

Quarterly Report On Results For The Fourth Quarter Ended 31 December 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 2018
• 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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A1 Accounting Policies and Method of Computation(continued)

(b) Standards issued but not yet effective

The Company has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
• Annual improvement to MFRSs 2015-2017 cycle	
-Amendment to MFRS 3, Business combinations	1 January 2019
-Amendment to MFRS 11, Joint Arrangements	1 January 2019
-Amendment to MFRS 112, Income Taxes	1 January 2019
-Amendment to MFRS 123, Borrowing Costs	1 January 2019
• MFRS 16, Leases	1 January 2019
• Amendments to MFRS 119, Employee Benefits: Plan Amendment, Curtailment and Settlement	1 January 2019
• Amendments to MFRS 9, Financial Instruments: Prepayment Features with Negative Compensation	1 January 2019
• Amendments to MFRS 128, Investment in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures	1 January 2019
• Amendment to MFRS 2, Share- based payment	1 January 2020
• Amendments to MFRS 3, Business Combination	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 MFRS 138, Intangible Assets	1 January 2020
• MFRS 17, Insurance Contracts	1 January 2021
• Amendment to MFRS 10, Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures: Sales or Contribution of Assets between an investor and its Associates or Joint Ventures	Deferred
• IC Interpretation 23, Uncertainty Over Income Tax Treatments	1 January 2019
• 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

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A1 Accounting Policies and Method of Computation (continued)

(b) Standards issued but not yet effective (continued)

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material impacts to the financial statement of the company except as mentioned below:

IFRS 16 Leases

IFRS 16 replaces existing guidance in IFRS 117 Leases, IFRS Interpretation 4 Determining whether an Arrangement contains a Lease, IFRS Interpretation 115, Operating Leases-Incentives, and IFRS Interpretation 127 Evaluating the Substance of Transactions involving the Legal Form of a Lease.

The Company is currently assessing the financial impact that may arise from the adoption of IFRS 16.

(c) Explanation on change in accounting policy

IFRS 15 Revenue from Contracts with Customers

In the current financial year, the Company have adopted IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) effective for the annual financial period beginning on or after 1 January 2018. The date of initial application is as of the beginning of the first IFRS reporting period.

The core principle in IFRS 15 is that an entity recognises revenue to depict 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. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of (or prevent other entities from directing the use of), and obtain substantially all of the remaining benefits (or prevent other entities from obtaining the benefits) from the goods and services.

The Company elects to retrospectively apply IFRS 15 to contracts that are not complete on 1 January 2018 and recognise the cumulative effect of the change in the retained earnings on 1 January 2018.

In addition, the Company will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018, if any.

The adoption of IFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Company have complied with in the current financial year, the early adoption of this standard does not have any significant effect on the financial statements of the Company.

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c) Explanation on change in accounting policy (continue)

MFRS 9 Financial instrument

In the current financial year, the Company have adopted MFRS 9 Financial Instruments (“MFRS 9”) effective for the annual financial period beginning on or after 1 January 2018. The date of initial application is as of the beginning of the first MFRS reporting period.

- Under adoption of MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

In essence, if a financial asset is a simple debt instrument and the objective of the entity’s business model within which it is held to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- New expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

The Directors expect that the adoption of the above MFRS above do not have material impact on the financial statements of the Company.

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.

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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 31 December 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 30/09/2018	Final Dividend for the financial year ended 31 December 2017	4.00% single tier	764,489	25 July 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
Quarter ended 30/09/2017	Final Dividend for the financial year ended 31 December 2016	6.00% single tier	1,146,734	20 July 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.

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 230,016.

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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 31/12/2018		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 31 December 2018.

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B1 Review of Performance

The Company recorded a turnover of RM 6.439 million for the quarter ended 31 December 2018 which was RM 0.500million or 8.42 % higher than the preceding quarter's turnover of RM 5.939 million because of increase in sales volume but average selling price only increased by 1.57% during the quarter. Net profits before tax for the quarter under review was RM 0.011 million compared to profit of RM 0.277 million recorded in the preceding quarter ended 30 September 2018 which showed a huge decrease of RM 0.266 million or 96.03%. The decrease in profit in the current quarter against the last quarter was mainly contributed by the higher raw material costs and inventory written off and written down and year end provisions.

Turnover of RM 25.418 million achieved for the year ended 31 December 2018 was marginally higher by RM 0.511 million or 2.05% when compared to the turnover of RM24.907 million in the preceding year ended 31 December 2017. Net profits before tax for the year ended 31 December 2018 was RM1.201 million compared with RM1.379 million achieved in the preceding year which showed a decrease of of RM 0.178 million or 12.91 % due mainly to higher raw material and production costs. Net profit after tax of RM1.045 million was achieved in the year 2018 against RM1.176 million of the preceding year ended 31 December 2017 which showed a drop RM 0.131 million or 11.14% contributed by the above same reasons. Average raw material cost per square meter for the year ended 31 December 2018 was higher by 8.10% than in the preceding year 2017. However, average selling price per square meter has only increased at a marginal of 0.53%.

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 31.12.2018	Preceding Quarter Ended 30.09.2018	Changes in amount	Changes in %
	RM'000	RM'000	RM'000	
Revenue	6,439	5,939	500	8.42
Operating (loss)/profit	(64)	220	(284)	(129.09)
(Loss)/Profit before interest and tax	11	277	(266)	(96.03)
(Loss)/Profit before tax	11	277	(266)	(96.03)
(Loss)/Profit after tax	(58)	216	(274)	(126.85)
(Loss)/Profit attributable to Equity Holders	(58)	216	(274)	(126.85)

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

	Current Year quarter 31/12/18	Preceding year Corresponding quarter 31/12/17	Change in RM'000/%	Current year to-date 31/12/2018	Preceding year Corresponding period 31/12/2017	Change in RM'000/%
	RM'000	RM'000		RM'000	RM'000	
Revenue	6,439	6,396	43/ 0.67%	25,418	24,907	511/ 2.05%
Operating profit	(64)	41	(105)/ (256.10%)	945	1,092	(147)/ (13.46%)
Profit before interest and tax	11	99	(88)/ (88.89%)	1,201	1,379	(178)/ (12.91%)
Profit before tax	11	99	(88)/ (88.89%)	1,201	1,379	(178)/ (12.91%)
Profit after tax	(58)	167	(225)/ (134.73%)	1,045	1,176	(131)/ (11.14%)
Profit attributable to Equity Holders	(58)	167	(225)/ (134.73%)	1,045	1,176	(131)/ (11.14%)

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 year ended 31 December 2018 when compare to that of the preceding year. 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, fluctuation in exchange rate, 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 31/12/2018 RM'000	Current Year To Date 31/12/2018 RM'000
Current taxation	43	157
Under provision of tax	0	12
Deferred taxation	26	(13)
	<u>69</u>	<u>156</u>

The effective tax rate is lower than the statutory tax rate for the year ended 31 December 2018 was 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 31 December 2018.

B12 Dividend

An interim Single Tier tax Exempt dividend of 4 sent was declared during the quarter under review.

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 September 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
(Loss)/Profit for the period (RM'000)	(58)	1,045
Weighted average number of ordinary shares in issue ('000)	19,112	19,112
Basic earning per share (sen)	(0.30)	5.47

B14 Other income/Expenses

Other income comprises of sales of scrapped materials and cylinders. Higher amount of other income for the year was due to reversal of provision in previous years to be reclassified as other income, higher investment income received from Fund Management Company and unrealized exchange gain.

Other expenses are normal operating expenses for the year ended 31/12/2018 was lower by 2.80% when compared to the same previous year ended 31/12/2017.

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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	4,504,937	207,576

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: 27 February 2019