SIG GASES BERHAD

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

Financial Report
For The Year Ended
31 December 2018

Unaudited Condensed Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31 Dec 2018 RM'000	**31 Dec 2017 RM'000**	**31 Dec 2018 RM'000**	**31 Dec 2017 RM'000**
Revenue	19,519	19,779	78,576	76,018
Cost of sales	(15,142)	(15,097)	(60,822)	(58,080)
Gross profit	4,377	4,682	17,754	17,938
Other income	1,724	894	2,648	1,374
Selling and administrative expenses	(4,544)	(4,982)	(16,169)	(15,687)
Finance costs	(513)	(216)	(1,278)	(817)
Share of profit of an associate	366	294	1,886	1,845
Profit before tax	1,410	672	4,841	4,653
Income tax reversal/(expenses)	242	58	156	(418)
Profit after tax and total comprehensive income for the period	1,652	730	4,997	4,235
Total comprehensive income attributable to :				
Equity holders of the company	1,652	730	4,991	4,235
Non-controlling interests	-	-	6	-
	1,652	730	4,997	4,235
Earning per share (Sen)				
- Basic	0.88	0.39	2.67	2.26
- Diluted	0.88	0.39	2.67	2.26

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

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SIG Gases Berhad
(Company No:875083-W)

Unaudited Condensed Consolidated Statements of Financial Position as at 31 December 2018

	Unaudited As at 31 Dec 2018 RM'000	Audited As at 31 Dec 2017 RM'000
Assets		
Non-current assets		
Property, plant and equipment	122,634	115,530
Intangible assets	267	303
Investment in an associate	12,127	10,841
	135,028	126,674
Current assets		
Inventory property	1,937	1,937
Inventories	5,408	5,168
Trade and other receivables	25,515	25,324
Cash and bank balances	3,894	3,743
	36,754	36,172
TOTAL ASSETS	171,782	162,846
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	94,770	94,770
Reserves	33,203	30,399
	127,973	125,169
Non-controlling interest	-	22
	127,973	125,191
Non-current liabilities		
Deferred tax liabilities	2,271	2,730
Loans and borrowings	10,577	10,903
	12,848	13,633
Current liabilities		
Trade and other payables	17,731	16,618
Loans and borrowings	13,230	7,404
	30,961	24,022
Total liabilities	43,809	37,655
TOTAL EQUITY AND LIABILITIES	171,782	162,846
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.

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SIG Gases Berhad
(Company No:875083-W)

Unaudited Condensed Consolidated Statements of Changes in Equity
for the year ended 31 December 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	-	-	(576)	-	(576)
Restated as at 1 January 2018	94,770	-	29,823	22	124,615
Total comprehensive income for the period	-	-	4,991	6	4,997
Dividend	-	-	(1,500)	-	(1,500)
Acquisition of non-controlling interests in a subsidiary	-	-	(111)	(28)	(139)
As at 31 December 2018	94,770	-	33,203	-	127,973
As at 1 January 2017	93,750	1,020	28,414	-	123,184
Total comprehensive income for the period	-	-	4,235	-	4,235
Investment in subsidiary	-	-	-	22	22
Transition to no-par value regime*	1,020	(1,020)	-	-	-
Dividend	-	-	(2,250)	-	(2,250)
As at 31 December 2017	94,770	-	30,399	22	125,191

* 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.

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SIG Gases Berhad
(Company No:875083-W)

Unaudited Condensed Consolidated Statements of Cash Flows
for the year ended 31 December 2018

	Financial period ended	
	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Cash flows from operating activities		
Profit before tax	4,841	4,653
Adjustments for:		
Depreciation and amortisation	6,651	6,055
Reversal impairment of property, plant and equipment	(1,551)	-
Gain on disposal of property, plant and equipment	(176)	(156)
Reversal of overprovision of depreciation in prior year	(77)	-
Interest expenses	1,200	760
Interest income	(9)	(6)
Reversal of impairment loss on trade receivables	(277)	(669)
Impairment loss on trade receivables	684	905
Share of profit of an associate	(1,886)	(1,845)
Unrealised foreign exchange loss/(gain)	61	(42)
Write off of property, plant and equipment	137	56
Operation profit before working capital changes	9,598	9,711
Increase in inventories	(32)	(475)
Decrease/(Increase) in receivables	3,099	(2,183)
(Decrease)/increase in payables	(1,031)	6,376
Cash generated from operating activities	11,634	13,429
Interest paid	(1,200)	(760)
Tax paid	(747)	(647)
Tax refunded	9	105
Net cash generated from operating activities	9,696	12,127
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,675)	(13,560)
Purchase of intangible assets	(23)	(6)
Proceed from disposal of property, plant and equipment	684	379
Dividend received from associate company	600	800
Interest received	9	6
Net cash used in investing activities	(13,405)	(12,381)
Cash flows from financing activities		
Drawdown of borrowings	5,499	91
Proceed from ordinary shares	-	20
Acquisition of non-controlling interests in a subsidiary	(139)	-
Dividend paid	(1,500)	(2,250)
Net cash generated from/(used in) financing activities	3,860	(2,139)
Net increase/(decrease) in cash and cash equivalents	151	(2,393)
Cash and cash equivalents at beginning of financial period	3,743	6,136
Cash and cash equivalents at the end of financial period	3,894	3,743
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	3,894	3,743

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 2019.

A2. Basis of Preparation

These condensed consolidated interim financial statements, for the quarter ended 31 December 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 2018. 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 2018.

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:

Description	Effective for annual periods beginning on or after
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. The Group has concluded that delivery service is not separate performance obligation in accordance with MASB's Basis of Conclusion Para BC116S. MASB concluded that delivery activities that occur before the customer obtains control of the related good are fulfilment activities. Hence these delivery activities are not a separate performance obligation of the contract but a cost to fulfil the contract.

As a result, the costs relating to the fulfilment of the delivery services that were classified as distribution expenses in the comparative period has been reclassified as costs of goods sold under MFRS 15 in the current financial period. Since there isno material impact on the amount and timing of revenue recognised, there was no restatement 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.

<u>Revenue from contracts with customers</u>

Segments	Manufacturing (RM'000)	Refilling and distribution (RM'000)	Other products and services (RM'000)	Total (RM'000)
For the year ended 31.12.2018				
Sale/Total revenue from customers from contracts	31,781	46,282	513	78,576
Timing of revenue recognition				
Goods transferred at a point of time	31,781	43,192	513	75,486
Services transferred over time	-	3,090	-	3,090
For the year ended 31.12.2017				
Sale/Total revenue from customers from contracts	31,684	43,708	626	76,018
Timing of revenue recognition				
Goods transferred at a point of time	31,684	40,576	626	72,886
Services transferred over time	-	3,132	-	3,132

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 31 December 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 of issuance of the Company's financial statements are disclosed below. The Company intends 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)

Description	Effective for annual periods beginning on or after
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
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
Amendments to references to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 2 Share-based Payment	1 January 2020
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14 Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138 Intangible Assets	1 January 2020
Amendments to IC Interpretation 12 Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132 Intangible Assets - Web Site Costs	1 January 2020
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

The directors expect that the adoption of the above Standards, Amendments, Annual Improvements and IC Interpretation will have no material impact on the financial statements in the period of initial application other than as discussed below:

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)

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

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 2018.

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 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.

<u>For the year ended 31 December 2018</u>

	Manufacturing	Refilling and Distribution	Other Products and Services	Total
	RM'000	RM'000	RM'000	RM'000
REVENUE	31,781	46,282	513	78,576
RESULTS				
Profit for reportable segment	5,000	12,659	95	17,754
Other income				2,648
Selling and administrative expenses				(16,169)
Finance costs				(1,278)
Share of profit of an associate				1,886
Profit before tax				4,841
Income tax expenses				156
Total comprehensive income				4,997

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)

For the 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	12,744	86	17,938
Other income				1,374
Selling and administrative expenses				(15,687)
Finance costs				(817)
Share of profit of an associate				1,845
Profit before tax				4,653
Income tax expenses				(418)
Total comprehensive income				4,235

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 31 December 2018 are as follows:-

	RM'000
Approved and contracted for	5,280

A12. Property, plant and equipment

The Group acquired property, plant and equipment amounting to RM5.60 million 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 31 Dec 2018 RM'000	As at 31 Dec 2017 RM'000
Cash in hand and at banks	3,894	3,743

A17. Profit before tax

Included in the profit before tax are the following items:

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
(a) Interest income	(2)	(2)	(9)	(6)
(b) Write off of property, plant and equipment	68	10	137	56
(c) Other income including investment income	(171)	(128)	(968)	(504)
(d) Interest expense	488	202	1,200	760
(e) Depreciation and amortisation	1,722	1,567	6,651	6,055
(f) Reversal for and write off of receivables	231	413	407	236
(g) Foreign exchange (gain)/loss				
- Realised	11	(66)	(71)	(137)
- Unrealised	5	(29)	61	(42)
(h) Gain on disposal of property, plant & equipment	52	(65)	(176)	(156)
(i) Reversal impairment of property, plant & equipment	(1,551)	-	(1,551)	-

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 31 December 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.	7,160	20,800	5,370
Sales of industrial gases and equipment to companies in which the Company's director, Peh Lam Hoh has substantial financial interest	854	1,613	551

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 2018 vs. Preceding year corresponding Quarter 3 months ended 31 December 2017

During the quarter, revenue for the quarter was RM19.52M, 1.31% , marginally lower as compared to the corresponding quarter of RM 19.78M. This was largely attributed to lower sales volume in the main gases product groups in the quarter with the completion of the project jobs.

The Group's gross profit for the current quarter was RM4.38M, down by RM0.30M or 6.41% as compared to the corresponding quarter of RM 4.68M. The lower gross profit was due to higher depreciation charge on new plants and higher repair & maintenance cost.

The Group posted a profit before tax of RM1.41M, up by RM0.74M as compared to corresponding quarter with a share of profit from the associate company of RM0.37M, up from RM0.29M in Q4 2018. The improvement in profit before tax was due to the increase in other non-operating income by RM0.83M and the reversal of impairment to ASU plant of RM1.55M as the plant was enhanced with increased capacity after it has been fully refurbished and commissioned during the quarter.

Current year to date 31 December 2018 vs. Preceding year to date 31 December 2017

The Group's revenue for the year ended 31 December 2018 was RM78.58M, up by RM2.56M or 3.37% as compared to that of year 2017. The increase in revenue was mainly due to higher export sales in liquid nitrous oxide by RM0.86M and increase in demand for refrigerant products by RM3.63M.

The Group's gross profit for the year was RM17.75M, marginally down by RM0.19M or 1.06% as compared to the same period in year 2017. The gross profit was adversely affected by the increase in calcium carbide cost, higher depreciation charge and direct labour cost.

Profit before tax was higher by RM0.19M to RM4.84M as compared with the corresponding year mainly due to increase in other non-operating income by RM1.28M and the reversal of impairment of the ASU plant of RM1.55M. These were substantially offsetted by increase in selling and administrative expenses and finance costs.

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 RM19.52M, down by RM1.99M or 9.25% as compared to that of the preceding quarter of RM21.51M. This was partially attributed to lower sales of gases by RM1.33M with the completion of some of the secured project jobs.

Gross profit was down by RM0.20M or 4.37% to RM4.38M due to higher labour cost by RM0.04M and fixed assets written off by RM0.05M.

The Group posted a profit before tax of RM1.41M, which was RM0.35M higher as compared to the preceding quarter of RM1.06M. The higher profit was due to reversal of impairment of ASU plant which was refurbished and resumed operations during the quarter. The share of profit from the associate company was RM0.37M, down by RM0.20M or 35.09%.

B3. Current Year Prospects

While Malaysian overall economic and industrial environment is expected to remain challenging in 2019. The new government has announced several major economic policies including the abolishment of GST and introduction of Sales and Service Tax, the refund of input taxes of more than RM300 Million which may have a favourable impact on the sentiment and purchasing power of the consumers. There are also other numerous major 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 stoppage and suspension of East Coast Rail line project and the high speed rail project between Singapore and Kuala Lumpur, the on-going 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 and numerous others 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 broaden the group's revenue base to improve efficiencies of its capital resources and to enhance the return to the shareholders. Earnings growth in 2019 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 2019.

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 18 RM'000	Current financial period to date 31 Dec 18 RM'000
In respect of the current period		
- Income tax (Current year)	17	95
- Real properties gains tax	-	208
- Deferred tax	(259)	(459)
	(242)	(156)

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 31 December 2018 are as follows:

	RM'000
Long term borrowings	
Secured:	
Obligation under finance lease	1,294
Term loans	9,283
	10,577
Short term borrowings	
Secured:	
Obligation under finance lease	949
Bankers acceptance and revolving credit	8,780
Term loans	3,501
	13,230
Total	23,807

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.