



**MMS VENTURES BERHAD**  
(Company No. 647125-P)

(Incorporated in Malaysia)

**Quarterly Report on Consolidated Results  
For The Second Quarter Ended 30 June 2019**

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Financial Position  
As at 30 June 2019**

	Note	30.6.19 (Unaudited) RM	31.12.18 (Audited) RM
Property, plant and equipment		9,375,945	9,506,122
<b>Total non-current assets</b>		<b>9,375,945</b>	<b>9,506,122</b>
Inventories		11,668,597	8,837,700
Other investments	B8	4,574,882	4,407,476
Trade receivables		27,005,574	14,425,748
Sundry receivables, deposits and prepayments		502,696	2,277,900
Tax refundable		917,602	652,296
Fixed deposits with licensed banks		19,857,870	24,074,405
Cash and cash equivalents		1,970,952	3,223,105
<b>Total current assets</b>		<b>66,498,173</b>	<b>57,898,630</b>
<b>Total assets</b>		<b>75,874,118</b>	<b>67,404,752</b>
<b>Equity</b>			
Share capital		21,717,771	21,649,832
Share option reserve		244,392	-
Treasury shares		(4,561,248)	(4,320,158)
Retained profits		42,895,887	40,429,520
<b>Total equity attributable to shareholders of the Company</b>		<b>60,296,802</b>	<b>57,759,194</b>
<b>Total equity</b>		<b>60,296,802</b>	<b>57,759,194</b>
<b>Liabilities</b>			
Deferred tax liabilities		690,392	692,940
<b>Total non-current liabilities</b>		<b>690,392</b>	<b>692,940</b>
Trade payables		8,372,810	6,566,216
Sundry payables and accruals		6,514,114	2,386,402
<b>Total current liabilities</b>		<b>14,886,924</b>	<b>8,952,618</b>
<b>Total liabilities</b>		<b>15,577,316</b>	<b>9,645,558</b>
<b>Total equity and liabilities</b>		<b>75,874,118</b>	<b>67,404,752</b>
<b>Net assets per share (RM)</b>		0.30	0.29*

\* The weighted average number of ordinary shares for the purpose of the computation of the net assets per share has been adjusted retrospectively to reflect the Company's bonus issue which was completed on 30 October 2018.

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the Second Quarter Ended 30 June 2019  
(The figures have not been audited)**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended	3 months ended	6 months ended	6 months ended
		30.6.19	30.6.18	30.6.19	30.6.18
		RM	RM	RM	RM
<b>Revenue</b>		<b>15,118,941</b>	12,240,710	<b>25,323,322</b>	28,159,745
Cost of sales		<b>(11,340,843)</b>	(8,751,948)	<b>(18,784,125)</b>	(19,329,366)
<b>Gross profit</b>		<b>3,778,098</b>	3,488,762	<b>6,539,197</b>	8,830,379
Other operating income		<b>481,171</b>	739,284	<b>849,948</b>	453,513
Administrative expenses		<b>(1,273,768)</b>	(1,183,471)	<b>(2,634,347)</b>	(2,229,600)
<b>Profit before tax</b>		<b>2,985,501</b>	3,044,575	<b>4,754,798</b>	7,054,292
Tax expense	B6	<b>(216,548)</b>	(273,453)	<b>(300,000)</b>	(290,905)
<b>Net profit for the period</b>	B1	<b>2,768,653</b>	2,771,122	<b>4,454,798</b>	6,763,387
<b>Attributable to:</b>					
Shareholders of the Company		<b>2,768,653</b>	2,771,122	<b>4,454,798</b>	6,763,387
Minority interests		-	-	-	-
<b>Net profit for the period</b>		<b>2,768,653</b>	2,771,122	<b>4,454,798</b>	6,763,387
<b>Earnings per share</b>					
(i) Basic (sen)	B14	<b>1.39</b>	1.38	<b>2.24</b>	3.36
(ii) Diluted (sen)		<b>1.39</b>	1.38	<b>2.24</b>	3.36

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2019**  
(The figures have not been audited)

	Share Capital RM	Non-distributable Share Option Reserve RM	Treasury Shares RM	Distributable Retained Profits RM	Total RM
<b>At 1 January 2019</b>	21,649,832	-	(4,320,158)	40,429,520	57,759,194
<b>Transactions with owners</b>					
Purchase of treasury shares	-	-	(241,090)	-	(241,090)
Share option vested under ESOS	-	265,884	-	-	265,884
Ordinary shares issued pursuant to exercise of ESOS	67,939	(21,492)	-	-	46,447
Dividend payable	-	-	-	(1,988,431)	(1,988,431)
	67,939	244,392	(241,090)	(1,988,431)	(1,917,190)
Net profit for the period	-	-	-	4,454,798	4,454,798
<b>At 30 June 2019</b>	<b>21,717,771</b>	<b>244,392</b>	<b>(4,561,248)</b>	<b>42,895,887</b>	<b>60,296,802</b>
<b>At 1 January 2018</b>	20,963,468	-	(1,479,991)	38,589,316	58,072,793
Adjustment on adoption of MFRS 9	-	-	-	(92,246)	(92,246)
Adjustment on adoption of MFRS 15	-	-	-	(1,426,497)	(1,426,497)
Adjusted 1 January 2018	20,963,468	-	(1,479,991)	37,070,573	56,554,050
<b>Transactions with owners</b>					
Purchase of treasury shares	-	-	(1,496,722)	-	(1,496,722)
Dividend payable	-	-	-	(4,015,388)	(4,015,388)
	-	-	(1,496,722)	(4,015,388)	(5,512,110)
Net profit for the period	-	-	-	6,763,387	6,763,387
<b>At 30 June 2018</b>	<b>20,963,468</b>	<b>-</b>	<b>(2,976,713)</b>	<b>39,818,572</b>	<b>57,805,327</b>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2019**  
**(The figures have not been audited)**

	<b>6 months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RM</b>	RM
<b>Cash flows from operating activities</b>		
Profit before tax	4,754,798	7,054,292
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	373,053	289,247
(Gain) / Loss on fair value adjustment of other investments	(167,406)	294,395
Share options vested under ESOS	265,884	-
Unrealised foreign exchange gain	(35,162)	(273,752)
(Gain) / Loss on disposal of plant and equipment	(400)	292
Impairment of receivables	71,609	69,545
Interest income	(440,790)	(395,963)
<i>Operating profit before working capital changes</i>	4,821,586	7,038,056
<i>Adjustments for working capital changes:</i>		
Inventories	(2,830,897)	2,271,434
Trade receivables	(12,607,423)	3,709,741
Sundry receivables, deposits and prepayments	1,775,204	217,906
Trade payables	1,806,594	(4,336,535)
Sundry payables and accruals	4,127,712	(4,591,132)
<i>Cash (used in) / generated from operations</i>	(2,907,224)	4,309,470
Interest received	440,790	395,963
Income tax paid	(567,854)	(50,819)
<i>Net cash (used in) / generated from operating activities</i>	(3,034,288)	4,654,614
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(242,876)	(128,490)
Purchase of other investments	-	(309,355)
Proceeds from disposal of plant and equipment	400	-
<i>Net cash used in investing activities</i>	(242,476)	(437,845)
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(241,090)	(1,496,722)
Proceeds from issuance of ordinary shares pursuant to exercise of ESOS	46,447	-
Dividend paid	(1,988,431)	(4,015,388)
<i>Net cash used in financing activities</i>	(2,183,074)	(5,512,110)
<b>Net decrease in cash and cash equivalents</b>	(5,459,838)	(1,295,341)
<b>Effect of exchange differences in cash and cash equivalents</b>	(8,850)	30,385
<b>Cash and cash equivalents at the beginning of year</b>	27,297,510	28,737,849
<b>Cash and cash equivalents at the end of year</b>	21,828,822	27,472,893

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

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## **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 Main Market.

These interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018. 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 2018.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 December 2018.

The adoption of new and revised MFRSs and IC Interpretations that came into effect for accounting periods beginning on or after 1 January 2019 and are relevant as below, did not have any significant impact to the unaudited consolidated financial statements upon their initial application:

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments - Prepayments Features with Negative Compensation*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendments, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

### **A2. Auditors’ report of preceding annual financial statements**

The auditors’ report on the financial statements for the financial year ended 31 December 2018 was not qualified.

### **A3. Seasonal or cyclical factors**

The Group’s interim operations are 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.

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#### **A6. Debt and equity securities**

There were no issuance, 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 2019 were as follows:

Balance at 1 January 2019	4,898,875
Add: Purchase of treasury shares	315,400
Balance at 30 June 2019	<u>5,214,275</u>

#### **A7. Dividend paid**

The second interim single tier dividend of 1 sen per ordinary share for the year ended 31 December 2018 totalling RM1,988,431 was paid on 17 April 2019.

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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
<b>3 months ended 30 June 2019</b>			
Malaysia	8,581,440	9,375,945	65,340
America	268,019	-	-
Asia (excludes Malaysia)	6,263,189	-	-
Europe	6,293	-	-
Consolidated	15,118,941	9,375,945	65,340
<b>3 months ended 30 June 2018</b>			
Malaysia	2,451,784	9,069,153	83,033
America	5,694,254	-	-
Asia (excludes Malaysia)	3,817,915	-	-
Europe	253,656	-	-
Australia	23,101	-	-
Consolidated	12,240,710	9,069,153	83,033
<b>6 months ended 30 June 2019</b>			
Malaysia	12,569,547	9,375,945	242,876
America	425,272	-	-
Asia (excludes Malaysia)	12,258,681	-	-
Europe	11,835	-	-
Australia	57,987	-	-
Consolidated	25,323,322	9,375,945	242,876
<b>6 months ended 30 June 2018</b>			
Malaysia	11,177,208	9,069,153	128,490
America	11,480,963	-	-
Asia (excludes Malaysia)	5,224,817	-	-
Europe	253,656	-	-
Australia	23,101	-	-
Consolidated	28,159,745	9,069,153	128,490

#### 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.



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**A11. Contingent liabilities and contingent assets**

There were no contingent liabilities or contingent assets as at 30 June 2019 and up to the date of this report.

**A12. Capital commitments**

Property, plant and equipment	<b>30.6.19</b>
	<b>RM</b>
Approved and contracted for	<u>100,000</u>

**A13. Related party transactions**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.6.19</b>	30.6.18	<b>30.6.19</b>	30.6.18
	<b>RM</b>	RM	<b>RM</b>	RM
Micro Carbide Engineering Sdn Bhd				
- Precision tooling charges	<b>64,900</b>	134,610	<b>79,050</b>	243,050
- Rental income received	<b>116,620</b>	112,860	<b>229,480</b>	225,720

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 - Explanatory notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad for the Main Market**

**B1. Review of performance**

	← Quarter ended →					← Period-to-date →		
	<b>30.6.19</b>	31.3.19	<b>Var</b>	30.6.18	<b>Var</b>	<b>30.6.19</b>	30.6.18	<b>Var</b>
	<b>RM</b>	RM	%	RM	%	<b>RM</b>	RM	%
<b>Revenue</b>	<b>15,118,941</b>	10,204,381	48	12,240,710	24	<b>25,323,322</b>	28,159,745	-10
Cost of sales	<b>(11,340,843)</b>	(7,443,282)	-52	(8,751,948)	-30	<b>(18,784,125)</b>	(19,329,366)	3
<b>Gross profit</b>	<b>3,778,098</b>	2,761,099	37	3,488,762	8	<b>6,539,197</b>	8,830,379	-26
Other operating income	<b>481,171</b>	368,777	30	739,284	-35	<b>849,948</b>	453,513	87
Administrative expenses	<b>(1,273,768)</b>	(1,360,578)	6	(1,183,471)	-8	<b>(2,634,347)</b>	(2,229,600)	-18
<b>Profit before tax</b>	<b>2,985,501</b>	1,769,298	69	3,044,575	2	<b>4,754,798</b>	7,054,292	-33
Tax expense	<b>(216,548)</b>	(83,452)		(273,453)		<b>(300,000)</b>	(290,905)	
<b>Net profit for the period</b>	<b>2,768,653</b>	1,685,846		2,771,122		<b>4,454,798</b>	6,763,387	

***Comparison with the corresponding period in the previous year***

The Group recorded a revenue of RM15.119 million for the current quarter, an increase of 24% as compared to RM12.241 million of the corresponding quarter in the previous year due to an increase in orders received from the smart devices customers during the current period. The decrease in gross margin was mainly due to increase in product development costs for the current quarter.

The decrease in other operating income in the current quarter was attributed to the lower unrealised forex gain as compared to the corresponding year quarter.

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

The Group recorded a revenue of RM25.323 million for the period-to-date, a decrease of 10% as compared to RM28.160 million reported in the previous financial period due to the overall decrease in volume of machines sold to the smart devices segment. The decrease in gross margin was mainly due to increase in product development costs during the current period.

The increase in administrative expenses was mainly due to the increase in some employee-related costs as well as the share-based payment arising from the granting of ESOS during the current financial period.

The increase in other operating income was mainly attributed to the unrealised gain in fair value adjustment of other investments during the current period.

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## **B2. Variation of results against preceding quarter**

Revenue for the current quarter of RM15.119 million recorded a 48% increase mainly attributed to the higher orders secured as compared to the preceding quarter of RM10.204 million. No significant fluctuation in gross margin was noted in the current quarter as compared to the preceding quarter.

The increase in other operating income was mainly due to higher forex gain as a result of the strengthened US Dollar against the RM as compared to the preceding quarter.

## **B3. Current year prospects**

The on-going trade war between the US and China has created a lot of upheaval to world trade which has resulted in uncertainties to the world economic and business environment.

Nevertheless, Management is addressing the situation and exploring various possible options to mitigate the negative impact.

Going forward, the Board is of the view that the performance of the Group for the year would be satisfactory.

## **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.

## **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:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.6.19</b>	<b>30.6.18</b>	<b>30.6.19</b>	<b>30.6.18</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Profit before tax</b>	2,985,501	3,044,575	4,754,798	7,054,292
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	716,520	730,698	1,141,152	1,693,030
Non-deductible expenses	120,000	72,775	124,255	119,443
Losses not available for set-off	(4,353)	7,574	19,548	11,000
Pioneer income	(641,312)	(353,570)	(1,033,467)	(1,168,572)
Crystallisation of deferred tax liability	(2,548)	(2,548)	(5,096)	(5,096)
Unrecognised deferred tax assets	28,241	(181,476)	53,608	(358,900)
<b>Tax expense</b>	<b>216,548</b>	<b>273,453</b>	<b>300,000</b>	<b>290,905</b>

## **B7. Unquoted investments and properties**

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

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### **B8. Quoted investments**

A summary of the movement of quoted investments during the period ended 30 June 2019 is as follows:

	<b>RM</b>
Balance at 1 January 2019	4,407,476
Less: Gain on fair value adjustment	<u>167,406</u>
Balance at 30 June 2019	<u><u>4,574,882</u></u>

### **B9. Status of corporate proposal announced**

On 28 January 2019, the Board of Directors announced that the Company offered 3,500,000 options to its eligible Directors and employees under the Employees' Share Option Scheme at an exercise price of RM 0.719 per option.

### **B10. Group's borrowings and debt securities**

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

### **B11. Off balance sheet financial instruments**

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

### **B12. Material litigation**

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

### **B13. Dividend declared**

The Board of Directors has declared a first interim single tier dividend of 1 sen per ordinary share for the year ending 31 December 2019.

The entitlement date and payment date are on 26 September 2019 and 18 October 2019 respectively.

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#### 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 weighted average number of ordinary shares in issue during the period.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.6.19</b>	30.6.18	<b>30.6.19</b>	30.6.18
	<b>RM</b>	RM	<b>RM</b>	RM
Net profit after tax and minority interests (RM)	2,768,653	2,771,122	4,454,798	6,763,387
Weighted average number of ordinary shares in issue	198,734,151	201,060,177	198,734,151	201,060,177
Basic earnings per share (sen)	1.39	1.38	2.24	3.36

##### b) Diluted EPS

Diluted EPS is calculated by dividing the net profit after tax and minority interests for the period by weighted average number of ordinary shares in issue during the period after adjusting for the dilutive effects of the employees' share options exercised.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.6.19</b>	30.6.18	<b>30.6.19</b>	30.6.18
	<b>RM</b>	RM	<b>RM</b>	RM
Net profit after tax and minority interests (RM)	2,768,653	2,771,122	4,454,798	6,763,387
Effect of share options - ESOS	31,470	-	31,470	-
Weighted average number of ordinary shares in issue (diluted)	198,765,621	201,060,177	198,765,621	201,060,177
Basic earnings per share (sen)	1.39	1.38	2.24	3.36

#### B15. Profit before tax

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>	30.6.18	<b>6 months ended</b>	30.6.18
	<b>30.6.19</b>	RM	<b>30.6.19</b>	RM
	<b>RM</b>	RM	<b>RM</b>	RM
Depreciation of property, plant and equipment	160,209	144,400	373,053	289,247
(Gain) / Loss on fair value adjustment of other investments	(41,200)	152,255	(167,406)	294,395
Foreign exchange loss / (gain) - realised	16,505	208,385	23,349	259,782
- unrealised	(135,471)	(682,553)	(35,162)	(273,752)
Interest income	(203,984)	(229,063)	(440,790)	(395,963)
Rental income	(116,620)	(112,860)	(229,480)	(225,720)
(Gain) / Loss on disposal of plant and equipment	(400)	-	(400)	292

#### B16. 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 2019.