,267)
	<hr/>	<hr/>
	<u>15,303</u>	<u>(3,360)</u>
Net increase/ (decrease) in cash and cash equivalents	2,055	(7,870)
Cash and cash equivalents b/f	25,433	25,446
	<hr/>	<hr/>
Cash and cash equivalents c/f	<u>27,488</u>	<u>17,576</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited Annual Financial Statements for the year ended 31st December 2015)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statements of Changes in Equity
For the third quarter ended 30 September 2016

	Share Capital (RM '000)	Share Premium (RM '000)	Retained Earnings (RM '000)	Total (RM '000)	Non-controlling Interest (RM '000)	Total (RM '000)
<u>9 months quarter ended 30 September 2016</u>						
Balance at beginning of year	60,402	4,126	46,712	111,240	10,507	121,747
Total comprehensive income for the period	-	-	3,700	3,700	663	4,363
Dividends	-	-	-	-	(1,470)	(1,470)
Other Comprehensive Income	-	-	-	-	-	-
Balance at end of period	60,402	4,126	50,412	114,940	9,700	124,640
<u>9 months quarter ended 30 September 2015</u>						
Balance at beginning of year	60,402	4,126	65,789	130,317	10,314	140,631
Total comprehensive income for the period	-	-	(15,486)	(15,486)	869	(14,617)
Dividends	-	-	-	-	(980)	(980)
Other Comprehensive Income	-	-	-	-	-	-
Balance at end of period	60,402	4,126	50,303	114,831	10,203	125,034

(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 2015)

MESINIAGA BERHAD (79244-V)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
THIRD QUARTER ENDED 30 SEPTEMBER 2016

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 2015 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 2015.

On 1 January 2016, the Group adopted the following new and amended MFRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2016

- Amendments to MFRS 11 “Accounting for Acquisition of Interests in Joint Operations”
- Amendments to MFRS 116 ‘Property, plant & equipment’ & MFRS 138 ‘Intangible assets’ – “Clarification of Acceptable Methods of Depreciation and Amortisation”
- Amendments to MFRS 127 ‘Separate financial statements’ – “Equity Method in Separate Financial Statements”
- Annual Improvements to MFRSs 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’
- Amendments to MFRS 10, 12 & 128 “Investment entities - Applying the Consolidation Exception”
- Amendments to MFRS 101 “Presentation of financial statements - Disclosure Initiative”

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 2018

- MFRS 15 'Revenue from Contracts with Customer'
- 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 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 2015 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 other than those disclosed as follows:

Mesiniaga SSO Sdn Bhd, the wholly owned subsidiary 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. The process of voluntary winding up cycle is pending to be completed.

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 RM156.9 million for the first nine month of 2016, an increase of 7.0% compared to the corresponding period in the previous year. A profit before tax of RM4.8 million was recorded during the period under review, compared to a loss before tax of RM14.7 million in the previous corresponding period.

The Group's improved performance in the first nine month of the year is due to increase in revenue, improved margin as well as the reduction of operating expenses.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS

For the quarter ended 30 September 2016, the Group recorded revenue of RM53.1 million, compared to RM54.2 million in the immediately preceding quarter. The Group recorded a profit before tax of RM2.4 million in the current quarter, an increase of 26% as compared to a profit RM1.9 million in the immediately preceding quarter. The Group recorded an improvement in profit before tax due to higher content of services revenue.

B3. PROSPECTS

The Malaysian economy will continue to undergo consolidation and adjustments amidst a weak currency and a potential slowdown in domestic consumption. The IT industry itself is also undergoing consolidation as new technologies and borderless competition bring forth threats as well as opportunities. While we do not anticipate government spending to increase in 2016, we remain optimistic on our growth plans in the enterprise segment.

We intend to stay the course and focus all our efforts towards improving our financial position and continue to be profitable in the remaining 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 30.09.2016 RM'000	9 months Cumulative to 30.09.2016 RM'000
<u>Major components of tax expenses:</u>		
Current year tax	172	452
Deferred tax	0	0
Tax expense	172	452
Zakat	0	0
	172	452

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 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 2016 are as follows:

	As at 30.09.2016 RM '000
Short term borrowings	
<i>Unsecured</i>	
Loan denominated in USD	14,746
Other short term borrowings	6,923
	<u>21,669</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

1. WRIT OF SUMMONS AND STATEMENT OF CLAIM (SESSIONS COURT, SHAH ALAM) WRIT OF SUMMONS NO : B52NCVC-192-09-TAHUN 2015 Originex Networks Sdn Bhd VS Mesiniaga Berhad

On 18 January 2016, the Sessions Court allowed the Plaintiff's application for summary judgment, which the Company has fulfilled.

The High Court affirmed the judgment of the Sessions Court. The Company has filed on 21st September 2016 for a Notice of Appeal to the Court of Appeal and is pending hearing date.

2. Counter claim

Mesiniaga Berhad VS Originex Networks Sdn Bhd

The Company wishes to announce that, the progress of the counter claim against Originex Networks Sdn Bhd for non performance of its constructive obligations based on the Supplier's Agreement entered into between the parties dated 12 December 2011. The trial was postponed at the request of Originex's solicitors. Trial has been postponed to 20th to 21st February 2017.

B12. PROPOSED DIVIDEND

There was no dividend proposed in respect of the current financial year during the financial period under review.

B13. EARNINGS PER SHARE

	Quarter Ended 30.09.2016	9 months Cumulative 30.09.2016
Basic and Diluted Earnings	RM'000	RM'000
Profit attributable to the equity holders of the Company	1,979	3,700
Weighted average number of ordinary shares in issue	60,402	60,402
Basic earnings per share (sen)	3.28	6.13

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:

<u>Related party</u>	Quarter Ended 30.09.2016 RM'000	9 months Cumulative 30.09.2016 RM'000
Subsidiary companies		
- Purchase of goods	1	14
- Purchase of services	8,107	19,506
- Sales of goods	2	3
- Sales of services	74	294

B15. CAPITAL COMMITMENT

Capital commitments for the Group in respect of property, plant and equipment not provided for as of 30 September 2016 are as follows:

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

B16. BREAKDOWN OF RETAINED EARNINGS TO REALISED AND UNREALISED INCOME OR EXPENSES

	As at 30.09.2016 RM'000	As at 31.12.2015 RM'000
Retained profit		
- Realised	34,592	30,246
- Unrealised	15,820	16,466
	<u>50,412</u>	<u>46,712</u>

B17. ADDITIONAL DISCLOSURES

RM'000	Quarter ended		9 months Cumulative	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Profit for the period is arrived at after charging:				
Interest expense	199	202	587	744
Depreciation	1,204	1,808	3,678	5,408
Foreign gain/(loss)	298	(2,496)	1,922	(3,930)
and after crediting:				
Interest income	176	122	408	355

By Order of the Board

Jasni Abdul Jalil (MACS 01359)
Company Secretary
1 November 2016