



MMS VENTURES BERHAD
(Company No. 647125-P)

(Incorporated in Malaysia)

**Quarterly Report on Consolidated Results
For The Fourth Quarter Ended 31 December 2019**

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Financial Position
As at 31 December 2019**

	Note	31.12.19 (Unaudited) RM	31.12.18 (Audited) RM
Right-of-use asset		3,220,644	-
Property, plant and equipment		5,993,184	9,506,122
Total non-current assets		9,213,828	9,506,122
Inventories		9,562,027	8,837,700
Other investments	B8	6,211,062	4,407,476
Trade receivables		12,167,002	14,425,748
Sundry receivables, deposits and prepayments		843,379	2,277,900
Tax refundable		556,705	652,296
Fixed deposits with licensed banks		24,523,834	24,074,405
Cash and cash equivalents		6,282,687	3,223,105
Total current assets		60,146,696	57,898,630
Total assets		69,360,524	67,404,752
Equity			
Share capital		21,717,771	21,649,832
Share option reserve		472,805	-
Treasury shares		(4,896,320)	(4,320,158)
Retained profits		44,037,156	40,429,520
Total equity attributable to shareholders of the Company		61,331,412	57,759,194
Total equity		61,331,412	57,759,194
Liabilities			
Deferred tax liabilities		860,751	692,940
Total non-current liabilities		860,751	692,940
Trade payables		4,044,848	6,566,216
Sundry payables and accruals		2,731,913	2,386,402
Contract liability		391,600	-
Total current liabilities		7,168,361	8,952,618
Total liabilities		8,029,112	9,645,558
Total equity and liabilities		69,360,524	67,404,752
Net assets per share (RM)		0.31	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.

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**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Fourth Quarter Ended 31 December 2019**
(The figures have not been audited)

	Note	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
		31.12.19 RM	31.12.18 RM	31.12.19 RM	31.12.18 RM
Revenue		11,471,169	9,788,896	43,008,301	47,844,338
Cost of sales		(7,912,363)	(7,063,103)	(31,207,364)	(33,512,120)
Gross profit		3,558,806	2,725,793	11,800,937	14,332,218
Other operating (expenses) / income		437,188	(92,289)	1,733,412	778,272
Administrative expenses		(1,571,510)	(1,643,233)	(5,303,171)	(5,155,314)
Profit before tax		2,424,484	990,271	8,231,178	9,955,176
Tax expense	B6	197,823	(398,451)	(652,178)	(980,807)
Net profit for the period	B1	2,622,307	591,820	7,579,000	8,974,369
Attributable to:					
Shareholders of the Company		2,622,307	591,820	7,579,000	8,974,369
Minority interests		-	-	-	-
Net profit for the period		2,622,307	591,820	7,579,000	8,974,369
Earnings per share					
(i) Basic (sen)	B14	1.32	0.29	3.82	4.47
(ii) Diluted (sen)		1.32	0.29	3.81	4.47

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 Fourth Quarter Ended 31 December 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
At 1 January 2019	21,649,832	-	(4,320,158)	40,429,520	57,759,194
Transactions with owners					
Purchase of treasury shares	-	-	(576,162)	-	(576,162)
Share option vested under ESOS	-	494,297	-	-	494,297
Ordinary shares issued pursuant to exercise of ESOS	67,939	(21,492)	-	-	46,447
Dividend payable	-	-	-	(3,971,364)	(3,971,364)
	67,939	472,805	(576,162)	(3,971,364)	(4,006,782)
Net profit for the period	-	-	-	7,579,000	7,579,000
At 31 December 2019	21,717,771	472,805	(4,896,320)	44,037,156	61,331,412
At 1 January 2018	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
Transactions with owners					
Purchase of treasury shares	-	-	(3,778,424)	-	(3,778,424)
Disposal of treasury shares	686,364	-	938,257	-	1,624,621
Dividend payable	-	-	-	(5,615,422)	(5,615,422)
	686,364	-	(2,840,167)	(5,615,422)	(7,769,225)
Net profit for the period	-	-	-	8,974,369	8,974,369
At 31 December 2018	21,649,832	-	(4,320,158)	40,429,520	57,759,194

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 Fourth Quarter Ended 31 December 2019
(The figures have not been audited)

	12 months ended 31 December	
	2019	2018
	RM	RM
Cash flows from operating activities		
Profit before tax	8,231,178	9,955,176
<i>Adjustments for:</i>		
Depreciation of right-of-use asset	75,485	-
Depreciation of property, plant and equipment	618,960	622,189
(Gain) / Loss on fair value adjustment of other investments	(303,586)	706,059
Share options vested under ESOS	494,297	-
Unrealised foreign exchange loss / (gain)	182,648	(2,817)
Loss on disposal of plant and equipment	369	2,565
Written off of inventories	133,864	19,843
Written down of inventories	74,439	-
Impairment loss on trade receivables	579,832	20,612
Interest income	(901,493)	(886,833)
<i>Operating profit before working capital changes</i>	9,185,993	10,436,794
<i>Adjustments for working capital changes:</i>		
Inventories	(932,630)	3,187,191
Trade receivables	1,547,032	2,962,924
Sundry receivables, deposits and prepayments	1,434,521	(817,749)
Trade payables	(2,516,999)	(1,477,282)
Sundry payables and accruals	345,511	(5,899,306)
Contract Liability	391,600	-
<i>Cash generated from operations</i>	9,455,028	8,392,572
Interest received	901,493	886,833
Income tax paid	(388,776)	(1,334,417)
<i>Net cash generated from operating activities</i>	9,967,745	7,944,988
Cash flows from investing activities		
Purchase of plant and equipment	(403,920)	(900,674)
Purchase of other investments	(1,500,000)	(700,028)
Proceeds from disposal of plant and equipment	1,400	-
<i>Net cash used in investing activities</i>	(1,902,520)	(1,600,702)
Cash flows from financing activities		
Purchase of treasury shares	(576,162)	(2,153,803)
Proceeds from issuance of ordinary shares pursuant to exercise of ESOS	46,447	-
Dividends paid	(3,971,364)	(5,615,422)
<i>Net cash used in financing activities</i>	(4,501,079)	(7,769,225)
Net increase / (decrease) in cash and cash equivalents	3,564,146	(1,424,939)
Effect of exchange differences in cash and cash equivalents	(55,135)	(15,400)
Cash and cash equivalents at the beginning of year	27,297,510	28,737,849
Cash and cash equivalents at the end of year	30,806,521	27,297,510

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 128 Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 9 Prepayment Features with Negative Compensation
- Amendments to MFRS 3 Annual Improvements to MFRS Standards 2015 - 2017 Cycle
- Amendments to MFRS 11 Annual Improvements to MFRS Standards 2015 - 2017 Cycle
- Amendments to MFRS 112 Annual Improvements to MFRS Standards 2015 - 2017 Cycle
- Amendments to MFRS 123 Annual Improvements to MFRS Standards 2015 - 2017 Cycle
- Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement

New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

Title	Effective Date
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group does not expect the adoption of the above Standards to have a significant impact on the financial statements.

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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 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.

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:

1) ESOS

The issuance of 64,600 ordinary shares exercised by the eligible employees at RM0.719 pursuant to the Company's ESOS Scheme during the financial year ended 31 December 2019.

2) Treasury shares

Number of treasury shares held as at 31 December 2019 were as follows:

Balance at 1 January 2019	4,898,875
Add: Purchase of treasury shares	822,400
Balance at 31 December 2019	<u>5,721,275</u>

A7. Dividend paid

The first interim single tier dividend of 1 sen per ordinary share for the year ended 31 December 2019 totalling RM1,982,933 was paid on 18 October 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	Non-current assets by location of assets RM	Capital expenditure by location of assets RM
3 months ended 31 December 2019			
Malaysia	8,768,184	9,213,828	34,000
America	1,495,135	-	-
Asia (excludes Malaysia)	1,206,850	-	-
Australia	1,000	-	-
Consolidated	11,471,169	9,213,828	34,000
3 months ended 31 December 2018			
Malaysia	2,889,658	9,506,122	132,123
America	4,202,480	-	-
Asia (excludes Malaysia)	347,663	-	-
Europe	2,349,095	-	-
Consolidated	9,788,896	9,506,122	132,123
12 months ended 31 December 2019			
Malaysia	23,783,131	9,213,828	403,920
America	2,523,674	-	-
Asia (excludes Malaysia)	16,542,904	-	-
Europe	99,611	-	-
Australia	58,981	-	-
Consolidated	43,008,301	9,213,828	403,920
12 months ended 31 December 2018			
Malaysia	17,922,214	9,506,122	900,674
America	20,893,411	-	-
Asia (excludes Malaysia)	6,364,053	-	-
Europe	2,641,559	-	-
Australia	23,101	-	-
Consolidated	47,844,338	9,506,122	900,674

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 31 December 2019 and up to the date of this report.

A12. Capital commitments

Property, plant and equipment	31.12.19 RM
Approved but not contracted for	<u>150,000</u>

A13. Related party transactions

	Individual Quarter		Cumulative Quarter	
	31.12.19	31.12.18	31.12.19	31.12.18
	RM	RM	RM	RM
Micro Carbide Engineering Sdn Bhd				
- Precision tooling charges	780	3,950	97,680	305,060
- Rental income received	118,500	112,860	466,480	451,440

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 →		
	31.12.19 RM	30.9.19 RM	Var %	31.12.18 RM	Var %	31.12.19 RM	31.12.18 RM	Var %
Revenue	11,471,169	6,213,809	85	9,788,896	17	43,008,301	47,844,338	-10
Cost of sales	(7,912,363)	(4,510,876)	-75	(7,063,103)	-12	(31,207,364)	(33,512,120)	7
Gross profit	3,558,806	1,702,933	109	2,725,793	31	11,800,937	14,332,218	-18
Other operating income	437,188	517,885	-16	(92,289)	574	1,733,412	778,272	123
Administrative expenses	(1,571,510)	(1,168,923)	-34	(1,643,233)	4	(5,303,171)	(5,155,314)	-3
Profit before tax	2,424,484	1,051,895	130	990,271	145	8,231,178	9,955,176	-17
Tax expense	197,823	(550,000)		(398,451)		(652,178)	(980,807)	
Net profit for the period	2,622,307	501,895		591,820		7,579,000	8,974,369	

Comparison with the corresponding period in the previous year

The Group recorded a revenue of RM11.471 million for the current quarter, an increase of 17% as compared to RM9.789 million of the corresponding quarter in the previous year due to the increase in orders received from the smart device customers during the current period. Some improvement in operational efficiency was noted mainly attributed to higher revenue to absorb certain operating costs that remained fixed in nature.

The increase in other operating income in the current quarter was attributed to the unrealised gain on fair value adjustment of other investments as compared to the corresponding year quarter.

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

The Group recorded a revenue of RM43.008 million for the period-to-date, a decrease of 10% as compared to RM47.844 million reported in the previous financial period due to the overall decrease in volume of machines sold during the year. The decrease in operational efficiency was mainly due to decrease in revenue while certain operating costs remained fixed.

The increase in other operating income was mainly attributed to the unrealised gain on fair value adjustments of other investments.

The increase in administrative expenses was mainly due to the share-based payment arising from the granting of ESOS during the current financial period as well as the provisioning for possible impairment of some trade receivables.

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B2. Variation of results against preceding quarter

Revenue for the current quarter of RM11.471 million recorded 85% increase mainly due to the increase in orders secured as compared to the preceding quarter of RM6.214 million. Some improvement in operational efficiency was noted mainly attributed to higher revenue to absorb certain operating costs that remained fixed in nature.

The increase in administrative expenses was mainly due to the provisioning for possible impairment of some trade receivables.

B3. Commentary on prospects

The Group expects its sales of semicon test equipment to decline slightly in the early part of the year due to the outbreak of the Coronavirus disease. This outbreak has not only affected us, but many other businesses generally.

We are of the view that demand will hopefully pick up in the coming months once the outbreak subsides or is contained. As soon as this development takes place, we expect our business to benefit from it which will enable us to report another profitable year.

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:

	Individual Quarter		Cumulative Quarter	
	31.12.19	31.12.18	31.12.19	31.12.18
	RM	RM	RM	RM
Profit before tax	2,424,484	990,271	8,231,178	9,955,176
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	581,900	237,700	1,975,500	2,389,200
Non-deductible expenses	195,762	160,761	323,067	295,700
Income not taxable	(102,600)	-	(102,600)	(222,100)
Pioneer income	(1,156,185)	(248,405)	(1,839,000)	(1,228,400)
Crystallisation of deferred tax liability	(2,548)	(2,548)	(10,193)	(10,193)
Over/Under provision for deferred tax	178,004	-	178,004	-
Unrecognised deferred tax assets	107,844	250,943	127,400	(243,400)
Tax expense	(197,823)	398,451	652,178	980,807

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 31 December 2019 is as follows:

	RM
Balance at 1 January 2019	4,407,476
Add: Purchase	2,000,000
Less: Disposals	(500,000)
Add: Gain on fair value adjustments	<u>303,586</u>
Balance at 31 December 2019	<u><u>6,211,062</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 second single tier interim dividend of 1 sen per ordinary share for the year ended 31 December 2019. The entitlement date and payment date are on 20 March 2020 and 17 April 2020 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.

	Individual Quarter		Cumulative Quarter	
	31.12.19 RM	31.12.18 RM	31.12.19 RM	31.12.18 RM
Net profit after tax and minority interests (RM)	2,622,307	591,820	7,579,000	8,974,369
Weighted average number of ordinary shares in issue	198,560,219	200,818,687	198,560,219	200,818,687
Basic earnings per share (sen)	1.32	0.29	3.82	4.47

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.

	Individual Quarter		Cumulative Quarter	
	31.12.19 RM	31.12.18 RM	31.12.19 RM	31.12.18 RM
Net profit after tax and minority interests (RM)	2,622,307	591,820	7,579,000	8,974,369
Effect of share options - ESOS	158,500	-	158,500	-
Weighted average number of ordinary shares in issue (diluted)	198,718,719	200,818,687	198,718,719	200,818,687
Basic earnings per share (sen)	1.32	0.29	3.81	4.47

B15. Profit before tax

	Individual Quarter		Cumulative Quarter	
	31.12.19 RM	31.12.18 RM	31.12.19 RM	31.12.18 RM
Depreciation of right-of-use asset	18,871	-	75,485	-
Depreciation of property, plant and equipment	139,474	173,861	618,960	622,189
(Gain) / Loss on fair value adjustment of other investments	(238,904)	399,569	(303,586)	706,059
Share options vested under ESOS	95,471	-	494,297	-
Foreign exchange loss / (gain) - realised	29,743	(169,810)	(189,499)	(140,831)
- unrealised	208,469	192,109	182,648	(2,817)
Impairment loss on trade receivables	508,223	62,865	579,832	20,612
Written off of inventories	133,864	19,843	133,864	19,843
Written down of inventories	74,439	-	74,439	-
Loss on disposal of plant and equipment	-	2,273	369	2,565
Interest income	(241,819)	(312,069)	(901,493)	(886,833)
Rental income	(118,500)	(112,860)	(466,480)	(451,440)

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 25 February 2020.