

Quarterly Report On Results For The Second Quarter Ended 30 June 2018

NOTES

A1 Accounting Policies and Method of Computation

The quarterly financial report is unaudited and has been prepared in accordance with MFRS 134, “Interim Financial Reporting” issued by the Malaysian Accounting Standard Board and part A of Appendix 9B of the Bursa Malaysia Securities Berhad Listing Requirements, and should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

The Company’s financial statements have been prepared under the historical cost convention other than as disclosed in the notes to the quarterly report and in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the Companies Act, 2016 in Malaysia.

The accompanying financial statements have been prepared assuming that the Company will continue as going concern which contemplates the realization of assets and settlement of liabilities in the normal course of business.

The significant accounting policies adopted by the Company in this report are consistent with those used in the Audited Financial Statements of the Company for the financial year ended 31 December 2017.

(a) Standards issued and effective

On 1 January 2018, the Company has also adopted the following new and amended MFRS and IC Interpretations which are mandatory for annual financial periods beginning on or after 1 January 2018.

| Description | Effective for annual periods beginning on or after |
|---|---|
| • Annual improvement to MFRSs 2014-2016 cycle | |
| - Amendments to MFRS 1, First-time Adoptions of Malaysian Financial Reporting Standards | 1 January 2018 |
| - Amendments to MFRS 128, Investments in Associates and Joint Ventures | 1 January 2020 |
| • Amendments to MFRS 2, Share-based Payment: Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| • Amendments to MFRS 4, Insurance Contracts: Applying MFRS 9 Financial Instrument with MFRS 4 Insurance Contracts | 1 January 2018 |
| • MFRS 9, Financial Instruments | 1 January 2018 |
| • MFRS 15, Revenue from Contract with Customers | 1 January 2018 |
| • Classifications to MFRS 15, Revenue from Contracts with Customers | 1 January 2018 |
| • Amendments to MFRS 140, Investment Property: Transfer of Investment property | 1 January 2018 |
| • IC Interpretation 22, Foreign Currency Transactions and Advance Consideration | 1 January 2018 |

The Directors expect that the adoption of the new and amended MFRS above will have no material impact on the financial statements of the Company.

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A2 Audit Report

The auditors' report of the Company's preceding annual financial statements was not qualified.

A3 Seasonal or Cyclical Factors

The business operations of the Company during the financial quarter under review were not materially affected by any seasonal or cyclical factors.

A4 Exceptional/Extraordinary Items

There were no exceptional/extraordinary items for the financial period under review.

A5 Changes in Estimates

There was no material change in estimates of amounts reported in the prior quarters of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

A6 Debts and Equity Securities

During the current quarter under review, the Company did not purchase any shares under the share buyback scheme. Shares purchased as at 30 June 2018 totalling 1,392,016 ordinary shares were held as treasury shares in accordance with Section 127 of The Companies Act 2016 and stated at cost.

A7 Dividend Paid

| Quarters | Type of dividend | Gross dividend per share | Amount of net dividend (RM) | Date of payment |
|--------------------------|---|--------------------------|-----------------------------|-----------------|
| Quarter ended 31/03/2018 | Interim Dividend for the financial year ended 31 December 2017 | 6.00% single tier | 1,146,734 | 25 January 2018 |
| Quarter ended 31/03/2017 | Interim Dividend for the financial year ended 31 December 2016. | 6.00% single tier | 1,146,734 | 19 January 2017 |

A8 Segment Information

There was no segmental reporting as the Company is currently involved primarily in a single line product.

A9 Revaluation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the quarter.

A10 Material Events Subsequent to the end of the Reporting Period

There was no material event subsequent to the end of the reporting period.

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A11 Changes in the Composition of the Company

There was no change in the composition of the Company during the quarter.

A12 Contingent Liabilities

Bank guarantee given by financial institution to third party amounting to RM 226,215.

A13 Capital Commitments

There was no capital commitment made during the quarter.

A14 Fair Value of Financial Instruments

In respect of the financial instrument classified under current assets and current liabilities, the carrying amount approximate fair value due to the relatively short term nature of these financial instruments.

The aggregate fair value and the carrying amounts of the financial assets carried on the reporting date are as below:

| | As at 30/06/2018 | | As at 31/12/2017 | |
|---------------------------|------------------|------------|------------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | RM | RM | RM | RM |
| <u>Available-for-sale</u> | | | | |
| Other investment | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |

The fair value of other investment is equivalent to its carrying value.

A15 Disclosure of Derivatives

The Company does not have any outstanding derivatives as at the end of the reporting quarter.

A16 Gain/(Loss) Arising From Fair Value Changes Of Financial Liabilities

There is no gain/(loss) arising from fair value changes of financial liabilities for the quarter ended 30 June 2018.

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B1 Review of Performance

The Company recorded a turnover of RM 6.180 million for the quarter ended 30 June 2018 which was RM 0.680 million or 9.91% lower than the preceding quarter's turnover of RM 6.860 million because of lower sales volume during the quarter. Net profit before tax for the quarter under review was RM 0.358 million compared to RM 0.553 million recorded in the preceding quarter ended 31 March 2018 which showed a decrease RM0.195 million or 35.26%. The decrease in profit in the current quarter against the last quarter was mainly contributed by the lower sales volume.

Turnover of RM 13.040 million achieved for the cumulative quarters ended 30 June 2018 was RM 1.211 million or 10.24% higher than the turnover of RM11.829 million in the preceding year's corresponding quarters ended 30 June 2017. Net profit before tax for the cumulative quarters ended 30 June 2018 was RM0.912 million compared with RM0.670 million achieved in the preceding year's corresponding quarters which showed an increase of 36.12% contributed mainly by higher sales revenue, higher other income and higher unrealized exchange gain. Net profit after tax of RM0.886 million was achieved in the cumulative quarters against RM0.530 million of the preceding year's corresponding quarters due mainly to better sales mix and sales volume by 18.7%. Average selling price and raw material cost per meter square for the quarter ended 30 June 2018 was higher by 3.40% and 13.06% respectively than in the preceding year's corresponding quarters. Higher sales for the cumulative quarters ended 30 June 2018 was due to an increase in sales orders from major customers.

Below are the key financial information presented in a tabular format:

Table 1 : Financial Review for current quarter compared with immediate preceding quarter:

| | Current Quarter Ended | Preceding Quarter Ended 31.03.2018 | Changes in amount | Changes in % |
|---------------------------------------|-----------------------------|---|----------------------|--------------|
| | RM'000 | RM'000 | RM'000 | |
| Revenue | 6,180 | 6,860 | (680) | (9.91) |
| Operating profit | 291 | 496 | (205) | (41.33) |
| Profit before interest and tax | 358 | 553 | (195) | (35.26) |
| Profit before tax | 358 | 553 | (195) | (35.26) |
| Profit after tax | 366 | 520 | (154) | (29.61) |
| Profit attributable to Equity Holders | 366 | 520 | (154) | (29.61) |

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Table 2: Financial review for current quarter and financial year to date:

| | Current Year quarter 30/06/18 | Preceding year Corresponding quarter 30/06/17 | Change in RM'000/ % | Current year to-date 30/06/2018 | Preceding year Corresponding period 30/06/2018 | Change in RM'000/% |
|---------------------------------------|----------------------------------|--|------------------------|------------------------------------|---|--------------------|
| | RM'000 | RM'000 | | RM'000 | RM'000 | |
| Revenue | 6,180 | 6,765 | (585)/ (8.65%) | 13,040 | 11,829 | 1,211/ 10.24% |
| Operating profit | 291 | 386 | (95)/ (24.61%) | 787 | 501 | 286/ 57.08% |
| Profit before interest and tax | 358 | 465 | (107)/ (23.01%) | 912 | 670 | 242/ 36.12% |
| Profit before tax | 358 | 465 | (107)/ (23.01%) | 912 | 670 | 242/ 36.12% |
| Profit after tax | 366 | 371 | (5)/ (1.35%) | 886 | 530 | 356/ 67.17% |
| Profit attributable to Equity Holders | 366 | 371 | (5)/ (1.35%) | 886 | 530 | 356/ 67.17% |

B2 Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter

There was a material change in the Company's net profit before taxation and net profit after tax for the quarters ended 30 June 2018 when compare to that of the preceding year's quarters. The details of and reasons for the changes are disclosed under B1 and B5 of the notes.

B3 Prospects for the Current Financial Year

Higher crude oil and rising raw material costs, uncertainties in the global economy, market sentiment and competition are the key concerns of the Company for the current year which may affect sales turnover and profitability.

B4 Variance of Actual Profit from Forecast Profit

This is not applicable.

B5 Taxation

Details of taxation are as follows: -

| | Current Year Quarter 30/06/2018 RM'000 | Current Year To Date 31/03/2018 RM'000 |
|----------------------|--|--|
| Current taxation | 8 | 65 |
| Overprovision of tax | 0 | 0 |
| Deferred taxation | (16) | (39) |
| | <u>(8)</u> | <u>26</u> |

The effective tax rate is lower than the statutory tax rate for the quarter ended 30 June 2018 due to reinvestment allowances claimed during the quarter.

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B6 Profits /(Loss) on Sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investments and /or properties for the financial quarter under review.

B7 Purchases or Disposals of Quoted Securities

There were no purchases and/or disposals of quoted securities for the financial period under review.

B8 Status of Corporate Proposals

There was no corporate proposal announced during the quarter.

B9 Borrowings and Debt Securities

There was no borrowing and debt security at the end of this quarter.

B10 Off Balance Sheet Financial Instruments

The Company does not have any financial instruments with off balance sheet risk as at the date of issue of this quarterly report.

B11 Material Litigation

There was no material litigation during the financial quarter ended 30 June 2018.

B12 Dividend

A final 4% single tier tax exempted dividend for the financial year ended 31 December 2017 was declared during the quarter ended 30 June 2018.

B13 Earnings per Share

The basic earning per share is calculated by dividing the Company's profit after tax attributable to ordinary shareholders for the current quarter and cumulative quarter to 30 June 2018 by the weighted average number of shares in issue of the Company at the end of the quarter.

| | Current year's quarter | Cumulative quarters |
|--|---------------------------|------------------------|
| Profit for the period (RM'000) | 366 | 886 |
| Weighted average number of ordinary shares in issue ('000) | 19,112 | 19,112 |
| Basic earning per share (sen) | 1.91 | 4.64 |

B14 Other income/Expenses

Other income comprises of sales of scrapped materials and cylinders. Higher amount of other income for the current and cumulative quarters was due to higher income received from Fund Management company.

Other expenses are normal operating expenses for the cumulative quarters ended 30/06/2018 increased by 1.72% when compared to the same corresponding quarters ended 30/06/2017.

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B15 Foreign Exchange exposure /Hedging policy

The company carries out foreign exchange hedging as and when required. The Company is a single entity and does not have overseas operation.

B16 Trade receivables

The Company's normal credit term ranges from 30 days to 90 days. Other credit terms are assessed and approved on a case to case basis. A significant portion of the trade receivables are regular customers that have been transacting with the Company. None of the trade receivable is considered related parties to the Company. The Company uses ageing analysis to monitor the credit quality of the trade receivables and a significant amount of the trade receivable that were past due and over 90 days have been collected as at the reporting date.

Ageing analysis of trade receivable:

| | Amount not due /due but less than 90 days | Amount due and over 90 days |
|------------------|---|-----------------------------|
| | RM | RM |
| Trade receivable | 5,763,587 | 585,164 |

B17 Material Impairment of assets

There was no material impairment of assets during the quarter except for the normal depreciation on straight line method and impairment of inventory.

By Order of the Board
Leong Shiak Wan
Company Secretary
Dated: 29 August 2018