

NOTION VTEC BERHAD
Company No: - 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2019 RM'000	Preceding Year Corresponding Quarter 31.03.2018 RM'000	Current Year To Date 31.03.2019 RM'000	Preceding Year To Date 31.03.2018 RM'000
Revenue	53,057	60,390	116,395	118,678
Cost of Sales	<u>(48,920)</u>	<u>(57,235)</u>	<u>(103,606)</u>	<u>(113,019)</u>
Gross Profit	4,137	3,155	12,789	5,659
Other Operating Income	2,205	33,561	6,580	66,860
Operating Expenses	<u>(9,650)</u>	<u>(12,025)</u>	<u>(22,479)</u>	<u>(74,358)</u>
Operating (Loss)/ Income	(3,308)	24,691	(3,110)	(1,839)
Finance Costs	<u>(1,245)</u>	<u>(189)</u>	<u>(2,340)</u>	<u>(401)</u>
(Loss)/ Profit before taxation	(4,553)	24,502	(5,450)	(2,240)
Tax Income/ (Expense)	<u>362</u>	<u>(6,519)</u>	<u>(910)</u>	<u>(8,685)</u>
(Loss)/ Profit after taxation	(4,191)	17,983	(6,360)	(10,925)
Other Comprehensive income/ (expenses)				
-currency translation differences	1,275	(1,348)	(270)	(3,933)
Total comprehensive (expenses)/ income for the financial period	<u>(2,916)</u>	<u>16,635</u>	<u>(6,630)</u>	<u>(14,858)</u>
(Loss)/ Profit after taxation attributable to:				
-Owners of the Company	(4,191)	17,983	(6,360)	(10,925)
-Non-controlling Interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(4,191)</u>	<u>17,983</u>	<u>(6,360)</u>	<u>(10,925)</u>
Total comprehensive (expenses)/ income for the for the financial period attributable to:				
-Owners of the Company	(2,916)	16,635	(6,630)	(14,858)
-Non-controlling Interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(2,916)</u>	<u>16,635</u>	<u>(6,630)</u>	<u>(14,858)</u>
(Loss)/ Earnings Per Share (sen)	<u>(1.26)</u>	<u>5.42</u>	<u>(1.91)</u>	<u>(3.29)</u>
Proposed/ Declared Dividend Per Share (sen)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 30 September 2018 and the accompanying explanatory notes attached to the interim financial statements.

NOTION VTEC BERHAD
Company No: - 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at End of Current Quarter 31.03.2019 RM'000	As at Preceding Year Ended 30.09.2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	311,755	287,327
Intangible Assets	2,079	1,328
	<u>313,834</u>	<u>288,655</u>
Current assets		
Inventories	43,791	36,835
Trade receivables	54,191	66,604
Other receivables and prepayments	11,400	91,108
Current tax assets	3,064	-
Cash and cash equivalents	92,898	41,864
	<u>205,344</u>	<u>236,411</u>
Total assets	<u>519,178</u>	<u>525,066</u>
EQUITY AND LIABILITIES		
Equity		
Share Capital	199,946	199,791
Share Option Reserve	2,492	2,492
Currency Translation Reserve	11,281	11,551
Capital Reserve	4,800	4,800
Retained Profits	180,508	190,199
Equity attributable to owners of the Company	<u>399,027</u>	<u>408,833</u>
Non-controlling Interests	-	-
Total equity	<u>399,027</u>	<u>408,833</u>
Non-current liabilities		
Long-term borrowings	50,965	27,333
Retirement Benefits	356	359
Deferred Tax Liabilities	7,253	7,024
Deferred Income Government Grant	2,758	-
	<u>61,332</u>	<u>34,716</u>
Current Liabilities		
Loans and borrowings	19,322	16,578
Trade payables	6,532	14,014
Other payables	26,251	39,621
Current Tax Liabilities	6,714	11,304
	<u>58,819</u>	<u>81,517</u>
Total Liabilities	<u>120,151</u>	<u>116,233</u>
TOTAL EQUITY AND LIABILITIES	<u>519,178</u>	<u>525,066</u>
Net assets per ordinary share (RM)	<u>1.1976</u>	<u>1.2284</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 September 2018 and the accompanying explanatory notes attached to the interim financial statements.

NOTION VTEC BERHAD
Company No: - 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←-----Attributable to equity holders of the parent-----→					
	←-----Non-distributable-----→			←Distributable→		
	Share Capital	Share Option Reserve	Currency Translation Reserves	Capital Reserve	Retained Profits	Total Equity
<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	
6 months ended 31 March 2019						
Balance as at 1 October 2018	199,791	2,492	11,551	4,800	190,199	408,833
Loss after taxation	-	-	-	-	(6,360)	(6,360)
Currency translation differences	-	-	(270)	-	-	(270)
Issuance of shares	155	-	-	-	-	155
Interim single tier tax-exempt dividend of 1 sen per share payable on 17 January 2019 in respect of financial year ended 30 September 2018	-	-	-	-	(3,331)	(3,331)
Balance as at 31 March 2019	199,946	2,492	11,281	4,800	180,508	399,027
6 months ended 31 March 2018						
Balance as at 1 October 2017	197,793	687	10,797	4,800	143,176	357,253
Loss after taxation	-	-	-	-	(10,925)	(10,925)
Currency translation differences	-	-	(3,933)	-	-	(3,933)
Share based payments	-	2,279	-	-	-	2,279
Issuance of shares	602	-	-	-	-	602
Balance as at 31 March 2018	198,395	2,966	6,864	4,800	132,251	345,276

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 September 2018 and the accompanying explanatory notes attached to the interim financial statements.

NOTION VTEC BERHAD
Company No: - 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Current Year-To-Date 31.03.2019 RM'000	Preceding Year-To-Date 31.03.2018 RM'000
CASH FLOWS FROM/ (FOR) OPERATING ACTIVITIES		
Loss before taxation	(5,450)	(2,240)
Adjustments for:		
Depreciation of property, plant and equipment	16,253	14,455
Interest expense	2,227	327
Inventories written down	3,279	59
Reversal of impairment loss on property, plant and equipment	(1,246)	(115)
Plant and equipment written off	-	40,772
Inventories written off	-	8,708
Gain on disposal of plant and equipment	(211)	(43)
Unrealised (gain)/ loss on foreign currency translation	611	(988)
Interest income	(1,261)	(967)
Share-based payments	-	2,279
Loss on fair value adjustment of intangible assets	634	-
Deferred income of government grant	(47)	-
Operating profit before working capital changes	14,789	62,247
(Increase)/ Decrease in inventories	(10,367)	(475)
(Increase)/ Decrease in trade and other receivables	91,181	(32,101)
Increase/ (Decrease) in trade and other payables	(18,447)	12,018
CASH FROM OPERATIONS	77,156	41,689
Interest paid	(2,201)	(327)
Tax refunded	141	-
Tax paid	(8,445)	(2,409)
NET CASH FROM OPERATING ACTIVITIES	66,651	38,953
CASH FLOWS FROM/ (FOR) INVESTING ACTIVITIES		
Interest received	1,261	967
Proceeds from disposal of plant and equipment	2,479	44
Government of property, plant and equipment	2,805	-
Purchase of property, plant and equipment	(42,581)	(58,324)
NET CASH FOR INVESTING ACTIVITIES	(36,036)	(57,313)
CASH FLOWS FROM/ (FOR) FINANCING ACTIVITIES		
Proceeds from issuance of shares	155	602
Drawdown of hire purchase	30,503	-
Repayment of hire-purchase and lease obligations	(3,470)	(151)
Drawdown of term loan	5,414	-
Repayment of term loan	(2,961)	(3,928)
Drawdown of bank borrowings	9,493	3,139
Repayment of bank borrowings	(12,628)	(6,366)
Repayment to a director	(2,853)	-
Dividend paid	(3,331)	-
NET CASH FLOWS FROM/ (FOR) FINANCING ACTIVITIES	20,322	(6,704)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	50,937	(25,064)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	41,864	86,358
Currency translation differences – subsidiaries	97	(1,122)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	92,898	60,172
Note (A)		
Cash and cash equivalents at the end of the period comprise the following:		
Short term deposits with licensed banks	73,897	28,451
Cash and bank balances	19,001	31,721
	92,898	60,172

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 September 2018 and the accompanying explanatory notes attached to the interim financial statements.

NOTION VTEC BERHAD

Company No: - 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

NOTES TO THE QUARTERLY FINANCIAL REPORT

A1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

These explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries ("The Group"). This interim financial report should be read in conjunction with the Group's annual audited financial report for the financial year ended ("FYE") 30 September 2018.

The accounting policies and methods of computations adopted in these interim financial statements are consistent with those adopted in the financial statements for the FYE 30 September 2018.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements of the Group for the FYE 30 September 2018 was not subject to any qualification.

A3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The results of the Group were not materially affected by any significant seasonal or cyclical factors during the 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 quarter under review.

A5. MATERIAL CHANGES IN ESTIMATES

There were no other changes in estimates that have had a material effect in the current quarter results.

A6. DEBT AND EQUITY SECURITIES

For the quarter ended 31 March 2019, a total of 29,400 new ordinary shares were issued and allotted pursuant to the exercise of the ESOS at an exercise price of RM 0.44, details of the issued and paid-up capital of the Company are as follows:

	No of shares	RM
As at 31 December 2018	333,146,453	199,933,099
Ordinary shares issued pursuant to the ESOS	29,400	12,936
As at 31 March 2019	333,175,853	199,946,035

As at 31 March 2019, there are 9,917,300 outstanding ESOS Options (comprising of 1,932,000 ESOS Options which were offered on 27 February 2017 at an exercise price of RM 0.80 per Share and 7,985,300 ESOS Options which were offered on 12 December 2017 at an exercise price of RM 0.44 per Share).

Other than the above, there were no issuance and repayment of debt and equity securities, as well as share cancellations and resale of treasury shares during the current reporting quarter.

A7. DIVIDEND PAID

An interim single tier tax-exempt dividend of 1.00 sen per share in respect of the financial year ended 30 September 2018 amounting to RM 3,331,465 has been paid on 17 January 2019.

A8. SEGMENTAL INFORMATION

The Group is primarily engaged in three business segment which is in the design and volume production of high precision metal manufacturing of hard disk drive ("HDD"), automotive industries' components and engineered products. Camera components are now classified under engineered products. Breakdown of segmental revenue and product mix is found in Note B2.

The Group's operations are conducted in Malaysia and Thailand.

NOTION VTEC BERHAD

Company No: - 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

NOTES TO THE QUARTERLY FINANCIAL REPORT (continued)

A9. VALUATION OF ASSETS

There was no revaluation of property, plant and equipment for the quarter under review.

A10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTER

There were no material events between the end of the reporting quarter and the date of announcement.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

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

A12. CONTINGENT LIABILITIES

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM 122,000,000. The total utilisation of these credit facilities as at 31 March 2019 amounted to approximately RM 70,287,000.

A13. CAPITAL COMMITMENTS

	As at End of Current Quarter 31.03.2019 <u>RM'000</u>
Approved and contracted for:	
-purchase of property, plant and equipment	<u>16,036</u>

A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Directors of Notion are of the opinion that there is no related party transaction which would have a material impact on the financial position and the business of the Group during the financial quarter.

NOTION VTEC BERHAD

Company No: - 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

ADDITIONAL INFORMATION REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. GROUP PERFORMANCE REVIEW

The Group recorded revenue and loss after taxation ("LAT") of RM 53.1 million and RM 4.2 million respectively for the quarter ended 31 March 2019 ("Q2FY2019"). Refer Notes B2 and B3 below for a detailed review of the Group's performance.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS**Financials:**

For Q2 of FY2019, the Group recorded revenue of RM 53.1 million (Q1FY2019: RM 63.3 million) and LAT of RM 4.2 million (Q1FY2019: Loss after tax RM 2.2 million) and loss per share of 1.26 sen (Q1FY2019: loss 0.65 sen). Revenue is 16% lower in the current quarter compared to the preceding quarter mainly due to weak global market and the drop in sales contributed to the lower earnings. The reconstruction of the main factory is at its final phase and we are progressively moving the machinery back to the factory from our other temporary factory sites. During this exercise, there will be downtime and to minimise the impact we embarked on inventory building for certain lines. This accounted for the higher expenses together with the relocation and moving expenses incurred. The main factory is expected to be fully operational by middle of the year. The Business Interruption insurance claim is awaiting the insurer's evaluation and expected to be finalised by the end of the current financial year.

The fire incident on 20 October 2017 had significantly impacted our operations throughout the whole of FY2018. As reported in our previous quarterly results and Annual Report 2018, the amount of property, plant and equipment and inventories written off amounted to RM 41.1 million and RM 6.8 million, respectively versus the insurance claim of RM 159.4 million received and the related taxation effects. For comparison purposes, the results for Q2FY2019 and Q2FY2018, the events that happened in FY2018 need to be noted. FY2018 results was a year affected by write-offs, impairment losses and insurance claims. The EBITDA for Q2FY2019 was RM 4.2 million compared to RM 7.5 million in Q1FY2019 (preceding year Q2FY2018: RM 31.8 million).

Product mix:

	Individual Quarter			Cumulative Quarter		
	Q2FY2019	Q1FY2019	% change	Q2FY2019	Q2FY2018	% change
REVENUE	RM'000	RM'000		RM'000	RM'000	
HDD	19,877	31,752	- 37%	51,629	56,775	- 9%
Automotive	24,334	20,322	20%	44,656	39,487	13%
<u>Engineered Products</u>						
Camera	2,734	4,537	- 40%	7,271	12,485	- 42%
Others	6,112	6,727	- 9%	12,839	9,932	29%
TOTAL	53,057	63,338	- 16%	116,395	118,679	-2%

In Q2FY2019, HDD parts revenue recorded RM 19.9 million (Q1FY2019: RM 31.8 million), Automotive RM 24.3 million (Q1FY2019: RM 20.3 million) whilst the Engineered Products' revenue was at RM 8.8 million (Q1FY2019: RM 11.3 million). The product mix for Q2FY2019 was HDD: Automotive: Engineered Products of 37%: 46%: 17% compared to previous quarter's mix of 50%: 32%: 18%. HDD current models are facing a contraction in demand and the sector is expected to recover when new model projects kick into production. Automotive growth is expected to be strong as the effort to target new customers and new projects are beginning to bear fruits. Comparing with FY2018, the overall industry is facing weaker demand which is a result of the current global market situation.

NOTION VTEC BERHAD

Company No: - 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

ADDITIONAL INFORMATION REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (continued)

B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR**Business Review and Outlook:**

Q2 lower sales is also attributable to the long Chinese New Year break and shorter month in February besides sharply lower orders especially in the HDD and Camera segments.

The HDD titanium and stainless-steel spacers are still uncertain as we expect the customer to start mass production only in 2020.

The Camera segment is on a structural down trend.

Under the Engineered Products segment, we are on track to produce fabricated components for a major customer. We expect mass production to commence in July/August 2019.

The Automotive parts is the most promising segment and we have added another 3 major MNCs in the auto parts segment. We expect the new accounts to impact more in FY2020.

For the second half of FY2019, we expect improving sales and the Board is cautiously optimistic that FY2019 will be profitable despite the loss making first half.

B4. PROFIT FORECAST, PROFIT GUARANTEE AND INTERNAL TARGETS

The Group did not issue any profit guarantee and profit forecast during the current financial period to date.

B5. TAXATION

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2019 RM'000	Preceding Year Corresponding Quarter 31.03.2018 RM'000	Current Year To Date 31.03.2019 RM'000	Preceding Year To Date 31.03.2018 RM'000
Company and Subsidiaries				
Taxation				
- current	264	5,948	657	12,971
- (over)/ under provided in prior year	-	-	-	-
Deferred taxation	(626)	571	253	(4,286)
	(362)	6,519	910	8,685

The current year tax is mainly attributable to disallowance of certain expenses for taxation.

B6. STATUS OF CORPORATE PROPOSALS

There are no other corporate proposals announced but pending completion as at the date of this report.

NOTION VTEC BERHAD

Company No: - 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

ADDITIONAL INFORMATION REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (continued)

B7. BORROWINGS AND DEBTS SECURITIES

The Group's borrowings as at 31 March 2019 are as follows:

	<u>RM'000</u>
Long-term	
Secured	
Hire purchase and lease payables	31,208
Term loan	<u>19,757</u>
	<u>50,965</u>
Short-term	
Secured	
Portion of hire purchase and lease payables due within one year	7,707
Portion of term loan due within one year	6,174
Unsecured	
Other short-term borrowings	<u>5,441</u>
	<u>19,322</u>
	<u>70,287</u>

The hire purchase and lease payables and term loan are secured by legal charges over certain property, plant and equipment belonging to certain subsidiaries of the Company.

B8. NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

Profit/ (Loss) after Tax is arrived at after charging / (crediting) the following items:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
	31.03.2019 <u>RM'000</u>	31.03.2018 <u>RM'000</u>	31.03.2019 <u>RM'000</u>	31.03.2018 <u>RM'000</u>
a) Interest income	(698)	(457)	(1,261)	(967)
b) Interest expense	1,182	144	2,227	327
c) Depreciation and amortisation	8,294	7,631	16,253	14,455
d) (Gain)/ loss on disposal of property, plant and equipment	(131)	(3)	(211)	(43)
e) Unrealised (Gain)/ Loss on foreign exchange	(272)	(513)	611	(988)
f) Loss/(Gain) on foreign exchange-realised	325	459	(727)	623
g) Share-based payments	-	-	-	2,279
h) Plant and equipment written off	-	112	-	40,772
i) Inventories written off	-	655	-	8,708
j) Inventories written down	1,405	-	3,279	-
k) Reversal of impairment loss on property, plant and equipment	(154)	-	(1,246)	-
l) Loss/ (Gain) on fair value adjustment of intangible assets	(196)	-	634	-
m) Deferred income of government grant	(47)	-	(47)	-

B9. MATERIAL LITIGATION

There were no material litigations that might adversely and materially affect the position of the Group as at date of this report.

B10. DIVIDENDS PER SHARE

No dividend has been proposed for the quarter ended 31 March 2019 (Q2FY2018: Nil).

NOTION VTEC BERHAD

Company No: - 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

ADDITIONAL INFORMATION REQUIRED BY LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (continued)

B11. EARNINGS PER SHARE

The earnings/ (loss) per share is calculated by dividing profit attributable to the owners of the Company by the number of ordinary shares in issue.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2019 <u>(Unaudited)</u>	Preceding Year Corresponding Quarter 31.03.2018 <u>(Unaudited)</u>	Current Year To Date 31.03.2019 <u>(Unaudited)</u>	Preceding Year To Date 31.03.2018 <u>(Unaudited)</u>
Profit/ (Loss) attributable to owners of the Company (RM'000)	(4,191)	17,983	(6,360)	(10,925)
Number of ordinary shares in issue ('000)	333,176	332,002	333,176	332,002
Earnings/ (Loss) per share (sen)	<u>(1.26)</u>	<u>5.42</u>	<u>(1.91)</u>	<u>(3.29)</u>

AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 23 May 2019.

By Order of the Board

Petaling Jaya
23 May 2019