

Quarterly Report On Results For The Second Quarter Ended 30 June 2019

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 2018.

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 2018.

(a) Standards issued and effective

On 1 January 2019, 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 2019.

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
• IC Interpretation 23, Uncertainty Over Income Tax Treatments	1 January 2019

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
• 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, Accountin	
• g 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
• 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

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.

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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 2019 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 31/03/2019	Interim Dividend for the financial year ended 31 December 2018	4.00% single tier	764,489	23 January 2019
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

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 230,184.

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 30/06/2019		As at 31/12/2018	
	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 2019.

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B1 Review of Performance

The Company recorded a lower turnover of RM 5.586 million for the quarter ended 30 June 2019 which was RM 0.368 million or 6.18 % lower than the preceding quarter's turnover of RM 5.954 million attributed mainly to decrease in sales volume. Net profit before tax for the quarter under review was RM 0.125 million compared to RM 0.015 million recorded in the preceding quarter ended 31 March 2019 which showed an increase of RM 0.11 million or 733.33%. The increase in profit in the current quarter against the last quarter was mainly contributed by lower raw material costs and operating costs.

Turnover of RM 11.539 million achieved for the cumulative quarters ended 30 June 2019 was lower by RM 1.501 million or 11.51% when compared to the turnover of RM 13.040 million in the preceding year's corresponding quarters ended 30 June 2018. Net profit before tax for the quarters ended 30 June 2019 was RM 0.140 million compared with RM 0.912 million achieved in the preceding year's corresponding quarters which showed a decrease of RM 0.772 million or 84.65% due mainly to lower sales volume. Net profit after tax of RM 0.036 million was recorded in the cumulative quarters ended 30 June 2019 against net profit after tax of RM 0.886 million of the preceding year's corresponding quarters which showed a drop RM 0.850 million or 95.94% contributed by the above same reasons. Average raw material cost per square meter for the cumulative quarters ended 30 June 2019 was lower by 0.36% when compared to the preceding year's quarters; however, average selling price per square meter decreased by 1.10%.

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 30.06.2019	Preceding Quarter Ended 31.03.2019	Changes in amount	Changes in %
	RM'000	RM'000	RM'000	
Revenue	5,586	5,954	(368)	(6.18)
Operating profit/(loss)	41	(63)	104	165.00
Profit/(loss) before interest and tax	125	15	110	733.33
Profit/(loss) before tax	125	15	110	733.33
Profit/(loss) after tax	103	(67)	170	253.73
Profit/(loss) attributable to Equity Holders	103	(67)	170	253.73

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

	Current Year quarter 30/06/19	Preceding year Corresponding quarter 30/06/18	Change in RM'000/ %	Current year to- date 30/06/2019	Preceding year Corresponding period 30/06/2018	Change in RM'000/ %
	RM'000	RM'000		RM'000	RM'000	
Revenue	5,586	6,180	(594)/ (9.61)	11,539	13,040	(1501)/ (11.51)
Operating profit	41	291	(250)/ (85.91)	(22)	787	(809)/ (102.80)
Profit before interest and tax	125	358	(233)/ (65.08)	140	912	(772)/ (84.65)
Profit before tax	125	358	(233)/ (65.08)	140	912	(772)/ (84.65)
Profit after tax	103	366	(263)/ (71.85)	36	886	(850)/ (95.94)
Profit attributable to Equity Holders	103	366	(263)/ (71.85)	36	886	(850)/ (95.94)

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 quarter ended 30 June 2019 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 due to the gulf crisis, trade war between USA and China, 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 are affecting 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 30/06/2019 RM'000	Current Year To Date 30/06/2019 RM'000
Current taxation	37	61
Under provision of tax	0	0
Deferred taxation	(15)	43
	<u>22</u>	<u>104</u>

The effective tax rate is higher than the statutory tax rate for the cumulative quarters ended 30 June 2019 was due to non- allowable expenses 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 2019.

B12 Dividend

A final single tier tax exempt dividend of 2 sen per ordinary share for the financial year ended 31 December 2018 was declared during the period under review.

B13 Earnings per Share

The basic earning/(loss) 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 2019 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)	103	36
Weighted average number of ordinary shares in issue ('000)	19,112	19,112
Basic earning per share (sen)	0.54	0.19

B14 Other income/Expenses

Other income comprises of sales of scrapped materials and cylinders. Lower amount of profit on sales of cylinders and lower realized and unrealized exchange gain cause other income to drop by 14.60%.

Other expenses are normal operating expenses for the quarter ended 30/06/2019 was lower by 10.99% when compared to the same corresponding quarters in previous year.

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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	5,351,082	322,663

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: 28 August 2019