

Quarterly Report On Results For The Third Quarter Ended 30 September 2020

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 2019.

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 2019.

(a) Standards issued and effective

On 1 January 2020, 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 2020.

Description	Effective for annual periods beginning on or after
• Amendments to References to the Conceptual Framework in MFRS Standards	
– 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 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

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A1 Accounting Policies and Method of Computation (continued)

(a) Standards issued and effective (Continued)

Description	Effective for annual periods beginning on or after
– 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
– Amendments to MFRS 3 Business Combinations: Definition of Business	1 January 2020
– Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material	1 January 2020
• Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures: Interest Rate Benchmark Reform	1 January 2020

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.

(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 16 Leases: Covid -19-Related Rent Concessions	1 June 2020
• MFRS 17, Insurance Contracts	1 January 2023
• Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2022
• Annual improvements to MFRSs 2018 - 2020 cycle	
– Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022
– Amendments to MFRS 9 Financial Instruments	1 January 2022
– Amendments to MFRS 16 Leases	1 January 2022
– Amendments to MFRS 141 Agriculture	1 January 2022
• Amendments to MFRS 3 <i>Business Combinations: Reference to the Conceptual Framework</i>	1 January 2022
• Amendments to MFRS 116 <i>Property, Plant and Equipment: Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022

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A1 Accounting Policies and Method of Computation (continued)

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

Description	Effective for annual periods beginning on or after
<ul style="list-style-type: none">• Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
<ul style="list-style-type: none">• 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

The initial application of the above mentioned accounting standards, amendments or interpretations are not expected to have any material impacts to the financial statement 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.

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 September 2020 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.

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A7 Dividend Paid

There was no dividend paid during the quarter ended 30 September 2020.

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 232,515.00

A13 Capital Commitments

Property, plant and equipment	RM
Authorised and contracted for	1,474,000

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 and financial liabilities carried on the reporting date are as below:

	As at 30/09/2020		As at 31/12/2019	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<u>Financial asset</u> <u>measured through</u> <u>other comprehensive</u> <u>income</u>				
Other investment	5,000,000	5,000,000	5,000,000	5,000,000
<u>Financial liability</u> <u>measured at</u> <u>amortised cost</u>				
Lease liability	12,070	12,070	12,070	12,070

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

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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 September 2020.

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B1 Review of Performance

The Company recorded a turnover of RM 5.633 million for the quarter ended 30 September 2020 which was RM 0.198 million or 3.40 % lower than the preceding quarter's turnover of RM 5.831 million. However, net profit before tax for the quarter under review was RM 0.331 million compared to RM 0.152 million recorded in the preceding quarter ended 30 June 2020 which showed an increase of RM 0.179 million or 117.76%. The increase in profit is due to change in sales mix which resulted in increase in average selling price.

Turnover of RM 17.366 million achieved for the cumulative quarters ended 30 September 2020 was higher by RM 0.683 million or 4.09 % when compared to the turnover of RM 16.683 million in the preceding year's corresponding quarters ended 30 September 2019. Net profit before tax for the cumulative quarters ended 30 September 2020 was RM 0.634 million compared with RM 0.022 million achieved in the preceding year's corresponding quarters which showed an increase of RM 0.612 million or 2781.82% due mainly to higher sales revenue, lower raw material costs and higher amount of other income. Net profit after tax of RM 0.488 million was recorded in the cumulative quarters ended 30 September 2020 against net loss after tax of RM 0.076 million of the preceding year's corresponding quarters which showed an increase RM 0.564 million or 742.11 % contributed by increased in sales revenue, decreased in raw material costs and bigger amount of other operating income. Average raw material cost per square meter for the quarter ended 30 September 2020 was lower by 3.20% when compared to the preceding year's corresponding quarters; however, average selling price per square meter has increased marginally by 1.94%.

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 30.09.2020	Preceding Quarter Ended 30.06.2020	Changes in amount	Changes in %
	RM'000	RM'000	RM'000	
Revenue	5,633	5,831	(198)	(3.40)
Operating profit	269	77	192	249.35
Profit before interest and tax	331	152	179	117.76
Profit before tax	331	152	179	117.76
Profit after tax	325	110	215	195.45
Profit attributable to Equity Holders	325	110	215	195.45

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

	Current Year quarter 30/09/2020	Preceding year Corresponding quarter 30/09/2019	Change in RM'000/ %	Current year to- date 30/09/2020	Preceding year Corresponding period 30/09/2019	Change in RM'000/ %
	RM'000	RM'000		RM'000	RM'000	
Revenue	5,633	5,144	489/ 9.51%	17,366	16,683	683/ 4.09%
Operating profit/(Loss)	269	(197)	466/ 236.55%	407	(220)	627/ 285.00%
Profit before interest and tax	331	(117)	448/ 382.91%	634	22	612/ 2781.82%
Profit before tax	331	(117)	448/ 382.91%	634	22	612/ 2781.82%
Profit after tax	325	(112)	437/ 390.18%	488	(76)	564/ 742.11%
Profit attributable to Equity Holders	325	(112)	437/ 390.18%	488	(76)	564/ 742.11%

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 September 2020 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

The impact of COVID-19, fluctuation of crude oil price and demand on crude oil, 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. Barring unforeseen circumstances, the Board of Directors expect the Company to achieve satisfactory results for the financial year ending 31 December 2020.

B4 Variance of Actual Profit from Forecast Profit

This is not applicable.

B5 Taxation

Details of taxation are as follows: -

	Current Year Quarter 30/09/2020 RM'000	Current Year To Date 30/09/2020 RM'000
Current taxation	23	47
Under provision of tax	-	-
Deferred taxation	(17)	99
	<u>6</u>	<u>146</u>

The effective tax rate is lower than the statutory tax rate for the quarters ended 30 September 2020 was due to overprovision of deferred tax 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 September 2020.

B12 Dividend

No dividend was declared during the period 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 2020 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)	325	488
Weighted average number of ordinary shares in issue ('000)	19,112	19,112
Basic earning per share (sen)	1.70	2.55

B14 Other income/Expenses

Other income comprises of sales of scrapped materials and cylinders. Higher amount of other income was due to increase in miscellaneous incomes, reversal of impairment loss of trade receivables, higher profit on sales of cylinders. The increase compared to last year corresponding quarters was 84.20%

Other expenses are normal operating expenses for the quarter ended 30/09/2020 was higher by 7.14% 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	4,503,240	186,888

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: 26 November 2020