



SIG GASES BERHAD

**(Company No.: 875083 - W)
(Incorporated in Malaysia)**

**Financial Report
For The Year Ended
31 December 2017**

**Unaudited Condensed Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017**

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Revenue	19,779	18,535	76,018	75,830
Cost of sales	(14,157)	(11,967)	(54,524)	(52,378)
Gross profit	<u>5,622</u>	<u>6,568</u>	<u>21,494</u>	<u>23,452</u>
Other income	209	757	689	3,984
Selling and administrative expenses	(5,238)	(5,348)	(18,560)	(19,462)
Finance costs	(216)	(198)	(817)	(985)
Share of profit of an associate	294	24	1,845	1,688
Profit before tax	<u>671</u>	<u>1,803</u>	<u>4,651</u>	<u>8,677</u>
Income tax expenses	58	(871)	(418)	(2,391)
Profit after tax and total comprehensive income for the period	<u><u>729</u></u>	<u><u>932</u></u>	<u><u>4,233</u></u>	<u><u>6,286</u></u>
Total comprehensive income attributable to :				
Equity holders of the company	729	932	4,231	6,286
Non-controlling interests	-	-	2	-
	<u><u>729</u></u>	<u><u>932</u></u>	<u><u>4,233</u></u>	<u><u>6,286</u></u>
Earning per share (Sen)				
- Basic	0.39	0.50	2.26	3.35
- Diluted	0.39	0.50	2.26	3.35

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction the accompanying explanatory notes attached to the interim financial statements.

**Unaudited Condensed Consolidated Statements of Financial Position
as at 31 December 2017**

	Unaudited As at 31 Dec 2017 RM'000	Audited As at 31 Dec 2016 RM'000
Assets		
Non-current assets		
Property, plant and equipment	115,503	107,674
Intangible assets	330	357
Investment in an associate	10,841	9,796
	<u>126,674</u>	<u>117,827</u>
Current assets		
Inventory property	1,937	1,937
Inventories	5,168	4,693
Trade and other receivables	25,269	23,517
Cash and bank balances	3,743	6,136
	<u>36,117</u>	<u>36,283</u>
TOTAL ASSETS	<u>162,791</u>	<u>154,110</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	94,770	93,750
Reserves	30,399	29,435
	<u>125,169</u>	<u>123,185</u>
Non-controlling interest	21	-
	<u>125,190</u>	<u>123,185</u>
Non-current liabilities		
Deferred tax liabilities	2,730	2,378
Loans and borrowings	10,903	6,537
	<u>13,633</u>	<u>8,915</u>
Current liabilities		
Trade and other payables	16,564	10,899
Loans and borrowings	7,404	11,111
	<u>23,968</u>	<u>22,010</u>
Total liabilities	<u>37,601</u>	<u>30,925</u>
TOTAL EQUITY AND LIABILITIES	<u>162,791</u>	<u>154,110</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.67	0.66

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the

**Unaudited Condensed Consolidated Statements of Changes in Equity
for the year ended 31 December 2017**

	Non-distributable Share Capital RM'000	Share Premium RM'000	Distributable Retained Earnings RM'000	Non- controlling interest RM'000	Total RM'000
As at 1 January 2017	93,750	1,020	28,416	-	123,186
Total comprehensive income for the period	-	-	4,233	-	4,233
Dividend	-	-	(2,250)	-	(2,250)
Investment in subsidiary	-	-	-	21	21
Transition to no-par value regime	1,020	(1,020)	-	-	-
as at 31 December 2017	94,770	-	30,399	21	125,190
As at 1 January 2016	93,750	1,020	24,380	-	119,150
Total comprehensive income for the period	-	-	6,286	-	6,286
Dividend	-	-	(2,250)	-	(2,250)
as at 31 December 2016	93,750	1,020	28,416	-	123,186

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

**Unaudited Condensed Consolidated Statements of Cash Flows
for the year ended 31 December 2017**

	Financial year ended	
	31 Dec 2017	31 Dec 2016
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	4,651	8,677
Adjustments for:		
Depreciation	6,055	5,803
Gain on disposal of property, plant and equipment	(156)	(2,772)
Interest expenses	760	833
Interest income	(6)	(23)
Reversal of impairment loss on trade receivables	(669)	(841)
Impairment loss on trade receivables	905	1,450
Share of profit of an associate	(1,845)	(1,688)
Unrealised foreign exchange gain	(42)	(143)
Write off of property, plant and equipment	56	170
	<u>9,709</u>	<u>11,466</u>
Operation profit before working capital changes		
(Increase)/decrease in inventories	(475)	909
Decrease in inventory property	-	(46)
(Increase)/decrease in receivables	(2,183)	1,248
Increase/(decrease) in payable	6,377	(5,238)
Cash generated from operating activities	<u>13,428</u>	<u>8,339</u>
Interest paid	(760)	(833)
Tax paid	(647)	(671)
Tax refunded	105	11
Net cash generated from operating activities	<u>12,126</u>	<u>6,846</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,559)	(5,589)
Purchase of intangible assets	(6)	-
Proceed from disposal of property, plant and equipment	379	6,601
Dividend received from associate company	800	240
Interest received	6	23
Net cash (used)/generated in investing activities	<u>(12,380)</u>	<u>1,275</u>
Cash flows from financing activities		
Drawdown/(repayment) of borrowings	91	(5,146)
Proceed from Ordinary shares	20	-
Dividend paid	(2,250)	(2,250)
Net cash used in financing activities	<u>(2,139)</u>	<u>(7,396)</u>
Net (decrease)/Increase in cash and cash equivalents	<u>(2,393)</u>	<u>725</u>
Cash and cash equivalents at beginning of financial period	<u>6,136</u>	<u>5,411</u>
Cash and cash equivalents at the end of financial period	<u>3,743</u>	<u>6,136</u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	<u>3,743</u>	<u>6,136</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE REPORT**PART A -
EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS
("MFRS") 134, INTERIM FINANCIAL REPORTING****A1. Corporate information**

SIG Gases Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 21 February 2018.

A2. Basis of Preparation

These condensed consolidated interim financial statements, for the quarter ended 31 December 2017 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2016. The explanatory notes attached to these condensed consolidated 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 Group since the year ended 31 December 2016.

A2.1 Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2017, the Group adopted the following new and amended MFRS's mandatory for annual financial period beginning on or after 1 January 2017.

(i) Adoption of standards and interpretations:

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
MFRS 107 Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRS Standards 2014–2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12	1 January 2017

(ii) Standards and interpretations issued but not yet effective

At the date of authorization of these interim financial statements, the following standards and interpretations were issued but not yet effective and have not been applied by the Group:

NOTES TO THE REPORT

PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS ("MFRS") 134, INTERIM FINANCIAL REPORTING

A2.1 Significant accounting policies (cont'd)

(ii) Standards and interpretations issued but not yet effective (cont'd)

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
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

A3. Auditor's report on preceding annual financial statements

There was no qualification to the audited financial statements of the Company for the financial year ended 31 December 2016.

A4. Seasonal or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

A5. Items of unusual nature

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flow during the financial period ended 31 December 2017.

A6. Material changes in estimates

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

A7. Changes in debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt for the financial period-to-date.

A8. Dividend paid

There were no dividend declared during the current financial quarter ended 31 December 2017.



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NOTES TO THE REPORT

PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS ("MFRS") 134, INTERIM FINANCIAL REPORTING (CONT'D)

A9. Segment information

The Group is organized into business units based on their products and services, and it has three operating segments as follows

- (1) Manufacturing
- (2) Refilling and Distribution
- (3) Other Products and Services

For the detailed analytical review of the segmental information, please refer to Part B1 and B2 for explanation.

Year ended 31 December 2017

	Manufacturing	Refilling and Distribution	Other Products and Services	Total
	RM'000	RM'000	RM'000	RM'000
REVENUE	31,684	43,708	626	76,018
RESULTS				
Profit for reportable segment	5,108	16,300	86	21,494
Other income				689
Selling and administrative expenses				(18,560)
Finance costs				(817)
Share of profit of an associate				1,845
Profit before tax				4,651
Income tax expenses				(418)
Total comprehensive income				4,233

Year ended 31 December 2016

	Manufacturing	Refilling and Distribution	Other Products and Services	Total
	RM'000	RM'000	RM'000	RM'000
REVENUE	34,860	40,337	633	75,830
RESULTS				
Profit for reportable segment	7,856	15,466	130	23,452
Other income				3,984
Selling and administrative expenses				(19,462)
Finance costs				(985)
Share of profit of an associate				1,688
Profit before tax				8,677
Income tax expenses				(2,391)
Total comprehensive income				6,286

NOTES TO THE REPORT**PART A -
EXPLANATORY NOTES IN COMPLIANCE WITH FINANCIAL STANDARDS
("MFRS") 134, INTERIM FINANCIAL REPORTING****A10. Valuation of property, plant and equipment**

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

A11. Capital commitments

Capital commitments for property, plant and equipment not provided for as at 31 December 2017 are as follows:-

	RM'000
Approved and contracted for	<u>6,499</u>

A12. Property, plant and equipment

The Group acquired property, plant and equipment amounting to RM6.04million during the current quarter .

A13. Material events subsequent to the end of period reported

There were no material events subsequent to the end of this reporting period.

A14. Changes in composition of the group

There were no changes in composition of the Group to the end of the current financial quarter that have been reflected in this quarterly report as at the date of this report.

**PART A -
EXPLANATORY NOTES IN COMPLIANCE WITH FINANCIAL STANDARDS
("MFRS") 134, INTERIM FINANCIAL REPORTING**

A15. Contingent liabilities or contingent assets

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this report.

A16. Cash and cash balances

	As at 31 Dec 2017 RM'000	As at 31 Dec 2016 RM'000
Cash in hand and at banks	3,743	6,136

A17. Profit before tax

Included in the profit before tax are the following items:

	<u>Current quarter</u> <u>3 months ended</u>		<u>Cumulative quarter</u> <u>12 months ended</u>	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
(a) Interest income	(2)	(7)	(6)	(23)
(b) Other (income)/charges including investment income	(128)	(763)	(504)	(3,876)
(c) Interest expense	202	161	760	833
(d) Depreciation and amortisation	1,567	1,473	6,055	5,803
(e) (Reversal)/Provision for and write off of receivables	413	73	236	609
(f) Provision for and write off of inventories	-	-	-	-
(g) (Gain)/loss on disposal of quoted and unquoted investments or properties	-	-	-	-
(h) (Reversal)/Impairment of property, & equipment	-	(484)	-	-
(i) Foreign exchange (gain)/loss				
- Realised	(66)	42	(137)	58
- Unrealised	(29)	(29)	(42)	(143)
(j) (Gain)/loss on derivatives	-	-	-	-



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A18. Significant related party transactions

The Group had the following transactions during the current financial period with related parties in which certain directors of the Company have substantial financial interest:-

Nature of transactions	Transactions during the current financial quarter RM'000	Transactions Period-to-date RM'000	Balance outstanding as at 31 December 2017 RM'000
Purchase of refrigerants, cylinders, valves, liquid oxygen, liquid nitrogen, liquid argon, liquid carbon dioxide, specialty gases and overdue interest from companies in which the Company's director, Peh Lam Hoh has substantial financial interests.	4,544	18,850	4,221
Sales of industrial gases and equipment to companies in which the Company's director, Peh Lam Hoh has substantial financial interest	129	506	123

NOTES TO THE REPORT**PART B –
ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENT OF BURSA
MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)****B1. Review Of Performance Of The Group****Current Quarter 3 months ended 31 December 2017 vs. Preceding year corresponding Quarter 3 months ended 31 December 2016**

Revenue for the current quarter registered an increase of 6.69% to RM19.78M, as compared to the corresponding quarter of RM 18.54M . This was partly attributed to sale of liquid nitrous oxide in the quarter with the commissioning of the new plant.

The Group's gross profit for the current quarter was RM5.62M, down by RM0.95M or 14.46% as compared to the corresponding quarter. Despite a higher revenue for the current quarter, the gross profit contribution was eroded due to higher purchase cost of liquid.

The Group achieved a current quarter's profit before tax of RM0.67M which is lower by 62.78% or RM1.13M as compared to corresponding quarter due to dip in gross profit margin and higher operating costs. The share of profit from the associate company was up by RM0.27M.

The Group's current quarter's profit after tax was RM0.73M, down by RM0.20M or 21.51% with a tax reversal of RM0.06M as compared to a tax expense of RM0.87M in the corresponding period.

Current year to date 31 December 2017 vs. Preceding year to date 31 December 2016

The Group's revenue for the year ended 31 December 2017 was RM76.02M , marginally up by RM0.19M or 0.25% as compared to the same period in year 2016. During the year, the revenue was largely affected by the shortage of Argon supplies which reduced our ability to increase sales to engineering and construction sector. With the commissioning of Nitrous Oxide plant in October, sale of liquid nitrous oxide has helped to maintain the revenue during the year.

The Group's Gross Profit for the period was RM21.49M, down by RM1.96M or 8.36% as compared to the same period in year 2016. This was due to eroded gross profit margin to 28.26% from 30.92% with lower project sales and higher purchase costs of liquid.

Profit Before Tax was lower by RM4.03M as compared to the corresponding period mainly due to the absence of one-off other income of RM2.66M from sale of 4 units of Semi-Detached Industrial Buildings in Bintulu and lower gross profit margin. The share of profit from an associate company marginally increased from RM1.69M to RM1.85M during the year.

B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter

The Group's revenue for the current quarter was up by RM0.78M or 4.11% as compared to that of the preceding quarter. This was due to mainly revenue from our new nitrous oxide product.

Gross profit was up by RM0.57M or 11.29% to RM5.62M with improved contribution from lower purchase costs of liquid in the quarter.

The Group recorded a profit before tax of RM0.67M, down by RM0.17M as compared to the preceding quarter. The lower profit was due to increase in selling and administrative expenses by RM0.81M. The share of profit from an associate company was recorded at RM0.29M.

The current quarter's Group's profit after tax was RM0.73M, down by RM0.52M as compared to the preceding quarter mainly due to increase in taxation provision.

NOTES TO THE REPORT

B3. Current Year Prospects

The growth of Malaysian Gross Domestic Product (GDP) is expected to achieve 5% for year 2018. The depressed oil price coupled with the fluctuation of exchange rates of MYR against US dollar and other currencies together with the looming general election will have an impact on the Malaysian economy. Any weakening of MYR is expected to increase the cost of some of our imported materials and capital goods. However, the infrastructural projects announced by the government including the Petrochemical project in Johor, the East Coast rail project and the Malacca Port expansion are likely able to bring some relief to the economic uncertainties particularly the industrial sector.

Malaysian overall industrial environment is expected to remain challenging in 2018. There are numerous domestic and international economic and political issues that could have significant impacts on the Malaysian economy, such as the cutting back of capital expenditures in the oil and gas sector, continuous inflationary effect of GST, cutting back of subsidies on essential goods and the global economic uncertainty arising from BREXIT negotiation, political uncertainty and securities concerns due to influx of immigrants into the European economic community, military tension in the Korean Peninsula and the protectionist trade policies of the President Trump's administration.

Despite the challenging times ahead, the management will continue to be cost-conscious and to improve productivity of our operations. The management shall continue to explore investment opportunities to widen the group's revenue base to improve efficiencies of its capital resources and to enhance the return to the shareholders. Earnings growth in 2018 is expected to be driven by the revenue contribution from our new Nitrous Oxide plant.

In conclusion, despite the uncertainty posed by the macroeconomic environment set out above, we believe that with the gradual increase in revenue from our completed expansion projects and continuous investment to widen our revenue base, we remain cautiously optimistic about our performance for year 2018.

B4. Profit Forecast And Profit Estimate

The Group did not issue any profit forecast or profit estimate previously in any public document.

B5. Income Tax Expense

	Current quarter 3 months ended 31 Dec 17 RM'000	Current financial period to date 31 Dec 17 RM'000
In respect of the current period		
- Income tax (Current year)	(58)	72
- Income tax (over provision in prior year)	-	(6)
- Deferred tax	-	352
	(58)	418

NOTES TO THE REPORT

PART B – ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)

B6. Status of Corporate Proposals

The Public Issue of 49.2 million and Offer For Sales of 3 million ordinary shares of RM0.50 each in the Company at an issue price of RM0.58 had all been fully subscribed and the entire share capital of the Company of 150 million ordinary shares were listed on the Main Board of Bursa Malaysia Securities Berhad on 9 August 2010. The Company raised RM28.54 million from the public issue and the utilisation of proceeds as at 14 February 2018 (the latest practicable date not earlier than seven (7) days from the date of issue of this report) is as follows:

No.	Description	Estimated timeframe for utilisations upon Listing	Proposed	Amendment	Amendment	Actual	Reclassification	Balances to be utilised	
			Utilisations	1	2	Utilisations	(RM'000)	(RM'000)	(RM'000)
			(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
1	Purchase of land and building its facilities	60 months							
1.1	Sarawak - Samalaju Industrial Park		9,736	(2,500)	(2,690)	(3,628)	30	948	21%
1.2	Sarawak - Kemena Industrial Park, Bintulu		-	2,500	-	(2,500)	-	-	0%
1.3	Kuantan		2,500	-	1,250	(4,337)	587	-	0%
1.4	Melaka		2,500	-	1,440	(3,990)	50	-	0%
			14,736	-	-	(14,455)	667	948	6%
2	Purchase of property, plant & equipment	12 months							
2.1	Cylinders		5,400	-	-	(5,400)	-	-	0%
2.2	Hydrogen long tube		1,000	-	-	(1,000)	-	-	0%
			6,400	-	-	(6,400)	-	-	0%
3	Repayment of term loan	12 months	4,200	-	-	(4,200)	-	-	0%
4	Listing expenses*	Immediately	3,200	-	-	(2,533)	(667)	-	0%
	Total		28,536	-	-	(27,588)	-	948	3%

The gross proceeds arising from the Offer for Sale, net of the relevant fees, accrued entirely to the Offeror and no part of the proceeds was received by the Company.

The excess of provision for Listing expenses of RM0.67 Million will be utilised in the purchase of land and building and its facilities as indicated in Section 2.8 (iv) of the Prospectus.

NOTES TO THE REPORT

PART B – ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B) (CONT'D)

B7. Group Borrowing and Debts Securities

The Group's borrowings and debts securities as at 31 December 2017 are as follows:

	RM'000
Long term borrowings	
<u>Secured:</u>	
Obligation under finance lease	520
Term loans	10,383
	<u>10,903</u>
Short term borrowings	
<u>Secured</u>	
Obligation under finance lease	546
Bankers acceptance and revolving credit	4,271
Term loans	2,587
	<u>7,404</u>
Total	<u><u>18,307</u></u>

B8. Breakdown of realised and unrealised profits or losses of the Group

	As at 31-Dec-17 RM'000	As at 31-Dec-16 RM'000
Realised profits	28,848	27,558
Unrealised losses	(2,730)	(2,378)
Total retained profits	<u>26,118</u>	25,180
Associated company - Realised	<u>4,281</u>	3,236
	30,399	28,416
Less: Consolidations adjustments	-	-
Retained profits as per statement of financial position	<u><u>30,399</u></u>	<u><u>28,416</u></u>

B9. Material Litigation

There was no material litigation as at the date of issuance of this quarterly report.

B10. Dividends

No interim dividend has been declared during the current quarter.

B11. Earnings Per Share

Basic earnings per share are calculated based on weighted average number of ordinary shares in issue and profit attributable to equity holders of the Group.