
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 2018. The audited financial statements of the Group for the year ended 31 December 2018 were prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group's consolidated audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following MFRS and Amendments to MFRS during the current financial period:

(i) Effective from financial year beginning on or after 1 January 2019

- MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

- IC Interpretation 23 ‘Uncertainty over Income Tax Treatments’ provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty. IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 128 ‘Long-term Interests in Associates and Joint Ventures’ clarify that an entity should apply MFRS 9 ‘Financial Instruments’ (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity’s net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

  In addition, such long-term interests are subject to loss allocation and impairment requirements in MFRS 128. The amendments shall be applied retrospectively.

- Amendments to MFRS 9 ‘Prepayment features with negative compensation’ allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model. The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

  Amendments to MFRS 3 ‘Business Combinations’ clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly, it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  Amendments to MFRS 11 ‘Joint Arrangements’ clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

Amendments to MFRS 112 'Income Taxes' clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

Amendments to MFRS 123 'Borrowing Costs' clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

Amendments to MFRS 119 'Plan amendment, curtailment or settlement' requires an entity to use the updated actuarial assumptions from remeasurement of its net defined benefit liability or asset arising from plan amendment, curtailment or settlement, to determine current service cost and net interest for the remaining period after the change to the plan. The amendments will be applied prospectively.

Based on the work performed to date, the Company does not currently expect the impact of these changes to be significant.

(ii) Effective from financial year beginning on or after 1 January 2020 with earlier application permitted

- Amendments to MFRS 3 'Definition of a Business' revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term 'outputs' is narrower and focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business. The amendments shall be applied prospectively.

The effect of the amendments to these standards are currently being assessed by the Directors of the Company.

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the Group's Annual Financial Statements for the year ended 31 December 2018 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.

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 RM63.5 million in the first half of 2019, a reduction of 18.5% compared to the corresponding period in 2018 of RM77.9 million. A loss before tax of RM8.9 million was recorded in first half of 2019, compared to a profit before tax of RM1.3 million in the previous corresponding period.

The reduction in revenue and the loss incurred for the period were due to lower contribution from Telecommunication sector and delays in several projects.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS

For the quarter ended 30 June 2019, the Group recorded a revenue of RM31.1 million, compared to RM32.4 million in the preceding quarter. The Group recorded a loss before tax of RM5.2 million in the current quarter, compared to a loss before tax of RM3.8 million in the preceding quarter.

B3. PROSPECTS

Technology spending has been noticeably weaker over the past few quarters and it is not yet clear for how long this will continue. The Company has nevertheless done reasonably well in most customer sectors with the exception of Telecommunications, which has comprised a large part of its business in preceding years. Spending by customers in this sector has suffered significant delays and cutbacks. The Company bid for a number of significant projects which are pending award during the second half of 2019. Whilst the outcomes are still pending, we look forward to a much improved final quarter for 2019 and a reversal of some or all of the earlier losses.

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 30.06.2019 RM'000	6 months Cumulative to 30.06.2019 RM'000
	Major components of tax expenses:		
	Current year tax	53	88
	Deferred tax	0	0
	Tax expense	53	88
	Zakat	0	0
		53	88

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 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 2019 are as follows:

		As at 30.06.2019 RM '000
	Short term borrowings	
	Unsecured	
	Loan denominated in USD	2,546
	Short term borrowings in RM	2,247
		4,793
	Term loan in RM	
	Secured	330
		5,123
	Long term loan	
	Secured	
	Term loan in RM	1,733
		6,856

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

As announced on 3 March 2017, Amanah Raya Berhad filed a claim of RM8.2 million against the Company disputing the obligations of a contract that was awarded to the Company in 2014.

Subsequent to the receipt of the Writ of Summons and Statement of Claim, the Company had on 17 April 2017 filed its defence against the claim and submitted a counterclaim for the damages of RM18.7 million for unlawful termination and/or repudiation of the agreement between the parties under the law.

The next case management for this matter is fixed on 6th September 2019.

B12. PROPOSED DIVIDEND

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

B13. EARNINGS PER SHARE

		Quarter Ended 30.06.2019		6 months Cumulative 30.06.2019
	Basic and Diluted Earnings			
		RM'000		RM'000
	Loss attributable to the equity holders of the Company	(5,320)		(9,169)
	Weighted average number of ordinary shares in issue	60,402		60,402
	Basic loss earnings per share (sen)	(8.81)		(15.18)

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 30.06.2019 RM'000	6 months Cumulative 30.06.2019 RM'000
	Related party		
	Subsidiary companies		
	- Purchase of goods	178	181
	- Purchase of services	8,306	14,741
	- Sales of goods	0	0
	- Sales of services	72	144

B15. CAPITAL COMMITMENT

Capital commitments for the Group in respect of property, plant and equipment not provided for as of 30 June 2019 are as follows:

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

B16. ADDITIONAL DISCLOSURES

	Quarter ended		6 months Cumulative	
RM'000	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Profit for the period is arrived at after charging:				
Interest expense	196	190	446	449
Depreciation	987	1,145	2,062	2,359
Foreign exchange (loss)/gain	(43)	(241)	19	957
and after crediting:				
Interest income	197	193	424	423

By Order of the Board

Jasni Abdul Jalil (MACS 01359)
Company Secretary
30 August 2019

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statement of Comprehensive Income
For the second quarter ended 30 June 2019

	2019	2018	2019	2018
	CURRENT	Comparative	6 Months	6 Months
	Qtr ended 30-Jun (RM '000)	Qtr ended 30-Jun (RM '000)	Cumulative to-date (RM '000)	Cumulative to-date (RM '000)
Revenue	31,099	40,276	63,474	77,914
Operating expenses	-35,291	-38,962	-70,350	-74,374
Depreciation	-987	-1,145	-2,062	-2,359
Other operating income	40	203	68	140
Profit/(loss) from operations	-5,139	372	-8,870	1,321
Finance costs	-196	-190	-446	-449
Finance income	197	193	424	423
Share of results of associated company	-32	-47	-39	-39
Profit/(loss) before tax	-5,170	328	-8,931	1,256
Taxation and Zakat	-53	-79	-88	-150
Profit/(loss) after tax	-5,223	249	-9,019	1,106
Other Comprehensive gain/(loss)	0	0	0	0
Total Comprehensive profit/(loss)	-5,223	249	-9,019	1,106
Profit/(loss) attributable to:				
- Equity holders of the Company	-5,320	128	-9,169	874
- Non-controlling interest	97	121	150	232
	-5,223	249	-9,019	1,106
Profit/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the period				
Profit/(loss) Per Share - Basic	-8.81	0.21	-15.18	1.45

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 2018)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statement of Financial Position
As at 30 June 2019

	As at 30.06.2019 (RM '000)	As at 31.12.2018 (RM '000)
ASSETS		
Non-current assets		
Property, plant and equipment	40,940	42,356
Intangible assets	1,300	1,622
Finance lease receivable	167	306
Trade and other receivables	1,318	2,844
Deferred tax assets	3,796	3,796
	47,521	50,924
Current assets		
Inventories	10,931	8,664
Receivables	37,376	59,633
Contract assets	31,927	33,578
Tax recoverable	50	14
Cash and cash equivalents	26,891	36,209
	107,175	138,098
TOTAL ASSETS	154,696	189,022

EQUITY AND LIABILITIES

Equity attributable to the equity holders of the parent

Share capital	64,528	64,528
Reserves	41,207	50,376
	105,735	114,904
Non-controlling interest	7,955	7,805
Total equity	113,690	122,709
Non-current liabilities		
Other deferred liabilities	947	1,150
Bank term loan	1,733	1,898
Deferred tax liabilities	-	-
	2,680	3,048
Current liabilities		
Trade and other payables	12,480	40,920
Contract liabilities	20,657	8,016
Short term borrowing	4,793	13,970
Bank term loan	330	330
Taxation	66	29
	38,326	63,265
Total liabilities	41,006	66,313
TOTAL EQUITY AND LIABILITIES	154,696	189,022
Net asset per share attributable to ordinary equity holders of the parent(RM)	1.75	1.90

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statements for the year ended 31st December 2018)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statement of Cash Flow
For the second quarter ended 30 June 2019

	2019 6 months ended 30-Jun (RM '000)	2018 6 months ended 30-Jun (RM '000)
Cash Flows From Operating Activities		
Net profit/(loss) attributable to shareholders	(9,019)	1,106
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	2,062	2,359
Taxation	88	150
Share of results of associates	39	39
Interest expense	446	449
Interest income	(424)	(423)
Unrealised foreign exchange Gain	-	-
Operating profit/(loss) before working capital changes	(6,808)	3,680
Changes in working capital:		
Inventories	(2,267)	(2,943)
Receivables	25,167	53,021
Payables	(15,153)	(38,629)
Net cash generated from operations	939	15,129
Interest paid	(446)	(449)
Retirement benefits paid	-	-
Net taxation refunded/(paid)	(123)	(187)
Net cash generated from operating activities	370	14,493
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(567)	(4,770)
Interest received	424	423
	(143)	(4,347)

Cash Flows From Financing Activities

Repayment of finance lease	(203)	(154)
Net drawndown of short term borrowing	(9,342)	(12,664)
Repayment of capital	-	-
	(9,545)	(12,818)
Net increase/ (decrease) in cash and cash equivalents	(9,318)	(2,672)
Cash and cash equivalents b/f	36,209	40,668
Cash and cash equivalents c/f	26,891	37,996

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited Annual Financial Statements for the year ended 31st December 2018)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statements of Changes in Equity
For the second quarter ended 30 June 2019

	Share Capital (RM '000)	Share Premium (RM '000)	Retirement benefit reserves	Retained Earnings (RM '000)	Total (RM '000)	Non-controlling Interest (RM '000)	Total (RM '000)
6 months quarter ended 30 June 2019							
Balance at beginning of year	64,528	-	592	49,784	114,904	7,805	122,709
Total comprehensive income for the period	-	-	-	(9,169)	(9,169)	150	(9,019)
Dividends	-	-	-	-	-	-	-
Other Comprehensive Income	-		-	-	-	-	-
Balance at end of period	64,528	-	592	40,615	105,735	7,955	113,690
6 months quarter ended 30 June 2018							
Balance at beginning of year	64,528	-	233	63,304	128,065	9,111	137,176
Total comprehensive income for the period	-	-	-	874	874	232	1,106
Dividends	-	-	-	-	-	-	-
Other Comprehensive Income	-	-	-	-	-	-	-
Balance at end of period	64,528	-	233	64,178	128,939	9,343	138,282

(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 2018)