



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FIRST
FINANCIAL QUARTER ENDED 31 MARCH 2014

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter 31.03.2014 RM'000	Preceding year corresponding quarter 31.03.2013 RM'000	Current year todate 31.03.2014 RM'000	Preceding year todate 31.03.2013 RM'000
Revenue		116,008	109,819	116,008	109,819
Cost of sales:					
Factory and production cost		(105,414)	(93,934)	(105,414)	(93,934)
Factory depreciation		(1,377)	(1,302)	(1,377)	(1,302)
Gross profit		9,217	14,583	9,217	14,583
Other gains	B12	1,049	703	1,049	703
Depreciation and amortisation		(271)	(282)	(271)	(282)
Administrative expenses		(2,704)	(2,606)	(2,704)	(2,606)
Selling & distribution expenses		(3,083)	(2,858)	(3,083)	(2,858)
Finance costs		(158)	(54)	(158)	(54)
Profit before taxation		4,050	9,486	4,050	9,486
Tax expense	B6	(1,099)	(1,544)	(1,099)	(1,544)
Profit for the period		2,951	7,942	2,951	7,942
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		2,951	7,942	2,951	7,942
Profit attributable to:					
Owners of the parent		2,951	7,942	2,951	7,942
Total comprehensive income attributable to:					
Owners of the parent		2,951	7,942	2,951	7,942
Earnings per share attributable to equity holders of the Company (sen):					
a) Basic	B11(a)	2.71	7.29	2.71	7.29
b) Diluted	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 2013 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	Note	As at 31.03.2014 <u>RM'000</u>	As at 31.12.2013 (Audited) <u>RM'000</u>
ASSETS			
Non-current Assets			
Property, plant and equipment		130,505	126,834
Investment properties		3,929	3,929
Prepaid lease payments for land		3,061	3,095
		<u>137,495</u>	<u>133,858</u>
Current Assets			
Inventories		195,654	206,726
Derivative assets		-	114
Trade and other receivables		134,695	131,331
Current tax assets		704	1,533
Cash and cash equivalents		8,871	9,076
		<u>339,924</u>	<u>348,780</u>
TOTAL ASSETS		<u><u>477,419</u></u>	<u><u>482,638</u></u>
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital		109,903	109,903
Treasury shares		(1,454)	(1,452)
Reserves		320,997	318,046
TOTAL EQUITY		<u>429,446</u>	<u>426,497</u>
LIABILITIES			
Non-current Liabilities			
Deferred tax liabilities		9,998	9,820
Current Liabilities			
Trade and other payables		12,948	13,236
Derivative liabilities		52	387
Borrowings	B8	24,975	32,698
		<u>37,975</u>	<u>46,321</u>
TOTAL LIABILITIES		<u>47,973</u>	<u>56,141</u>
TOTAL EQUITY AND LIABILITIES		<u><u>477,419</u></u>	<u><u>482,638</u></u>
Net Tangible Assets Per Share (RM)		3.94	3.91
Net Assets Per Share (RM)		3.94	3.91

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE QUARTER
ENDED 31 MARCH 2014 (UNAUDITED)

	<u>31.03.2014</u>	<u>31.03.2013</u>
	RM'000	RM'000
Cash Flows From Operating Activities		
Cash received from customers	125,921	123,577
Cash payments for inventory/to suppliers	(104,213)	(158,979)
Cash paid for operating expenses and to employees	(8,422)	(7,725)
Cash flows from/(used in) operations	13,286	(43,127)
Interest received	60	75
Tax refunded	1,219	1
Tax paid	(1,311)	(639)
Net cash flows from/(used in) operating activities	<u>13,254</u>	<u>(43,690)</u>
Cash Flows From Investing Activities		
Proceeds from disposal of prepaid lease payments for lands and property, plant and equipment	100	212
Interest received	31	115
Purchase of property, plant and equipment	(5,586)	(3,599)
Net cash flows used in investing activities	<u>(5,455)</u>	<u>(3,272)</u>
Cash Flows From Financing Activities		
Drawdowns of short term borrowings	48,564	31,453
Repayments of short term borrowings	(56,287)	(12,936)
Interest paid	(158)	(54)
Repurchase of own shares	(2)	(3)
Net cash flows (used in)/from financing activities	<u>(7,883)</u>	<u>18,460</u>
Net decrease in cash and cash equivalents	(84)	(28,502)
Effects of exchange rate changes on cash and cash equivalents	(121)	4
Cash and cash equivalents at beginning of period	8,903	35,186
Cash and cash equivalents at end of period	<u>8,698</u>	<u>6,688</u>
Cash and cash equivalent comprise:		
Cash and bank balances	8,698	6,688
Fixed deposits pledged to the bank	173	168
Cash and cash equivalents at end of period	<u>8,871</u>	<u>6,856</u>



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE QUARTER
ENDED 31 MARCH 2014 (UNAUDITED) (CONT'D)

	31.03.2014	31.03.2013
	RM'000	RM'000
Note: Reconciliation of operating profit to cash flows from operations:		
Profit before taxation	4,050	9,486
Adjustments for non-cash flow items:-		
Impairment losses on trade and other receivables	-	37
Impairment losses on trade receivables no longer required	(665)	(115)
Amortisation of prepaid lease payments for land	34	33
Bad debts recovered	-	(173)
Depreciation of property, plant and equipment	1,614	1,551
Interest expenses	158	54
Fair value adjustments on derivative financial instruments	(220)	(114)
Fair value adjustments on other investments	-	(32)
Interest income on overdue accounts	(60)	(75)
Interest income	(31)	(115)
Inventories written back	(61)	(1,012)
Loss on disposal of property, plant and equipment	114	61
Property, plant and equipment written off	86	2
Unrealised loss on foreign exchange transaction	148	49
Operating profit before changes in working capital	5,167	9,637
Changes in working capital :		
Inventories	11,133	(44,301)
Trade and other receivables	(2,752)	(3,759)
Trade and other payables	(262)	(4,704)
Cash flows from/(used in) from operations	13,286	(43,127)
Interest received	60	75
Tax refunded	1,219	1
Tax paid	(1,311)	(639)
Net cash flows from/(used in) operating activities	13,254	(43,690)

(The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to Owners of the Company					Total Equity RM '000
	Share Capital RM '000	Treasury Shares RM '000	Non-distributable		Distributable	
			Share Premium RM '000	General Reserve RM '000	Retained Earnings RM '000	
Opening Balance At 1 Jan 2014	109,903	(1,452)	17,765	1,186	299,095	426,497
Profit for the financial year	-	-	-	-	2,951	2,951
Total comprehensive income	-	-	-	-	2,951	2,951
Transactions with owners						
Dividends	-	-	-	-	-	-
Purchase of treasury shares	-	(2)	-	-	-	(2)
Total transactions with owners	-	(2)	-	-	-	(2)
Closing Balance at 31 Mar 2014	109,903	(1,454)	17,765	1,186	302,046	429,446
Opening Balance At 1 Jan 2013	109,903	(1,447)	17,765	1,186	280,762	408,169
Profit for the financial year	-	-	-	-	7,942	7,942
Total comprehensive income	-	-	-	-	7,942	7,942
Transactions with owners						
Dividends	-	-	-	-	-	-
Purchase of treasury shares	-	(3)	-	-	-	(3)
Total transactions with owners	-	(3)	-	-	-	(3)
Closing Balance at 31 Mar 2013	109,903	(1,450)	17,765	1,186	288,704	416,108

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim statements).



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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 also 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 2013 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 quarter:*

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
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Amendments to MFRS 10 : <i>Consolidated Financial Statements: Investment Entities</i>	1 January 2014
Amendments to MFRS 12 : <i>Disclosure of Interests in Other Entities: Investments Entities</i>	1 January 2014
Amendments to MFRS 127 : <i>Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
Amendments to MFRS 132 : <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136 : <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139 : <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21 : <i>Levies</i>	1 January 2014



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A1 Basis of preparation (Cont'd)

(i) *MFRS, IC Interpretation and Amendments to MFRSs adopted by the Group during the current quarter (Cont'd):*

The adoption of the above pronouncements did not have any financial impact to the Group.

(ii) *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 adopted by the Group:

MFRSs, Amendments to MFRSs and IC Interpretations	Effective for annual periods beginning on or after
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MFRS 9	: Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced by Malaysian Accounting Standards Board (MASB)
MFRS 9	: Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced by Malaysian Accounting Standards Board (MASB)
MFRS 9	: Financial Instruments: Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 and MFRS 7)	To be announced by Malaysian Accounting Standards Board (MASB)
MFRS 9	: Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)	To be announced by Malaysian Accounting Standards Board (MASB)
Amendments to MFRS 119	: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle		1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle		1 July 2014

MFRS 9 introduces proposed changes to the way financial instruments are to be accounted for. The Group will assess the financial impact of its adoption once the full standard is issued.

The amendments to MFRS 119 provides a practical expedient in accounting for contributions from employees or third parties to defined benefit plans. The adoption of the amendments to MFRS 119 will not have any financial impact to the Group as it does not practice any defined benefit plan for employees that requires contribution from them or third parties.



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A1 Basis of preparation (Cont'd)

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

The Annual Improvements to MFRSs 2010 – 2012 Cycle consist of the following amendments:

(a) MFRS 2 Share-based Payment

The amendment clarifies the definition of 'vesting conditions' by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

(b) MFRS 3 Business Combinations

The amendment clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. In addition, contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in the statement of profit or loss.

(c) MFRS 8 Operating Segments

The amendment requires the disclosure of judgements made in applying the aggregation criteria to operating segments. This includes a brief description of the operating segment and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. In addition, a reconciliation of the total reportable segments' assets to the entity's assets is required if that amount is regularly provided to the chief operating decision maker.

(d) MFRS 13 Fair Value Measurement

The amendment relates to the IASB's Basis for Conclusions which clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

(e) MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

The amendment clarifies the accounting for the accumulated depreciation or amortisation when an asset is revalued.

(f) MFRS 124 Related Party Disclosures

The amendment extends the definition of 'related party' to include an entity, or any member of a group of which it is a party, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The adoption of the Annual Improvements to MFRSs 2010 - 2012 Cycle is not expected to have any financial impact to the Group.



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A1 Basis of preparation (Cont'd)

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

Annual Improvements to MFRSs 2011 – 2013 Cycle consist of the following amendments:

(a) MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

The amendment relates to the IASB's Basis for Conclusions which clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

(b) MFRS 3 Business Combinations

The amendment clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 Joint Arrangements) in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangements for their interests in the joint arrangement.

(c) MFRS 13 Fair Value Measurement

The amendment clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 Financial Instruments: Recognition and Measurement or MFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 Financial Instruments: Presentation.

(d) MFRS 140 Investment Property

The amendment clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

The adoption of the Annual Improvements to MFRSs 2011-2013 Cycle is not expected to have any financial 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 2013 was not qualified.

A3 Seasonality or cyclicity 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 first (1st) quarter ended 31 March 2014.

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 current quarter ended 31 March 2014.



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- A6 Capital management, issuances, repurchases, and repayments of debts and equity instruments**
For the current quarter, the Company had repurchased a total of 1,000 ordinary shares of RM1.00 each of its issued share capital from the open market at an average cost of RM1.7125 per share. As at 31 March 2014, a total of 956,925 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 to date.

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 March 2014 and 31 March 2013, which are within the Group's objectives for capital management, are as follows:

	31-Mar-14	31-Mar-13
	RM'000	RM'000
Borrowings	24,975	19,517
Trade and other payables	12,948	8,717
Less : Cash and bank balances	(8,871)	(6,856)
Net debts	<u>29,052</u>	<u>21,378</u>
Equity attributable to the owners of the parent	429,446	416,108
Capital and net debts	458,498	437,486
Gearing ratio (%)	6.3%	4.9%

- A7 Dividends paid**
There were no dividends paid in the current financial quarter.



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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 March 2014 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	80,282	48,066	128,348
Inter-segment revenue	(4,120)	(8,220)	(12,340)
Revenue from external customers	<u>76,162</u>	<u>39,846</u>	<u>116,008</u>
Profit for the quarter			
Total profit or loss	3,091	1,203	4,294
Unallocated expenses			(86)
Finance costs			<u>(158)</u>
Profit before tax			4,050
Tax expense			<u>(1,099)</u>
Profit after tax for the quarter			<u>2,951</u>

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	78,575	48,373	126,948
Inter-segment revenue	(8,157)	(8,972)	(17,129)
Revenue from external customers	<u>70,418</u>	<u>39,401</u>	<u>109,819</u>
Profit for the quarter			
Total profit or loss	3,344	6,292	9,636
Unallocated expenses			(96)
Finance costs			<u>(54)</u>
Profit before tax			9,486
Tax expense			<u>(1,544)</u>
Profit after tax for the quarter			<u>7,942</u>



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A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 31 March 2014 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Total assets	180,168	283,747	463,915
Investment properties			3,929
Derivative assets			-
Current tax assets			704
Cash and cash equivalents			8,871
			<u>477,419</u>
Liabilities			
Total liabilities	17,451	20,472	37,923
Derivative liabilities			52
Current tax liabilities			-
Deferred tax liabilities			9,998
			<u>47,973</u>

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Total assets	186,945	254,825	441,770
Investment properties			2,947
Other investments			4,144
Derivative assets			114
Current tax assets			1,892
Cash and cash equivalents			6,856
			<u>457,723</u>
Liabilities			
Total liabilities	15,806	12,430	28,236
Current tax liabilities			3
Deferred tax liabilities			13,376
			<u>41,615</u>



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- 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 for the current financial quarter.
- 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 March 2014 are as follows:

	RM'000
Capital expenditure :	
Approved and contracted for	26,217
Approved but not contracted for	3,241
	<u>29,458</u>

- 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	Current year todate
	RM'000	RM'000
Sales of steel products	173	173
Rental expense	(214)	(214)
	<u>(41)</u>	<u>(41)</u>

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 back to either net realizable value or replacement cost for the financial period ended 31 March 2014 was RM61,206.



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A15 Financial instruments

(a) Financial instruments

Group	As at 31 March 2014		
	Loans and receivables	Fair value through profit or loss	Total
	RM'000	RM'000	RM'000
Financial assets			
Trade and other receivables, net of prepayment	133,380	-	133,380
Derivative assets	-	-	-
Cash and cash equivalents	8,871	-	8,871
	<u>142,251</u>	<u>-</u>	<u>142,251</u>
Financial liabilities			
Trade and other payables	12,948	-	12,948
Derivative liabilities	-	52	52
Borrowings	24,975	-	24,975
	<u>37,923</u>	<u>52</u>	<u>37,975</u>

Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

- i. Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

- ii. Quoted investments

The fair value of quoted investments in Malaysia is determined by reference to the exchange quoted market exit prices at the close of the business on the end of the reporting period.



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A15 Financial instruments (contd.)

(a) Financial instruments (contd.)

iii. Derivatives

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of the reporting period applied to a contract of similar amount and maturity profile.

iv. Financial guarantee

The Group and the Company provide corporate guarantees to financial institutions for banking facilities, corporate guarantee given to a third party in respect of sales of good to a subsidiary and letter of credit. The fair value of such financial corporate guarantees is negligible as the probability of the Group defaulting on the financial facilities and repayment to the supplier is remote.

(b) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables set-out the financial instruments carried at fair value is disclosed, together with their fair values and carrying amounts showed in the statement of financial position.

	Level 1	Level 2	Level 3	Total	Carrying
	RM'000	RM'000	RM'000	RM'000	amount RM'000
Liabilities measured at fair value					
Financial liabilities at fair value through profit or loss					
- Forward currency contracts	-	-	52	52	52

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the quarter ended 31 March 2014.



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**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 RM116.0 million for the quarter ended 31.03.2014 (“1Q 2014”), an increase of 6% (RM6.2 million) compared to revenue of RM109.8 million for the quarter ended 31.03.2013 (“1Q 2013”). The higher revenue was attributed by stronger sales volume, mostly contributed from the trading segment.

The Group's profit before taxation for 1Q 2014, however, buckled the turnover trend by declining to RM4.1 million from RM9.5 million in 1Q 2013. The lower profit margin was a result of a decrease in quantity incentives and rebates received on the back of lower purchases (manufacturing segment) which increased cost of goods manufactured offsetting the stronger sales volume generated from the trading segment.

The performance of the respective operating business segments of the Group for 1Q 2014 as compared to 1Q 2013 is analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM39.8 million in 1Q 2014, which remained fairly consistent with the RM39.4 million recorded in 1Q 2013.

Trading

The trading operations contributed revenue of RM76.2 million in 1Q 2014, up by RM5.8 million (8%) compared to RM70.4 million recorded in 1Q 2013. The increase was mainly due to higher demand from the construction sector (housing projects, power station and factory project) coupled with better average selling prices.

B2 Comparison with preceding quarter's results

The Group's revenue for 1Q 2014 of RM116.0 million declined by RM0.9 million as compared to RM116.9 million achieved in 4Q 2013, mainly due to the weaker market demand during the festive season and imports of certain steel products exerting downward pressure on selling prices. However, profit before taxation for 1Q 2014 bucked this downward revenue trend by improving 8% to RM4.1 million from RM3.8 million recorded in 4Q 2013. The higher profit before taxation position was attributed to lower write downs of inventories.



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

a) Prospects for 2014

Though the global economy has seen some stabilization, challenges are still expected where the recovery in Europe is only mild whilst constrained by high debt and unemployment. For the US, the impact of the Federal Reserve Bank tapering programme on the US economy has been contained so far, but future actions still remain a risk. As for China, governmental structural reforms has impacted economic growth while measures implemented to cool down its property market continues to restrain investment activities. The Japanese economy is also expected to contract due to the consumption tax hike affecting the construction and automotive sectors negatively.

Emerging economies on the other hand, continues to struggle with structural issues and financial market volatility. However, they will continue to grow faster than the developed economies despite their more subdued performances.

Domestically, the steel industry's outlook remains uncertain. Growth and demand for steel products continues to be affected by factors such as the Government's national policies on the steel industry, volatility in the foreign exchange market, the development of the steel industry in the region, competition of cheaper imported steel products and pricing competitiveness among steel players. However, on a more positive note, the government recently announced new projects to be rolled out such as the West Coast Expressway and Programme Perumahan Rakyat which are expected to generate positive demand for steel products. Additionally, it is anticipated that the Government would be rolling out water piping projects in the second half of the year and this is also expected to generate demand for our water pipes manufactured.

The coming months would be challenging while any delay in the expected roll out of the Government's water pipe projects will also have an impact on our performance. The Group will continue with its business strategy of improving on competitiveness through higher productivity and operational efficiency in coping with the challenges.

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.



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B6 Taxation

Tax charges comprise:

	Current year quarter <u>RM'000</u>	Current year to date <u>RM'000</u>
Income tax		
- current quarter / year	921	921
- under / (over) provision in prior quarter / year	-	-
Deferred tax		
- current quarter / year	178	178
- underprovision in prior quarter / year	-	-
Tax expense	<u>1,099</u>	<u>1,099</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the period. The effective tax rate for the year to date was slightly higher than the statutory tax rate mainly due to the effect of expenses not-deductible for tax purposes.

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 March 2014 are as follows:-

Short-term borrowings

	RM'000	
Bankers' acceptances	19,975	Unsecured
Trust receipts	5,000	Unsecured
	<u>24,975</u>	

Borrowings are denominated in the following currencies:

- Ringgit Malaysia	<u>24,975</u>	Unsecured
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The Group has no debt securities as at 31 March 2014.

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.



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B10 Dividends proposed

The Board of Directors has proposed a final single tier dividend of 6% (2012: 5% less 25% taxation) amounting to RM6.5 million in respect of the financial year ended 31 December 2013. The proposed final dividend will be presented for shareholders' approval at the forthcoming Annual General Meeting. Subject to shareholders' approval, the proposed final dividend will be paid on 22 August 2014 to shareholders registered at the close of business on 23 July 2014.

B11 Earnings per share (EPS)

(a) Basic earnings per share

		3 months ended	
		31.03.2014	31.03.2013
Profit attributable to the owners of the Company	(RM'000)	2,951	7,942
Weighted average number of ordinary shares in issue	('000)	108,946	108,949
Basic earnings per share	(sen)	2.71	7.29

(b) Diluted earnings per share

Not applicable.

B12 Other Gains

		3 months ended	
		31.03.2014	31.03.2013
		RM'000	RM'000
Interest on :			
Customer overdue account		60	75
Short term deposits		31	115
Impairment losses on trade and other receivables		-	(37)
Impairment losses on trade receivables no longer required		665	115
Bad debts recovered		-	173
Fair value adjustment on derivative financial instruments		220	114
Fair value adjustment on other investments		-	32
Loss on disposal of property, plant and equipment		(114)	(61)
Trade compensation		57	7
Rental income		22	20
Realised gain on foreign exchange transactions		251	197
Unrealised loss on foreign exchange transactions		(148)	(49)
Others		5	2
		1,049	703



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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 31.03.2014 <u>RM'000</u>	As at 31.03.2013 <u>RM'000</u>
- Realised	306,289	290,755
- Unrealised	13,805	16,385
	<u>320,094</u>	<u>307,140</u>
Less : Consolidation adjustments	<u>(18,048)</u>	<u>(18,436)</u>
Total group retained earnings	<u><u>302,046</u></u>	<u><u>288,704</u></u>

B14 Authorisation for issue

The interim financial statements were authorised on 23 May 2014 for issue by the Board of Directors.