



MMS VENTURES BERHAD
(Company No. 647125-P)

(Incorporated in Malaysia)

**Quarterly Report on Consolidated Results
For The Third Quarter Ended 30 September 2017**

(Incorporated in Malaysia)

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

	Note	30.9.17 (Unaudited) RM	31.12.16 (Audited) RM
Property, plant and equipment		9,281,246	9,483,109
Total non-current assets		9,281,246	9,483,109
Inventories		7,982,604	5,701,663
Other investments	B8	4,361,517	4,743,640
Trade receivables		22,624,574	10,356,255
Sundry receivables, deposits and prepayments		2,333,274	868,126
Tax refundable		56,683	48,382
Fixed deposits with licensed banks		22,490,367	13,244,509
Cash and cash equivalents		5,889,266	4,577,445
Total current assets		65,738,285	39,540,020
Total assets		75,019,531	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
Retained profits		38,269,855	21,562,278
Total equity attributable to shareholders of the Company		58,074,410	41,366,833
Total equity		58,074,410	41,366,833
Liabilities			
Deferred tax liabilities		455,682	463,326
Total non-current liabilities		455,682	463,326
Trade payables		8,034,442	4,455,596
Sundry payables and accruals		8,454,997	2,737,374
Total current liabilities		16,489,439	7,192,970
Total liabilities		16,945,121	7,656,296
Total equity and liabilities		75,019,531	49,023,129
Net assets per share (RM) @		0.36	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 Third Quarter Ended 30 September 2017
(The figures have not been audited)**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
		30.9.17 RM	30.9.16 RM	30.9.17 RM	30.9.16 RM
Revenue		19,442,172	6,805,838	63,724,925	30,717,470
Cost of sales		(13,065,946)	(5,037,180)	(41,618,057)	(21,262,843)
Gross profit		6,376,226	1,768,658	22,106,868	9,454,627
Other operating income		295,838	388,604	1,063,054	847,719
Other operating expenses		(226,463)	343,682	(643,383)	(74,388)
Administrative expenses		(1,169,005)	(966,390)	(4,103,521)	(3,166,482)
Profit from operations		5,276,596	1,534,554	18,423,018	7,061,476
Interest expense		-	(30)	-	(367)
Profit before taxation		5,276,596	1,534,524	18,423,018	7,061,109
Tax expense	B6	(60,452)	(36,452)	(104,356)	(75,356)
Net profit for the period	B1	5,216,144	1,498,072	18,318,662	6,985,753
Attributable to:					
Shareholders of the Company		5,216,144	1,498,072	18,318,662	6,985,753
Minority interests		-	-	-	-
Net profit for the period		5,216,144	1,498,072	18,318,662	6,985,753
Earnings per share					
(i) Basic (sen)	B14	3.24	0.93	11.37	4.33
(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 Third Quarter Ended 30 September 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 paid	-	-	-	(1,611,085)	(1,611,085)
	-	-	-	(1,611,085)	(1,611,085)
Net profit for the period	-	-	-	18,318,662	18,318,662
At 30 September 2017	16,300,000	(1,158,913)	4,663,468	38,269,855	58,074,410
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 paid	-	-	-	(3,225,541)	(3,225,541)
	-	(372,124)	-	(3,225,541)	(3,597,665)
Net profit for the period	-	-	-	6,985,753	6,985,753
At 30 September 2016	16,300,000	(1,121,669)	4,663,468	19,027,786	38,869,585

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 Third Quarter Ended 30 September 2017
(The figures have not been audited)**

	9 months ended 30 September	
	2017	2016
	RM	RM
Cash flows from operating activities		
Profit before tax	18,423,018	7,061,109
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	464,252	491,607
(Gain) / Loss on fair value adjustment of other investments	(123,547)	74,389
Unrealised foreign exchange loss / (gain)	134,661	(397,280)
Gain on disposal of plant and equipment	(141)	(45,764)
Interest income	(474,810)	(351,781)
Interest expense	-	367
	18,423,433	6,832,647
<i>Operating profit before working capital changes</i>		
<i>Adjustments for working capital changes:</i>		
Inventories	(2,280,941)	1,068,835
Trade receivables	(12,381,624)	(3,124,706)
Sundry receivables, deposits and prepayments	(1,465,148)	427,475
Trade payables	3,578,846	(1,501,028)
Sundry payables and accruals	5,717,623	1,569,146
	11,592,189	5,272,369
<i>Cash generated from operations</i>		
Interest received	474,810	351,781
Income tax paid	(120,301)	(101,834)
	11,946,698	5,522,316
<i>Net cash generated from operating activities</i>		
Cash flows from investing activities		
Purchase of plant and equipment	(262,549)	(162,694)
Proceeds from / (Purchase of) other investments	505,670	(1,113,338)
Proceeds from disposal of plant and equipment	301	45,764
	243,422	(1,230,268)
<i>Net cash generated from / (used in) investing activities</i>		
Cash flows from financing activities		
Purchase of treasury shares	-	(372,124)
Repayments of hire purchase	-	(18,790)
Dividend paid	(1,611,085)	(1,613,756)
Interest paid	-	(367)
	(1,611,085)	(2,005,037)
<i>Net cash used in financing activities</i>		
Net increase in cash and cash equivalents	10,579,035	2,287,011
Effect of exchange differences in cash and cash equivalents	(21,356)	81,170
Cash and cash equivalents at the beginning of year	17,821,954	16,998,575
Cash and cash equivalents at the end of year	28,379,633	19,366,756

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.

Treasury shares

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

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

A7. Dividends paid

The first single tier interim dividend of 1 sen and the special single tier dividend of 0.50 sen per ordinary share totaling RM2,416,628 for the year ending 31 December 2017 was paid on 17 October 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 September 2017			
Malaysia	10,842,803	74,962,848	52,657
America	6,282,089	-	-
Asia (exclude Malaysia)	2,317,280	-	-
Consolidated	19,442,172	74,962,848	52,657
3 months ended 30 September 2016			
Malaysia	1,614,576	46,565,616	97,024
America	2,599,421	-	-
Europe	1,019	-	-
Australia	10,236	-	-
Asia (exclude Malaysia)	2,580,586	-	-
Consolidated	6,805,838	46,565,616	97,024
9 months ended 30 September 2017			
Malaysia	40,790,161	74,962,848	262,549
America	15,764,555	-	-
Australia	62,865	-	-
Asia (exclude Malaysia)	7,107,344	-	-
Consolidated	63,724,925	74,962,848	262,549
9 months ended 30 September 2016			
Malaysia	13,269,294	46,565,616	162,694
America	3,796,373	-	-
Europe	6,495	-	-
Australia	70,384	-	-
Asia (exclude Malaysia)	13,574,924	-	-
Consolidated	30,717,470	46,565,616	162,694

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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 September 2017 and up to the date of this report.

A12. Capital commitments

Approved but not contracted for	30.9.17
	RM
Property, plant and equipment	<u>50,000</u>

A13. Related party transactions

	Individual Quarter		Cumulative Quarter	
	30.9.17	30.9.16	30.9.17	30.9.16
	RM	RM	RM	RM
Micro Carbide Engineering Sendirian Berhad				
- Precision tooling charges	108,990	6,408	330,510	37,847
- Rental income received	112,860	89,100	306,900	267,300

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

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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 →		
	30.9.17 RM	30.6.17 RM	Var %	30.9.16 RM	Var %	30.9.17 RM	30.9.16 RM	Var %
Revenue	19,442,172	29,377,689	-34	6,805,838	186	63,724,925	30,717,470	107
Cost of sales	(13,065,946)	(18,744,996)	30	(5,037,180)	-159	(41,618,057)	(21,262,843)	-96
Gross profit	6,376,226	10,632,693	-40	1,768,658	261	22,106,868	9,454,627	134
Other operating income	295,838	305,775	-3	388,604	-24	1,063,054	847,719	25
Other operating expenses	(226,463)	(254,786)	11	343,682	-166	(643,383)	(74,388)	-765
Administrative expenses	(1,169,005)	(1,666,225)	30	(966,390)	-21	(4,103,521)	(3,166,482)	-30
Profit from operations	5,276,596	9,017,457	-41	1,534,554	244	18,423,018	7,061,476	161
Interest expense	-	-		(30)		-	(367)	
Profit before taxation	5,276,596	9,017,457	-41	1,534,524	244	18,423,018	7,061,109	161
Tax expense	(60,452)	(18,452)	-228	(36,452)	-66	(104,356)	(75,356)	-38
Net profit for the period	5,216,144	8,999,005	-42	1,498,072	248	18,318,662	6,985,753	162

Comparison with the corresponding period in the previous year

The Group recorded a revenue of RM19.442 million for the current quarter, a significant increase of 186% (RM12.636 million) as compared to RM6.806 million of the corresponding quarter in the previous year. The quarter under review recorded a surge in sales of machines to the manufacturers of smart devices and automotive segments as well as OEM and ODM customers. These customers have increased their orders for our machines in meeting their production needs.

Gross profit has remained consistent with the nature of machines sold during the quarter. The decrease in other operating income was attributed to the further forex losses suffered as the US Dollar weakened slightly against the RM since the beginning of second quarter, which also explained the increase in other operating expenses.

The increase in administrative expenses was mainly due to increase in some overheads in line with increase in operational volume as well as some professional costs incurred in connection with the Group's proposed transfer listing exercise.

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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 RM63.725 million for the period ended 30 September 2017 increased by 107% (RM33.007 million) as compared to RM30.717 million reported in the previous financial period. The surge in revenue was due to higher volume of machines sold.

The increase in other operating income was contributed by the increase in interest income earned coupled with the gain from fair value adjustment of other investments.

The increase in administrative expenses was mainly due to increase in some indirect overheads in line with operational volume increased coupled with some professional costs incurred in connection with the Group's proposed transfer listing exercise.

B2. Variation of results against preceding quarter

Revenue for the current quarter of RM19.442 million was 34% lower than that recorded in the preceding quarter of RM29.378 million as orders for machines received from the customers for current quarter were lower than that of the preceding quarter. Gross margin recorded was consistent with the nature of machines sold during the quarter.

The slight decrease in other operating expenses was attributed to lower forex losses during the quarter as the fluctuation in US Dollar against RM for the quarter was smaller.

The decrease in administrative expenses was mainly due to decrease in some overheads during the quarter in line with the decrease in operational volume as compared against the preceding quarter.

B3. Current year prospects

Given the continuing growth of the smart devices and automotive industries, the Board is confident of leveraging on them. The Board foresees that the performance for the remaining quarter will therefore 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	
	30.9.17	30.9.16	30.9.17	30.9.16
	RM	RM	RM	RM
Profit before tax	5,276,596	1,534,524	18,423,018	7,061,109
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	1,266,383	368,286	4,421,524	1,694,666
Non-deductible expenses	160,146	79,133	200,556	121,973
Losses not available for set-off	28,062	-	163,531	-
Pioneer income	(902,649)	(202,026)	(3,603,003)	(1,524,196)
Crystallisation of deferred tax liability	(2,548)	(2,548)	(7,644)	(7,644)
Utilisation of other tax allowances	15,504	-	(326,428)	-
Unrecognised deferred tax assets	(504,446)	(206,393)	(744,180)	(209,443)
Tax expense	<u>60,452</u>	<u>36,452</u>	<u>104,356</u>	<u>75,356</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 September 2017 is as follows:

	RM
Balance at 1 January 2017	4,743,640
Add: Purchases	1,000,000
Add: Dividend reinvest	94,189
Less: Disposals	(1,505,669)
Add : Gain on fair value adjustments	29,357
Balance at 30 September 2017	<u>4,361,517</u>

B9. Status of corporate proposal announced

The Group had on 28 August 2017 made announcements 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,

Save for the above, 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.

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B11. Off balance sheet financial instruments

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

B12. Material litigation

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

B13. Dividend declared

No dividend was proposed or declared by the Company during the current quarter under review.

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	
	30.9.17	30.9.16	30.9.17	30.9.16
Net profit after tax and minority interests (RM)	5,216,144	1,498,072	18,318,662	6,985,753
Weighted average number of ordinary shares in issue	161,108,500	161,332,334	161,108,500	161,332,334
Basic earnings per share (sen)	3.24	0.93	11.37	4.33

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 retained profits as at 30 September 2017 and 31 December 2016 are analysed as follows:

	Current quarter	Preceding year
	30.9.17	31.12.16
	RM	RM
Total retained profits of the Group		
- realised profit	47,999,410	30,487,996
- unrealised (loss) / gain	(590,343)	213,494
	<u>47,409,067</u>	<u>30,701,490</u>
Less : Consolidated adjustments	(9,139,212)	(9,139,212)
Total Group retained profits as per consolidated financial statements	<u>38,269,855</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 3 months ended		Cumulative Quarter 9 months ended	
	30.9.17	30.9.16	30.9.17	30.9.16
	RM	RM	RM	RM
Depreciation of property, plant and equipment	154,853	151,426	464,252	491,607
Loss / (Gain) on fair value adjustment of other investments	20,749	(136,806)	(123,547)	74,389
Foreign exchange loss / (gain) - realised	158,328	(110,282)	508,722	214,406
- unrealised	68,136	(262,954)	134,661	(397,280)
Interest expense	-	30	-	367
Interest income	(144,790)	(101,525)	(474,810)	(351,781)
Rental income	(112,860)	(89,100)	(306,900)	(267,300)
Loss / (Gain) on disposal of plant and equipment	159	(15,104)	(141)	(45,764)

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 27 November 2017.