Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statement of Comprehensive Income
For the fourth quarter ended 31 December 2018

	2018	2017	2018	2017
	CURRENT	Comparative	12 Month	12 Month
	Qtr ended 31-Dec (RM '000)	Qtr ended 31-Dec (RM '000)	Cumulative to-date (RM '000)	Cumulative to-date (RM '000)
Revenue	49,730	60,483	180,878	226,255
Operating expenses	-60,244	-58,189	-185,686	-214,255
Depreciation	-506	-1,238	-4,499	-5,202
Other operating income	158	6,249	1,291	8,672
(Loss)/profit from operations	-10,862	7,305	-8,016	15,470
Finance costs	-265	-429	-834	-1,553
Finance income	332	468	1075	628
Share of results of associated company	-57	77	-121	13
(Loss)/profit before tax	-10,852	7,421	-7,896	14,558
Taxation and Zakat	153	2,444	-138	2,018
(Loss)/profit after tax	-10,699	9,865	-8,034	16,576
Other Comprehensive gain/(loss)	359	507	359	507
Total Comprehensive (loss)/profit	-10,340	10,372	-7,675	17,083
Profit/(loss) attributable to:				
- Equity holders of the Company	-10,900	9,674	-8,688	15,832
- Non-controlling interest	201	191	654	744
	-10,699	9,865	-8,034	16,576
Profit/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the period				
(Loss)/profit per share (sen)	-18.05	16.02	-14.38	26.21

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 2017)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statement of Financial Position
As at 31 December 2018

	As at 31.12.2018 (RM '000)	As at 31.12.2017 (RM '000)
ASSETS		
Non-current assets		
Property, plant and equipment	42,177	40,977
Intangible assets	1,622	515
Investment in associated company	-	121
Finance lease receivable	261	687
Trade and other receivables	1,294	6,299
Deferred tax assets	3,796	3,513
	49,150	52,112
Current assets		
Inventories	8,881	8,473
Receivables	100,705	116,268
Tax recoverable	14	566
Cash and cash equivalents	36,216	40,668
	145,816	165,975
TOTAL ASSETS	194,966	218,087

EQUITY AND LIABILITIES

Equity attributable to the equity holders of the parent		
Share capital	64,528	64,528
Reserves	50,376	63,537
	114,904	128,065
Non-controlling interest	7,805	9,111
Total equity	122,709	137,176
Non-current liabilities		
Other deferred liabilities	1,780	1,299
Bank term loan	1,898	-
Deferred tax liabilities	-	-
	3,678	1,299
Current liabilities		
Trade and other payables	54,213	63,025
Short term borrowing	13,970	16,278
Bank term loan	330	-
Taxation	66	309
	68,579	79,612
Total liabilities	72,257	80,911
TOTAL EQUITY AND LIABILITIES	194,966	218,087
Net asset per share attributable to ordinary equity holders of the parent(RM)	1.90	2.12

Financial Statements for the year ended 31st December 2017)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statement of Cash Flow
For the fourth quarter ended 31 December 2018

	2018 **12 months ended** **31-Dec** **(RM '000)**	**2017** **12 months ended** **31-Dec** **(RM '000)**
Cash Flows From Operating Activities		
Net (loss)/profit attributable to shareholders	(8,034)	16,576
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	4,499	5,202
Property, plant and equipment write off	-	343
Taxation	138	(2,571)
Share of results of associates	121	(13)
Interest expense	834	1,553
Interest income	(1,075)	(628)
Retirement benefits	200	245
Bad debts	-	-
Writedown of inventory	-	(81)
Gain on sales of property, plant and equipment	-	(6,188)
Allowance for doubtful debts	-	126
Unrealised foreign exchange Gain	(1,080)	(2,138)
Operating (loss)/profit before working capital changes	(4,397)	12,426
Changes in working capital:		
Inventories	(408)	(4,201)
Receivables	15,994	(14,593)
Payables	(2,396)	17,745
Net cash generated from operations	8,793	11,377
Interest paid	(834)	(1,453)
Retirement benefits paid	-	(519)
Net taxation paid	(52)	(329)
Net cash generated from operating activities	7,907	9,076

Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(7,240)	(1,998)
Proceeds from sales of property, plant and equipment	-	15,879
Investment in deposits marturing more than 3 months	14,227	(8,536)
Interest received	1,075	628
	8,062	5,973
Cash Flows From Financing Activities		
Dividends paid to shareholders	(4,832)	(3,020)
Dividends paid to non-controlling interest	(1,960)	(1,470)
Purchase of share in an associated company	-	-
Proceeds from finance lease	-	-
Proceed from term loan	2,310	-
Repayment of finance lease	640	(632)
Net drawndown of short term borrowing	(2,352)	(5,661)
Repayment of capital	-	-
	(6,194)	(10,783)
Net increase in cash and cash equivalents	9,775	4,266
Cash and cash equivalents b/f	26,441	21,622
Cash and cash equivalents c/f	36,216	25,888

Statements for the year ended 31st December 2017)

Mesiniaga Berhad (79244V)
(Incorporated in Malaysia)
Condensed Consolidated Statements of Changes in Equity
For the fourth quarter ended 31 December 2018

	Share Capital	Share Premium	Retirement benefit reserves	Retained Earnings	Total	Non-controlling Interest	Total
	(RM '000)	(RM '000)		(RM '000)	(RM '000)	(RM '000)	(RM '000)
12 months quarter ended 31 December 2018							
Balance at beginning of year	64,528	-	233	63,304	128,065	9,111	137,176
Total comprehensive income for the period	-	-	-	(8,688)	(8,688)	654	(8,034)
Dividends	-	-	-	(4,832)	(4,832)	(1,960)	(6,792)
Other Comprehensive Income	-		359	-	359	-	359
Balance at end of period	64,528	-	592	49,784	114,904	7,805	122,709
12 months quarter ended 31 December 2017							
Balance at beginning of year	64,528	-	-	49,630	114,158	9,872	124,030
Total comprehensive income for the period	-	-	507	16420	16,927	709	17,636
Dividends	-	-	-	(3,020)	(3,020)	(1,470)	(4,490)
Other Comprehensive Income	-	-	(274)	274	-	-	-
Balance at end of period	64,528	-	233	63,304	128,065	9,111	137,176

(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 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 2017. The audited financial statements of the Group for the year ended 31 December 2017 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 2017, except for the adoption of the following:

(i) Effective from financial year beginning after 1 January 2018

- Amendments to MFRS 140 'Classification on "Change in Use" – Assets transferred to, or from, Investment Properties' clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meets, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management's intention in isolation is not sufficient to support a transfer of property.

  The amendments also clarify the same principle applies to assets under construction.

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

- MFRS 9 'Financial Instruments' will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch prospectively.

  MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

  In relation to MFRS 9 'Financial Instruments', the Company expects the adoption of the above standards and interpretations will have no material impact on the financial statement in the period of the initial application.

- MFRS 15 ‘Revenue from contracts with customers’ replaces MFRS 118 ‘Revenue’ and MFRS 111 ‘Construction contracts’ and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  - Identify contracts with customers
  - Identify the separate performance obligations
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligations; and
  - Recognise the revenue as each performance obligation is satisfied.

  Key provisions of the new standard are as follows:

  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  - As with any new standard, there are also increased disclosures.

  Under MFRS 15, the Company 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. Given the scope of work required to implement the recognition and disclosure requirements under the new standard, the Company has performed the assessment using the 5-step model.

(ii) 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.

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

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the Group’s Annual Financial Statements for the year ended 31 December 2017 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 2018:

	RM'000
Single-tier interim dividend of 6.0 sen and special single tier of 2.0 sen per ordinary share paid on 5 July 2018	4,832

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 a revenue of RM180.9 million for the year ended 2018, a reduction of 20.0% compared to the corresponding period in 2017 of RM226.3 million. A loss before tax of RM7.9 million was recorded in the year of 2018, compared to a profit before tax of RM14.6 million in the previous corresponding period.

The reported performance includes a completed project for which the full cost has been taken up; the associated revenue of RM18.9 million has not been recognised in accordance with MFRS 15 which came into effect in 2018. This revenue will be reflected in 2019 results when the recognition criteria is met.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS

For the quarter ended 31 December 2018, the Group recorded a revenue of RM49.7 million, compared to RM53.2 million in the preceding quarter. The Group recorded a loss before tax of RM10.9 million in the current quarter, compared to a profit of RM1.7 million in the preceding quarter.

As reported in Note B1, the current quarter performance includes a completed project for which the full cost has been taken up and the associated revenue of RM18.9 million has not been recognised.

B3. PROSPECTS

We expect the year 2019 will be a challenging year due to the new government being prudent in its spending. However, we remain optimistic of our growth plans, especially for the Telco and Enterprise business. To achieve this, we will continue to leverage on our differentiated products and services, Mesiniaga Integrated Managed Services, to increase our win rate and to help us focus on our key customers.

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 31.12.2018 RM'000	12 months Cumulative to 31.12.2018 RM'000
	Major components of tax expenses:		
	Current year tax	130	421
	Deferred tax	(283)	(283)
	Tax expense	(153)	138
	Zakat	0	0
		(153)	138

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 31 December 2018 are as follows:

		As at 31.12.2018 RM '000
	Short term borrowings	
	Unsecured	
	Loan denominated in USD	13,970
	Short term borrowings in RM	0
		13,970
	Term loan in RM	
	Secured	330
		14,300
	Long term loan	
	Secured	
	Term loan in RM	1,898
		16,198

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.

At the case management held on 10 January 2019, the Court has set trial dates between January and April 2019.

B12. PROPOSED DIVIDEND

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

B13. EARNINGS PER SHARE

		Quarter Ended 31.12.2018	12 months Cumulative 31.12.2018
	Basic and Diluted Earnings		
		RM'000	RM'000
	Loss attributable to the equity holders of the Company	(10,900)	(8,688)
	Weighted average number of ordinary shares in issue	60,402	60,402
	Loss per share (sen)	(18.05)	(14.38)

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 31.12.2018 RM'000	12 months Cumulative 31.12.2018 RM'000
	Related party		
	Subsidiary companies		
	- Purchase of goods	0	6
	- Purchase of services	7,693	28,167
	- Sales of goods	0	1
	- 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 2018 are as follows:

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

B16. ADDITIONAL DISCLOSURES

RM'000	Quarter ended 31.12.2018	Quarter ended 31.12.2017	12 months Cumulative 31.12.2018	12 months Cumulative 31.12.2017
Profit/(loss) for the period is arrived at after charging:				
Interest expense	265	429	834	1,553
Depreciation	506	1,078	4,499	5,202
Foreign exchange gain	1,040	1,141	1,578	3,650
Gain on disposal of property	0	6,000	0	6,188
and after crediting:				
Interest income	332	468	1,075	628

By Order of the Board

Jasni Abdul Jalil (MACS 01359)
Company Secretary
28 February 2019