

Mesiniaga Berhad (79244V)			
(Incorporated in Malaysia)			
Condensed Consolidated Statement of Financial Position			
As at 31 December 2017			
		<u>As at 31.12.2017</u>	<u>As at 31.12.2016</u>
		(RM '000)	(RM '000)
ASSETS			
Non-current assets			
Property, plant and equipment		40,992	52,060
Intangible assets		505	1,348
Investment properties		-	-
Investment in associated company		121	108
Finance lease receivable		638	807
Deferred tax assets		2,866	231
		<u>45,122</u>	<u>54,554</u>
Current assets			
Assets held for sales		-	1,322
Inventories		8,473	4,191
Receivables		121,894	107,980
Tax recoverable		566	804
Cash and cash equivalents		40,668	27,348
		<u>171,601</u>	<u>141,645</u>
TOTAL ASSETS		<u>216,723</u>	<u>196,199</u>
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Share capital		60,402	60,402
Reserves		66,568	53,756
		<u>126,970</u>	<u>114,158</u>
Non-controlling interest		9,146	9,872
Total equity		<u>136,116</u>	<u>124,030</u>
Non-current liabilities			
Other deferred liabilities		2,082	2,673
Deferred tax liabilities		-	-
		<u>2,082</u>	<u>2,673</u>
Current liabilities			
Trade and other payables		62,193	46,059
Short term borrowing		16,278	23,432
Taxation		54	5
		<u>78,525</u>	<u>69,496</u>
Total liabilities		<u>80,607</u>	<u>72,169</u>
TOTAL EQUITY AND LIABILITIES		<u>216,723</u>	<u>196,199</u>
Net asset per share attributable to ordinary equity holders of the parent(RM)		2.10	1.89
(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statements for the year ended 31st December 2016)			

MESINIAGA BERHAD (79244-V)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
FOURTH QUARTER ENDED 31 DECEMBER 2017

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 2016 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 2016.

On 1 January 2017, the Group adopted the following new and amended MFRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2017

- Amendments to MFRS 107 ‘Statement of Cash Flows – Disclosure initiative’ introduce an additional disclosure on changes in liabilities arising from financing activities
- Amendments to MFRS 102 ‘Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses’ clarify the requirements for the recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

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’
- Clarifications to MFRS 15 ‘Revenue from Contracts with Customer’
- MFRS 9 ‘Financial instruments’
- IC Interpretation 22 ‘Currency Transactions and Advance Consideration’

Effective for financial periods beginning on or after 1 January 2019

- MFRS 16 ‘Leases’

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 2016 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 2017:

	RM'000
Single-tier interim dividend of 5.0 sen per ordinary share paid on 6 September 2017	<u>3,020</u>

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:

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 RM226.3 million for the year ended 2017, compared to the corresponding period in 2016 of RM227.9 million. A profit before tax of RM14.6 million was recorded in the year of 2017, an increase of 196% compared to RM4.9 million in the previous corresponding period.

The improvement in profit is due to increase in revenue from the services segments which have higher margins and the gain of RM6 million from the disposal of the Penang office building.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS

For the fourth quarter ended 31 December 2017, the Group recorded revenue of RM60.5 million, compared to RM61.3 million in the immediately preceding quarter. The Group recorded a profit before tax of RM7.4 million in the current quarter compared to a profit of RM3.6 million in the immediately preceding quarter.

Improvement in profit is mainly due to gain from the disposal of the Penang office building.

B3. PROSPECTS

The IT industry is expected to undergo consolidation as new technologies and borderless competition will continue to threaten the Company business.

Although overall IT spending is expected to remain prudent in 2018, the management remain optimistic of the Company growth plans, especially for the GLC, Public Sector and Telecommunications sectors.

To achieve this, the management will continue to leverage on the differentiated solutions and services to increase the Company win rate and to help the management focus the commitments on the key customers.

Working closely with the key and selected solution principals will also be one of the management key initiatives in 2018.

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 31.12.2017 RM'000	12 months Cumulative to 31.12.2017 RM'000
<u>Major components of tax expenses:</u>		
Current year tax	(191)	(617)
Deferred tax	2,635	2,635
Tax expense	2,444	2,018
Zakat	0	0
	2,444	2,018

B6. SALES OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no sales of unquoted investments and material transactions. The sales of the property for the current quarter and financial year to date as follows:

- i. On 23.12.2016, the Company entered into a Sale and Purchase Agreement with Worldwide Holdings Berhad for the disposal of a unit of a 3 ½-storey commercial building erected on leasehold land under Master Title No. Pajakan Negeri 92524, Lot 743 Seksyen 7, Bandar Shah Alam, District of Petaling, State of Selangor bearing postal address of No. 1-07-01, 1-07-02, 1-07-03, Worldwide @7, Lot 24, Jalan Lazuardi 7/29, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan for a cash sale consideration of RM1,650,000 before GST. The disposal was completed and a gain of RM0.19 million was recognised in the first quarter 2017.
- ii. On 27.7.2017, the Company entered into a Sales and Purchase Agreement with Sparkle Gateway Sdn. Bhd. for the disposal of a five (5) storey commercial building with a postal address of No. 56, Jalan Larut, 10050 Pulau Pinang erected on a piece of freehold land under Individual Title No. GRN 8892, Lot No. 1047, Seksyen 13, Bandar Georgetown, District of Timor Laut, State of Penang and measuring approximately 1,590.91 square meters in area for a cash consideration of RM15,900,000 inclusive of GST. The disposal was completed and a gain of RM6.0 million was recognised during the quarter under review.

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 2017 are as follows:

	As at 31.12.2017 RM '000
Short term borrowings	
<i>Unsecured</i>	
Loan denominated in USD	6,759
Other short term borrowings	9,519
	16,278

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

AmanahRaya Berhad VS Mesiniaga Berhad

Mesiniaga has filed Statement of Defence to High Court against Amanah Raya Berhad on 17 April 2017.

The Company has filed a Counter Claim with the High Court on 17 April 2017 amounting to RM 18,651,594.90.

AmanahRaya Berhad has replied to the Statement of Defence and Counter Claim on 22nd May 2017 and Mesiniaga has replied to the reply on 5th June 2017.

Case management was held on 9th November 2017 and both parties have agreed to exchange expert reports before the next case management.

Next case management is scheduled on 8th March 2018.

B12. PROPOSED DIVIDEND

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

B13. EARNINGS PER SHARE

	Quarter Ended 31.12.2017	12 months Cumulative 31.12.2017
Basic and Diluted Earnings		
	RM'000	RM'000
(Loss)/profit attributable to the equity holders of the Company	9,674	15,832
Weighted average number of ordinary shares in issue	60,402	60,402
Basic (loss)/earnings per share (sen)	16.02	26.21

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 31.12.2017 RM'000	12 months Cumulative 31.12.2017 RM'000
<u>Related party</u>		
Subsidiary companies		
- Purchase of goods	0	107
- Purchase of services	7,446	29,190
- Sales of goods	4	34
- Sales of services	72	288

B15. CAPITAL COMMITMENT

Capital commitments for the Group in respect of property, plant and equipment not provided for as of 31 December 2017 are as follows:

	RM'000
Approved and not contracted for	NIL
Approved and contracted for	3,500

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

		As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
	Retained profit		
-	Realised	45,449	34,362
-	Unrealised	16,993	15,268
		62,442	49,630

B17. ADDITIONAL DISCLOSURES

RM'000	Quarter ended		12 months Cumulative	
	31.12.2017	12.12.2016	31.12.2017	31.12.2016
Profit for the period is arrived at after charging:				
Interest expense	429	351	1,553	938
Depreciation	1,238	1,434	5,202	5,112
Foreign exchange gain/(loss)	1,077	(1,514)	3,585	408
Disposal of property gain	6,000	0	6,188	0
and after crediting:				
Interest income	230	217	628	625

By Order of the Board

Jasni Abdul Jalil (MACS 01359)
Company Secretary
28 December 2017