

MMAG HOLDINGS BERHAD

(Company No: 609423-V)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	UNAUDITED AS AT 31/12/2017	AUDITED AS AT 31/03/2017
Note	RM'000	RM'000
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	30,955	26,813
Intangible assets	7,036	8,663
Investment properties	7,433	6,411
Goodwill on consolidation	9,413	9,413
Fixed deposits with a licensed bank	1,000	1,000
	<u>55,837</u>	<u>52,300</u>
CURRENT ASSETS		
Inventories	6,593	21,133
Trade receivables	26,952	16,194
Other receivables	6,068	11,859
Deposits with licensed banks	69,531	10,208
Cash and bank balances	3,364	4,427
	<u>112,508</u>	<u>63,821</u>
TOTAL ASSETS	<u>168,345</u>	<u>116,121</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	89,145	115,204
Irredeemable convertible preference shares	30,367	-
Reserves	52	(68,586)
	<u>119,564</u>	<u>46,618</u>
Non-Controlling Interest	-	(318)
TOTAL EQUITY	<u>119,564</u>	<u>46,300</u>
NON CURRENT LIABILITIES		
Deferred taxation	395	395
Hire Purchase creditors	3,243	3,186
Borrowings	4,099	4,316
	<u>7,737</u>	<u>7,897</u>
CURRENT LIABILITIES		
Trade payables	25,929	37,956
Other payables	7,576	14,495
Hire Purchase Creditors	824	716
Borrowings	6,715	8,757
	<u>41,044</u>	<u>61,924</u>
TOTAL LIABILITIES	<u>48,781</u>	<u>69,821</u>
TOTAL EQUITY AND LIABILITIES	<u>168,345</u>	<u>116,121</u>
Net Assets per share attributable to Owners of the Parent (sen)	<u>13.41</u>	<u>4.05</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2017 and accompanying explanatory notes to this Interim financial statements.

MMAG HOLDINGS BERHAD

(Company No: 609423-V)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT	PRECEDING YEAR	CURRENT	PRECEDING YEAR
	YEAR	CORRESPONDING	YEAR TO DATE	CORRESPONDING
	QUARTER	QUARTER ENDED	QUARTER ENDED	PERIOD ENDED
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Revenue	30,440	66,255	117,253	200,621
Cost of Sales	(31,918)	(65,760)	(116,090)	(196,065)
Gross profit/ (loss)	(1,478)	495	1,163	4,556
Other income	1,344	1,961	4,442	2,888
Gain / (loss) on foreign exchange	(3)	(171)	(179)	266
Depreciation and amortisation	(1,017)	(1,125)	(3,113)	(3,384)
Gain/ (loss) on disposal of properties	-	112	-	112
Bad debts written off	-	-	(17)	-
(Allowance)/ write back for impairment loss on receivables	-	-	-	-
(Allowance)/ write back of allowance and (write off) for impaired inventories	-	-	(1)	(15)
Finance costs	(153)	(219)	(509)	(898)
Other expenses	(3,089)	(4,131)	(9,558)	(12,493)
Results from operating activities	(4,396)	(3,078)	(7,772)	(8,968)
Interest income	12	18	68	80
Loss before taxation	(4,384)	(3,060)	(7,704)	(8,888)
Taxation	(21)	-	(69)	-
Loss after taxation for the period	(4,405)	(3,060)	(7,773)	(8,888)
(Loss)/ profit attributable to:				
Owners of the parent	(4,405)	(3,056)	(8,075)	(8,882)
Non-Controlling Interest	-	(4)	302	(6)
	(4,405)	(3,060)	(7,773)	(8,888)
Basic loss per share (sen)	(1.23)	(1.28) *	(2.80)	(3.73) *
Diluted loss per share (sen)	(0.66)	N/A	(2.06)	N/A

Note : * Comparative basic loss per share have been adjusted for the share consolidation.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT	PRECEDING YEAR	CURRENT	PRECEDING YEAR
	YEAR	CORRESPONDING	YEAR TO DATE	CORRESPONDING
	QUARTER	QUARTER ENDED	ENDED	PERIOD ENDED
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Loss after taxation for the period	(4,405)	(3,060)	(7,773)	(8,888)
Other comprehensive income for the period, net of tax				
Currency translation difference	-	32	-	52
Total other comprehensive income, net of tax	-	32	-	52
Total comprehensive loss for the period, net of tax	(4,405)	(3,028)	(7,773)	(8,836)
Total comprehensive (loss)/ income attributable to :				
Owners of the parent	(4,405)	(3,024)	(8,075)	(8,830)
Non-Controlling Interest	-	(4)	302	(6)
	(4,405)	(3,028)	(7,773)	(8,836)

Note : N/A - Not Applicable

Included in cost of sales, a depreciation charges of RM 0.27 million for Q3-2017/18 (RM 0.19 million Q3-2016/17) and current year to-date depreciation charges RM 0.73 million (2016/17 : RM 0.39 million).

During the quarter and Year-To-Date under review, there is no gain/(loss) on disposal of quoted or unquoted investment or properties, impairment of assets and gain/ (loss) on derivatives.

The Condensed Consolidated Statement of Profit And Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2017 and accompanying explanatory notes to this interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

Attributable to Equity Holders of the Company									
----- Non-distributable -----									
	Irredeemable			Exchange			Accumulated		Non-
	Share	Warrants	Translation	Revaluation	losses	Total	Controlling	Total equity	
	premium	reserve	reserve	reserve		equity	interests	Total equity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 1 April 2017	115,204	-	-	7,353	(68,038)	46,619	(318)	46,301	
Transactions with owners:									
Capital reduction	(47,690)	-	-	-	47,690	-	-	-	
Issuance of shares arising from debt settlement	8,000	-	-	-	-	8,000	-	8,000	
Issuance of special Bumiputera shares	5,771	-	-	-	-	5,771	-	5,771	
Issuance of shares arising from rights issue	-	-	-	-	-	-	-	-	
with warrants net off shares issuance expenses	7,860	-	29,038	-	-	36,898	-	36,898	
Issuance of Irredeemable convertible preference shares	-	30,367	-	-	-	30,367	-	30,367	
Deconsolidation of subsidiary companies	-	-	-	-	(16)	(16)	16	-	
	(26,059)	30,367	-	29,038	47,674	81,020	16	81,036	
Total compressive (loss)/ income for the period	-	-	-	-	(8,075)	(8,075)	302	(7,773)	
As at 31 December 2017	89,145	30,367	-	7,353	(28,439)	119,564	-	119,564	
Balance as at 1 April 2016	95,380	-	19,824	65	(53,299)	67,966	(199)	67,787	
Transactions with owners:									
Warrants expired	-	-	(6,563)	-	6,563	-	-	-	
Share issuance expenses	-	(502)	-	-	-	(502)	-	(502)	
	-	(502)	-	-	6,563	(502)	-	(502)	
Net loss for the period	-	-	-	-	(8,882)	(8,882)	(6)	(8,888)	
Foreign currency translation differences arising from a foreign subsidiary	-	-	52	-	-	52	-	52	
Total comprehensive loss for the period	-	-	52	-	(8,882)	(8,830)	(6)	(8,836)	
As at 31 December 2016	95,380	-	19,322	117	(55,618)	58,654	(206)	58,449	

The new companies Act 2016 (the "Act"), which came into operation on 30 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to credit of the share premium become part of the Company's share capital pursuant to the transitional provision set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for the purposes as set out in Section 618(3) of the Act, for the bonus issue pursuant to Section 618(4) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of the transition.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2017 and accompanying explanatory notes to this interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017**

	CURRENT YEAR TO DATE ENDED 31/12/2017 RM'000	PRECEDING YEAR TO DATE ENDED 31/12/2016 RM'000
Cash Flows From Operating Activities		
Loss before tax	(7,704)	(8,888)
Adjustments for :		
Non-cash items	3,845	3,754
Non-operating items	441	818
Operating loss before working capital changes	<u>(3,418)</u>	<u>(4,316)</u>
Changes in working capital		
Inventories	14,539	(795)
Receivables	(4,970)	1,543
Payables	<u>(18,289)</u>	<u>3,302</u>
Cash generated/ (used in) from operations	<u>(12,138)</u>	<u>(266)</u>
Tax paid	(34)	(13)
Tax refunded	12	-
Interest received	68	80
Interest paid	<u>(509)</u>	<u>(898)</u>
Net cash generated/ (used in) operating activities	<u>(12,601)</u>	<u>(1,097)</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	<u>(7,518)</u>	<u>(2,798)</u>
Acquisition of subsidiary companies	-	(1,211)
Proceeds from disposal of property, plant and equipment	155	2,767
Net cash generated / (used in) investing activities	<u>(7,363)</u>	<u>(1,242)</u>
Cash Flows Financing Activity		
Issuance of shares arising from debt settlement	8,000	-
Issuance of shares arising from special Bumiputera issue,	5,771	-
Issuance of rights issue of shares and Irredeemable convertible preference shares net off shares issuance expenses	67,265	-
Repayment of hire purchase creditors	(553)	(361)
Net drawdown/ (repayment) of bankers' acceptance and term loans	<u>(2,259)</u>	<u>2,168</u>
Share issuance expenses	-	(502)
Net cash generated/ (used in) from financing activity	<u>78,224</u>	<u>1,305</u>
Net Increase/ (decrease) in cash and cash equivalents	58,260	(1,034)
Effect of forex translation differences	-	52
Cash And Cash Equivalent At Beginning of Period	14,635	9,717
Cash And Cash Equivalent At End of Period	<u>72,895</u>	<u>8,735</u>
Cash and Cash Equivalents Comprise of :		
Cash and bank balances	3,364	3,294
Deposits with a licensed bank	70,531	6,441
	<u>73,895</u>	<u>9,735</u>
Fixed deposits pledged with licensed bank	<u>(1,000)</u>	<u>(1,000)</u>
	<u>72,895</u>	<u>8,735</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2017 and accompanying explanatory notes to this interim financial statements.

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NOTES TO THE QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBERER 2017

A EXPLANATORY NOTES PURSUANT TO MALAYSIAN REPORTING STANDARD 134 ("MFRS 134") - INTERIM FINANCIAL REPORTING

A1 Basis of preparation

The interim financial statements is unaudited and has been prepared in accordance with MFRS 134 : Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements should be read in conjunction with the annual audited financial statement of the Group for the financial year ended 31 March 2017.

The accounting policies and methods adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 March 2017.

The adoption of MFRSs and amendments to MFRSs which were effective for financial year beginning on and after 1 April 2017 are not expected to have any significant financial impacts on the Group.

A2 Auditors' Report of Preceding Annual Financial Statements

There were no qualifications to the audited financial statements for the Company and its subsidiaries for the financial year ended 31 March 2017.

A3 Seasonal or cyclical factors

The Group's express delivery and logistics services revenue will normally affected by numerous public and festive holidays during the quarter and period under review..

A4 Unusual Items affecting assets, liabilities, equity, net income or cash flows

During the quarter under review, there were no items or events that arose, which affect the assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A5 Changes in estimates

There were no material changes in the estimates of amounts reported in previous reporting which have a material effect in the current quarter.

A6 Debt and equity securities

During the quarter under review, MMAG Holdings Berhad ("MMAG") has completed the followings :

- (i) Special Bumiputera issue of 28,855,000 new MMAG Shares at RM 0.20 each.
- (ii) Rights issue of 151,834,154 new MMAG shares ("Rights Shares") on the basis of 1 Rights Share for every 2 existing MMAG Shares at an issue price of RM 0.25 per Rights Share, together with 227,751,203 free detachable warrants ("Warrants") on the basis of 3 warrants for every 2 Rights Share subscribed.
- (iii) Rights issue of 607,336,618 new Irredeemable Convertible Preference Shares ("ICPS") on the basis of 2 ICPS for every 1 existing MMAG Share at an issue price of RM 0.05 per ICPS.

Other than the above, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

A7 Dividend

There were no dividend paid during the quarter under review.

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NOTES TO THE QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

A8 Segmental Information

Segment information is presented in respect of the Group's business segments.

The Group comprises the following main business segments:-

- (i) ICT Distribution Distribution mobile devices and volume ICT products to resellers and retailers & act as telecommunication operators' value adding partner.
- (ii) Business software solutions Enterprise and Hotel Management solutions
- (iii) Logistics services Courier & delivery and warehousing

Segmental information for the Group is presented as follows:

	Business		Other		Total	Elimination	Total
	ICT Distribution	software solutions	Logistics services	non-reportable segment			
<u>For the financial period ended 31 December 2017</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales to external customer	114,099	-	3,154	-	117,253	-	117,253
Inter-segment sales	-	-	941	-	941	(941)	-
Total sales	114,099	-	4,095	-	118,194	(941)	117,253
Profit/ (Loss) before tax	(1,976)	(118)	(5,326)	(284)	(7,704)	-	(7,704)

	Business		Other		Total	Consolidation adjustments	Total
	ICT Distribution	software solutions	Logistics services	non-reportable segment			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	84,888	1,022	16,837	186,478	289,225	(130,293)	158,932
Other unallocated assets							9,413
							168,345
Total Liabilities	115,592	53	25,312	3,615	144,572	(95,791)	48,781
Other unallocated assets							-
							48,781

	Business		Other		Total	Elimination	Total
	ICT Distribution	software solutions	Logistics services	non-reportable segment			
<u>For the financial period ended 31 December 2016</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales to external customer	198,671	626	1,323	1	200,621	-	200,621
Inter-segment sales	-	36	704	-	740	(740)	-
Total sales	198,671	662	2,027	1	201,361	(740)	200,621
(Loss)/ profit before tax	(5,748)	(272)	(2,890)	22	(8,888)	-	(8,888)

	Business		Other		Total	Consolidation adjustments	Total
	ICT Distribution	software solutions	Logistics services	non-reportable segment			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	103,236	2,598	7,112	112,120	225,066	(114,443)	110,623
Other unallocated assets							9,807
							120,430
Total Liabilities	121,268	366	8,511	10,333	140,478	(78,497)	61,981
Other unallocated liabilities							-
							61,981

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NOTES TO THE QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBERER 2017

A9 Valuation of property, plant and equipment

There were no valuation of the property, plant and equipment in the current quarter under review.

A10 Events subsequent to the end of the Interim reporting period

On 30 January 2018, the Board of Directors of MMAG announced that its wholly owned subsidiary, INGENUITY CARE SDN BHD has changed its name to MMATRIX SDN BHD effective from 26 January 2018.

A11 Changes in the composition of the Group

- (i) On 26 October 2017, the Board of Directors of MMAG announced that the Company's sub-subsidiary, Fox Consortium, Distribution Sdn Bhd ("FCDSB") has on 26 October 2017 filed an application for striking off pursuant to Section 550 of the Companies Act, 2016 with the Companies Commission of Malaysia ("Striking Off Application").

FCDSB has ceased its business operation since financial year ended 31 March 2017 and has no intention to carry on its business or operation in the future. The share capital of FCDSB is RM 100.00. The Board of Directors of the Company is of the opinion that the Striking Off Application is in the best interest of the Company as it will reduce the administrative resources and cost incurred for maintaining FCDSB.

The striking off of FCDSB is not expected to have any material effect on the earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholdings of the Company for the financial year ending 31 March 2018.

A12 Contingent Liabilities

The amounts of contingent liabilities of the Company as at the end of the current financial period as follows:

	As at 31/12/2017 RM'000
Corporate guarantees given to certain suppliers and financial institutions of certain subsidiary companies.	134,342
	<u>134,342</u>

A13 Commitments

	As at 31/12/2017 RM'000
Construction of a new two storey office with one storey warehouse	12,252
Lease of land	<u>2,160</u>

The Company leased a land and the lease period is for three years with an option to renew after every three years for a further three (3) years up to total lease period of twelve (12) years.

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NOTES TO THE QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") FOR THE ACE MARKET

B1 Financial Review for current quarter and financial year to date.

	Individual Period (3rd Quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 31/12/2017 RM'000	Preceding Year corresponding Quarter 31/12/2016 RM'000			Current Year Quarter 31/12/2017 RM'000	Preceding Year corresponding Quarter 31/12/2016 RM'000		
			RM'000	%			RM'000	%
Revenue	30,440	66,255	(35,815)	-54%	117,253	200,621	(83,368)	-42%
Operating profits/ (Losses)	(4,396)	(3,078)	(1,318)	-43%	(7,772)	(8,968)	1,196	13%
Profit/ (Loss) before interest and tax	(4,231)	(2,841)	(1,390)	-49%	(7,195)	(7,990)	795	10%
Profit/ (Loss) before tax	(4,384)	(3,060)	(1,324)	-43%	(7,704)	(8,888)	1,184	13%
Profit/ (Loss) after tax	(4,405)	(3,060)	(1,345)	-44%	(7,773)	(8,888)	1,115	13%
Profit/ (Loss) Attributable to Ordinary Equity Holders of the Parent	(4,405)	(3,056)	(1,349)	-44%	(8,075)	(8,882)	807	9%

The Group revenue for 3rd Quarter ended 31 December 2017 was RM 30.44 million represents a decrease of RM 35.82 million as compared to RM 66.26 million in the corresponding 3rd quarter ended 2016. The decrease mainly due to lower revenue from ICT distribution segment of RM 29.32 million for current quarter as compared to RM 65.47 million in corresponding quarter in 2016.

The Group registered a pre-tax loss of RM 4.38 million for the 3rd quarter ended 31 December 2017 as compared to pre-tax loss of RM 3.06 million in the corresponding quarter in 2016. The lower pre-tax loss in 3rd quarter 2016 mainly due to higher other income received as compared to current 3rd quarter 2017.

The Group revenue for financial period ended 31 December 2017 was RM 117.25 million represents a decrease of RM 83.37 million as compared to RM 200.62 million in the corresponding financial period 2016. The reduction in revenue for the current financial period mainly due to lower revenue from ICT distribution segment of RM 114.10 million as compared to RM 198.67 million in corresponding financial period in 2016.

The Group registered a pre-tax loss of RM 7.70 million for the financial period ended 31 December 2017 as compared to pre-tax loss of RM 8.89 million in the corresponding period in 2016. The improvement in pre-tax loss for the current financial period as compared to corresponding financial period in 2016 mainly due to lower other operating expenses incurred in current financial period 2017.

(i) ICT Distribution

ICT distribution revenue for financial period ended 31 December 2017 was RM 114.10 million. The revenue mainly derived from distribution of mobile devices, and also act as telecommunication operators' value adding partner. ICT Distribution segment registered a pre-tax loss of RM 1.98 million as compared to pre-tax loss of RM 5.75 million in the corresponding financial period 2016. The improvement in pre-tax profit in financial period 2017 was mainly due to lower other operating expenses incurred in current financial period 2017.

(ii) Business Software Solutions

Business software solutions revenue for the financial period ended 31 December 2017 was RM Nil as compared to RM 0.66 million in the corresponding financial period 2016. Business software solutions recorded a pre-tax loss of RM 0.12 million as compared to pre-tax loss of RM 0.27 million in the corresponding financial period 2016. The loss incurred for the current period 2017 mainly for administrative expenses.

(ii) Logistics Services

Logistics services revenue for the financial period ended 31 December 2017 was RM 4.10 million as compared to RM 2.03 million in the corresponding period in 2016. Logistics services recorded a pre-tax loss of RM 5.33 million as compared to pre-tax loss of RM 2.89 million in the corresponding financial period 2016. The higher pre-tax loss incurred for the financial period 2017 as compared to corresponding financial period 2016 mainly due to higher manpower costs and operating expenses incurred for expansion of new branches.

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NOTES TO THE QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

B2 Material change in the quarterly results compared to the results of the immediate preceding quarter

	Current Quarter 31/12/2017 RM'000	Immediate Preceding Quarter 30/9/2017 RM'000	Change	
			RM'000	%
Revenue	30,440	39,081	(8,641)	-22%
Operating profit/ (Loss)	(4,396)	(1,969)	(2,427)	-123%
Profit/ (Loss) before interest and tax	(4,231)	(1,740)	(2,491)	-143%
Profit/ (Loss) before tax	(4,384)	(1,962)	(2,422)	-123%
Profit/ (Loss) after tax	(4,405)	(1,989)	(2,416)	-121%
Profit/ (Loss) Attributable to Ordinary Equity Holders of the Parent	(4,405)	(2,012)	(2,393)	-119%

The current quarter (Q3 -2017/18) revenue was RM 30.44 million represents a decrease of RM 8.64 million as compared to immediate preceding quarter (Quarter 2 -2017/18) revenue of RM 39.08 million. Current quarter recorded a pre-tax loss of RM 4.38 million as compared to a pre-tax loss of RM 1.96 million the immediate preceding quarter. The higher pre-tax loss for current quarter mainly due to higher cost of goods sold recognised in current quarter as compared to the immediate preceding quarter.

B3 Prospects

In view of uncertain global and local economy, the Group anticipates remaining quarters of the year to be competitive and challenging. With the completion of the Corporate exercise on 4 December 2017, the Group successfully raised approximately RM 74.10 million from the special Bumiputera issue, rights issue of shares with warrants and rights issue of irredeemable convertible preference shares and the proceeds raised will provide the Group with financial resources to explore new market opportunity and take on bigger projects.

B4 Profit Forecast/Profit Guarantee

There were no profit forecast or profit guarantee issued by the Group.

B5 Taxation

	Current Quarter Ended 31/12/2017 RM'000	Year-To- Date 31/12/2017 RM'000
Income tax :		
- Current year	(15)	(63)
- Over/ (under) provision in prior year	(6)	(6)
	<u>(21)</u>	<u>(69)</u>
-Deferred tax	-	-
	<u>(21)</u>	<u>(69)</u>

The current quarter and year-to-date provision for taxation is calculated in respect of a subsidiary's company estimated taxable income and no provision of taxation for companies that incurred losses and have unutilised tax losses.

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NOTES TO THE QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

B6 Corporate proposal

Status of the corporate proposal announced but not completed as at 19 February 2018 (being the latest practical date which is not later than 7 days from the date of issue of his Quarterly Report).

(i) Completed Corporate Exercise

(a) On 17 October 2016 and 11 November 2016, TA Securities Holdings Berhad ("TA Securities") on behalf of the Board of Directors of MMAG Holdings Berhad ("MMAG or the Company") announced that the Company proposes to undertake the followings:-

- (i) Proposed reduction of the issued and paid-up share capital of MMAG via the cancellation of RM0.05 of the par value of the every existing ordinary shares of RM0.10 each to RM0.05 each in MMAG pursuant to Section 64 of the Companies Act, 1965 (Act") ("Proposed Par Value Reduction");
 - (ii) Proposed share consolidation of every four (4) ordinary shares of RM0.05 each in MMAG into one (1) new ordinary share of RM 0.20 each in MMAG ("Consolidated Share") after the Proposed Par Value Reduction ("Proposed Share Consolidation");
 - (iii) Proposed settlement of the amount owing to Landasan Simfoni Sdn Bhd ("LSSB") via the issuance of 36,363,600 new MMAG Shares at an issue price of RM0.22 per share ("Settlement Shares") after the Proposed Share Consolidation ("Proposed Debt Settlement");
 - (iv) Proposed special issue of up to 28,855,000 new MMAG Shares ("Bumiputera Shares") representing approximately ten point five percent (10.50%) of the enlarged issued and paid-up capital of MMAG after the Proposed Debt Settlement, to Bumiputera investors to be recognised by the Ministry of International Trade and Industry ("MITI") ("Proposed Special Bumiputera Issue");
 - (v) Proposed renounceable rights issue of up to 151,834,154 new MMAG shares ("Rights Shares") on the basis of one (1) Rights Share for every two (2) existing MMAG Shares held after the Proposed Special Bumiputera Issue at an issue price of RM0.25 per Rights Share, together with up to 227,751,231 free detachable warrants ("Warrants") on the basis of three (3) Warrants for every two (2) Rights Share ("Proposed Rights Issue of Shares with Warrants");
 - (vi) Proposed renounceable rights issue of up to 607,336,618 new irredeemable convertible preference shares of RM0.05 in MMAG ("ICPS") on the basis of two (2) ICPS for every one (1) MMAG Share held after the Proposed Special Bumiputera Issue at an issue price of RM0.05 per ICPS ("Proposed Rights Issue of ICPS"); and
 - (vii) Proposed diversification of the business of MMAG to include fulfilment and/or logistics ("Proposed Diversification").
 - (viii) Proposed Increase in the Authorised Share Capital of MMAG from RM 200,000,000 comprising 2,000,000,000 ordinary shares of RM 0.10 each in MMAG to RM 350,000,000 comprising 1,500,000,000 ordinary shares of RM 0.20 each in MMAG and 1,000,000,000 ICPS of RM 0.05 each in MMAG ("Proposed Increase in Authorised Share Capital").
 - (ix) Proposed Amendments to the Memorandum and Articles of Association of MMAG to facilitate the Proposed Increase in Authorised Share Capital ("Proposed Amendments").
- (b) On 1 June 2017, on behalf of the Board, TA Securities announced that an office copy of the sealed order of the High Court of Malaya confirming the Share Capital Reduction has been lodged with Companies Commission of Malaya on 1 June 2017. The Share Capital Reduction shall therefore take effect and be deemed completed on this date.
- (c) On 13 July 2017, on behalf of the Board, TA Securities announced that Share Consolidation has been completed following the listing of and quotation for 238,449,709 Consolidated Shares on the ACE Market of Bursa Securities with effect from 9.00 am on Thursday 13 July 2017.
- (d) On 19 July 2017, MMAG announced the Debt settlement of the amount owing to Landasan Simfoni Sdn Bhd via the issuance of 36,363,600 new ordinary shares in MMAG Holdings Berhad ("MMAG Shares or "Shares") at an issue price of RM 0.22 per share is completed upon the listing of the 36,363,600 new MMAG shares on 20 July 2017.
- (e) On 2 October 2017, on behalf of the Board, TA Securities announced that the listing of 28,855,000 new MMAG Shares pursuant to the Special Bumiputera issue at RM 0.20 each on 3 October 2017, marks the completion of the Special Bumiputera issue.
- (f) On 4 December 2017, on behalf of the Board, TA Securities announced that :
- (i) The Rights issue of shares with Warrants has been completed with the listing of 151,834,154 Rights Shares together with 227,751,203 Warrants; and
 - (ii) The Rights issue of ICPS has been completed with the listing of 607,336,618 ICPS.
- on the ACE Market of Bursa Securities on 4 December 2017.

MMAG HOLDINGS BERHAD

(Company No: 609423-V)

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NOTES TO THE QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2017

B6 Corporate proposal (Cont'd)

(f) Status of utilisation of proceeds raised from corporate proposals (Special Bumiputera Issue, Rights Issue of Shares with Warrants and Rights issue of Irredeemable Convertible Preference Shares) as at 31 December 2017 are as follows:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Intended timeframe for utilisation	Deviation RM'000	Deviation %	Remark
Expansion of Line Clear Express & Logistics Sdn Bhd	40,390	2,936	Within 36 months			
Working capital for ICT distribution business	32,706	-	Within 36 months			
Estimated expenses in relation to the Proposals	1,000	1,061	Within 2 weeks	(61)	-6%	As per note below.
	<u>74,096</u>	<u>3,997</u>		<u>(61)</u>		

Note : For the variation in the actual amount of expenses for the corporate exercises will be adjusted proportionately from the working capital for ICT distribution business of our Group.

B7 Borrowing and Debt Securities

The Group's borrowings as at 31 December 2017 are as follows:

	As at 3rd Quarter ended 2017 (31/12/2017)					
	Long Term		Short Term		Total borrowings	
	Foreign denomination A	RM'000 denomination	Foreign denomination A	RM'000 denomination	Foreign denomination A	RM'000 denomination
Secured						
Term Loan and bankers' acceptance	-	4,099	-	6,715	-	10,814

	As at 3rd Quarter ended 2016 (31/12/2016)					
	Long Term		Short Term		Total borrowings	
	Foreign denomination A	RM'000 denomination	Foreign denomination A	RM'000 denomination	Foreign denomination A	RM'000 denomination
Secured						
Term Loan and bankers' acceptance	-	7,334	-	11,999	-	19,333

During the period under review, the group's borrowings have reduced to RM 10.81 million as compared to RM 19.33 million in corresponding financial period 2016/17 with a reduction of RM 8.52 million (repayment of term loan and bankers' acceptance). The total finance costs (inclusive of hire purchase) for the period ended 31 December 2017 was RM 0.51 million as compared to RM 0.90 million in the corresponding financial period 2016.

During the financial period ended 31 December 2017, the term loan and bankers' acceptance bear interest ranging from 4.60% to 4.99% per annum.

B8 Material litigations

As at 19 February 2018 (being the latest practical date which is not earlier than 7 days from the date of issue of this Quarterly Report), the Group was not engaged in any material litigation either as plaintiff or defendant and the directors are not aware of any proceedings pending or threatened against the Group or any facts likely to give rise to any proceeding which might materially and adversely affect the financial position or business operations of the Group.

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NOTES TO THE QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBERER 2017

B9 Dividends

No interim dividend has been declared during the quarter under review.

B10 Loss Per Share

(i) Basic Loss Per Share

	Current Year Quarter Ended 31/12/2017	Current Year To- Date Ended 31/12/2017
Loss attributable to Owners of the Parent (RM'000)	<u>(4,405)</u>	<u>(8,075)</u>
Weighted average number of shares in issue ('000)	359,467	288,853
Basic loss per share (sen)	<u>(1.23)</u>	<u>(2.80)</u>

(ii) Diluted Loss Per Share

	Current Year Quarter Ended 31/12/2017	Current Year To- Date Ended 31/12/2017
Loss attributable to Owners of the Parent (RM'000)	<u>(4,405)</u>	<u>(8,075)</u>
Weighted average number of shares in issue ('000)	359,467	288,853
Effect of dilution :		
- Warrants ('000)	84,169	28,158
Irredeemable convertible preference shares ('000)	<u>224,450</u>	<u>75,089</u>
	<u>668,086</u>	<u>392,100</u>
Diluted loss per share (sen)	<u>(0.66)</u>	<u>(2.06)</u>

B11 Disclosure of Realised And Unrealised Losses

	As at 31/12/2017 RM'000	As at 31/3/2017 RM'000
Total accumulated losses of the Group :		
- Realised loss	(29,696)	(71,022)
-Unrealised loss	<u>(395)</u>	<u>(1,007)</u>
	<u>(30,091)</u>	<u>(72,029)</u>
Consolidated adjustments	<u>1,652</u>	<u>3,990</u>
	<u>(28,439)</u>	<u>(68,039)</u>