

## MIRA INFORM REPORT

Report No. :	529950
Report Date :	18.09.2018

### IDENTIFICATION DETAILS

Name :	SERVICE TRADING SDN. BHD.
Registered Office :	F-3A-13A, Jalan C180/1, Dataran C180, 43200 Balakong, Selangor
Country :	Malaysia
Financials (as on) :	30.06.2017
Date of Incorporation :	14.09.1970
Com. Reg. No.:	9931-H
Legal Form :	Private Limited
Line of Business :	Trading of Agriculture and Industrial Chemicals
No. of Employees :	15

### RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23<sup>rd</sup> January 2017)

MIRA's Rating :	A
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Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

Status :	Satisfactory
Payment Behaviour :	No Complaints
Litigation :	Clear

#### NOTES :

Any query related to this report can be made on e-mail : [infodept@mirainform.com](mailto:infodept@mirainform.com) while quoting report number, name and date.

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**ECGC Country Risk Classification List**

Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
Malaysia	A2	A2

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

**MALAYSIA - ECONOMIC OVERVIEW**

Malaysia, an upper middle-income country, has transformed itself since the 1970s from a producer of raw materials into a multi-sector economy. Under current Prime Minister NAJIB, Malaysia is attempting to achieve high-income status by 2020 and to move further up the value-added production chain by attracting investments in high technology, knowledge-based industries and services. NAJIB's Economic Transformation Program is a series of projects and policy measures intended to accelerate the country's economic growth. The government has also taken steps to liberalize some services sub-sectors. Malaysia is vulnerable to a fall in world commodity prices or a general slowdown in global economic activity.

The NAJIB administration is continuing efforts to boost domestic demand and reduce the economy's dependence on exports. Domestic demand continues to anchor economic growth, supported mainly by private consumption, which accounts for 53% of GDP. Nevertheless, exports - particularly of electronics, oil and gas, and palm oil - remain a significant driver of the economy. In 2015, gross exports of goods and services were equivalent to 73% of GDP. The oil and gas sector supplied about 22% of government revenue in 2015, down significantly from prior years amid a decline in commodity prices and diversification of government revenues. Malaysia has embarked on a fiscal reform program aimed at achieving a balanced budget by 2020, including rationalization of subsidies and the 2015 introduction of a 6% value added tax. Sustained low commodity prices throughout the period not only strained government finances, but also shrunk Malaysia's current account surplus and weighed heavily on the Malaysian ringgit, which was among the region's worst performing currencies during 2013-17. The ringgit hit new lows following the US presidential election amid a broader selloff of emerging market assets.

Bank Negara Malaysia (the central bank) maintains adequate foreign exchange reserves; a well-developed regulatory regime has limited Malaysia's exposure to riskier financial instruments, although it remains vulnerable to volatile global capital flows. In order to increase Malaysia's competitiveness, Prime Minister NAJIB raised possible revisions to the special economic and social preferences accorded to ethnic Malays under the New Economic Policy of 1970, but retreated in 2013 after he encountered significant opposition from Malay nationalists and other vested interests. In September 2013 NAJIB launched the new Bumiputra Economic Empowerment Program, policies that favor and advance the economic condition of ethnic Malays.

Malaysia signed the 12-nation Trans-Pacific Partnership (TPP) free trade agreement in February 2016, although the future of the TPP remains unclear following the US withdrawal from the agreement. Along with nine other ASEAN members, Malaysia established the ASEAN Economic Community in 2015, which aims to advance regional economic integration.

Source : CIA

## **EXECUTIVE SUMMARY**

REGISTRATION NO. : 9931-H  
COMPANY NAME : SERVICE TRADING SDN. BHD.  
FORMER NAME : N/A  
INCORPORATION DATE : 14/09/1970  
COMPANY STATUS : EXIST  
LEGAL FORM : PRIVATE LIMITED  
LISTED STATUS : NO  
REGISTERED ADDRESS : F-3A-13A, JALAN C180/1, DATARAN C180, 43200 BALAKONG, SELANGOR, MALAYSIA.  
BUSINESS ADDRESS : 2A, JALAN PERUSAHAAN 2, TAMAN INDUSTRI SELESA JAYA, BALAKONG, 43300 SERI KEMBANGAN, SELANGOR, MALAYSIA.  
TEL.NO. : 03-89611169  
FAX.NO. : 03-89611662  
CONTACT PERSON : LOH LAI FOONG ( DIRECTOR )  
INDUSTRY CODE : 46691  
PRINCIPAL ACTIVITY : TRADING OF AGRICULTURE AND INDUSTRIAL CHEMICALS  
AUTHORISED CAPITAL : MYR 1,000,000.00 DIVIDED INTO ORDINARY SHARE 1,000,000.00 OF MYR 1.00 EACH.  
ISSUED AND PAID UP CAPITAL : MYR 1,000,000.00 DIVIDED INTO ORDINARY SHARES 666,000 CASH AND 334,000 OTHERWISE OF MYR 1.00 EACH.  
SALES : MYR 24,446,608 [2017]  
NET WORTH : MYR 2,295,843 [2017]  
BANKER (S) : UNITED OVERSEAS BANK (MALAYSIA) BHD  
STAFF STRENGTH : 15 [2018]  
LITIGATION : CLEAR  
DEFAULTER CHECK : CLEAR  
FINANCIAL CONDITION : FAIR  
PAYMENT : AVERAGE  
MANAGEMENT : AVERAGE  
CAPABILITY :  
COMMERCIAL RISK : MODERATE  
CURRENCY EXPOSURE : MODERATE  
GENERAL REPUTATION : SATISFACTORY  
INDUSTRY OUTLOOK : MARGINAL GROWTH

## **HISTORY / BACKGROUND**

The Subject is a private limited company and is allowed to have a minimum of one and a maximum of forty-nine shareholders. As a private limited company, the Subject shall have a minimum one director. A private limited company is a separate legal entity from its shareholders. As a separate legal entity, the Subject is capable of owning assets, entering into contracts, sue or be sued by other companies. The liabilities of the shareholders are to the extent of the equity they have taken up and the creditors cannot claim on shareholders' personal assets

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even if the Subject is insolvent. The Subject is governed by the Companies Act, 1965 and the company must file its annual returns, together with its financial statements with the Registrar of Companies.

The Subject is principally engaged in the (as a / as an) trading of agriculture and industrial chemicals.

The Subject is not listed on Bursa Malaysia (Malaysia Stock Exchange).

The immediate holding company of the Subject is ON FOONG HOLDINGS SDN. BHD., a company incorporated in MALAYSIA.

**Former Address(es)**

<b>Address</b>	<b>As Date</b>	<b>At Date</b>
173-B, JALAN KENARI 23A, BANDAR PUCHONG JAYA, 47100, SELANGOR, MALAYSIA	12/08/2003	
2A, JLN PERUSAHAAN DUA, TMN IND. SELESA JAYA BALAKONG, SERI KEMBANGAN, 43300, SELANGOR, MALAYSIA	15/02/2013	
28, GROUND FLOOR, PERSIARAN JUBILEE, OFF JALAN LOKE YEW, 55200, WILAYAH PERSEKUTUAN, MALAYSIA	29/04/2011	
526B, BATU COMPLEX, 3RD MILE, JALAN IPOH, 51200, WILAYAH PERSEKUTUAN, MALAYSIA	30/11/2000	

**Share Capital History**

<b>Date</b>	<b>Authorised Shared Capital</b>	<b>Issue &amp; Paid Up Capital</b>
08/04/2003	MYR 1,000,000.00	MYR 1,000,000.00
15/04/1996	MYR 500,000.00	MYR 500,000.00
08/06/1994	MYR 500,000.00	MYR 264,000.00

The major shareholder(s) of the Subject are shown as follows :

**Current Shareholder(s) :**

<b>Name</b>	<b>Address</b>	<b>IC/PP/Loc No</b>	<b>Shareholding</b>	<b>(%)</b>
ON FOONG HOLDINGS SDN. BHD.	2A, JALAN PERUSAHAAN DUA, TAMAN INDUSTRI SELESA JAYA, BALAKONG, 43300 SERI KEMBANGAN, SELANGOR, MALAYSIA.	310629A	1,000,000.00	100.00
			----- 1,000,000.00 =====	----- 100.00 =====

+ Also Director

**DIRECTORS**

**DIRECTOR 1**

Name Of Subject : MR. LOH LEE ON  
Address : 2, JALAN 3/115A, TAMAN PAGAR RUYONG, 58200 KUALA LUMPUR, WILAYAH PERSEKUTUAN, MALAYSIA.  
Other Address(es) : A16-7, DUA RESIDENCY, NO 211, JALAN TUN RAZAK, 50400 KUALA LUMPUR, WILAYAH PERSEKUTUAN, MALAYSIA.

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IC / PP No : 6884030  
New IC No : 620820-10-5025  
Date of Birth : 20/08/1962  
Nationality : MALAYSIAN  
Date of : 15/11/1990  
Appointment

**INTEREST CHECK**

Interest in : see below  
companies  
Interest in business : none in our databank  
Former interest : none in our databank

**INTEREST IN COMPANY**

N o	Local No	Company	Designat ion	App Date	Shareholding No. %	Profit/(loss) After Tax	Financ ial Year	Stat us	As At
1	312874 W	LUBS TECHNOL OGY SDN. BHD.	Director	24/08/19 94	50,000.0 0 50.0	MYR295,53 0.00	2017	-	28/08/20 18
2	209939 K	ON FOONG ENTERPRI SE SDN. BHD.	Director	13/03/19 91	135,000. 00 90.0	MYR74,789. 00	2017	-	28/08/20 18
3	310629 A	ON FOONG HOLDINGS SDN. BHD.	Director	11/08/19 94	535,000. 00 50.0	MYR253,07 3.00	2017	-	28/08/20 18
4	9931H	SERVICE TRADING SDN. BHD.	Director	15/11/19 90	0.00 -	MYR258,34 0.00	2017	-	28/08/20 18

**DIRECTOR 2**

Name Of Subject : MR. LOH LAI FOONG  
Address : B3-28, MENARA MUTIARA, TAMAN TUN ABDUL RAZAK, 68000 AMPANG,  
SELANGOR, MALAYSIA.  
Other Address(es) : MENARA MUTIARA, JALAN 11 BLOK B3-28, 68000 AMPANG, SELANGOR,  
MALAYSIA.  
IC / PP No : A0084265  
New IC No : 650210-10-7645  
Nationality : MALAYSIAN  
Date of : 15/11/1990  
Appointment

**INTEREST CHECK**

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**SERVICE TRADING SDN. BHD. - 529950**

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Interest in : see below  
companies  
Interest in business : none in our databank  
Former interest : see below

**INTEREST IN COMPANY**

N o	Local No	Company	Designat ion	App Date	Shareholding No. %	Profit/(loss) After Tax	Financ ial Year	Stat us	As At	
1	123069 1V	GLOBAL ONE (M) SDN. BHD.	Director	12/05/2 017	100.00 100. 00	-	-	-	28/08/2 018	
2	312874 W	LUBS TECHNOL OGY SDN. BHD.	Director	24/08/1 994	50,000. 00	50.0 0	MYR295,53 0.00	2017	-	28/08/2 018
3	310629 A	ON FOONG HOLDINGS SDN. BHD.	Director	11/08/1 994	535,000 .00	50.0 0	MYR253,07 3.00	2017	-	28/08/2 018
4	9931H	SERVICE TRADING SDN. BHD.	Director	15/11/1 990	0.00	-	MYR258,34 0.00	2017	-	28/08/2 018

**FORMER INTEREST**

No	Local No	Company	Designation	App Date	Withdrawn Date	Shareholding	Status
1	209939K	ON ENTERPRISE BHD.	FOONG SDN. Director	13/03/1991	29/02/2016	-	-
2	1228688T	PROGRESS ASIA BHD.	SDN. Director	27/04/2017	22/06/2017	-	-
3	800128V	SRIMAYAN SDN. BHD.	HOLDINGS Director	08/03/2008	09/10/2008	-	-
4	800128V	SRIMAYAN SDN. BHD.	HOLDINGS Shareholder	-	-	-	-

***MANAGEMENT***

1) Name of : LOH LAI FOONG  
Subject  
Position : DIRECTOR

## **AUDITOR**

Firm No	Firm Name	Address	As Date	At Date
AF002006	TT FOO & ASSOCIATES	F-3-16, THE LATITUDE, JALAN C180/1, DATARAN C180, 43200 BALAKONG, SELANGOR, MALAYSIA.	30/06/2017	
AF0840	TAY & ASSOCIATES	NO. 28-1, PERSIARAN JUBILEE, OFF JALAN LOKE YEW, 55200 KUALA LUMPUR, WILAYAH PERSEKUTUAN, MALAYSIA.	30/06/2010	

## **COMPANY SECRETARIES**

- 1) Company Secretary : MR. CHAN VOON FUI  
IC / PP No : K0140808  
New IC No : 670223-13-5117  
Address : 54, JALAN TEMPUA 4, BANDAR PUCHONG JAYA, 47100 PUCHONG, SELANGOR, MALAYSIA.  
Date of Appointment : 16/11/2015

## **BANKING**

Banking relations are maintained principally with :

- 1) Name : UNITED OVERSEAS BANK (MALAYSIA) BHD

## **ENCUMBRANCE (S)**

Charge No	Creation Date	Charge Description	Chargee Name	Total Charge	Status
1	09/05/1980	N/A	UNITED OVERSEAS BANK (MALAYSIA) BERHAD.	MYR 50,000.00	Satisfied
2	11/11/1991	N/A	THE PACIFIC BANK BERHAD	MYR 200,000.00	Satisfied
3	11/11/1991	N/A	THE PACIFIC BANK BERHAD	MYR 300,000.00	Satisfied

## **CIVIL LITIGATION CHECK - SUBJECT COMPANY AS A DEFENDANT**

\* A check has been conducted in our databank against the Subject whether the Subject has been involved in any litigation. Our databank consists of 99% of the wound up companies in Malaysia.

No legal action was found in our databank.

No winding up petition was found in our databank.

## **CRIMINAL RECORDS CHECK - SUBJECT COMPANY AS A DEFENDANT**

\* A check has been conducted in our databank against the Subject whether the Subject has been involved in any litigation. Our databank consists of 99% of the wound up companies in Malaysia.

No criminal record was found in our databank.

## **CIVIL LITIGATION CHECK - SUBJECT COMPANY AS A PLAINTIFF**

\* A check has been conducted in our databank against the Subject whether the Subject has been involved in any litigation. Our databank consists of 99% of the wound up companies in Malaysia.

No plaintiff record was found in our databank.

## **CRIMINAL RECORDS CHECK - SUBJECT COMPANY AS A PLAINTIFF**

\* A check has been conducted in our databank against the Subject whether the Subject has been involved in any litigation. Our databank consists of 99% of the wound up companies in Malaysia.

No plaintiff record was found in our databank.

## **DEFAULTER CHECK AGAINST SUBJECT**

*\* We have checked through the Subject in our defaulters' database which comprised of debtors that have been listed by our customers and debtors that have been placed or assigned to us for collection.*

No defaulter record & debt collection case was found in our defaulters' databank.

## **RED ALERT FROM CENTRAL BANK OF MALAYSIA**

*\* A check has been conducted with the Central Bank of Malaysia whether the Subject has carried out any illegal or suspicious financial activities.*

The Subject has not been carried out any illegal money services business without licence under the Money Services Business Act 2011.

The Subject has not been placed under the Financial Consumer Alert list by the Central Bank of Malaysia.

## **INVESTOR ALERT BY SECURITIES COMMISSION MALAYSIA & BURSA MALAYSIA**

*\* A check has been conducted with the Securities Commission Malaysia whether the Subject has involved in any unlicensed capital market activities under the Securities Laws and Bursa Malaysia should the Subject is listed as Practice Note (PN) 17 or Guidance Note (GN) 3.*

The Subject has not been carried out any unlicensed capital market activities.

## **PAYMENT RECORD**

### **SOURCES OF RAW MATERIALS:**

Local : YES  
Overseas : YES  
Import : ASIA  
Countries

The Subject refused to provide any name of trade/service supplier and we are unable to conduct any trade enquiry. However, from financial historical data we conclude that :

### **OVERALL PAYMENT HABIT**

Prompt 0-30 Days	[ ]	Good 31-60 Days	[ ]	Average	61-90	[ X ]
Fair 91-120 Days	[ ]	Poor >120 Days	[ ]	Days		

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## **CLIENTELE**

Local : YES Percentage : 100%  
Domestic : MALAYSIA  
Markets  
Overseas : NO  
Credit Term : N/A  
Payment Mode : CASH  
CHEQUES  
Type of : DISTRIBUTORS, DEALERS  
Customer

## **OPERATIONS**

Goods Traded : AGRICULTURE AND INDUSTRIAL CHEMICALS

Ownership of : LEASED/RENTED  
premises

Total Number of Employees:

YEAR	2018	2017
GROUP	N/A	N/A
COMPANY	15	15

Branch : NO

### **Other Information:**

The Subject is principally engaged in the (as a / as an) trading of agriculture and industrial chemicals.

The Subject's products ranges are including as follows:

- \* Solvent based Adhesives - Durobond, Easifix, Durofoam, Durospray
- \* Water based Adhesives - Durobond, Durovac, Deccotak
- \* Hot Melts - Deccomelt

The Subject also providing a transportation services to delivered its goods to its customers.

The Subject sells the products according to its customers' requirements.

## **RECENT DEVELOPMENT**

We have checked with the Malaysian National News Agency's (BERNAMA) database, but no recent development

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was noted during the time of inspection.

## **CURRENT INVESTIGATION**

Latest fresh investigations carried out on the Subject indicated that :

Telephone Number Provided By : N/A  
Client  
Current Telephone Number : 03-89611169  
Match : N/A  
Address Provided by Client : 2A, JALAN PERUSAHAAN DUA, TAMAN INDUSTRI SELESA JAYA,  
BALAKONG SRI KEMBANGAN, SELANGOR DARUL EHSAN 43300,  
Current Address : 2A, JALAN PERUSAHAAN 2, TAMAN INDUSTRI SELESA JAYA,  
BALAKONG, 43300 SERI KEMBANGAN, SELANGOR, MALAYSIA.  
Match : YES  
Latest Financial Accounts : YES

### **Other Investigations**

On 14th September 2018, we contacted one of the staff from the Subject and she provided some information.

## **FINANCIAL ANALYSIS**

Profitability			
Turnover	: Erratic	[ 2013 - 2017	]
Profit/(Loss) Before Tax	: Decreased	[ 2013 - 2017	]
Return on Shareholder Funds	: Acceptable	[ 11.25%	]
Return on Net Assets	: Acceptable	[ 19.60%	]

The fluctuating turnover reflects the fierce competition among the existing and new market players. The Subject's profit fell sharply because of the high operating costs incurred. The Subject's management had generated acceptable return for its shareholders using its assets.

### **Working Capital Control**

Stock Ratio	: Favourable	[ 19 Days	]
Debtor Ratio	: Unfavourable	[ 108 Days	]
Creditors Ratio	: Unfavourable	[ 62 Days	]

The Subject's stocks were moving fast thus reducing its holding cost. This had reduced funds being tied up in stocks. The Subject's debtors ratio was high. The Subject should tighten its credit control and improve its collection period. The unfavourable creditors' ratio could be due to the Subject taking advantage of the credit granted by its suppliers. However this may affect the goodwill between the Subject and its suppliers and the Subject may inadvertently have to pay more for its future supplies.

### **Liquidity**

Liquid Ratio	: Favourable	[ 1.10 Times	]
Current Ratio	: Unfavourable	[ 1.28 Times	]

A minimum liquid ratio of 1 should be maintained by the Subject in order to assure its creditors of its ability to meet short term obligations and the Subject was in a good liquidity position. Thus, we believe the Subject is able

to meet all its short term obligations as and when they fall due.

Solvency

Interest Cover : Acceptable [ 4.30 Times ]  
Gearing Ratio : Unfavourable [ 1.51 Times ]

The Subject's interest cover was slightly low. If there is no sharp fall in its profit or sudden increase in the interest rates, we believe the Subject is able to generate sufficient income to service its interest and repay the loans. The Subject was highly geared, thus it had a high financial risk. The Subject was dependent on loans to finance its business needs. In times of economic downturn and / or high interest rate, the Subject will become less profitable and competitive than other firms in the same industry, which are lowly geared. This is because the Subject has to service the interest and to repay the loan, which will erode part of its profits. The profits will fluctuate depending on the Subject's turnover and the interest it needs to pay.

Overall Assessment :

The Subject recorded lower profits as its turnover showed a erratic trend. The Subject's management was unable to control its costs efficiently as its profit showed a downward trend. The Subject was in good liquidity position with its total current liabilities well covered by its total current assets. With its current net assets, the Subject should be able to repay its short term obligations. The Subject had an acceptable interest cover. If there is no sudden sharp increase in interest rate or fall in the Subject's profit, we do believe the Subject is able to generate sufficient cash flow to service its interest payment. The Subject's gearing level was high and its going concern will be in doubt if there is no injection of additional shareholders' funds in times of economic downturn and / or high interest rates.

Overall financial condition of the Subject : FAIR

## **MALAYSIA ECONOMIC / INDUSTRY OUTLOOK**

Major Economic Indicators:	2014	2015	2016	2017*	2018**
Population ( Million )	30.0	31.0	31.6	32.1	32.9
Gross Domestic Products ( % )	6.0	4.6	4.2	5.3	5.4
Domestic Demand ( % )	6.4	6.2	4.3	6.3	6.4
Private Expenditure ( % )	7.9	6.9	7.8	7.4	7.3
Consumption ( % )	6.5	6.1	5.1	6.9	6.8
Investment ( % )	12.0	8.1	10.0	9.3	8.9
Public Expenditure ( % )	2.3	4.2	3.3	5.3	5.5
Consumption ( % )	2.1	4.3	2.0	2.7	1.3
Investment ( % )	2.6	(1.0)	1.1	3.4	3.8
Balance of Trade ( MYR Million )	82,480	91,577	88,145	94,593	96,993
Government Finance ( MYR Million )	(37,414)	(37,194)	(38,401)	(39,887)	(39,790)
Government Finance to GDP / Fiscal Deficit ( % )	(3.4)	(3.2)	(3.1)	(3.0)	(2.8)
Inflation ( % Change in Composite CPI)	3.2	4.0	2.1	3.5	3.0
Unemployment Rate	2.9	3.1	3.4	3.4	3.3
Net International Reserves ( MYR Billion )	428	441	451	450	423
Average Risk-Weighted Capital Adequacy Ratio ( % )	4.00	3.50	-	-	-
Average 3 Months of Non-performing Loans ( % )	2.10	2.00	1.90	-	-
Average Base Lending Rate ( % )	6.85	6.79	6.81	6.73	-
Business Loans Disbursed( % )	18.6	2.2	-	-	-
Foreign Investment ( MYR Million )	43,486.6	43,435.0	-	-	-

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Consumer Loans ( % )	-	-	-	-	-
Registration of New Companies ( No. )	49,203	45,658	43,255	47,871	-
Registration of New Companies ( % )	6.1	(7.2)	(5.3)	10.7	-
Liquidation of Companies ( No. )	33,226	34,667	36,778	38,632	-
Liquidation of Companies ( % )	0.5	4.3	6.1	5.0	-
Registration of New Business ( No. )	332,723	364,230	376,720	484,029	-
Registration of New Business ( % )	1.0	9.0	3.0	29.0	-
Business Dissolved ( No. )	26,966	-	-	-	-
Business Dissolved ( % )	48.5	-	-	-	-
Sales of New Passenger Cars ( ' 000 Unit )	588.3	591.3	514.6	527.8	-
Cellular Phone Subscribers ( Million )	44.0	44.2	44.0	-	-
Tourist Arrival ( Million Persons )	27.4	25.7	30.2	30.1	-
Hotel Occupancy Rate ( % )	63.6	58.8	61.2	-	-
Credit Cards Spending ( % )	5.8	6.8	6.3	-	-
Bad Cheque Offenders (No.)	-	-	-	-	-
Individual Bankruptcy ( No. )	22,351	18,457	19,588	18,227	-
Individual Bankruptcy ( % )	1.7	(17.4)	6.1	(7.0)	-
<b>INDUSTRIES ( % of Growth ):</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017*</b>	<b>2018**</b>
Agriculture	2.0	1.3	(5.1)	5.6	2.4
Palm Oil	6.7	7.0	(12.7)	11.8	-
Rubber	(10.4)	(11.0)	(6.3)	10.8	-
Forestry & Logging	(4.2)	(7.2)	(3.0)	(15.0)	-
Fishing	2.7	2.1	2.2	0.2	-
Other Agriculture	6.2	6.0	5.1	2.4	-
Industry Non-Performing Loans ( MYR Million )	303.8	343.7	420.3	-	-
% of Industry Non-Performing Loans	1.4	1.5	1.8	-	-
Mining	3.3	5.3	2.2	0.5	0.9
Oil & Gas	3.0	3.5	4.5	-	-
Other Mining	46.6	47.1	42.6	-	-
Industry Non-performing Loans ( MYR Million )	63.5	180.1	190.0	-	-
% of Industry Non-performing Loans	0.3	0.8	0.8	-	-
Manufacturing #	6.1	4.9	4.4	5.5	5.3
Exported-oriented Industries	7.1	6.5	4.3	6.5	-
Electrical & Electronics	11.8	9.2	6.8	9.3	-
Rubber Products	(1.3)	5.1	5.0	6.9	-
Wood Products	7.8	7.0	7.8	7.3	-
Textiles & Apparel	10.8	7.5	7.5	7.4	-
Domestic-oriented Industries	7.7	4.7	3.4	6.2	-
Food, Beverages & Tobacco	6.1	8.9	7.5	11.0	-
Chemical & Chemical Products	1.4	3.5	4.5	3.5	-
Plastic Products	2.7	3.9	5.1	-	-
Iron & Steel	2.8	1.6	2.2	-	-

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Fabricated Metal Products	2.8	4.6	5.6	4.6	-
Non-metallic Mineral	6.9	6.8	6.3	5.4	-
Transport Equipment	14.4	5.2	(3.1)	4.7	-
Paper & Paper Products	4.7	3.2	5.4	5.8	-
Crude Oil Refineries	13.0	14.3	13.7	-	-
Industry Non-Performing Loans ( MYR Million )	5,730.8	4,243.7	4,214.1	-	-
% of Industry Non-Performing Loans	25.6	19.0	18.5	-	-
Construction	11.7	8.2	7.4	7.6	7.5
Industry Non-Performing Loans ( MYR Million )	1,666.4	1,638.0	1,793.9	-	-
% of Industry Non-Performing Loans	7.5	7.3	7.9	-	-
Services	6.6	5.1	5.6	5.9	5.8
Electric, Gas & Water	3.8	3.6	5.4	2.5	2.6
Transport, Storage & Communication	7.70	7.55	6.85	7.35	7.30
Wholesale, Retail, Hotel & Restaurant	7.70	6.65	6.65	7.05	6.65
Finance, Insurance & Real Estate	5.15	2.90	4.70	5.70	5.90
Government Services	6.3	4.0	4.9	4.4	4.5
Other Services	4.8	4.7	4.8	5.3	5.3
Industry Non-Performing Loans ( MYR Million )	5,373.5	6,806.6	7,190.6	-	-
% of Industry Non-Performing Loans	24.1	30.5	31.5	-	-

\* Estimate / Preliminary

\*\* Forecast

# Based On Manufacturing Production Index

## **INDUSTRY ANALYSIS**

MSIC

CODE

46691 : Wholesale of industrial chemicals

INDUSTRY TRADING

:

Malaysia's retail sales will likely grow 3.7% in 2017, slower than previously estimated 3.9%, as consumer sentiment remains weak amid rising cost of living in Southeast Asia's third largest economy.

The cut in forecast was the second of such revision by Retail Group Malaysia, a retail consulting firm, from an initial target of 5% retail sales expansion pace in 2017. The estimate follows a survey of members of Malaysia Retailers Association on their second quarter performance and outlook for the year. Retail sales grew 1.7% in 2016.

According to Retail Group Malaysia (RGM), Malaysian retailers have seen the sales expanded 4.9 % from April to June 2017, reversing a dismal performance in first three months 2017. For the first six months 2016, the retail sale growth rate was 2.5 %. However, the businesses in the next three months are not optimistic, estimating an average growth rate of 2.9 %. The department stores cum supermarket operators are expecting to return to red with a contraction of 2.5 %. Similarly, the department store operators expect their businesses to dip with a negative 1.5 %.

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The rise of purchasing power will continue to fall behind the increase in prices of retail goods. More retail goods are expected to raise prices because of higher fuel prices in recent months.

The wholesale trade sub-sector index increased 5.9 % to 165.9 points year-on-year (y-o-y) driven mainly by other specialised wholesale (7.5 %), wholesale of agricultural raw materials and livestock (7.3 %) and wholesale of machinery, equipment and supplies (6.2 %).

Over 60% of Gross Domestic Product (GDP) is contributed by domestic consumption. Therefore the wholesale and retail sector plays a crucial role in driving Malaysia's growth over the next decade despite the ongoing global economic slowdown. By 2020, Malaysia's wholesale and retail sector is expected to boost the country's total Gross National Income (GNI) by RM156 billion, creating 454,190 new jobs.

OVERALL INDUSTRY OUTLOOK : Marginal Growth

## **CREDIT RISK EVALUATION & RECOMMENDATION**

Incorporated in 1970, the Subject is a Private Limited company, focusing on trading of agriculture and industrial chemicals. The Subject has been in business for over two decades. It has built up a strong clientele base and satisfactory reputation will enable the Subject to further enhance its business in the near term. The Subject is expected to enjoy a stable market shares. A paid up capital of MYR 1,000,000 allows the Subject to expand its business more comfortably. With a strong backing from its holding company, the Subject enjoys timely financial assistance should the needs arise.

Over the years, the Subject should have build up its clientele base and received supports from its regular customers. Investigation revealed that the Subject's interest lies mostly in the local market. Being a small company, the Subject's business operation is supported by 15 employees. Overall, we regard that the Subject's management capability is average. This indicates that the Subject has greater potential to improve its business performance and raising income for the Subject.

Financially, the Subject registered a higher turnover compared to previous year. However, its profits showed a reverse trend. The lower profit achieved was a result of higher operating cost and increased competition. Return on shareholders' funds of the Subject was at an acceptable range which indicated that the management was efficient in utilising its funds to generate income. The Subject is in good liquidity position with its current liabilities well covered by its current assets. Hence, it has sufficient working capital to meet its short term financial obligations. The high gearing ratio clearly implied that the Subject was supported by more debt than equity. Thus, the Subject is exposed to high financial risk. Given a positive net worth standing at MYR 2,295,843, the Subject should be able to maintain its business in the near terms.

The Subject's supplier are from both the local and overseas countries. This will eliminates the risk of dependency on deliveries from a number of key suppliers and insufficient quantities of its raw materials. Overall the Subject has a good control over its resources.

The Subject's payment habit is average. With its adequate working capital, the Subject should be able to pay its short term debts.

The industry has reached its maturity stage and only enjoying a marginal growth. The steady growth of the country's economy will further enhance the industry activities. Thus, the Subject's future performance is very much depend on its marketing strategies in order to retain its position in the market.

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Based on the above condition, we recommend credit be granted to the Subject normally.

## **FINANCIALS**

### **PROFIT AND LOSS ACCOUNT**

THE FINANCIAL STATEMENTS WERE PREPARED IN ACCORDANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS(FRS) SERVICE TRADING SDN. BHD.

Financial Year	2017-06-30	2016-06-30	2015-06-30	2014-06-30	2013-06-30
End Months	12	12	12	12	12
Consolidated Account	Company	Company	Company	Company	Company
Audited Account Unqualified Auditor's Report (Clean Opinion)	YES	YES	YES	YES	YES
Financial Type	FULL	FULL	FULL	FULL	FULL
Currency	MYR	MYR	MYR	MYR	MYR
TURNOVER	24,446,608	20,723,092	22,514,345	22,931,159	27,855,295
Total Turnover	24,446,608	20,723,092	22,514,345	22,931,159	27,855,295
Costs of Goods Sold	(20,391,335)	(16,428,216)	(18,875,261)	(18,424,148)	(24,523,141)
Gross Profit	4,055,273	4,294,876	3,639,084	4,507,011	3,332,154
PROFIT/(LOSS) FROM OPERATIONS	345,340	502,820	318,397	491,742	365,859
PROFIT/(LOSS) BEFORE TAXATION	345,340	502,820	318,397	491,742	365,859
Taxation	(87,000)	(86,834)	(109,853)	(100,026)	(88,944)
PROFIT/(LOSS) AFTER TAXATION	258,340	415,986	208,544	391,716	276,915
RETAINED PROFIT/(LOSS) BROUGHT FORWARD					
As previously reported	1,037,503	1,126,867	1,018,323	1,001,607	1,099,692

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As restated	1,037,503	1,126,867	1,018,323	1,001,607	1,099,692
PROFIT AVAILABLE FOR APPROPRIATIONS	1,295,843	1,542,853	1,226,867	1,393,323	1,376,607
DIVIDENDS - Ordinary (paid & proposed)	-	(505,350)	(100,000)	(375,000)	(375,000)
RETAINED PROFIT/(LOSS) CARRIED FORWARD	1,295,843	1,037,503	1,126,867	1,018,323	1,001,607
	=====	=====	=====	=====	=====
	=	=	=	=	=
INTEREST EXPENSE (as per notes to P&L)					
Bank overdraft	20,472	44,120	47,729	50,436	31,808
Bankers' acceptance	53,160	78,337	75,955	79,652	104,149
Hire purchase	31,002	11,655	4,209	7,271	10,534
	-----	-----	-----	-----	-----
	104,634	134,112	127,893	137,359	146,491
	=====	=====	=====	=====	=====
	=	=	=	=	=
DEPRECIATION (as per notes to P&L)	215,000	100,146	119,136	141,504	155,540
	-----	-----	-----	-----	-----
Total Amortization And Depreciation	215,000	100,146	119,136	141,504	155,540
	=====	=====	=====	=====	=====
	=	=	=	=	=

**BALANCE SHEET**

**SERVICE TRADING SDN. BHD.**

**ASSETS**

**EMPLOYED:**

FIXED ASSETS	737,560	944,121	137,167	255,095	358,495
	-----	-----	-----	-----	-----
TOTAL LONG TERM ASSETS	737,560	944,121	137,167	255,095	358,495
<b>CURRENT ASSETS</b>					
Stocks	1,274,391	907,862	1,398,086	1,823,397	1,138,517
Trade debtors	7,229,272	6,048,716	7,374,550	6,852,733	8,340,387
Other debtors,	135,790	103,840	107,478	65,228	43,328

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deposits & prepayments						
Cash & bank balances	261,435	204,945	62,056	47,156	69,682	
Others	-	-	-	-	3,614	
<b>TOTAL CURRENT ASSETS</b>	<b>8,900,888</b>	<b>7,265,363</b>	<b>8,942,170</b>	<b>8,788,514</b>	<b>9,595,528</b>	
<b>TOTAL ASSET</b>	<b>9,638,448</b>	<b>8,209,484</b>	<b>9,079,337</b>	<b>9,043,609</b>	<b>9,954,023</b>	
<b>CURRENT LIABILITIES</b>						
Trade creditors	3,489,329	3,004,006	3,165,609	2,825,798	3,005,049	
Other creditors & accruals	372,505	876,936	38,378	411,226	357,334	
Hire purchase & lease creditors	139,653	132,354	57,783	66,579	63,518	
Bank overdraft	1,142,418	604,182	948,394	1,352,933	1,434,347	
Bill & acceptances payable	1,774,000	990,000	2,703,000	2,296,000	2,957,000	
Provision for taxation	10,305	10,455	39,306	14,967	-	
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,928,210</b>	<b>5,617,933</b>	<b>6,952,470</b>	<b>6,967,503</b>	<b>7,817,248</b>	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>1,972,678</b>	<b>1,647,430</b>	<b>1,989,700</b>	<b>1,821,011</b>	<b>1,778,280</b>	
<b>LONG TERM LIABILITIES</b>						
Hire purchase creditors	414,395	554,048	-	57,783	124,362	
Deferred taxation	-	-	-	-	10,806	
<b>TOTAL LONG TERM LIABILITIES</b>	<b>414,395</b>	<b>554,048</b>	<b>-</b>	<b>57,783</b>	<b>135,168</b>	
<b>TOTAL NET ASSETS</b>	<b>2,295,843</b>	<b>2,037,503</b>	<b>2,126,867</b>	<b>2,018,323</b>	<b>2,001,607</b>	
<b>FINANCED BY:</b>						
<b>SHARE CAPITAL</b>						
Ordinary share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	

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TOTAL SHARE	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
CAPITAL RESERVES					
Retained profit/(loss) carried forward	1,295,843	1,037,503	1,126,867	1,018,323	1,001,607
TOTAL RESERVES	1,295,843	1,037,503	1,126,867	1,018,323	1,001,607
SHAREHOLDERS' FUNDS/EQUITY	2,295,843	2,037,503	2,126,867	2,018,323	2,001,607
	=====	=====	=====	=====	=====
	=	=	=	=	=

**FINANCIAL RATIO**

SERVICE TRADING SDN. BHD.

TYPES OF FUNDS

Cash	261,435	204,945	62,056	47,156	69,682
Net Liquid Funds	(2,654,983)	(1,389,237)	(3,589,338)	(3,601,777)	(4,321,665)
Net Liquid Assets	698,287	739,568	591,614	(2,386)	639,763
Net Current Assets/(Liabilities)	1,972,678	1,647,430	1,989,700	1,821,011	1,778,280
Net Tangible Assets	2,295,843	2,037,503	2,126,867	2,018,323	2,001,607
Net Monetary Assets	283,892	185,520	591,614	(60,169)	504,595

PROFIT & LOSS ITEMS

Earnings Before Interest & Tax (EBIT)	449,974	636,932	446,290	629,101	512,350
Earnings Before Interest, Taxes, Depreciation And Amortization (EBITDA)	664,974	737,078	565,426	770,605	667,890

BALANCE SHEET ITEMS

Total Borrowings	3,470,466	2,280,584	3,709,177	3,773,295	4,579,227
Total Liabilities	7,342,605	6,171,981	6,952,470	7,025,286	7,952,416
Total Assets	9,638,448	8,209,484	9,079,337	9,043,609	9,954,023
Net Assets	2,295,843	2,037,503	2,126,867	2,018,323	2,001,607
Net Assets Backing	2,295,843	2,037,503	2,126,867	2,018,323	2,001,607
Shareholders' Funds	2,295,843	2,037,503	2,126,867	2,018,323	2,001,607
Total Share Capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Reserves	1,295,843	1,037,503	1,126,867	1,018,323	1,001,607

GROWTH RATIOS (Year on Year) (%)

Revenue	17.97	(7.96)	(1.82)	(17.68)	7.98
Profit/(Loss) Before Tax	(31.32)	57.92	(35.25)	34.41	269.73
Profit/(Loss) After Tax	(37.90)	99.47	(46.76)	41.46	540.96
Total Assets	17.41	(9.58)	0.40	(9.15)	(6.89)
Total Liabilities	18.97	(11.23)	(1.04)	(11.66)	(7.43)

LIQUIDITY (Times)

Cash Ratio	0.04	0.04	0.01	0.01	0.01
Liquid Ratio	1.10	1.13	1.09	1.00	1.08
Current Ratio	1.28	1.29	1.29	1.26	1.23

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WORKING CAPITAL					
CONTROL (Days)					
Stock Ratio	19	16	23	29	15
Debtors Ratio	108	107	120	109	109
Creditors Ratio	62	67	61	56	45
SOLVENCY RATIOS (Times)					
Gearing Ratio	1.51	1.12	1.74	1.87	2.29
Liabilities Ratio	3.20	3.03	3.27	3.48	3.97
Times Interest Earned Ratio	4.30	4.75	3.49	4.58	3.50
Assets Backing Ratio	2.30	2.04	2.13	2.02	2.00
PERFORMANCE RATIO (%)					
Operating Profit Margin	1.41	2.43	1.41	2.14	1.31
Net Profit Margin	1.06	2.01	0.93	1.71	0.99
Return On Net Assets	19.60	31.26	20.98	31.17	25.60
Return On Capital Employed	11.27	19.14	14.24	18.00	14.10
Return On Shareholders' Funds/Equity	11.25	20.42	9.81	19.41	13.83
Dividend Pay Out Ratio (Times)	0	1.21	0.48	0.96	1.35
NOTES TO ACCOUNTS					
Contingent Liabilities	0	0	0	0	0

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 72.55
UK Pound	1	INR 94.94
Euro	1	INR 84.40
MYR	1	INR 17.61

**Note :** Above are approximate rates obtained from sources believed to be correct

**INFORMATION DETAILS**

Analysis Done by :	NIS
Report Prepared by :	SDA

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**RATING EXPLANATIONS**

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)