



MMS VENTURES BERHAD
(Company No. 647125-P)

(Incorporated in Malaysia)

**Quarterly Report on Consolidated Results
For The Second Quarter Ended 30 June 2017**

(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position
As at 30 June 2017
(The figures have not been audited)

	Note	30.6.17 (Unaudited) RM	31.12.16 (Audited) RM
Property, plant and equipment		9,383,602	9,483,109
Total non-current assets		9,383,602	9,483,109
Inventories		12,837,102	5,701,663
Other investments	B8	4,324,298	4,743,640
Trade receivables		30,257,799	10,356,255
Sundry receivables, deposits and prepayments		2,366,364	868,126
Tax refundable		59,527	48,382
Fixed deposits with licensed banks		10,974,601	13,244,509
Cash and cash equivalents		9,590,579	4,577,445
Total current assets		70,410,270	39,540,020
Total assets		79,793,872	49,023,129
Equity			
Share capital		16,300,000	16,300,000
Treasury shares		(1,158,913)	(1,158,913)
Share premium		4,663,468	4,663,468
Unappropriated profits		33,053,712	21,562,278
Total equity attributable to shareholders of the Company		52,858,267	41,366,833
Total equity		52,858,267	41,366,833
Liabilities			
Deferred tax liabilities		458,230	463,326
Total non-current liabilities		458,230	463,326
Trade payables		17,297,609	4,455,596
Sundry payables and accruals		9,179,766	2,737,374
Total current liabilities		26,477,375	7,192,970
Total liabilities		26,935,605	7,656,296
Total equity and liabilities		79,793,872	49,023,129
Net assets per share (RM) @		0.32	0.25

@ based on the number of ordinary shares of 163,000,000 shares

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

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**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Second Quarter Ended 30 June 2017
(The figures have not been audited)**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended	3 months ended	6 months ended	6 months ended
		30.6.17	30.6.16	30.6.17	30.6.16
		RM	RM	RM	RM
Revenue		29,377,689	20,067,997	44,282,752	23,911,632
Cost of sales		(18,744,996)	(13,824,979)	(28,552,111)	(16,225,663)
Gross profit		10,632,693	6,243,018	15,730,641	7,685,969
Other operating income		305,775	214,888	767,216	459,115
Other operating expenses		(254,786)	448,019	(416,920)	(418,070)
Administrative expenses		(1,666,225)	(1,176,386)	(2,934,514)	(2,200,092)
Profit from operations		9,017,457	5,729,539	13,146,423	5,526,922
Interest expense		-	(120)	-	(337)
Profit before taxation		9,017,457	5,729,419	13,146,423	5,526,585
Tax expense	B6	(18,452)	(17,452)	(43,904)	(38,904)
Net profit for the period	B1	8,999,005	5,711,967	13,102,519	5,487,681
Attributable to:					
Shareholders of the Company		8,999,005	5,711,967	13,102,519	5,487,681
Minority interests		-	-	-	-
Net profit for the period		8,999,005	5,711,967	13,102,519	5,487,681
Earnings per share					
(i) Basic (sen)	B14	5.59	3.54	8.13	3.40
(ii) Diluted (sen)		NA	NA	NA	NA

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

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**Condensed Consolidated Statement of Changes in Equity
For the Second Quarter Ended 30 June 2017
(The figures have not been audited)**

	Share Capital RM	Non-distributable Treasury Shares RM	Share Premium RM	Distributable Retained Profits RM	Total RM
At 1 January 2017	16,300,000	(1,158,913)	4,663,468	21,562,278	41,366,833
Transactions with owners					
Purchase of treasury shares	-	-	-	-	-
Dividend payable	-	-	-	(1,611,085)	(1,611,085)
	-	-	-	(1,611,085)	(1,611,085)
Net profit for the period	-	-	-	13,102,519	13,102,519
At 30 June 2017	16,300,000	(1,158,913)	4,663,468	33,053,712	52,858,267
At 1 January 2016	16,300,000	(749,545)	4,663,468	15,267,574	35,481,497
Transactions with owners					
Purchase of treasury shares	-	(372,124)	-	-	(372,124)
Dividend payable	-	-	-	(1,613,756)	(1,613,756)
	-	(372,124)	-	(1,613,756)	(1,985,880)
Net profit for the period	-	-	-	5,487,681	5,487,681
At 30 June 2016	16,300,000	(1,121,669)	4,663,468	19,141,499	38,983,298

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

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Condensed Consolidated Statement of Cash Flows
For the Second Quarter Ended 30 June 2017
(The figures have not been audited)

	6 months ended 30 June	
	2017	2016
	RM	RM
Cash flows from operating activities		
Profit before tax	13,146,423	5,526,585
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	309,399	340,181
(Gain) / Loss on fair value adjustment of other investments	(144,296)	211,195
Unrealised foreign exchange loss / (gain)	66,525	(134,326)
Gain on disposal of plant and equipment	(300)	(30,660)
Interest income	(330,020)	(250,256)
Interest expense	-	337
<i>Operating profit before working capital changes</i>	13,047,731	5,663,056
<i>Adjustments for working capital changes:</i>		
Inventories	(7,135,439)	(1,592,156)
Trade receivables	(19,969,954)	(11,290,156)
Sundry receivables, deposits and prepayments	(1,498,238)	284,589
Trade payables	12,842,013	2,555,384
Sundry payables and accruals	6,442,392	3,103,202
<i>Cash generated from / (used in) operations</i>	3,728,505	(1,276,081)
Interest received	330,020	250,256
Income tax paid	(60,145)	(44,636)
<i>Net cash generated from / (used in) operating activities</i>	3,998,380	(1,070,461)
Cash flows from investing activities		
Purchase of plant and equipment	(209,892)	(65,670)
Proceeds from / (Purchase of) other investments	563,638	(1,096,824)
Proceeds from disposal of plant and equipment	300	30,660
<i>Net cash generated from / (used in) investing activities</i>	354,046	(1,131,834)
Cash flows from financing activities		
Purchase of treasury shares	-	(372,124)
Repayments of hire purchase	-	(14,408)
Dividend paid	(1,611,085)	(1,613,756)
Interest paid	-	(337)
<i>Net cash used in financing activities</i>	(1,611,085)	(2,000,625)
Net increase / (decrease) in cash and cash equivalents	2,741,341	(4,202,920)
Effect of exchange differences in cash and cash equivalents	1,885	(33,798)
Cash and cash equivalents at the beginning of year	17,821,954	16,998,575
Cash and cash equivalents at the end of year	20,565,180	12,761,857

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

Notes to the Interim Financial Statements

Part A - Explanatory notes pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134

A1. Basis of preparation

These interim financial statements are unaudited and have been prepared in accordance with MFRS 134, Interim Financial Reporting in Malaysia and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

These interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016. These explanatory notes attached to the interim financial statements provide an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

These financial statements of the Group and the Company for the financial year ended 31 December 2016 were prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”). The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the year 31 December 2016, except for the adoption of the Standards, Amendments and Annual Improvement to Standards effective as of 1 January 2017.

Effective for annual periods commencing on or after 1 January 2017

Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014 - 2016 Cycle

Amendments to MFRS 107 Disclosure Initiative

Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

The following Standards and Amendment to Standards have been issued by the MASB but are not yet effective by the Group.

Effective for annual periods commencing on or after 1 January 2018

Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014 - 2016 Cycle

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

Clarifications to MFRS 15

Amendments to MFRS 2 Classification and Measurement of Share-based Payment

Transactions

Amendments to MFRS 128 Annual Improvements to MFRS Standards 2014 - 2016 Cycle

Amendments to MFRS 140 Transfers of Investment Property

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods commencing on or after 1 January 2019

MFRS 16 Leases

Issued but not yet effective

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an investor and its Associates or Joint Venture

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application except for the possible impact arising from the adoption of MFRS 9 and 15 which the Management is currently assessing.

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A2. Auditors' report of preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 was not qualified.

A3. Seasonal or cyclical factors

The Group's interim operations were not affected by seasonal or cyclical factors during the current 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 current quarter under review.

A5. Changes in estimates

There were no changes in estimates that have had material effect in the current quarter under review.

A6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the current quarter-to-date under review, except for the following:

Treasury shares

Number of treasury shares held as at 30 June 2017 were as follows:

Balance at 1 January 2017	1,891,500
Add: Purchase of treasury shares	-
Balance at 30 June 2017	<u>1,891,500</u>

A7. Dividend paid

The second interim single tier dividend of 1 sen per ordinary share of RM0.10 each totaling RM1,611,085 for the year ended 31 December 2016 was paid on 14 April 2017.

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A8. Segment reporting

As the Group's revenue was primarily attributed to the manufacture of automated systems and machinery segment with only insignificant amount contributed by the software development segment, segmental information based on operating segments was not prepared.

Information about geographical areas

	Revenue from external customers by location of customers RM	Segment assets by location of assets RM	Capital expenditure by location of assets RM
3 months ended 30 June 2017			
Malaysia	22,772,397	79,734,345	107,060
America	6,444,137	-	-
Australia	62,865	-	-
Asia (exclude Malaysia)	98,290	-	-
Consolidated	29,377,689	79,734,345	107,060

	Revenue from external customers by location of customers RM	Segment assets by location of assets RM	Capital expenditure by location of assets RM
3 months ended 30 June 2016			
Malaysia	8,784,319	50,683,140	33,048
America	389,763	-	-
Australia	9,856	-	-
Asia (exclude Malaysia)	10,884,059	-	-
Consolidated	20,067,997	50,683,140	33,048

	Revenue from external customers by location of customers RM	Segment assets by location of assets RM	Capital expenditure by location of assets RM
6 months ended 30 June 2017			
Malaysia	29,947,699	79,734,345	209,892
America	9,482,123	-	-
Australia	62,865	-	-
Asia (exclude Malaysia)	4,790,065	-	-
Consolidated	44,282,752	79,734,345	209,892

	Revenue from external customers by location of customers RM	Segment assets by location of assets RM	Capital expenditure by location of assets RM
6 months ended 30 June 2016			
Malaysia	11,654,717	50,683,140	65,670
America	1,196,953	-	-
Europe	5,476	-	-
Australia	60,148	-	-
Asia (exclude Malaysia)	10,994,338	-	-
Consolidated	23,911,632	50,683,140	65,670

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A9. Post balance sheet events

There were no material events after the current quarter under review that require disclosure or adjustment to the unaudited condensed interim financial statements.

A10. Changes in the composition of the Group

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

A11. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at 30 June 2017 and up to the date of this report.

A12. Capital commitments

Approved but not contracted for	30.6.17
	RM
Property, plant and equipment	<u>69,000</u>

A13. Related party transactions

	Individual Quarter		Cumulative Quarter	
	30.6.17	30.6.16	30.6.17	30.6.16
	RM	RM	RM	RM
Micro Carbide Engineering Sendirian Berhad				
- Precision tooling charges	179,870	9,955	221,520	31,439
- Rental income received	104,940	89,100	194,040	178,200

All related party transactions had been entered into in the ordinary course of business and transacted on a negotiated basis.

PART B - ACE Listing Requirements (Additional information pursuant to Chapter 9, Appendix 9B of the ACE Market Listing Requirements)

B1. Review of performance

	← Quarter ended →					← Period-to-date →		
	30.6.17 RM	31.3.17 RM	Var %	30.6.16 RM	Var %	30.6.17 RM	30.6.16 RM	Var %
Revenue	29,377,689	14,905,063	97	20,067,997	46	44,282,752	23,911,632	85
Cost of sales	(18,744,996)	(9,807,115)	-91	(13,824,979)	-36	(28,552,111)	(16,225,663)	-76
Gross profit	10,632,693	5,097,948	109	6,243,018	70	15,730,641	7,685,969	105
Other operating income	305,775	461,441	-34	214,888	42	767,216	459,115	67
Other operating expenses	(254,786)	(162,134)	-57	448,019	-157	(416,920)	(418,070)	-
Administrative expenses	(1,666,225)	(1,268,288)	-31	(1,176,386)	-42	(2,934,514)	(2,200,092)	-33
Profit from operations	9,017,457	4,128,967	118	5,729,539	57	13,146,423	5,526,922	138
Interest expense	-	-		(120)		-	(337)	
Profit before taxation	9,017,457	4,128,967	118	5,729,419	57	13,146,423	5,526,585	138
Tax expense	(18,452)	(25,452)	28	(17,452)	-6	(43,904)	(38,904)	-13
Net profit for the period	8,999,005	4,103,515	119	5,711,967	58	13,102,519	5,487,681	139

Comparison with the corresponding period in the previous year

The Group recorded a revenue of RM29.378 million for the current quarter, a significant increase of 46% (RM9.310 million) as compared to RM20.068 million of the corresponding quarter in the previous year. The quarter under review recorded a surge in sales of machines to the manufacturers of both smart devices and general lighting segments as they increased their orders for our inspection machines in meeting their production needs. Besides, the addition of new customers also contributed to the increase in revenue.

Gross profit has remained consistent with the nature of machines sold during the quarter. The increase in other operating income was attributed to the fair value adjustment of other investments as well as increase in interest income earned during the period. The increase in other operating expenses was mainly due to increase in forex losses as the US Dollar weakened slightly against the RM since the beginning of second quarter.

The increase in administrative expenses was mainly due to increase in some staff-related costs as operational volume increased.

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B1. Review of performance (Cont'd)

Financial period-to-date against preceding year corresponding financial period

The total revenue of the Group of RM44.283 million for the period ended 30 June 2017 increased by 85% (RM20.371 million) as compared to RM23.912 million reported in the previous financial period. The surge in revenue was due to higher volume of machines sold as the whole global market for the smart devices and general lighting segments ramped up their production in anticipation of their end products' launching.

The increase in other operating income was attributed to the fair value adjustment of other investments as well as the increase in interest income earned.

The increase in administrative expenses was mainly due to increase in some staff-related costs as operational volume increased.

B2. Variation of results against preceding quarter

Revenue for the current quarter of RM29.378 million was 97% higher than that recorded in the preceding quarter of RM14.905 million mainly attributed to a surge in demand for machines from existing and new customers. Gross margin recorded was consistent with the nature of machines sold during the quarter.

The current quarter saw a lower other operating income due to the fair value adjustment of other investments. The increase in other operating expenses was attributed to higher forex losses arising from the weakened US Dollar against RM since the beginning of the second quarter.

The increase in administrative expenses was mainly due to increase in some staff-related costs as operational volume increased during the period.

B3. Current year prospects

Basing on the anticipated orders coming in from the growing smart devices, automotive and general lighting segments, the performance for the rest of the year will be good.

B4. Board of Directors' opinion on revenue / profit estimate / forecast / projection / internal targets

Not applicable as the Group did not announce or disclose in any public document any revenue or profit estimate, forecast, projection or internal targets.

B5. Profit forecast

Not applicable as the Group did not announce or disclose in a public document any profit forecast or profit guarantee.

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B6. Breakdown of tax charge and explanation of variance between the effective and statutory tax rate for the current year quarter and the preceding year quarter

Reconciliation of effective tax expense:

	Individual Quarter		Cumulative Quarter	
	30.6.17	30.6.16	30.6.17	30.6.16
	RM	RM	RM	RM
Profit before tax	9,017,457	5,729,419	13,146,423	5,526,585
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	2,164,190	1,375,061	3,155,142	1,326,380
Non-deductible expenses	35,878	38,338	40,410	42,839
Losses not available for set-off	129,805	(19,558)	135,468	2,400
Pioneer income	(1,790,403)	(1,254,965)	(2,700,354)	(1,324,569)
Crystallisation of deferred tax liability	(2,548)	(2,548)	(5,096)	(5,096)
Unrecognised deferred tax assets	(518,470)	(118,876)	(581,666)	(3,050)
Tax expense	<u>18,452</u>	<u>17,452</u>	<u>43,904</u>	<u>38,904</u>

The Group has been granted a 10-year 100% tax exemption from Pioneer Status for its LED products from the relevant authority.

B7. Unquoted investments and properties

There were no sales of unquoted investments and/or properties for the current quarter under review.

B8. Quoted investments

A summary of the movement of quoted investments during the period ended 30 June 2017 is as follows:

	RM
Balance at 1 January 2017	4,743,640
Add: Purchases	1,000,000
Add: Dividend reinvest	61,493
Less: Disposals	(1,563,638)
Add : Gain on fair value adjustments	82,803
Balance at 30 June 2017	<u>4,324,298</u>

B9. Status of corporate proposal announced

Save for the announcement on even date in relation to the following:

- (i) proposed transfer of the listing of and quotation for the entire issued share capital of the Company from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad (“Proposed Transfer”); and
- (ii) proposed amendments to the Constitution of the Company to facilitate the implementation of the Proposed Transfer,

there were no corporate proposals announced but not completed as at the date of this report.

B10. Group’s borrowings and debt securities

There were no borrowings and debt securities as at the date of this report.

B11. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at the date of this report.

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B12. Material litigation

There were no material litigations pending as at the date of this report.

B13. Dividend declared

The Board of Directors has declared a first single tier interim dividend of 1 sen per ordinary share and a special single tier dividend of 0.50 sen per ordinary share for the year ending 31 December 2017.

The entitlement date and payment date are on 26 September 2017 and 18 October 2017 respectively.

B14. Earnings per share (EPS)

a) Basic EPS

Basic EPS is calculated by dividing the net profit after tax and minority interests for the period by number of ordinary shares in issue during the period.

	Individual Quarter		Cumulative Quarter	
	30.6.17	30.6.16	30.6.17	30.6.16
Net profit after tax and minority interests (RM)	8,999,005	5,711,967	13,102,519	5,487,681
Weighted average number of ordinary shares in issue	161,108,500	161,408,591	161,108,500	161,408,591
Basic earnings per share (sen)	5.59	3.54	8.13	3.40

b) Diluted EPS

The Group does not have any convertible securities and accordingly diluted EPS is not applicable.

B15. Realised and unrealised profit disclosure

The unappropriated profits as at 30 June 2017 and 31 December 2016 are analysed as follows:

	Current quarter 30.6.17 RM	Preceding year 31.12.16 RM
Total unappropriated profits of the Group		
- realised profit	42,717,679	30,487,996
- unrealised (loss) / gain	(524,755)	213,494
	<u>42,192,924</u>	<u>30,701,490</u>
Less : Consolidated adjustments	(9,139,212)	(9,139,212)
Total Group unappropriated profits as per consolidated financial statements	<u>33,053,712</u>	<u>21,562,278</u>

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B16. Profit before tax

The following items have been included in arriving at profit before tax:

	Individual Quarter		Cumulative Quarter	
	3 months ended	3 months ended	6 months ended	6 months ended
	30.6.17	30.6.16	30.6.17	30.6.16
	RM	RM	RM	RM
Depreciation of property, plant and equipment	157,986	171,491	309,399	340,181
(Gain) / Loss on fair value adjustment of other investments	(13,668)	69,153	(144,296)	211,195
Foreign exchange loss / (gain) - realised	(42,133)	54,301	350,394	324,688
- unrealised	296,918	(587,986)	66,525	(134,326)
Interest expense	-	120	-	337
Interest income	(163,183)	(125,789)	(330,020)	(250,256)
Rental income	(104,940)	(89,100)	(194,040)	(178,200)
Gain on disposal of plant and equipment	-	-	(300)	(30,660)

B17. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 August 2017.