CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2013

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter	Preceding year corresponding quarter	Current year todate	Preceding year todate
		31.12.2013 (Unaudited)	31.12.2012 (Unaudited)	31.12.2013 (Unaudited)	31.12.2012 (Audited)
		RM'000	RM'000	RM'000	RM'000
Revenue		116,940	103,489	469,070	449,656
Cost of sales:					
Factory and production cost		(106,707)	(95,707)	(419,762)	(409,446)
Factory depreciation		(1,349)	(1,309)	(5,248)	(5,226)
Gross profit		8,884	6,473	44,060	34,984
Other gain / (losses)	B12	1,179	(878)	3,151	(557)
Depreciation and amortisation		(291)	(266)	(1,158)	(1,085)
Administrative expenses		(2,333)	(1,896)	(9,861)	(9,416)
Selling & distribution expenses		(3,328)	(3,121)	(12,250)	(11,231)
Finance costs		(272)	(5)	(650)	(189)
Profit before taxation		3,839	307	23,292	12,506
Tax income / (expense)	B6	2,523	511	(874)	(2,866)
Profit for the period		6,362	818	22,418	9,640
Other comprehensive income		-	-	-	-
Total comprehensive income		6,362	818	22,418	9,640
Profit attributable to:					
Owners of the parent		6,362	818	22,418	9,640
Total comprehensive income attributable to:					
Owners of the parent		6,362	818	22,418	9,640
Earnings per share attributable to owners of the Company:					
a) Basic (sen)	B11(a)	5.84	0.75	20.58	8.85
b) Diluted (sen)	B11(b)	N/A	N/A	N/A	N/A

(The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements).

CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2013

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	Note	As at 31.12.2013 (Unaudited) RM'000	As at 31.12.2012 (Audited) RM'000	As at 01.01.2012 (Restated) RM'000
ASSETS				
Non-current Assets				
Property, plant and equipment		126,834	119,318	122,495
Investment properties		3,929	2,947	2,570
Prepaid lease payments for land		3,095	3,203	3,332
Goodwill on consolidation		-	-	87
		133,858	125,468	128,484
Current Assets				
Inventories		206,726	143,358	179,582
Other investments		-	4,112	-
Derivative assets		-	58	9
Trade and other receivables		131,331	124,722	126,688
Current tax assets		1,533	2,630	1,425
Cash and cash equivalents		9,076	35,354	10,163
		348,666	310,234	317,867
TOTAL ASSETS		482,524	435,702	446,351
EQUITY AND LIABILITIES				
Equity attributable to the owners of the parent				
Share capital		109,903	109,903	109,903
Treasury shares		(1,452)	(1,447)	(1,374)
Reserves		318,046	299,713	294,976
TOTAL EQUITY		426,497	408,169	403,505
LIABILITIES				
Non-current Liabilities				
Deferred tax liabilities		9,820	13,207	12,682
		9,820	13,207	12,682
Current Liabilities				
Trade and other payables		13,236	13,314	9,604
Derivative liabilities		273	6	-
Borrowings	B8	32,698	1,000	20,331
Current tax liabilities		-	6	229
		46,207	14,326	30,164
TOTAL LIABILITIES		56,027	27,533	42,846
TOTAL EQUITY AND LIABILITIES		482,524	435,702	446,351
Net Tangible Assets Per Share (RM)		3.91	3.75	3.70
Net Assets Per Share (RM)		3.91	3.75	3.70

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements).

CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2013

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

	31.12.2013	31.12.2012 (Audited)
	RM'000	RM'000
Cash Flows From Operating Activities		
Cash received from customers	543,532	505,559
Cash payments for inventory/to suppliers	(540,020)	(415,986)
Cash paid for operating expenses and to employees	(45,196)	(29,997)
Cash flows (used in)/generated from operations	(41,684)	59,576
Tax paid	(4,246)	(5,107)
Tax refunded	1,076	1,338
Interest received	396	355
Net cash flows (used in)/from operating activities	(44,458)	56,162
Cash Flows From Investing Activities		
Proceeds from disposal of prepaid lease payments for lands and property, plant and equipment	1,301	652
Interest received	243	345
Purchase of property, plant and equipment	(14,443)	(3,325)
Purchase of prepaid lease payments for land	(28)	(7)
Purchase of unquoted investments	-	(4,110)
Proceeds from disposal of other investment	4,155	-
Increase in fixed deposits pledged to the bank	(5)	(168)
Net cash flows used in investing activities	(8,777)	(6,613)
Cash Flows From Financing Activities		
Drawdowns of short term borrowings	201,958	71,310
Repayments of short term borrowings	(170,261)	(90,494)
Dividend paid	(4,085)	(4,903)
Interest paid	(650)	(189)
Repurchase of own shares	(5)	(73)
Net cash flows from/(used in) financing activities	26,957	(24,349)
Net (decrease)/increase in cash and cash equivalents	(26,278)	25,200
Effects of exchange rate changes on cash and cash equivalents	(5)	(177)
Cash and cash equivalents at beginning of year	35,186	10,163
Cash and cash equivalents at end of year	8,903	35,186
Cash and cash equivalent comprise:		
Cash and bank balances	9,076	35,354
Fixed deposits pledged to the bank	(173)	(168)
Cash and cash equivalents at end of year	8,903	35,186

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013 (UNAUDITED) (CONT'D)

	31.12.2013	31.12.2012 (Audited)
	RM'000	RM'000
Note: Reconciliation of operating profit to cash flows from operations:		
Profit before taxation	23,292	12,506
Adjustments for non-cash flow items:-		
Impairment losses on trade and other receivables	19	1,181
Impairment losses on trade receivables no longer required	(254)	(203)
Impairment losses on property, plant and equipment	18	24
Impairment losses on goodwill	-	87
Amortisation of prepaid lease payments for land	136	136
Depreciation of property, plant and equipment	6,270	6,175
Interest expenses	650	189
Fair value adjustments on derivative financial instruments	331	(52)
Fair value adjustments on investment properties	(982)	(377)
Fair value adjustments on other investments	-	76
Dividend income received from other investments	-	(78)
Gain on disposal of prepaid lease payments for land and property, plant and equipment	(667)	(352)
Gain on disposal of unquoted investment	(43)	-
Interest income	(243)	(345)
Interest income on overdue accounts	(396)	(355)
Inventories write down	1,619	2,346
Property, plant and equipment written off	5	3
Unrealised gain on foreign exchange transaction	(34)	(61)
Total adjustments	6,429	8,394
Operating profit before changes in working capital	29,721	20,900
Changes in working capital :		
Inventories	(64,987)	33,878
Trade and other receivables	(6,355)	1,086
Trade and other payables	(63)	3,712
Total changes in working capital	(71,405)	38,676
Cash flows (used in)/generated from operations	(41,684)	59,576
Tax paid	(4,246)	(5,107)
Tax refunded	1,076	1,338
Interest received	396	355
Net cash flows (used in)/from operating activities	(44,458)	56,162

(The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements).

CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2013

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	< ---------------		Attributable to Owners of the Company			--------------- >	
			Non-distributable			Distributable	
	Share Capital	Treasury Shares	Share Premium	Revaluation Reserve	General Reserve	Retained Earnings	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Opening Balance At 1 Jan 2013	109,903	(1,447)	17,765	-	1,186	280,762	408,169
Total comprehensive income	-	-	-	-	-	22,418	22,418
Transfer from general reserve to retained earnings	-	-	-	-	(217)	217	-
	109,903	(1,447)	17,765	-	969	303,397	430,587
Transactions with owners							
Dividends	-	-	-	-	-	(4,085)	(4,085)
Purchase of treasury shares	-	(5)	-	-	-	-	(5)
Total transactions with owners	-	(5)	-	-	-	(4,085)	(4,090)
Closing Balance at 31 Dec 2013	109,903	(1,452)	17,765	-	969	299,312	426,497
Opening Balance At 1 Jan 2012	109,903	(1,374)	17,765	-	1,186	276,025	403,505
Total comprehensive income	-	-	-	-	-	9,640	9,640
Transactions with owners							
Dividends	-	-	-	-	-	(4,903)	(4,903)
Purchase of treasury shares	-	(73)	-	-	-	-	(73)
Total transactions with owners	-	(73)	-	-	-	(4,903)	(4,976)
Closing Balance at 31 Dec 2012	109,903	(1,447)	17,765	-	1,186	280,762	408,169

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim statements).

EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING

A1 Basis of preparation

The interim financial statements, other than for financial instruments and investment properties, have been prepared under the historical cost convention. Certain financial instruments have been carried at fair value in accordance to MFRS 139 Financial Instruments: Recognition and Measurement, while investment properties are stated at fair value as per MFRS 140 : Investment Property.

The interim financial statements has been prepared in accordance with MFRS 134 : Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia).

This interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 of the Group and the accompanying notes attached to the interim financial report.

(i) MFRS, IC Interpretation and Amendments to MFRSs adopted by the Group during the current financial period:

The following MFRS, IC Interpretation and Amendments to MFRSs have been adopted by the Group during the current financial period:

MFRSs, Amendments to MFRSs and IC Interpretations	**Effective for annual periods beginning on or after**
Amendments to MFRS 101 : Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3 : Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 : Consolidated Financial Statements	1 January 2013
MFRS 11 : Joint Arrangements	1 January 2013
MFRS 12 : Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 : Fair Value Measurement	1 January 2013
MFRS 119 : Employee Benefits (as amended by IASB in June 2011)	1 January 2013
MFRS 127 : Separate Financial Statements (as amended by IASB in May 2011)	1 January 2013
MFRS 127 : Consolidated and Separate Financial Statements (revised by IASB in December 2003)	1 January 2013
MFRS 128 : Investments in Associates and Joint Ventures (as amended by IASB in May 2011)	1 January 2013
IC Interpretation 20 : Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 1 : First Time Adoption of MFRS – Government Loans	1 January 2013

A1 Basis of preparation (Cont'd)

(ii) MFRS, IC Interpretation and Amendments to MFRSs adopted by the Group during the current financial period (Cont'd):

Amendments to MFRS 7	: Financial Instruments : Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10	: Consolidated Financial Statements : Transition Guidance	1 January 2013
Amendments to MFRS 11	: Joint Arrangements : Transition Guidance	1 January 2013
Amendments to MFRS 12	: Disclosure of Interests in Other Entities : Transition Guidance	1 January 2013
Amendments to MFRS 101	: Annual improvements 2009 – 2011 cycle	1 January 2013
Annual Improvements to IC Interpretations and MFRSs 2009 – 2011 Cycle		1 January 2013

IC Interpretation 20 is not applicable to the Group as it is not relevant to the Group's operations. Government Loans (Amendments to MFRS 1) has no financial impact to the Group as the Group does not hold any government grants or receive any government assistance.

The adoption of all the other MFRSs, amendments to MFRSs and Annual improvements to IC interpretations and MFRSs did not have any financial impact on the Group, except the following:

a. Amendments to MFRS 101 : Annual improvements 2009 – 2011 cycle

The above amendments require disclosure when reclassifications are made to the comparative figures as a result of changes in classification of items in its financial statements. Certain items in the Condensed Consolidated Statements of Financial Position have been reclassified to conform with the presentation of the audited accounts presentation for the year ended 31 December 2012.

The adoption of this amendment affects presentation only and has no financial impact on the financial statements.

<u>**Condensed Consolidated Statements of Financial position**</u> <u>As at 1 January 2012</u>	**As previously reported RM'000**	**Reclassifications RM'000**	**As Restated RM'000**
Current assets			
Trade and other receivables	114,214	12,474	126,688
Other assets	12,474	(12,474)	-

a. Amendments to MFRS 101 : Annual improvements 2009 – 2011 cycle (Cont'd)

Condensed Consolidated Statements of Financial position	**As previously reported RM'000**	**Reclassifications RM'000**	**As Restated RM'000**
Equity attributable to the owners of the parent			
Reserves	18,951	276,025	294,976
Retained earnings	276,025	(276,025)	-

(iii) MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

MFRSs, Amendments to MFRSs and IC Interpretations		**Effective for annual periods beginning on or after**
Amendments to MFRS 10	: Consolidated Financial Statements : Investment Entities	1 January 2014
Amendments to MFRS 12	: Disclosure of Interests in Other Entities : Investment Entities	1 January 2014
Amendments to MFRS 127	: Consolidated and Separate Financial Statements : Investment Entities	1 January 2014
Amendments to MFRS 132	: Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136	: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139	: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21	: Levies	1 January 2014
MFRS 9	: Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9	: Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015
Amendments to MFRS 9	: Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015

(iii) MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective (Cont'd)

The above amendments to MFRSs and revised MFRS will be adopted in the financial statements when they become effective. The adoption of amendments to MFRS 10, 12 and 127 are not expected to have any significant financial impact to the Group as the Company is not an investment entity as defined in MFRS 10. As for the adoption of amendments to MFRS 132, it is not expected to have any financial impact to the Group.

Amendments to MFRS 136 clarify the disclosure requirements in respect of impaired non-financial assets when the recoverable amount is based on the fair value less costs of disposal. The Group's policy in determining the recoverable amount is based on the value-in-use method, hence the amendment to MFRS 136 is not expected to have any financial impact upon adoption. Amendments to MFRS 139 provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument, and is not expected to have any financial impact to the Group as it does not practice hedge accounting nor novation of hedging instruments.

With regards to IC Interpretation 21, it clarifies that an entity needs to recognise a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. This pronouncement is not expected to have any impact to the financial statements of the Group.

MFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. It requires financial assets to be classified into two categories : those measured as at fair value and those measured at amortised cost (determination made at initial recognition). The classification depends on the entity's business model for managing its financial instruments and contractual cash flow requirements. For financial liabilities, the main change is where the fair value option is taken for financial liabilities, the part of fair value change due to an entity's own credit risk is recorded in other comprehensive income. This MFRS is not expected to have any major impact to the Group.

A2 Auditor's report on preceding annual financial statements

The preceding year's audit report for the year ended 31 December 2012 was not qualified.

A3 Seasonality or cyclicality of operations

The level of business activities usually varies with the festivals at the end and beginning of each year subject to the level of underlying demand and prevailing prices.

A4 Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group in the 4th quarter and financial year ended 31 December 2013.

A5 Material changes in estimates of amounts reported

There were no material changes in estimates of amounts reported in the previous financial year which have a material effect in the 4th quarter and financial year ended 31 December 2013.

A6 Capital management, issuances, repurchases, and repayments of debts and equity instruments

For the current quarter, the Company did not repurchase any ordinary shares from the open market. As at 31 December 2013, the Company had repurchased a total of 3,700 ordinary shares of RM1.00 each of its issued share capital from the open market at an average cost of RM1.3953 per share.

A6 Capital management, issuances, repurchases, and repayments of debts and equity instruments (cont'd)

As at 31 December 2013, a total of 955,925 treasury shares were held by the Company. The repurchased shares are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act, 1965.

There were no issues of debt or equity securities for the current financial year ended 31 December 2013.

The Group's objectives of managing capital are to safeguard the Group's ability to continue in operations as a going concern in order to provide fair returns for shareholders and benefits for other stakeholders and to maintain the optimal capital structure, the Group may, from time to time, adjust the dividend payout to shareholders, return capital to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

For capital management purposes, the Group considers shareholders' equity, non-controlling interests and long-term liabilities to be the key components in the Group's capital structure. The Group monitors capital on the basis of gearing ratio, which is net debt divided by total capital plus net debts. The Group includes within net debt, loan and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the equity holders of the Group less the fair value adjustment reserve. The Group's strategy is to maintain a low gearing ratio.

The gearing ratios as at 31 December 2013 and 31 December 2012, which are within the Group's objectives for capital management, are as follows:

	31-Dec-13	31-Dec-12
	RM'000	RM'000
Borrowings	32,698	1,000
Trade and other payables	13,236	13,314
Less : Cash and bank balances	(9,076)	(35,354)
Net debts	36,858	(21,040)
Equity attributable to the owners of the parent	426,497	408,169
Capital and net debts	463,355	387,129
Gearing ratio (%)	8%	-5%

A7 Dividends paid

During the financial year, a final ordinary dividend of 5% per share less 25% Malaysian income tax amounting to RM4,085,552.70 in respect of financial year ended 31 December 2012 was paid on 22 August 2013.

A8 Operating segment information

Segment information is presented in respect of the Group's operating segments.

The Group comprises the following main operating segments:

(i)	Manufacturing	Processing of steel coils into steel products and fabrication of steel products
(ii)	Trading	Dealing in hardware and construction materials

Segment information for the quarter ended 31 December 2013 is as follows:-

	Trading RM'000	Manufacturing RM'000	Total RM'000
Revenue			
Total revenue	89,011	43,280	132,291
Inter-segment revenue	(6,918)	(8,433)	(15,351)
Revenue from external customers	82,093	34,847	116,940
Profit for the quarter			
Total profit or loss	3,137	1,068	4,205
Unallocated expenses			(94)
Finance costs			(272)
Profit before tax			3,839
Tax expense			2,523
Profit after tax for the quarter			6,362

Segment information for the quarter ended 31 December 2012 is as follows:-

	Trading RM'000	Manufacturing RM'000	Total RM'000
Revenue			
Total revenue	73,209	42,981	116,190
Inter-segment revenue	(5,102)	(7,599)	(12,701)
Revenue from external customers	68,107	35,382	103,489
Profit for the quarter			
Total profit or loss	(774)	1,232	458
Unallocated expenses			(59)
Finance costs			(5)
Impairment loss on goodwill			(87)
Profit before tax			307
Tax expense			511
Profit after tax for the quarter			818

A8 Operating segment information (Cont'd)

Segment information for the current financial year ended 31 December 2013 is as follows:-

	Trading RM'000	Manufacturing RM'000	Total RM'000
Revenue			
Total revenue	338,880	193,238	532,118
Inter-segment revenue	(29,258)	(33,790)	(63,048)
Revenue from external customers	309,622	159,448	469,070
Profit for the year			
Total profit or loss	12,551	12,270	24,821
Unallocated expenses			(879)
Finance costs			(650)
Profit before tax			23,292
Tax expense			(874)
Profit after tax for the financial year			22,418

Segment information for the previous financial year ended 31 December 2012 (audited) is as follows:-

	Trading RM'000	Manufacturing RM'000	Total RM'000
Revenue			
Total revenue	291,798	210,934	502,732
Inter-segment revenue	(22,455)	(30,621)	(53,076)
Revenue from external customers	269,343	180,313	449,656
Profit for the year			
Total profit or loss	6,427	6,774	13,201
Unallocated expenses			(419)
Finance costs			(189)
Impairment loss on goodwill			(87)
Profit before tax			12,506
Tax expense			(2,866)
Profit after tax for the financial year			9,640

A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 31 December 2013 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Assets			
Total assets	191,544	276,442	467,986
Investment properties			3,929
Derivative assets			-
Current tax assets			1,533
Cash and cash equivalents			9,076
			482,524
Liabilities			
Total liabilities	21,567	24,367	45,934
Derivative liabilities			273
Current tax liabilities			-
Deferred tax liabilities			9,820
			56,027

Segment assets and liabilities as at 31 December 2012 (audited) is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Assets			
Total assets	147,869	242,732	390,601
Investment properties			2,947
Goodwill			-
Other investments			4,112
Derivative assets			58
Current tax assets			2,630
Cash and cash equivalents			35,354
			435,702
Liabilities			
Total liabilities	10,917	3,397	14,314
Derivative liabilities			6
Current tax liabilities			6
Deferred tax liabilities			13,207
			27,533

A9 Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the interim financial statements.

A10 Effects of changes in composition of the group

There were no changes in composition of the Group during the 4th quarter and financial year ended 31 December 2013.

A11 Contingent assets and contingent liabilities

There were no contingent liabilities or contingent assets at the date of issue of the quarterly report.

A12 Capital commitments

Authorised capital commitments not recognized in the interim financial statements as at 31 December 2013 are as follows:

	RM'000
Capital expenditure :	
Approved and contracted for	16,800
Approved but not contracted for	2,600
	19,400

A13 Related party transactions

Related party transactions for the quarter and year to date under review in which certain directors have direct/indirect interest are as follows:

	Group	
	Current year quarter RM'000	Current year todate RM'000
Sales of steel products	324	1,193
Rental expense	(214)	(856)
	110	337

These transactions have been entered into in the normal course of business and at arms length basis and on terms no more favourable to the related party than those generally available to the public.

A14 Write back of inventories to net realizable values

Total net inventories written down to either net realizable value or replacement cost for the financial year ended 31 December 2013 was RM1,618,805.

EXPLANATORY NOTES : (AS PER MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA – PART A OF APPENDIX 9B)

B1 Review of the performance of the company and its principal subsidiaries

a) Current quarter vs. Previous year corresponding quarter

The Group recorded revenue of RM116.9 million for the quarter ended 31.12.2013 ("4Q 2013"), an increase of 13% (RM13.4 million) compared to revenue of RM103.5 million for the quarter ended 31.12.2012 ("4Q 2012").

The Group's profit before taxation for 4Q 2013 rose to RM3.8 million from RM0.3 million in 4Q 2012. This significant improvement was in tandem with the higher sales volume achieved and lower cost of raw materials (manufacturing segment).

The performance of the respective operating business segments of the Group for 4Q 2013 as compared to 4Q 2012 is analysed as follows:

<u>Manufacturing</u>

The manufacturing operations contributed revenue of RM34.8 million in 4Q 2013, a marginal decline of RM0.6 million (1.7%) compared to RM35.4 million in 4Q 2012. The decline was mainly due to competitive market pricing faced affecting average selling prices compared to 4Q 2012.

<u>Trading</u>

The trading operations contributed revenue of RM82.1 million in 4Q 2013, up by RM14 million (20.6%) compared to RM68.1 million in 4Q 2012. The increase was mainly due to higher sales volume from the construction sector, which includes a housing project in Klang valley region and a marine barge project in the northern region.

b) Current year-to date vs. Previous year-to date

For the financial year ended 31.12.2013 ("YTD 2013"), the Group's revenue of RM469.1 million increased by 4.3% (RM19.4 million) from RM449.7 million recorded for the financial year ended 31.12.2012 ("YTD 2012"). The increase was contributed by the trading segment performance which offset the slightly weaker manufacturing segment performance.

The Group's profit before taxation for YTD 2013 soared to RM23.3 million, an increase of 86.4% (RM10.8 million) as compared to YTD 2012 of RM12.5 million. This increase was largely attributed to lower raw materials cost from the manufacturing segment (due to incentives and rebates received on quantity purchases) and higher sales volume (contributed mostly from the trading segment) offsetting the effects of lower average selling prices.

b) Current year-to date vs. Previous year-to date (Cont'd)

The performance of the respective operating business segments of the Group for YTD 2013 as compared to YTD 2012 is analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM159.5 million in YTD 2013, which slipped 11.5% compared to RM180.3 million in YTD 2012. The decline was due to a weaker market further impacted by lower average selling prices and a tube mill relocation during 3Q 2013 which impacted production volume.

Trading

The trading operations recorded a revenue of RM309.6 million in YTD 2013, an increase of 14.9% compared to RM269.4 million in YTD 2012. This increase was due to higher demand for construction materials, both for existing projects and various new projects acquired during the year.

B2 Comparison with preceding quarter's results

The Group's revenue for 4Q 2013 of RM116.9 million decreased by RM4.1 million as compared to RM121.0 million achieved in 3Q 2013, mainly due to the slowdown in market demand. Profit before taxation for 4Q 2013 however, bucked this downtrend and improved by 12.7% to RM3.8 million from RM3.4 million recorded in 3Q 2013. The increase in profit before taxation position was contributed by higher selling prices from the trading segment improving margins while offsetting lower sales volume.

B3 Current year prospects and progress on previously announced revenue or profit forecast

a) Prospects for 2014

For 2014, economic conditions for the global steel industry remains uncertain and challenging. Though a positive rebound is expected in Europe followed by the US receding risks, developing countries seems to skew the global recovery scales due to unresolved structural issues, political instability and volatile financial markets. However, global steel demand is expected to make a recovery with the developed economies overall returning to positive growth, offsetting a slowdown in China's growth due to economic reforms of moving from an investment to a services driven economy.

Domestically, the steel market would need to continually depend on the full implementation of the projects under the government's Economic Transformation Programme (ETP) and demand from the property sector to boost the steel industry in terms of demand and prices. With that said, the domestic steel industry is still faced with several key challenges, which include the Government's national policies for the steel industry, the imbalance in the supply and demand structure of the country, growing steel capacities of other ASEAN countries and the weak Ringgit, all of which will have an impact to the industry.

a) Prospects for 2014 (Cont'd)

The Group will continue with its business strategy of improving on competitiveness through higher productivity and operational efficiency to weather headwinds faced. Barring any adverse developments, we endeavor to achieve a commendable performance for 2014.

b) Progress and steps to achieve revenue or profit estimate, forecast, projection and internal targets previously announced

There was no revenue or profit forecast announced by the Group.

B4 Statement of the Board of Directors' opinion on achievability of revenue or profit estimate, forecast, projection and internal targets previously announced

There was no revenue or profit forecast announced by the Group.

B5 Variance of actual profit from forecast profit or profit guarantee

There were no profit forecast or profit guarantee issued by the Group.

B6 Taxation

Tax charges comprise:

	Current year quarter RM'000	Current year todate RM'000
Income tax		
- current quarter / year	2,513	(3,911)
- under / (over) provision in prior quarter / year	21	(350)
Deferred tax		
- current quarter / year	(274)	3,124
- underprovision in prior quarter / year	263	263
Tax income / (expense)	2,523	(874)

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the period. The Group's effective tax rate for the current quarter resulted in a tax asset position due to the recognition of brought forward unutilized reinvestment allowance' balances as part of the deductible temporary differences against adequate future taxable manufacturing taxable profits. The effective tax rate for the year to date was lower than the statutory tax rate mainly due to the utilization of unabsorbed reinvestment allowances offset against non-deductible expenses.

B7 (a) Status of corporate proposals announced but not completed

There were no corporate proposals at the date of issue of the quarterly report.

(b) Status of utilization of proceeds raised from any corporate proposal

Not applicable.

B8 Group borrowings and debt securities

Details of Group's borrowings as at 31 December 2013 are as follows:-

Short-term borrowings

	RM'000	
Trust receipts	12,795	Unsecured
Bankers' acceptance	19,903	Unsecured
	32,698	

Borrowings are denominated in the following currencies:	RM'000	
- Ringgit Malaysia	32,698	Unsecured

The Group has no debt securities as at 31 December 2013.

B9 Changes in material litigation (including status of any pending material litigation)

There was no material litigation against the Group as at the date of this report.

B10 Dividends proposed

There was no dividend proposed in the current quarter.

B11 Earnings per share (EPS)

(a) Basic earnings per share

		3 months ended		12 months ended	
		31.12.2013	31.12.2012	31.12.2013	31.12.2012
Profit attributable to the owners of the Company	(RM'000)	6,362	818	22,418	9,640
Weighted average number of ordinary shares in issue	('000)	108,947	108,951	108,948	108,967
Basic earnings per share	(sen)	5.84	0.75	20.58	8.85

(b) Diluted earnings per share

Not applicable.

B12 Other Gain / (Losses)

	3 months ended		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Interest on :				
Customer overdue account	154	(15)	396	355
Short term deposits	34	200	243	345
Impairment losses on trade and other receivables	(12)	(989)	(19)	(1,181)
Impairment losses on trade receivables no longer required	-	26	254	203
Impairment losses on property, plant and equipment	(18)	(24)	(18)	(24)
Impairment losses on goodwill	-	(87)	-	(87)
Bad debts (written off)/recovered	(63)	78	170	78
Fair value adjustment on derivative financial instruments	289	115	(331)	52
Fair value adjustment on other investments	-	(76)	-	(76)
Fair value adjustment on investment properties	982	377	982	377
Dividend received	-	78	-	78
Gain on disposal of prepaid lease payments for land and property, plant and equipment	12	-	667	352
Gain on disposal of unquoted investment	32	-	43	-
Trade compensation	13	5	133	18
Rental income	10	20	62	79
Realised (loss)/gain on foreign exchange transactions	(65)	(605)	531	(1,191)
Unrealised (loss)/gain on foreign exchange transactions	(190)	20	34	61
Others	1	(1)	4	4
	1,179	(878)	3,151	(557)

B13 Realised and unrealised profit or losses disclosure

The breakdown of the retained profits of the Group as at the end of the reporting date, into realised and unrealised profit or losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 are as follows:-

	As at 31.12.2013 RM'000	As at 31.12.2012 RM'000
- Realised	303,298	283,080
- Unrealised	13,788	16,400
	317,086	299,480
Less : Consolidation adjustments	(17,774)	(18,718)
Total group retained earnings	299,312	280,762

B14 Authorisation for issue

The interim financial statements were authorised on 21 February 2014 for issue by the Board of Directors.