



SIG GASES BERHAD

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

**Financial Report
For The Nine-Month Period Ended
30 September 2018**

Unaudited Condensed Consolidated Statement of Comprehensive Income for the nine-month period ended 30 September 2018

| | Current quarter | | Cumulative quarter | |
|---|------------------------|---------------------|---------------------------|---------------------|
| | 3 months ended | | 9 months ended | |
| | 30 Sep | 30 Sep | 30 Sep | 30 Sep |
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 21,507 | 19,000 | 59,057 | 56,239 |
| Cost of sales | (16,929) | (14,826) | (45,680) | (42,983) |
| Gross profit | <u>4,578</u> | <u>4,174</u> | <u>13,377</u> | <u>13,256</u> |
| Other income | 318 | 155 | 924 | 480 |
| Selling and administrative expenses | (4,134) | (3,563) | (11,625) | (10,705) |
| Finance costs | (277) | (211) | (765) | (601) |
| Share of profit of an associate | 570 | 289 | 1,520 | 1,551 |
| Profit before tax | <u>1,055</u> | <u>844</u> | <u>3,431</u> | <u>3,981</u> |
| Income tax reversal/(expenses) | (220) | 403 | (86) | (476) |
| Profit after tax and total comprehensive income for the period | <u><u>835</u></u> | <u><u>1,247</u></u> | <u><u>3,345</u></u> | <u><u>3,505</u></u> |
| Total comprehensive income attributable to : | | | | |
| Equity holders of the company | 835 | 1,247 | 3,339 | 3,505 |
| Non-controlling interests | - | - | 6 | - |
| | <u><u>835</u></u> | <u><u>1,247</u></u> | <u><u>3,345</u></u> | <u><u>3,505</u></u> |
| Earning per share (Sen) | | | | |
| - Basic | 0.45 | 0.67 | 1.78 | 1.87 |
| - Diluted | 0.45 | 0.67 | 1.78 | 1.87 |

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



SIG Gases Berhad
(Company No:875083-W)

**Unaudited Condensed Consolidated Statements of Financial Position
as at 30 September 2018**

| | Unaudited As at 30 Sep 2018 RM'000 | Audited As at 31 Dec 2017 RM'000 |
|--|---|---|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 117,556 | 115,530 |
| Intangible assets | 237 | 303 |
| Investment in an associate | 11,761 | 10,841 |
| | <u>129,554</u> | <u>126,674</u> |
| Current assets | | |
| Inventory property | 1,937 | 1,937 |
| Inventories | 5,182 | 5,168 |
| Trade and other receivables | 28,238 | 25,324 |
| Cash and bank balances | 4,464 | 3,743 |
| | <u>39,821</u> | <u>36,172</u> |
| TOTAL ASSETS | <u><u>169,375</u></u> | <u><u>162,846</u></u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the parent | | |
| Share capital | 94,770 | 94,770 |
| Reserves | 32,014 | 30,399 |
| | <u>126,784</u> | <u>125,169</u> |
| Non-controlling interest | - | 22 |
| | <u>126,784</u> | <u>125,191</u> |
| Non-current liabilities | | |
| Deferred tax liabilities | 2,530 | 2,730 |
| Loans and borrowings | 11,386 | 10,903 |
| | <u>13,916</u> | <u>13,633</u> |
| Current liabilities | | |
| Trade and other payables | 15,627 | 16,618 |
| Loans and borrowings | 13,048 | 7,404 |
| | <u>28,675</u> | <u>24,022</u> |
| Total liabilities | <u>42,591</u> | <u>37,655</u> |
| TOTAL EQUITY AND LIABILITIES | <u><u>169,375</u></u> | <u><u>162,846</u></u> |
| Net assets per share attributable to ordinary equity holders of the Company (RM) | 0.68 | 0.67 |

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

**Unaudited Condensed Consolidated Statements of Changes in Equity
for the nine-month period ended 30 September 2018**

| | 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 2018 | 94,770 | - | 30,399 | 22 | 125,191 |
| Opening balance adjustment from adoption of MFRS 9 | - | - | (113) | - | (113) |
| Restated as at 1 January 2018 | <u>94,770</u> | <u>-</u> | <u>30,286</u> | <u>22</u> | <u>125,078</u> |
| Total comprehensive income for the period | - | - | 3,339 | 6 | 3,345 |
| Dividend | - | - | (1,500) | - | (1,500) |
| Acquisition of non-controlling interests in a subsidiary | - | - | (111) | (28) | (139) |
| As at 30 September 2018 | <u><u>94,770</u></u> | <u><u>-</u></u> | <u><u>32,014</u></u> | <u><u>-</u></u> | <u><u>126,784</u></u> |
| As at 1 January 2017 | 93,750 | 1,020 | 28,415 | - | 123,185 |
| Total comprehensive income for the period | - | - | 3,505 | - | 3,505 |
| Investment in subsidiary | - | - | - | 18 | 18 |
| Transition to no-par value regime* | 1,020 | (1,020) | - | - | - |
| Dividend | - | - | (2,250) | - | (2,250) |
| As at 30 September 2017 | <u><u>94,770</u></u> | <u><u>-</u></u> | <u><u>29,670</u></u> | <u><u>18</u></u> | <u><u>124,458</u></u> |

* Effective from 31 January 2017, the Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit balance of share premium become a part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(4) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of the member as a result of this transition.

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



SIG Gases Berhad
(Company No:875083-W)

**Unaudited Condensed Consolidated Statements of Cash Flows
for the nine-month period ended 30 September 2018**

| | Financial period ended | |
|---|-------------------------------|------------------------|
| | 30 Sep 2018 | 30 Sep 2017 |
| | RM'000 | RM'000 |
| Cash flows from operating activities | | |
| Profit before tax | 3,431 | 3,981 |
| Adjustments for: | | |
| Depreciation and amortisation | 4,929 | 4,488 |
| Gain on disposal of property, plant and equipment | (305) | (91) |
| Interest expenses | 712 | 558 |
| Interest income | (7) | (4) |
| Reversal of impairment loss on trade receivables | (228) | (381) |
| Impairment loss on trade receivables | 405 | 204 |
| Share of profit of an associate | (1,520) | (1,551) |
| Unrealised foreign exchange loss/(gain) | 56 | (13) |
| Write off of property, plant and equipment | 26 | 46 |
| Operation profit before working capital changes | <u>7,499</u> | <u>7,237</u> |
| Increase in inventories | (14) | (112) |
| Decrease/(Increase) in receivables | 1,140 | (4,155) |
| (Decrease)/increase in payables | <u>(3,130)</u> | <u>3,600</u> |
| Cash generated from operating activities | 5,495 | 6,570 |
| Interest paid | (712) | (558) |
| Tax paid | (596) | (496) |
| Tax refunded | 9 | 105 |
| Net cash generated from operating activities | <u>4,196</u> | <u>5,621</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (9,100) | (8,092) |
| Proceed from disposal of property, plant and equipment | 530 | 287 |
| Dividend received from associate company | 600 | 800 |
| Interest received | 7 | 4 |
| Net cash used in investing activities | <u>(7,963)</u> | <u>(7,001)</u> |
| Cash flows from financing activities | | |
| Drawdown of borrowings | 6,127 | 937 |
| Acquisition of non-controlling interests in a subsidiary | (139) | - |
| Dividend paid | <u>(1,500)</u> | <u>(2,250)</u> |
| Net cash generated from/(used in) financing activities | <u>4,488</u> | <u>(1,313)</u> |
| Net increase/(decrease) in cash and cash equivalents | 721 | (2,693) |
| Cash and cash equivalents at beginning of financial period | <u>3,743</u> | <u>6,136</u> |
| Cash and cash equivalents at the end of financial period | <u>4,464</u> | <u>3,443</u> |
| Cash and cash equivalents at the end of the financial period comprise the following: | | |
| Cash and bank balances | <u>4,464</u> | <u>3,443</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 15 November 2018.

A2. Basis of Preparation

These condensed consolidated interim financial statements, for the quarter ended 30 **September** 2018 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 2017. 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 2017.

A2.1 Significant accounting policies

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

On 1 January 2018, the Group **adopted** the following new and amended MFRS's mandatory for annual financial period beginning on or after 1 January 2018.

(I) Adoption of standards and interpretations:

| <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 |

NOTES TO THE REPORT**PART A -
EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS
("MFRS") 134, INTERIM FINANCIAL REPORTING (CONT'D)****A2.1 Significant accounting policies (cont'd)**

The adoption of the above standards and interpretations do not have significant financial impact to the Group's consolidated financial statements for the current quarter, except as discussed below:

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group adopts MFRS 15 using the modified retrospective method. The directors have assessed the effects of applying the new standard on the Group's financial statements and have identified the following areas that are affected.

(i) Rendering of services

The Group provides delivery services. These services are bundled together with the sale of goods to a customer. Previously, the Group accounts for the bundled sales as one deliverable and recognises revenue at a point in time. Under MFRS 15, the sale of goods and the rendering of delivery services are treated as separate deliverables of bundled sales. The considerations received or receivable are allocated between these deliverables based on relative stand-alone selling prices of each deliverable. The delivery services will be recognised over time and its stage of completion is measured using the actual time incurred to date compared to the estimated time needed to complete the delivery services.

As a result, the costs relating to the fulfilment of the delivery service are classified as costs of goods sold under MFRS 15 in the current financial period. However, the identification of delivery services as a separate deliverables of bundled sales did not have any material impact on the amount and timing of revenue recognised and hence, there were no restatements made to the Group's opening retained earnings.

NOTES TO THE REPORT**PART A -
EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS
("MFRS") 134, INTERIM FINANCIAL REPORTING (CONT'D)****A2.1 Significant accounting policies (cont'd)****MFRS 15 Revenue from Contracts with Customers (Cont'd)****(ii) Presentation and disclosure requirements**

The Group disaggregated revenue recognised from contract with customers onto categories that depict the nature, amount, timing and uncertainty of revenue and cash flows affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to below for the disclosure on disaggregated revenue.

Revenue from contracts with customers

| Segments | Manufacturing (RM'000) | Refilling and distribution (RM'000) | Other products and services (RM'000) | Total (RM'000) |
|----------|---------------------------|---|--|----------------|
|----------|---------------------------|---|--|----------------|

For 9 months ended 30.09.2018

| | | | | |
|--|--------|--------|-----|--------|
| Sale/Total revenue from customers from contracts | 24,080 | 34,597 | 380 | 59,057 |
| Timing of revenue recognition | | | | |

| | | | | |
|---|--------|--------|-----|--------|
| Goods transferred at a point of time | 24,080 | 29,319 | 380 | 53,779 |
| Services transferred over time | - | 5,278 | - | 5,278 |

For 9 months ended 30.09.2017

| | | | | |
|--|--------|--------|-----|--------|
| Sale/Total revenue from customers from contracts | 23,771 | 31,961 | 507 | 56,239 |
| Timing of revenue recognition | | | | |

| | | | | |
|---|--------|--------|-----|--------|
| Goods transferred at a point of time | 23,771 | 26,867 | 507 | 51,145 |
| Services transferred over time | - | 5,094 | - | 5,094 |

NOTES TO THE REPORT

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

A2.1 Significant accounting policies (cont'd)

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting.

The effect of adopting MFRS 9 is, as follows:

(i) Classification and measurement

Based on the assessment performed by the directors of the Company on the basis of facts and circumstances that exist at 30 September 2018, the Group does not have a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9, as the Group only has loans and receivables which are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analyses the contractual cash flow characteristics of these instruments and conclude that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

The Group applied simplified approach and record lifetime expected losses on all trade receivables. General approach will be applied on other receivables.

(iii) Hedge accounting

The Group does not apply hedge accounting, hence no impact on the Group's financial statements upon application of the hedging requirements of MFRS 9.

A2.2 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

NOTES TO THE REPORT**PART A -
EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS
("MFRS") 134, INTERIM FINANCIAL REPORTING (CONT'D)****A2.2 Standards issued but not yet effective (cont'd)**

| <u>Description</u> | <u>Effective for annual periods beginning on or after</u> |
|--|---|
| 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 |
| MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119) | 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 2017.

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 30 September 2018.

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

At the Annual General Meeting held on 18 May 2018, a final tax exempt (single-tier) dividend of 1.60% in respect of the financial year ended 31 December 2017 on 187,500,000 ordinary shares, amounting to a dividend payable of RM1.5 million (0.8 sen per ordinary share) was approved by the shareholders and paid on 15 June 2018.

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.

Nine-month period ended 30 September 2018

| | Manufacturing | Refilling and Distribution | Other Products and Services | Total |
|-------------------------------------|---------------|----------------------------------|-----------------------------------|---------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| REVENUE | <u>24,080</u> | <u>34,597</u> | <u>380</u> | <u>59,057</u> |
| RESULTS | | | | |
| Profit for reportable segment | 3,869 | 9,439 | 69 | 13,377 |
| Other income | | | | 924 |
| Selling and administrative expenses | | | | (11,625) |
| Finance costs | | | | (765) |
| Share of profit of an associate | | | | 1,520 |
| Profit before tax | | | | <u>3,431</u> |
| Income tax expenses | | | | <u>(86)</u> |
| Total comprehensive income | | | | <u><u>3,345</u></u> |



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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 (cont'd)

Nine-month period ended 30 September 2017

| | Manufacturing | Refilling and Distribution | Other Products and Services | Total |
|-------------------------------------|---------------|----------------------------------|-----------------------------------|---------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| REVENUE | <u>23,771</u> | <u>31,961</u> | <u>507</u> | <u>56,239</u> |
| RESULTS | | | | |
| Profit for reportable segment | 3,896 | 9,306 | 54 | 13,256 |
| Other income | | | | 480 |
| Selling and administrative expenses | | | | (10,705) |
| Finance costs | | | | (601) |
| Share of profit of an associate | | | | 1,551 |
| Profit before tax | | | | <u>3,981</u> |
| Income tax expenses | | | | <u>(476)</u> |
| Total comprehensive income | | | | <u><u>3,505</u></u> |

NOTES TO THE REPORT**PART A -
EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARDS
("MFRS") 134, INTERIM FINANCIAL REPORTING (CONT'D)****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 30 September 2018 are as follows:-

| | RM'000 |
|-----------------------------|---------------|
| Approved and contracted for | <u>8,349</u> |

A12. Property, plant and equipment

The Group acquired property, plant and equipment amounting to RM5.3million 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

On 17 April 2018, SIG Gases Berhad ("SIGGAS") acquired an additional 20,000 ordinary shares in capital of Southern Nitrous Oxide Sdn Bhd ("SNO") at a total consideration of HKD277,524.49 (Hong Kong Dollar : Two Hundred Seventy Seven Thousand Five Hundred Twenty Four and cents Forty Nine only) equivalent to RM138,762.25 (Ringgit Malaysia : One Hundred Thirty Eight Thousand Seven Hundred Sixty Two and cents Twenty Five only). After the acquisition, SIGGAS holds 100,000 ordinary shares representing 100% of the equity share capital of SNO, making it a wholly owned subsidiary of SIGGAS.

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.

NOTES TO THE REPORT

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

A16. Cash and bank balances

| | As at 30 Sep 2018 RM'000 | As at 31 Dec 2017 RM'000 |
|---------------------------|-----------------------------------|-----------------------------------|
| Cash in hand and at banks | 4,464 | 3,743 |

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>9 months ended</u> | |
|--|---|--------------------------|--|--------------------------|
| | 30 Sep 2018 RM'000 | 30 Sep 2017 RM'000 | 30 Sep 2018 RM'000 | 30 Sep 2017 RM'000 |
| (a) Interest income | (2) | (1) | (7) | (4) |
| (b) Write off of property, plant and equipment | 13 | 8 | 26 | 46 |
| (c) Other income including investment income | (316) | (129) | (803) | (376) |
| (d) Interest expense | 257 | 196 | 712 | 558 |
| (e) Depreciation and amortisation | 1,686 | 1,519 | 4,929 | 4,488 |
| (f) Reversal for and write off of receivables | (123) | (309) | (228) | (381) |
| (g) Foreign exchange loss/(gain) | | | | |
| - Realised | 32 | (25) | (82) | (71) |
| - Unrealised | 13 | 11 | 56 | (13) |
| (h) Gain on disposal of property, plant & equipment | (133) | (32) | (305) | (91) |



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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)

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 30 September 2018 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. | 5,962 | 13,603 | 3,677 |
| Sales of industrial gases and equipment to companies in which the Company's director, Peh Lam Hoh has substantial financial interest. | 430 | 743 | 384 |

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 30 September 2018 vs. Preceding year corresponding Quarter 3 months ended 30 September 2017

During the quarter, revenue for the quarter was RM21.51M, 13.19% up as compared to the corresponding quarter of RM 19.00M. This was largely attributed to higher sales in acetylene, special gases and refrigerant in the current quarter with strong demand from manufacturing sector.

The Group's gross profit for the current quarter was RM4.58M, up by RM0.41M or 9.83% as compared to the corresponding quarter of RM 4.17M. The increase in gross profit was in tandem with the improved sales. The gross profit margin has eroded from 21.97% in Q3 2017 to 21.29% in Q3 2018 mainly due to increase in depreciation and tight gross profit margin for refrigerant products.

The Group posted a profit before tax of RM1.06M, up by RM0.22M or 26.19% as compared to corresponding quarter with a share of profit from the associate company went up by RM0.29M to RM0.57M in Q3 2018.

Current year to date 30 September 2018 vs. Preceding year to date 30 September 2017

The Group's revenue for the period ended 30 September 2018 was RM59.06M, up by RM2.82M or 5.01% as compared to corresponding period of RM56.24M in year 2017. The higher revenue was mainly due to increase in liquid nitrous oxide sales by RM0.48M and refrigerant products by RM1.88M.

The Group's gross profit for the period was RM13.38M, up by RM0.12M or 0.90% as compared to the same period of RM13.26M in year 2017. Despite the higher gross profit, the profit margin was eroded to 22.65% in year 2018 from 23.57% in year 2017, this was mainly due to lower selling price for refrigerant products, calcium carbide cost increased, higher depreciation cost and higher purchase costs of liquid with tight supplies during the period.

Profit before tax was lower by RM0.55M to RM3.43M as compared with the corresponding period of RM3.98M in year 2017 mainly due to higher selling and administrative expenses by RM0.92M together with higher depreciation charge and payroll cost. The share of profit from an associate company was marginally down from RM1.55M to RM1.52M with reduced project sales.

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

The Group's revenue was at RM21.51M in Q32018, up by RM2.70M or 14.37% as compared to that of the preceding quarter of RM18.81M. This was partially attributed to increase in gases sales by RM0.87M, sales of refrigerant by RM0.61M, bulk liquid by RM1.14M.

Gross profit was up marginally by RM0.02M or 0.44% to RM4.58M with improved revenue. However, the gross profit margin was down from 24.25% in Q2 2018 to 21.29% in Q3 2018. The eroded margin was mainly due to lower selling price of refrigerant products and higher raw material cost.

The Group posted a profit before tax of RM1.06M, which was RM0.18M lower as compared to the preceding quarter of RM1.24M. The lower profit was due to increase in direct labour cost, raw materials cost such as calcium carbide and liquid purchase costs. Increase in Selling & administrative expenses mainly due to increase in provision of doubtful debt by RM0.33M. The share of profit from the associate company was RM0.57M in Q3 2018, up by RM0.10M or 21.28% from RM0.47M in Q2 2018

B3. Current Year Prospects

While Malaysian overall industrial environment is expected to remain challenging in 2018, the result of the 14th General Election and the change of government may have an impact on the economic environment of the country, particularly the '0' rated GST and the introduction of Sales and Service Tax may have a favourable impact on the sentiment and purchasing power of the consumers. There are also other numerous domestic and international economic issues that may have significant impacts on the Malaysian economy. This includes the improving market situation in the oil and gas sector, cutting back of subsidies on essential goods. The global political and economic uncertainty due to potential trade war between China and USA, protectionist policy adopted by Trump's administration, the anticipated further increase in the US interest rate, the heightened tension in the middle east are likely to have impact on the global economy.

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 contributed by our increased investment in Nitrous Oxide plant and upgrading of our ASU plant to improve cost efficiency.

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)****B3. Current Year Prospects (cont'd)**

Despite the uncertainty posed by the macroeconomic environment set out above, we remain cautiously optimistic about our performance for the financial 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 30 Sep 18 RM'000 | Current financial period to date 30 Sep 18 RM'000 |
|--|--|--|
| In respect of the current period | | |
| - Income tax (Current year) | (9) | 78 |
| - Real properties gains tax (Prior year) | 208 | 208 |
| - Deferred tax | | |
| Current year | 21 | 580 |
| Overprovision in prior year | - | (780) |
| | <u>220</u> | <u>86</u> |

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)****B6. Group Borrowing and Debts Securities**

The Group's borrowings and debts securities as at 30 September 2018 are as follows:

| | RM'000 |
|---|----------------------|
| Long term borrowings | |
| <u>Secured:</u> | |
| Obligation under finance lease | 1,228 |
| Term loans | 10,158 |
| | <u>11,386</u> |
| Short term borrowings | |
| <u>Secured:</u> | |
| Obligation under finance lease | 876 |
| Bankers acceptance and revolving credit | 8,671 |
| Term loans | 3,501 |
| | <u>13,048</u> |
| Total | <u><u>24,434</u></u> |

B7. Material Litigation

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

B8. Dividends

No interim dividend has been declared during the current quarter.

B9. 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.