

NOTION VTEC BERHAD
Company No: - 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2016 RM'000	Preceding Year Corresponding Quarter 30.06.2015 RM'000	Current Year To Date 30.06.2016 RM'000	Preceding Year To Date 30.06.2015 RM'000
Revenue	53,124	62,087	170,770	184,280
Cost of Sales	<u>(46,030)</u>	<u>(48,905)</u>	<u>(142,708)</u>	<u>(146,148)</u>
Gross Profit	7,094	13,182	28,062	38,132
Other Operating Income	6,623	12,645	5,397	24,705
Operating Expenses	<u>(9,485)</u>	<u>(9,364)</u>	<u>(26,527)</u>	<u>(29,033)</u>
Operating Income	4,232	16,463	6,932	33,804
Derivative Gain/ (Loss)	(1,915)	(311)	5,310	(29,999)
Finance Costs	<u>(461)</u>	<u>(829)</u>	<u>(1,597)</u>	<u>(2,933)</u>
Profit before taxation	1,856	15,323	10,645	872
Taxation	<u>(7,356)</u>	<u>(8,045)</u>	<u>(9,879)</u>	<u>(3,386)</u>
Profit/ (Loss) after taxation	(5,500)	7,278	766	(2,514)
Other Comprehensive income/ (loss):				
-currency translation differences	<u>(3,127)</u>	<u>(280)</u>	<u>(5,162)</u>	<u>3,234</u>
Total comprehensive income/ (loss) for the year	<u>(8,627)</u>	<u>6,998</u>	<u>(4,396)</u>	<u>720</u>
Profit/ (Loss) after taxation attributable to:				
-Owners of the Company	(5,500)	7,278	766	(2,514)
-Non-controlling Interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(5,500)</u>	<u>7,278</u>	<u>766</u>	<u>(2,514)</u>
Total comprehensive income/ (loss) for the year attributable to:				
-Owners of the Company	(8,627)	6,998	(4,396)	720
-Non-controlling Interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(8,627)</u>	<u>6,998</u>	<u>(4,396)</u>	<u>720</u>
Earnings/ (Loss) Per Share (sen)	<u>(2.05)</u>	<u>2.71</u>	<u>0.29</u>	<u>(0.94)</u>
Proposed/ Declared Dividend Per Share (sen)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 September 2015 and the accompanying explanatory notes attached to the interim financial statements.

NOTION VTEC BERHAD
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UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at End of Current Quarter 30.06.2016 RM'000	As at Preceding Year Ended 30.09.2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	208,671	232,379
Investment in an Associate	-	-
	<u>208,671</u>	<u>232,379</u>
Current assets		
Inventories	35,679	45,194
Trade receivables	45,963	51,551
Other receivables and deposits	8,388	5,033
Tax refundable	3,099	1,761
Short-term deposits with licensed banks	2,436	417
Cash and bank balances	<u>37,659</u>	<u>42,689</u>
	<u>133,224</u>	<u>146,645</u>
Total assets	<u>341,895</u>	<u>379,024</u>
EQUITY AND LIABILITIES		
Equity		
Share Capital	135,209	135,209
Share Premium	1	1
Treasury Shares	(2,244)	(2,244)
Currency Translation Reserves	1,252	6,414
Retained Profits	139,381	138,615
Other Capital Reserve	<u>4,800</u>	<u>4,800</u>
Equity attributable to owners of the Company	<u>278,399</u>	<u>282,795</u>
Non-controlling Interests	-	-
Total equity	<u>278,399</u>	<u>282,795</u>
Non-current liabilities		
Long-term borrowings	12,165	20,898
Deferred taxation	<u>14,717</u>	<u>5,851</u>
	<u>26,882</u>	<u>26,749</u>
Current Liabilities		
Trade payables	6,894	11,092
Other payables and accruals	11,304	15,889
Derivative liabilities	3,276	21,777
Amount owing to a director	3,698	3,698
Short-term borrowings	11,281	16,541
Provision for taxation	161	483
	<u>36,614</u>	<u>69,480</u>
Total Liabilities	<u>63,496</u>	<u>96,229</u>
TOTAL EQUITY AND LIABILITIES	<u>341,895</u>	<u>379,024</u>
Net assets per ordinary share (RM)	<u>1.0378</u>	<u>1.0542</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 September 2015 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←-----Attributable to equity holders of the parent-----→									
	Ordinary Share Capital RM'000	Share Premium RM'000	←-----Non-distributable-----→				←Distributable→		Non- Controlling Interests RM'000	Total Equity RM'000
			Treasury Shares RM'000	Currency Translation Reserves RM'000	Other Capital Reserve RM'000	Retained Profits RM'000	Total RM'000			
9 months ended 30 June 2016										
Balance as at 1 October 2015	135,209	1	(2,244)	6,414	4,800	138,615	282,795	-	282,795	
Profit after taxation	-	-	-	-	-	766	766	-	766	
Currency translation differences	-	-	-	(5,162)	-	-	(5,162)	-	(5,162)	
Balance as at 30 June 2016	135,209	1	(2,244)	1,252	4,800	139,381	278,399	-	278,399	

9 months ended 30 June 2015

Balance as at 1 October 2014	135,209	*	(2,244)	409	4,800	151,637	289,811	-	289,811
Loss after taxation	-	-	-	-	-	(2,514)	(2,514)	-	(2,514)
Currency translation differences	-	-	-	3,234	-	-	3,234	-	3,234
Balance as at 30 June 2015	135,209	*	(2,244)	3,643	4,800	149,123	290,531	-	290,531

*denotes RM 57.50

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 September 2015 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Current Year-To-Date 30.06.2016 RM'000	Preceding Year-To-Date 30.06.2015 RM'000
CASH FLOWS FROM/ (FOR) OPERATING ACTIVITIES		
Profit before taxation	10,645	872
Adjustments for:		
Depreciation of property, plant and equipment	26,628	29,093
Interest expense	1,478	2,785
Inventories written back	(3)	-
Inventories written off	6,458	7,444
Bad debts written-off	1	-
Plan and equipment written off	-	376
Gain on disposal of property, plant and equipment	(178)	(9,445)
Unrealised gain on foreign currency translation	(5,044)	(4,977)
Fair value (gain)/ loss on derivatives	(18,501)	6,154
Interest income	(363)	(92)
Operating profit before working capital changes	21,121	32,210
Decrease/ (Increase) in inventories	3,057	(7,466)
Decrease/ (Increase) in trade and other receivables	3,880	(25,793)
(Decrease)/ Increase in trade and other payables	(7,347)	5,243
CASH FROM OPERATIONS	20,711	4,194
Interest paid	(1,478)	(2,785)
Tax refunded	500	-
Tax paid	(3,213)	(3,838)
NET CASH FROM/ (FOR) OPERATING ACTIVITIES	16,520	(2,429)
CASH FLOWS (FOR) / FROM INVESTING ACTIVITIES		
Interest received	363	92
Proceeds from disposal of plant and equipment	1,984	21,311
Purchase of property, plant and equipment	(6,888)	(8,351)
NET CASH FROM/ (FOR) INVESTING ACTIVITIES	(4,541)	13,052
CASH FLOWS (FOR) / FROM FINANCING ACTIVITIES		
Repayment of hire-purchase and lease obligations	(2,791)	(2,893)
Repayment of term loan	(10,451)	(16,669)
Drawdown of bank borrowings	216	1,147
Repayment of bank borrowings	-	(407)
Buy-back of shares	-	(1)
NET CASH FLOWS FOR FINANCING ACTIVITIES	(13,026)	(18,823)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,047)	(8,200)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	43,075	23,125
Currency translation differences – subsidiaries	(1,933)	681
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	40,095	15,606
Note (A)		
Cash and cash equivalents at the end of the financial year comprise the following:		
Short term deposits with licensed banks	2,436	414
Cash and bank balances	37,659	15,192
	40,095	15,606

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 September 2015 and the accompanying explanatory notes attached to the interim financial statements.

NOTION VTEC BERHAD

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UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

NOTES TO THE QUARTERLY FINANCIAL REPORT

A1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

These explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries ("The Group"). This interim financial report should be read in conjunction with the Group's annual audited financial report for the financial year ended ("FYE") 30 September 2015.

The accounting policies and methods of computations adopted in these interim financial statements are consistent with those adopted in the financial statements for the FYE 30 September 2015.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements of the Group for the FYE 30 September 2015 was not subject to any qualification.

A3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The results of the Group were not materially affected by any significant seasonal or cyclical factors during the quarter under review.

A4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE.

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter under review.

A5. MATERIAL CHANGES IN ESTIMATES

There were no other changes in estimates that have had a material effect in the current quarter results.

A6. CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayments of debts and equity securities during the quarter under review.

As at 30 June 2016, the Company held 2,150,273 repurchased shares as treasury shares out of its total issued and paid up share capital of 270,418,983 ordinary shares of RM 0.50 each. The treasury shares are held at a carrying amount of RM 2,244,383.

A7. DIVIDEND PAID

No dividend was paid during the quarter under review.

A8. SEGMENTAL INFORMATION

The Group is primarily engaged in three business segment which is in the design and volume production of high precision metal manufacturing of hard disk drive ("HDD"), camera and automotive/ industries' components. Breakdown of segmental revenue and product mix is found in Note B2.

The Group's operations are conducted in Malaysia and Thailand.

A9. VALUATION OF ASSETS

There was no revaluation of property, plant and equipment for the quarter under review.

A10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTER

There were no material events between the end of the reporting quarter and the date of this announcement.

NOTION VTEC BERHAD**Company No: - 637546-D****UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016****NOTES TO THE QUARTERLY FINANCIAL REPORT (continued)****A11. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group for the current quarter under review.

A12. CONTINGENT LIABILITIES

- a) The Company has provided corporate guarantees for hire purchase facilities granted to subsidiaries for total amount of RM 35,497,608. As at 30 June 2016, the outstanding hire purchase balance stood at RM 4,109,249.
- b) The Group has also provided corporate guarantees for bank facilities granted for a total amount of RM 148,210,949. As at 30 June 2016, the utilisation of the bank facilities stood at RM 19,337,200.

A13. CAPITAL COMMITMENTS

	As at End of Current Quarter 30.06.2016 <u>RM'000</u>	As at End of Preceding Quarter 31.03.2016 <u>RM'000</u>
Approved and contracted for:		
-purchase of property, plant and equipment	<u>290</u>	<u>-</u>

A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Directors of Notion are of the opinion that there is no related party transaction which would have a material impact on the financial position and the business of the Group during the financial quarter.

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UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

ADDITIONAL INFORMATION REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. GROUP PERFORMANCE REVIEW

The Group recorded revenue and loss after taxation ("LAT") of RM 53.1 million and RM 5.5 million respectively for the quarter ended 30 June 2016 ("Q3FY2016"). Refer Notes B2 and B3 below for a detailed review of the Group's performance.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Financials:

For Q3 of FY2016, the Group recorded revenue of RM 53.1 million (Q2FY2016: RM 56.6 million) and LAT of RM 5.5 million (Q2FY2016: profit after tax (PAT) of RM 3.2 million) and loss per share of 2.05 sen (Q2FY2016: earnings per share of 1.17 sen). Revenue is 6.1% lower in the current quarter under review compared to the preceding quarter was mainly attributable to a 19% drop in HDD segment orders. Gross profit was lower by RM 1.9 million compared to the previous quarter due to lower revenue. LAT was RM 5.5 million compared to PAT in Q2FY2016 mainly due to provision of prior year deferred taxation of RM 5.6 million arising from unallowable expenses. The EBITDA for Q3FY2016 was RM 10.9 million compared to RM 11.2 million in Q2FY2016 (preceding year Q3FY2015: RM 25.6 million). On a cumulative year to date, the EBITDA up to Q3FY2016 was RM 38.4 million (YTD Q3FY2015: RM 32.7 million).

Product mix:

In Q3FY2016, HDD parts revenue recorded RM 21.1 million (Q2FY2016: RM 26.2 million), camera parts recorded RM 11.9 million (Q2FY2016: RM 11.0 million) whilst the industrial/ automotive revenue was at RM 20.1 million (Q2FY2016: RM 19.4 million). The product mix for Q3FY2016 was HDD: Camera: Industrial/Automotive of 40%: 22%: 38% compared to previous quarter's mix of 46%: 20%: 34%. On a cumulative year to date comparison, the Auto segment had grown by 18% in revenue year on year whereas HDD and Camera had declined by 10% and 26%, respectively (YTD FY2016 at 44%: 23%: 33% and YTD FY2015 45%:29%:26%).

B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

Business Review and Outlook

With the decline in the HDD business volume and a once off deferred tax adjustment, the Q3 FY16 results were negatively affected but efforts are being focussed on the Auto segment and also the Thailand plant business.

In the coming quarters, these 2 segments will continue to grow with both HDD and Camera segments taking a matured market characteristic.

In Thailand, we have recently added a new plant which is located close by our factory to cater for future expansion. The property was purchased for less than RM2 mil cash by our subsidiary, Notion (Thailand) Co, Ltd.

We are considering looking at expanding into Johor by setting up a precision machining plant to cater for local MNC business that we have identified.

As part of the broad strategy of diversification, the Board is considering the Biomass business as a possible potential segment to enter. It's too early to make any announcements but we will set up once we have targeted a niche market in this area of biomass market.

Barring any unforeseen circumstances, we should be in more exciting times when these ventures take shape and start contributing to the Group's revenue and profits.

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UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

ADDITIONAL INFORMATION REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (continued)

B4. PROFIT FORECAST, PROFIT GUARANTEE AND INTERNAL TARGETS

The Group did not issue any profit guarantee and profit forecast during the current financial period to date.

B5. TAXATION

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To Date	To Date
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Company and Subsidiaries				
Taxation				
- current	477	1,837	907	5,239
- (over)/ under provision in the previous financial year	385	1,549	385	1,549
Deferred taxation	6,494	4,659	8,587	(3,402)
	<u>7,356</u>	<u>8,045</u>	<u>9,879</u>	<u>3,386</u>

The high deferred taxation expenses in the current quarter are mainly due to under provision in the previous year amounting to RM 5.6 million.

B6. STATUS OF CORPORATE PROPOSALS

There are no other corporate proposals announced but pending completion as at date of this report.

B7. BORROWINGS AND DEBTS SECURITIES

The Group's borrowings as at 30 June 2016 are as follows:

	<u>RM'000</u>
Long-term	
Secured	
Hire purchase and lease payables	448
Term loan	<u>11,717</u>
	<u>12,165</u>
Short-term	
Secured	
Portion of hire purchase and lease payables due within one year	3,661
Portion of term loan due within one year	7,404
Unsecured	
Bank overdraft	-
Other short term borrowings	<u>216</u>
	<u>11,281</u>
	<u>23,446</u>

The hire purchase and lease payables and term loan are secured by legal charges over certain property, plant and equipment belonging to certain subsidiaries of the Company.

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ADDITIONAL INFORMATION REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (continued)

B8. RETAINED PROFITS

The breakdown of the realised and unrealised profit/ (losses) as at the end of the reporting period is as follows:

	As at End of Current Quarter 30.06.2016 <u>RM'000</u>	As at Preceding Year Quarter 30.06.2015 <u>RM'000</u>
Total retained profits:		
-realised	158,543	166,633
-unrealised	<u>(19,162)</u>	<u>(17,510)</u>
	<u>139,381</u>	<u>149,123</u>

B9. NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

Profit/ Loss after Tax are arrived at after charging / (crediting) the following items:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2016 <u>RM'000</u>	Preceding Year Corresponding Quarter 30.06.2015 <u>RM'000</u>	Current Year To Date 30.06.2016 <u>RM'000</u>	Preceding Year To Date 30.06.2015 <u>RM'000</u>
a) Interest income	(141)	(23)	(363)	(92)
b) Other income	(410)	(972)	(3,033)	(4,569)
c) Interest expense	491	786	1,478	2,785
d) Depreciation and amortisation	8,754	9,537	26,628	29,093
e) Gain on disposal of property, plant and equipment	(139)	(9,300)	(178)	(9,445)
f) Foreign exchange gain	(5,934)	(2,683)	(1,823)	(9,197)
g) Loss/ (Gain) from derivatives (please refer to Note B10)	1,915	311	(5,310)	29,999
h) Inventories written off	3,653	3,069	6,458	7,444
i) Bad debts written off	-	-	1	-
j) Plant and equipment write off	-	376	-	376

B10.DERIVATIVE GAIN/ (LOSS)

Derivative gain/ (loss) consists of realised gain/ (loss) on settlement of hedging contracts during the quarter and fair value changes due to movement in mark-to-market (MTM) position on non-designated hedging contracts at 30 June 2016 which comprised the following:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2016 <u>RM'000</u>	Preceding Year Corresponding Quarter 30.06.2015 <u>RM'000</u>	Current Year To Date 30.06.2016 <u>RM'000</u>	Preceding Year To Date 30.06.2015 <u>RM'000</u>
Loss from foreign currency hedging contracts:				
-settlement of hedging contracts	(3,023)	(7,987)	(13,191)	(23,845)
-fair value changes due to movement in MTM position on non-designated hedging contracts	<u>1,108</u>	<u>7,676</u>	<u>18,501</u>	<u>(6,154)</u>
Gain/ (Loss) from derivative contracts	<u>(1,915)</u>	<u>(311)</u>	<u>5,310</u>	<u>(29,999)</u>

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ADDITIONAL INFORMATION REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (continued)

B11. DERIVATIVE FINANCIAL INSTRUMENTS

Type of derivatives	Notional Value as at 30.06.2016 RM'000	Fair Value as at 30.06.2016 Assets / (Liabilities) RM'000
Foreign Currency Hedging Contracts		
-Less than 1 year	16,882	(3,276)
-1 year to 2 years	-	-
TOTAL	16,882	(3,276)

The foreign currency contracts were entered into as hedges for sales denominated in US Dollars to limit the exposure to potential changes in foreign exchange rates with respect to the subsidiary company's foreign currencies denominated estimated receipts.

There is minimal credit risk as the contracts were entered into with reputable banks.

B12. MATERIAL LITIGATION

There were no material litigations that might adversely and materially affect the position of the Group as at date of this report.

B13. DIVIDENDS PER SHARE

No dividend has been proposed for the quarter ended 30 June 2016 (Q3FY2015: Nil).

B14. EARNINGS/ (LOSS) PER SHARE

The earnings/ (loss) per share is calculated by dividing profit/ (loss) attributable to the owners of the Company by the number of ordinary shares in issue (excluding the treasury shares held by the Company).

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2016 (Unaudited)	Preceding Year Corresponding Quarter 30.06.2015 (Unaudited)	Current Year To Date 30.06.2016 (Unaudited)	Preceding Year To Date 30.06.2015 (Unaudited)
Profit/ (Loss) attributable to owners of the Company (RM'000)	(5,500)	7,278	766	(2,514)
Number of ordinary shares in issue (excluding the treasury shares held by the Company) ('000)	268,269	268,268	268,269	268,268
Earnings/ (Loss) per share (sen)	(2.05)	2.71	0.29	(0.94)

AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 18 August 2016.

By Order of the Board

Petaling Jaya
18 August 2016