

**VERSATILE CREATIVE BERHAD**

(Company No. : 603770-D)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018****CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2018****(The figures have not been audited)**

	Note	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
		31/12/2018 RM '000	31/12/2017 RM '000	31/12/2018 RM '000	31/12/2017 RM '000
Revenue	A10	12,643	14,278	41,557	40,857
Cost of sales		(11,769)	(11,445)	(37,962)	(31,990)
Gross profit		874	2,833	3,595	8,867
Other income		167	123	267	538
Distribution expenses		(738)	(721)	(2,214)	(2,086)
Administrative expenses		(3,931)	(1,986)	(11,347)	(6,460)
(Loss)/Profit before interest and taxation		(3,628)	249	(9,699)	859
Interest income		6	33	45	101
Finance costs		(260)	(278)	(835)	(835)
(Loss)/ profit before taxation		(3,882)	4	(10,489)	125
Taxation	B5	(6)	-	(6)	-
(Loss)/profit after taxation		(3,888)	4	(10,495)	125
Other comprehensive (loss)/income					
(Loss)/gain on fair value changes of other investment		(814)	492	(3,604)	3,453
Total other comprehensive (loss)/income for the financial period		(814)	492	(3,604)	3,453
Total comprehensive (loss)/ income for the financial period		(4,702)	496	(14,099)	3,578
(Loss)/earning per share - Basic (sen)	B11	(3.01)	0.00	(8.39)	0.11

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2018)

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

	Note	As at 31/12/2018 (Unaudited) RM'000	As at 31/03/2018 (Audited) RM'000
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		45,307	46,974
Other Investments		11,434	14,982
		<u>56,741</u>	<u>61,956</u>
Current Assets			
Trade and other receivables		17,221	23,024
Inventories		8,052	7,916
Other Investment		372	868
Fixed Deposits Placed with a Licensed Bank		835	824
Cash and Bank Balances		243	197
		<u>26,723</u>	<u>32,829</u>
Total Assets		<u>83,464</u>	<u>94,785</u>

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(Continued)**

	Note	As at 31/12/2018 (Unaudited) RM'000	As at 31/03/2018 (Audited) RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share Capital		67,390	63,142
Revaluation Reserve		16,099	16,099
Fair Value Reserve		(593)	3,011
Accumulated Losses		(40,617)	(30,122)
Total Equity		42,279	52,130
LIABILITIES			
Non-Current Liabilities			
Loan and Borrowings	B8	635	493
Deferred Tax Liabilities		7,023	7,023
		<u>7,658</u>	<u>7,516</u>
Current Liabilities			
Trade and other payables		16,927	16,715
Current Tax Liabilities		-	268
Loan and Borrowings	B8	16,600	18,156
		<u>33,527</u>	<u>35,139</u>
Total Liabilities		41,185	42,655
Total Equity and Liabilities		83,464	94,785
Net Assets per share (RM)		0.33	0.44

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2018)

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER
ENDED 31 DECEMBER 2018**

	Attributable to equity holders of the Company				
	Non-Distributable				
	Share Capital RM '000	Revaluation Reserve RM '000	Fair value Reserve RM '000	Accumulated Losses RM '000	Total Equity RM '000
<u>Period ended 31 December 2018 (Unaudited)</u>					
At 01 April 2018	63,142	16,099	3,011	(30,122)	52,130
Issuance of ordinary shares	4,248	-	-	-	4,248
Loss for the period	-	-	-	(10,495)	(10,495)
Other comprehensive loss for the financial period	-	-	(3,604)	-	(3,604)
Total comprehensive loss for the financial period	4,248	-	(3,604)	(10,495)	(9,851)
At 31 December 2018	67,390	16,099	(593)	(40,617)	42,279
<u>Period ended 31 December 2017 (Unaudited)</u>					
At 01 April 2017	63,142	16,449	(393)	(23,870)	55,328
Income for the period	-	-	-	125	125
Other comprehensive income for the financial period	-	-	3,453	-	3,453
Total comprehensive income for the financial period	-	-	3,453	125	3,578
At 31 December 2017	63,142	16,449	3,060	(23,745)	58,906

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2018)

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED
31 DECEMBER 2018**

(The figures have not been audited)

	31/12/2018	31/12/2017
	<u>RM'000</u>	<u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/profit before taxation	(10,489)	125
<u>Adjustments for non-cash flow items:</u>		
Non-cash items	7,349	2,068
Non-operating items	790	734
Operating (loss)/profit before working capital changes	(2,350)	2,927
<u>Changes in working capital:</u>		
Inventories	(136)	(2,187)
Trade and other receivables	1,273	(1,609)
Trade and other payables	213	(170)
Cash used in operations	(1,000)	(1,039)
Interest received	45	101
Interest paid	(215)	(196)
Net income tax paid	(311)	(98)
Net cash used in operating activities	<u>(1,481)</u>	<u>(1,232)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Acquisition of property, plant and equipment	(955)	(837)
Fixed deposit held as security value	(11)	(2)
Proceeds from disposal of property, plant and equipment	-	36
Proceeds from disposal of other investment	280	400
Net cash used in investing activities	<u>(686)</u>	<u>(403)</u>

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED
31 DECEMBER 2018 (Continued)**

	31/12/2018	31/12/2017
	<u>RM'000</u>	<u>RM'000</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Interest paid	(620)	(640)
(Repayment)/drawdown of borrowings	(212)	2,401
Repayment of finance lease liabilities	(944)	(1,041)
Proceed from issuance of ordinary shares	4,248	-
Net cash generated from financing activities	<u>2,472</u>	<u>720</u>
NET CHANGE IN CASH & CASH EQUIVALENTS	305	(915)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	(3,532)	(2,731)
CASH & CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>(3,227)</u>	<u>(3,646)</u>
Analysis of Cash & Cash Equivalents:		
	RM'000	RM'000
Cash and bank balances	243	353
Fixed deposit placed with a licensed bank	835	803
	1,078	1,156
Less: Fixed deposit pledged to a licensed bank	(835)	(803)
Less: Bank overdraft	(3,470)	(3,999)
	<u>(3,227)</u>	<u>(3,646)</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2018)



**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018**

NOTES TO INTERIM FINANCIAL REPORT

A. DISCLOSURE REQUIREMENTS AS PER MFRS 134

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial report should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 March 2018.

Adoption of Standards, Amendments and Issue Committee (IC) Interpretations

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:

New MFRSs

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
MFRS 16	Leases

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 4	Insurance Contracts
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 14	Regulatory Deferral Accounts
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investment in Associates and Joint Ventures
MFRS 134	Interim Financial Reporting
MFRS 137	Provision, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 140	Investment Property

New IC Int

IC Int 22	Foreign Currency Transactions and Advance Consideration
IC Int 23	Uncertainty over Income Tax Treatments



**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018**

- 2. Audit Report Qualification and Status of Matters Raised**
The annual audited financial statements of the Group for the year ended 31 March 2018 were qualified.

- 3. Seasonal or Cyclical Nature of Operations**
The Group operates in three main business segments which can be affected by seasonal and cyclical factors of operations.

- 4. Unusual Items**
There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial quarter under review.

- 5. Changes in Estimates**
There were no significant changes in the estimates which have a material effect for the current financial quarter under review.

- 6. Valuation of Property, Plant and Equipment**
Land and building have been brought forward, without amendment from annual audited statements for the financial year ended 31 March 2018.

- 7. Changes in Debt and Equity Securities**
There were no issuances or repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares or resale of treasury shares for the current financial quarter under review.

- 8. Dividend Paid**
There was no dividend paid during the current financial quarter under review.

- 9. Material Events Subsequent to the End of the Reporting Period**
There are no material events subsequent to the end of the reporting period that have not been reflected in the quarterly financial report.

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018****10. Operating Segments**

The Group's operating segments for the financial year ended 31 December 2018 were as follows:

Segmental information for 9 months ended 31 December 2018

Business Segment	Financial period ended 31 December 2018					Consolidated RM'000
	Paper products RM'000	Plastic products RM'000	Colour Separation & Printing RM'000	Others RM'000	Elimination RM'000	
Revenue from external customers	28,736	12,356	465	-	-	41,557
Inter-segment revenue	164	1	47	2,360	(2,572)	-
Total revenue	28,900	12,357	512	2,360	(2,572)	41,557
Operating results	(6,512)	(2,488)	(777)	78	-	(9,699)
Interest income						45
Interest expense						(835)
Loss before taxation						(10,489)
Taxation						-
Loss after taxation						(10,489)

Segmental information for 9 months ended 31 December 2017

Business Segment	Financial period ended 31 December 2017					Consolidated RM'000
	Paper products RM'000	Plastic products RM'000	Colour Separation & Printing RM'000	Others RM'000	Elimination RM'000	
Revenue from external customers	26,010	13,602	1,133	112	-	40,857
Inter-segment revenue	492	-	62	910	(1,464)	-
Total revenue	26,502	13,602	1,195	1,022	(1,464)	40,857
Operating results	3,674	(1,157)	(375)	(1,283)	-	859
Interest income						101
Interest expense						(835)
Profit before taxation						125
Taxation						-
Profit after taxation						125

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**UNAUDITED INTERIM FINANCIAL REPORT
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There were no changes in the composition of the Group during the current financial quarter under review.

12. (Loss)/Profit Before Taxation

The following items have been charged/(credited) in arriving at the (loss)/profit before taxation:

	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
The following items have been charged/(credited) in arriving (profit)/loss before taxation:				
Depreciation of property, plant and equipment	864	729	2,622	2,208
(Loss)/Gain on disposal of other investments	-	-	160	(92)
Gain on disposal of property, plant and equipment	-	-	(35)	(36)
Impairment loss on receivables no longer required	-	-	(30)	(11)
Interest expense	260	278	835	835
Interest income	(6)	(33)	(45)	(101)
Net foreign exchange (gain)/loss	(34)	(194)	6	81
Reversal of provision of slow moving stock	-	(554)	-	(554)

13. Changes in Contingent Liabilities

There were no contingent liabilities incurred or known to be incurred by the Group as at 31 December 2018.

14. Provision for Warranties

There was no provision for warranties for the current financial quarter under review.

15. Capital Commitments

There were no capital commitments as at 31 December 2018.

16. Related Party Transactions

There were no significant related party transactions for the current financial quarter under review.

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018****B. Additional information required by the Bursa Malaysia's Listing Requirements****1. Review of Current Quarter Performance****Revenue**

	Individual Quarter		Variances
	Q3-FY'19 (Unaudited)	Q3-FY'18 (Unaudited)	
	RM'000		
<u>Segmental Revenue</u>			
Paper Products	9,164	9,959	(795)
Plastic Products	3,327	3,963	(636)
Colour Separation & Printing	152	244	(92)
Others	-	112	(112)
Group Revenue	12,643	14,278	(1,635)

For the quarter ended 31 December 2018, the Group recorded RM12.64 million in revenue, a 11.45% decrease from RM14.28 million reported in the corresponding quarter ended 31 December 2017 primarily due to decrease in sales orders from the major existing customers in paper product division and loss of one of the major customers in plastics products division. Revenue of other segment in Q3 FY18 was solely generated from renovation and construction fees charged for IRISPAY E-Concept Store project by Versatile Smart Resources Sdn Bhd which was completed in October 2017.

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	Q3-FY'19 (Unaudited)	Q3-FY'18 (Unaudited)	Variances
	RM'000		
Operating Profit:			
Paper Products	(1,788)	1,631	(3,419)
Plastic Products	(748)	(496)	(252)
Colour Separation & Printing	(627)	(167)	(460)
Others	(465)	(719)	254
Operating (loss)/ profit	(3,628)	249	(3,877)
Finance:			
Total Finance	(254)	(245)	(9)
<u>Segmental (Loss)/Profit Before Taxation</u>			
Group (Loss)/ Profit Before Taxation	(3,882)	4	(3,886)

The Group registered a loss before taxation of RM3.88 million in Q3 FY19, compared against the Q3 FY18 profit before taxation of RM4k. Decrease by of RM3.89 million in profit before taxation were mainly due to following reasons:

- Significant drop of operating results in Paper Products division by RM3.42 million mainly pertains to increase in raw materials price and direct labor cost which cause significant drop in profit margin. In addition, drop in operating results was also due to additional provision for doubtful debt in Q3 FY19 and reversal of slow moving stock in Q3 FY18 for RM1.34 million and RM0.52 million respectively.
- The slight increase of operating loss in Plastic Products division by RM252k mainly due to an increase in maintenance cost of the machineries for the current quarter.

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**UNAUDITED INTERIM FINANCIAL REPORT
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Revenue**

	Individual Quarter		Variances
	Q3-FY'19 (Unaudited)	Q2-FY'19 (Unaudited)	
<u>Segmental Revenue</u>			
Paper Products	9,164	9,039	125
Plastic Products	3,327	4,590	(1,263)
Colour Separation & Printing	152	138	14
Group Revenue	12,643	13,767	(1,124)

The Group recorded a decrease in revenue of RM1.12 million or 8.16% to RM12.64 million (Q2 FY19: RM13.77 million), mainly due to lower sales achieved by the Plastics Products division caused by significant drop of demand from the existing customers.

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	Individual Quarter		Variances
	Q3-FY'19	Q2-FY'19	
	(Unaudited)	(Unaudited)	
	RM'000		
Operating (loss)/profit:			
Paper Products	(1,788)	(210)	(1,578)
Plastic Products	(748)	(974)	226
Colour Separation & Printing	(627)	(141)	(486)
Others	(465)	(967)	502
Operating loss	(3,628)	(2,292)	(1,336)
Finance:			
Total Finance	(254)	(288)	34
<u>Segmental loss Before Taxation</u>			
Group loss Before Taxation	(3,882)	(2,580)	(1,302)

The Group registered a loss before taxation of RM3.88 million in Q3 FY19, which was RM1.30 million higher, compared to the Q2 FY19 loss before taxation of RM2.58 million. Increase in loss before taxation was mainly pertained to additional provision of doubtful debt in Paper Products division and Colour Separation & Printing division of RM1.34 million and RM658k respectively. The increase was mitigated by the improved performance of Plastics Products division and others division due to lower operating loss in those division mainly pertained to decrease in number of headcounts for administrative staff and decrease in professional fees incurred during the quarter.

3. Prospects

The Paper Products Division will focus in machine acquisitions and reconditioning to improve efficiencies and productivity of its operations and processes, at the same time focusing on the strategies of growing sales via penetration of new market segments; regaining back orders from old customers and improving market share of existing customers to lower down its fixed cost per unit to mitigate its increasing raw material costs and minimize the burden of this negative impact to pass on to its customers.

The Plastic Products Division will focus on the production strategies in reducing its material wastages via utilization of its waste material to produce secondary products and the marketing strategies in regaining back orders from old customers.

Despite the highly competitive and challenging business environment, the Group is committed to focus on progressive product quality enhancements, greater production efficiencies and ongoing cost management.

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**UNAUDITED INTERIM FINANCIAL REPORT
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This is not applicable.

5. Taxation

	Individual Financial		Cumulative Financial	
	Quarter Ended		Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Taxation				
- in current quarter	-	-	-	-
- under provision in prior year	(6)	-	-	-
Deferred taxation				
- in current quarter	-	-	-	-
- under provision in prior year	-	-	-	-
	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>-</u>

6. Disposal of Quoted or Unquoted Investments or Properties

There were no disposals of unquoted investments or properties included in the results of the Group for the current financial quarter.

7. Status of Corporate Exercise**Proposed Private Placement**

On 15 February 2019, VCB proposes to undertake a private place of up to 12,907,800 new ordinary shares in the Company ("VCB Shares") ("Placement Shares"), representing up to 10% of the Company's existing issued share capital ("Proposed Private Placement"). The listing application to Bursa Malaysia Securities Berhad in relation to the Proposed Private Placement has been submitted on 18 February 2019.

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**UNAUDITED INTERIM FINANCIAL REPORT
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a) Total Group's borrowings as at the reporting quarter were as follows:

	As at 31/12/2018 (Unaudited) RM'000	As at 31/03/2018 (Audited) RM'000
<u>Short term borrowings</u>		
<i>Secured</i>		
Borrowings	12,771	12,982
Finance Lease Liabilities	359	1,445
Bank Overdraft	3,470	3,729
	<u>16,600</u>	<u>18,156</u>
<u>Long term borrowings</u>		
<i>Secured</i>		
Finance Lease Liabilities	635	493
	<u>635</u>	<u>493</u>
Total Group's Borrowings	<u>635</u>	<u>493</u>

9. Realised and Unrealised Losses

The accumulated losses as at 31 December 2018 and 31 March 2018 were analysed as follows:

	As At 31/12/2018 (Unaudited) RM'000	As At 31/03/2018 (Audited) RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(33,594)	(23,099)
- Unrealised	(7,023)	(7,023)
	<u>(40,617)</u>	<u>(30,122)</u>
Consolidation adjustments	-	-
Total Group accumulated losses	<u>(40,617)</u>	<u>(30,122)</u>

10. Dividend

The Board of Directors does not recommend any dividend for the current financial quarter under review.

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11. Earnings/(loss) per share**(a) Basic earnings/(loss) per share**

The calculation of basic earnings/(loss) per share for the financial period is based on the net earnings/(loss) attributable to equity holders of the parent company and divided by the number of ordinary shares outstanding during the financial period.

	Individual Financial Quarter Ended		Cumulative Financial Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Group's profit/(loss) attributable to owners of the parent company (RM'000)	(3,888)	4	(10,495)	125
Weighted average number of ordinary shares in issue ('000)	129,072	117,339	125,161	117,339
Basic (loss)/earnings per share (sen)	(3.01)	0.00	(8.39)	0.11

(b) Diluted (loss)/earnings per share

The Group does not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares and therefore, dilutive to its basic (loss)/earnings per share.