OCK GROUP BERHAD (Company No: 955915 – M)

QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	CURRENT QUARTER ENDED 30-Jun-18 RM'000	PRECEDING YEAR CORRESPONDING QUARTER ENDED 30-Jun-17 RM'000	CURRENT YEAR TO DATE ENDED 30-Jun-18 RM'000	PRECEDING YEAR TO DATE ENDED 30-Jun-17 RM'000
Revenue	115,548	119,264	213,064	225,783
Cost of sales	(85,030)	(88,881)	(156,692)	(169,776)
Gross profit	30,518	30,383	56,372	56,007
Other income	942	630	1,491	1,475
Administrative expenses	(14,809)	(13,880)	(30,050)	(27,230)
Unrealised FOREX gain/ (loss)	(2,572)	225	17	210
Operating profit	14,079	17,358	27,830	30,462
Finance costs	(5,364)	(5,908)	(10,295)	(9,916)
Share of results of associates/ JV	27	-	-	-
Profit before tax	8,742	11,450	17,535	20,546
Taxation	(1,607)	(3,382)	(3,397)	(5,773)
Profit for the financial period	7,135	8,068	14,138	14,773
Other comprehensive income, net of tax:				
Foreign currency translation	(1,981)	(680)	(6,189)	(345)
Total comprehensive income for the financial period	5,154	7,388	7,949	14,428
Profit attributable to:				
Owners of the Company	4,221	5,982	9,351	10,705
Non-controlling interests	2,914	2,086	4,787	4,068
	7,135	8,068	14,138	14,773
Total comprehensive income attributable to:				
Owners of the Company	2,637	5,252	150	10,310
Non-controlling interests	2,517	2,136	7,799	4,118
	5,154	7,388	7,949	14,428

Note:

The Condensed Consolidated Statement of Comprehensive Income for the second quarter ended 30 June 2018 should be read in conjunction with the Audited Financial Statements for the financial year ended ("FYE") 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	UNAUDITED As at 30-Jun-18 RM'000	AUDITED As at 31-Dec-17 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	414,042	383,457
Investment properties	16,800	16,800
Deferred tax assets	3,700	633
Intangible assets	160,398	163,986
Investment in joint ventures / associates	449	-
Trade and other receivables	20,045	23,333
	615,434	**588,209**
Current Assets		
Inventories	79,566	70,791
Amount due from contract customers	9,000	12,012
Trade and other receivables	285,293	307,081
Tax recoverable	1,022	4,421
Fixed deposits placed with licensed banks	20,207	41,207
Cash and bank balances	87,595	77,677
	482,683	**513,189**
TOTAL ASSETS	**1,098,117**	**1,101,398**
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	244,305	244,305
Warrant reserve	84,134	84,134
Revaluation reserve	4,306	4,306
Foreign currency translation reserve	(28,043)	(18,633)
Reserve arising from reverse acquisition	(17,007)	(17,007)
Other reserve	755	546
Retained earnings	125,051	115,700
	413,501	413,351
Non-controlling interests	60,840	53,041
Total Equity	**474,341**	**466,392**
Non-Current Liabilities		
Loan and borrowings	235,868	180,134
Deferred tax liabilities	11,980	13,637
Trade payables	411	3,699
Provision for liabilities	2,208	2,201
Post employment benefit liabilities	357	368
	250,824	**200,039**
Current Liabilities		
Amount due to contract customers	-	875
Trade and other payables	97,385	160,351
Loan and borrowings	273,619	268,159
Derivative financial liabilities	6	6
Tax payables	1,942	5,576
	372,952	**434,967**
TOTAL LIABILITIES	**623,776**	**635,006**
TOTAL EQUITY AND LIABILITIES	**1,098,117**	**1,101,398**
Net assets per share attributable to owners of the Company (RM)	**0.47**	**0.47**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 (CONT'D)

Note:

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

OCK GROUP BERHAD (Company No: 955915 – M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018

	Attributable to owners of the Company									
	Non-distributable						Distributable			
	Share Capital	Share Premium	Warrant Reserve	Translation / Revaluation Reserve	Reverse Acquisition Reserve	Other Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	244,305	-	84,134	(14,327)	(17,007)	546	115,700	413,351	53,041	466,392
Foreign currency translation	-	-	-	(9,410)	-	209	-	(9,201)	3,012	(6,189)
Total comprehensive income for the financial period	-	-	-	-	-	-	9,351	9,351	4,787	14,138
At 30 June 2018	244,305	-	84,134	(23,737)	(17,007)	755	125,051	413,501	60,840	474,341
At 1 January 2017	87,147	157,150	84,136	2,818	(17,007)	-	100,619	414,863	49,038	463,901
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	40	40
Subscription of shares by NCI in subsidiaries	-	-	-	-	-	-	-	-	1,971	1,971
Bonus Issue in a subsidiary	-	-	-	-	-	208	(400)	(192)	192	-
Exercise of Warrants	7	-	(2)	-	-	-	-	5	-	5
Foreign currency translation	-	-	-	(395)	-	-	-	(395)	50	(345)
Total comprehensive income for the financial period	-	-	-	-	-	-	10,705	10,705	4,068	14,773
At 30 June 2017	87,154	157,150	84,134	2,423	(17,007)	208	110,924	424,986	55,359	480,345

Note:

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018

	Current Year To Date Ended 30-Jun-18 RM'000	Preceding Year To Date Ended 30-Jun-17 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	17,535	20,546
Adjustments for:		
Depreciation	16,001	15,391
Amortisation of intangibles	1,311	922
Interest expenses	10,295	9,916
Interest income	(336)	(220)
	44,806	46,555
Changes in working capital:		
Inventories	(8,775)	(57,915)
Receivables	25,076	27,590
Payables	(67,125)	(43,035)
Amount due from customer for contract works	3,012	-
	(3,006)	(26,805)
Tax paid	(8,356)	(7,873)
Interests received	336	220
Net cash flows used in operating activities	(11,026)	(34,458)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	-	(216,510)
Change in pledged deposits	301	817
Purchase of property, plant and equipment and investment properties	(46,587)	(19,435)
Investment in joint venture	(449)	-
Other investments	-	(18)
Net cash flows used in investing activities	(46,735)	(235,146)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interests paid	(10,295)	(9,916)
Net drawdown of borrowings	37,868	238,780
Proceeds from exercise of warrants	-	5
Subscription of shares by non-controlling interests in a subsidiary	-	1,971
Net cash flows used in/ from financing activities	27,573	230,840
Net change in cash and cash equivalents	(30,188)	(38,764)
Effects of exchange rate changes	(5,433)	(355)
Cash and cash equivalents:		
At the beginning of the financial period	82,811	84,825
At the end of the financial period	47,190	45,706
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	87,595	57,284
Fixed deposits	20,207	22,379
Bank overdraft	(47,132)	(22,971)
	60,670	56,692
Less: Fixed deposits pledged with licensed banks	(13,480)	(10,986)
	47,190	45,706

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018 (CONT'D)

Note:

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with Audited Financial Statements for the FYE 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

QUARTERLY REPORT FOR THE QUARTER ENDED 30 JUNE 2018

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED ("FPE") 30 JUNE 2018

A. NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRS 134):

A1. Basis of Preparation

These condensed consolidated interim financial statements ("interim financial report") 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. The interim financial statements should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

The significant accounting policies and methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statements for the FYE 31 December 2017.

The Group has decided to change the functional currency of OCK Yangon Pte Ltd from Myanmar Kyat to United States Dollar from 1 January 2018 onwards. Hence the financial results were prepared and adjusted based on the new currency accordingly. The unrealized foreign currency exchange gain of RM2.6 million occurred in Quarter 1 2018, is being adjusted in Quarter 2 2018, as shown in the unaudited consolidated statement of comprehensive income.

A2. Summary of Significant Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the FYE 31 December 2017 except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs effective for financial year beginning on or after 1 January 2018.

New MFRSs:

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to MFRSs:

MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

The adoption of the above did not have any significant effects on the interim financial report upon their initial application.

A3. Auditors' Report

There was no qualification on the audited financial statements of the Company and its subsidiary companies for the FYE 31 December 2017.

A4. Comments about Seasonal or Cyclical Factors

The Group's businesses did not experience significant fluctuations due to seasonal or cyclical factors during the current quarter under review.

A5. Items of Unusual Nature and Amount

There were no unusual items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence during the current quarter under review.

A6. Material Changes in Estimates

There were no changes in the estimates of amounts reported in prior year that had a material effect in the current quarter under review.

A7. Issuances, Cancellations, Repurchase, Resale and Repayments of Debts and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the financial period under review.

A8. Dividends Paid

There is no dividend paid in the current quarter under review.

A9. Segmental Information

The segmental results of the Group for the FPE 30 June 2018 based on segment activities are as follows:

Cumulative Quarter 30 June 2018	**Telecommunication Network Services RM'000**	**Green Energy and Power Solution RM'000**	**Trading RM'000**	**M&E Engineering Services RM'000**	**Investment Holding Company RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue from External customers	187,938	17,167	2,581	5,378	-	-	213,064
Inter-segment revenue	9,089	473	3,322	202	-	(13,086)	-
Total Revenue	197,027	17,640	5,903	5,580	-	(13,086)	213,064
Profit before tax	18,912	1,810	776	(508)	(906)	(2,549)	17,535
Taxation	(2,912)	(453)	(186)	122	(353)	385	(3,397)
Profit for the financial period	16,000	1,357	590	(386)	(1,259)	(2,164)	14,138

Cumulative Quarter 30 June 2017	**Telecommunication Network Services RM'000**	**Green Energy and Power Solution RM'000**	**Trading RM'000**	**M&E Engineering Services RM'000**	**Investment Holding Company RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue from External customers	195,499	21,862	2,939	5,483	-	-	225,783
Inter-segment revenue	18,253	10	1,538	4,658	-	(24,459)	-
Total Revenue	213,752	21,872	4,477	10,141	-	(24,459)	225,783
Profit before tax	18,566	2,823	798	187	(785)	(1,043)	20,546
Taxation	(4,095)	(634)	(202)	(25)	(817)	-	(5,773)
Profit for the financial period	14,471	2,189	596	162	(1,602)	(1,043)	14,773

A9. Segmental Information (Cont'd)

The segmental results of the Group for the FPE 30 June 2018 based on geographical segment are as follows:

Cumulative Quarter 30 June 2018	**Malaysia RM'000**	**Regional RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue from External customers	125,896	87,168	-	213,064
Inter-segment revenue	12,496	590	(13,086)	-
Total Revenue	138,392	87,758	(13,086)	213,064
Profit before tax	5,363	14,721	(2,549)	17,535
Taxation	(1,533)	(2,249)	385	(3,397)
Profit for the financial period	3,830	12,472	(2,164)	14,138

Cumulative Quarter 30 June 2017	**Malaysia RM'000**	**Regional RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue from External customers	145,022	80,761	-	225,783
Inter-segment revenue	23,860	599	(24,459)	-
Total Revenue	168,882	81,360	(24,459)	225,783
Profit before tax	10,474	11,115	(1,043)	20,546
Taxation	(3,204)	(2,569)	-	(5,773)
Profit for the financial period	7,270	8,546	(1,043)	14,773

A10. Valuation of property, plant and equipment

There was no valuation of property, plant and equipment in the current quarter under review.

A11. Capital Commitments

As at 30 June 2018, the capital commitments are as follows:

	UNAUDITED as at 30-Jun-18 RM'000	**UNAUDITED as at 30-Jun-17 RM'000**
Capital expenditure approved and contracted for	24,072	89,202

A12. Material subsequent event

There are no material events subsequent to the end of the current financial quarter under review.

A13. Changes in the Composition of the Group

There are no changes in the composition of the Group in current quarter under review, except as follows:

(a) On 23 May 2018, OCK Setia Engineering Sdn Bhd, a wholly owned subsidiary of the Company, had completed the acquisition of 49% equity interest of OCK Digital Infra (Sarawak) Sdn Bhd, which became an indirect associate of the Company.

(b) On 12 June 2018, Milab Marketing Sdn Bhd, a wholly owned subsidiary of the Company, had completed the acquisition of 100% equity interest of Epic Solartech Sdn Bhd for a cash consideration of RM50,000, which became an indirect subsidiary of the Company.

A14. Contingent Liabilities and Contingent Assets

As at 30 June 2018, the contingent liabilities are as follows:

	UNAUDITED as at 30-Jun-18 RM'000	**UNAUDITED as at 30-Jun-17 RM'000**
Financial guarantees given by OCK Group Berhad to licensed banks for facilities granted to subsidiaries	508,452	374,581
Financial guarantees given to a third party for the sales of goods to a subsidiary	11,710	32,873

A15. Significant Related Party Transaction

Save as disclosed below, there was no other significant related party transactions for the current quarter under review:

Nature of Transactions	**UNAUDITED as at 30-Jun-18 RM'000**	**UNAUDITED as at 30-Jun-17 RM'000**
Sales	(279)	(5,955)

All the above transactions were carried out on terms and conditions not materially different from those obtainable in transactions with unrelated parties and in the ordinary course of business of the Group.

B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. Review of Performance

Individual Quarter 30 June 2018	Telecommunication Network Services RM'000	Green Energy and Power Solution RM'000	Trading RM'000	M&E Engineering Services RM'000	Investment Holding Company RM'000	Elimination RM'000	Group RM'000
Total Revenue	107,966	7,771	3,773	1,931	-	(5,893)	115,548
Profit before tax	9,334	267	302	(285)	788	(1,664)	8,742

Individual Quarter 30 June 2017	Telecommunication Network Services RM'000	Green Energy and Power Solution RM'000	Trading RM'000	M&E Engineering Services RM'000	Investment Holding Company RM'000	Elimination RM'000	Group RM'000
Total Revenue	110,096	12,275	2,299	4,949	-	(10,355)	119,264
Profit before tax	9,865	1,481	453	20	144	(513)	11,450

For the current quarter ended 30 June 2018, the Group reported a lower revenue as compared to the corresponding quarter of previous year, mainly due to lower revenue contribution from telecommunication network services ("TNS"), green energy and power solution, and M&E engineering services.

B2. Material Changes in the Current Quarter's results compared to the results of the immediate Preceding Quarter

Individual Quarter 30 June 2018	Telecommunication Network Services RM'000	Green Energy and Power Solution RM'000	Trading RM'000	M&E Engineering Services RM'000	Investment Holding Company RM'000	Elimination RM'000	Group RM'000
Total Revenue	107,966	7,771	3,773	1,931	-	(5,893)	115,548
Profit before tax	9,334	267	302	(285)	788	(1,664)	8,742

Individual Quarter 31 March 2018	Telecommunication Network Services RM'000	Green Energy and Power Solution RM'000	Trading RM'000	M&E Engineering Services RM'000	Investment Holding Company RM'000	Elimination RM'000	Group RM'000
Total Revenue	89,061	9,869	2,130	3,649	-	(7,193)	97,516
Profit before tax	9,578	1,544	474	(223)	(1,695)	(885)	8,793

The total revenue of RM115.5 million recorded for the current quarter was higher as compared to the revenue in the preceding quarter of RM97.5 million mainly due to higher revenue contribution from TNS in current quarter.

B3. Prospects

Being the largest Telecommunication Network Services ("TNS") provider in Malaysia and a rapidly-growing regional independent Tower Company ("TowerCo"), the Group expects a positive growth trajectory for the telecommunication ("telco") industry in spite of the competitive landscape.

In Malaysia, OCK's outlook on the industry is in line with the rest of the Mobile Network Operators ("MNOs") and that is to expand and upgrade their 4G long-term evolution ("LTE") network coverage and fiberisation work to cater to the increasing demand of data and network speed. Additionally, the Group is projecting more growth opportunities in Sarawak with the newly formed Sarawak Multimedia Authority ("SMA"), where approximately RM1 billion will be invested into constructing more telco infrastructure in the near future. This would lead to an increase in the number of telco towers in Sarawak, from 1,200 as at April 2017 to over 5,000 towers, giving the state sufficient network coverage.

Where managed services is concerned, the Group has identified a new trend in Malaysia, where MNOs are starting to outsource internal managed services to third parties in the industry. This is positive for the Group, since we currently manage more than 28,000 telco sites in Malaysia and Indonesia. As such, the prospects going forward seems positive as we strive to maintain our leadership position as the largest TNS provider in Malaysia.

B3. Prospects (Cont'd)

In Myanmar, to date, the Group has completed and handed over 850 telecommunication sites and is still rolling out its current outstanding orderbook of more than 700 telecommunication sites. The Group has achieved a milestone of securing built-to-suit and co-location contracts with all four (4) MNOs namely Telenor Myanmar Limited ("Telenor"), Myanma Posts and Telecommunications ("MPT"), Telecom International Myanmar Company Limited ("Mytel") and Ooredoo Myanmar Limited ("Ooredoo"). That said, the Group will be aggressive as we move to build more sites to cater to the growing demand of daily data usage in this greenfield telecommunication market.

Moving on to Vietnam, the Group is currently the largest independent TowerCo, owning more than 2,300 sites. As the Towerco ecosystem is fragmented, the Group foresees consolidation opportunities. The focus in this country will be on both brown and greenfield opportunities as the market gears up for roll out of 4G LTE network.

To date, The Group has built a tower portfolio of 3,500. Upon the completion of the outstanding orderbook, the Group will own a tower portfolio of more than 4,000 sites across Myanmar, Vietnam and Malaysia. In our aspirations to build an Asean TowerCo, the Group will continue to venture into the Asean region to secure more valuable telco sites.

B4. Profit forecast

No profit forecast has been issued by the Group previously in any public document.

B5. Taxation

	Quarter Ended		Year-To-Date Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
Taxation for the period	1,555	3,332	8,121	5,766
Deferred Tax	52	50	(4,724)	7
Total taxation	1,607	3,382	3,397	5,773

The Group's effective tax rate for the current quarter and financial year to date is lower than statutory tax rate 24%.

B6. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at the date of this announcement.

B7. Group borrowings and debt securities

The Group's borrowings as at 30 June 2018 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Long term borrowings:-			
Hire purchase	5,865	-	5,865
Term loans	230,003	-	230,003
	235,868	-	235,868
Short term borrowings:-			
Overdraft	47,132	-	47,132
Bankers' acceptance	11,223	-	11,223
Bonds	-	1,035	1,035
Revolving project loan	56,896	-	56,896
Hire purchase payables	5,363	-	5,363
Term loans	151,970	-	151,970
	272,584	1,035	273,619

The above borrowings are denominated in Ringgit Malaysia, except for term loans amounting to RM308.2 million and RM3.7 million which are denominated in USD and IDR, respectively.

B8. Material Litigation

Since the preceding FYE 31 December 2017, there is no change in material litigation as at the date of this announcement.

B9. Earnings Per Share

The basic and diluted earnings per share is calculated based on the Group's profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares as follows:

	Quarter Ended		Year-To-Date Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
Group's profit attributable to equity holders of the Company (RM'000)	4,221	5,982	9,351	10,705
Weighted average number of ordinary shares ('000)	871,473	871,473	871,473	871,469
Upon conversion of warrants ('000)	-	68,769	-	68,769
Adjusted weighted average number of ordinary shares ('000)	871,473	940,242	871,473	940,238
Earnings per share (sen):				
- Basic ^	0.48	0.69	1.07	1.23
- Diluted *	0.48	0.64	1.07	1.14

B9. Earnings Per Share (Cont'd)

Notes:

^ Basic earnings per share are based on the profit attributable to owners of the Company and weighted average number of ordinary shares outstanding during the quarter/period.

* Diluted earnings per share are based on the profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the quarter/period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

B10. Profit for the year

	Quarter Ended		Year-To-Date Ended	
	30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000
Profit before tax is arrived at after charging/(crediting):	8,742	11,450	17,535	20,546
- depreciation and amortisation	8,894	9,567	17,312	16,313
- interest expenses	5,364	5,908	10,295	9,916
- interest income	(135)	(61)	(336)	(220)
- (gain)/loss on foreign exchange	2,202	(355)	(3)	(363)
- other income	(808)	(569)	(1,155)	(1,255)

B11. Dividend

No interim dividend has been proposed or declared for the current financial period ended 30 June 2018

By Order of the Board

Wong Youn Kim (MAICSA 7018778)
Company Secretary
Kuala Lumpur
Date: 28 August 2018