CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014

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
		30.09.2014	30.09.2013	30.09.2014	30.09.2013
		RM'000	RM'000	RM'000	RM'000
Revenue		124,246	121,003	361,270	352,130
Cost of sales:					
Factory and production cost		(110,544)	(111,335)	(325,782)	(313,055)
Factory depreciation		(1,422)	(1,295)	(4,199)	(3,900)
Gross profit		12,280	8,373	31,289	35,175
Other (losses) / gains	B12	(114)	919	988	1,972
Depreciation and amortisation		(268)	(306)	(808)	(866)
Administrative expenses		(2,518)	(2,458)	(7,516)	(7,529)
Selling & distribution expenses		(3,401)	(2,945)	(9,761)	(8,921)
Finance costs		(379)	(178)	(668)	(378)
Profit before taxation		5,600	3,405	13,524	19,453
Tax expense	B6	(2,064)	(503)	(4,166)	(3,397)
Profit for the period		3,536	2,902	9,358	16,056
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		3,536	2,902	9,358	16,056
Profit attributable to:					
Owners of the parent		3,536	2,902	9,358	16,056
Total comprehensive income attributable to:					
Owners of the parent		3,536	2,902	9,358	16,056
Earnings per share attributable to equity holders of the Company (sen):					
a) Basic	B11(a)	3.25	2.66	8.59	14.74
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).

CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	Note	30.09.2014 (Unaudited) RM'000	31.12.2013 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		139,001	126,834
Investment properties		1,629	3,929
Prepaid lease payments for land		2,993	3,095
Deferred tax assets		36	-
		143,659	133,858
Current Assets			
Inventories		197,524	206,726
Derivative assets		237	114
Trade and other receivables		155,695	131,331
Current tax assets		327	1,533
Cash and cash equivalents		9,428	9,076
		363,211	348,780
TOTAL ASSETS		506,870	482,638
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital		109,903	109,903
Treasury shares		(1,455)	(1,452)
Reserves		320,867	318,046
TOTAL EQUITY		429,315	426,497
LIABILITIES			
Non-current Liabilities			
Deferred tax liabilities		10,919	9,820
Current Liabilities			
Trade and other payables		10,819	13,236
Derivative liabilities		-	387
Borrowings	B8	55,817	32,698
		66,636	46,321
TOTAL LIABILITIES		77,555	56,141
TOTAL EQUITY AND LIABILITIES		506,870	482,638
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).

CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE QUARTER ENDED 30 SEPTEMBER 2014 (UNAUDITED)

	30.09.2014	30.09.2013
	RM'000	RM'000
Cash Flows From Operating Activities		
Cash received from customers	378,245	386,331
Cash payments for inventory/to suppliers	(349,241)	(407,414)
Cash paid for operating expenses and to employees	(27,915)	(24,074)
Cash flows from/(used in) operations	1,089	(45,157)
Interest received	364	242
Tax refunded	1,218	1
Tax paid	(3,115)	(2,357)
Net cash flows used in operating activities	(444)	(47,271)
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	157	1,289
Proceeds from disposal of investment properties	2,250	-
Interest received	93	209
Purchase of property, plant and equipment	(17,509)	(11,328)
Proceeds from disposal of other investment	-	4,133
Increase in fixed deposits pledged to the bank	(3)	(3)
Net cash flows used in investing activities	(15,012)	(5,700)
Cash Flows From Financing Activities		
Drawdowns of short-term borrowings	182,499	155,856
Repayments of short-term borrowings	(159,380)	(122,914)
Interest paid	(668)	(378)
Dividend paid	(6,537)	(4,085)
Repurchase of own shares	(3)	(5)
Net cash flows from financing activities	15,911	28,474
Net increase/(decrease) in cash and cash equivalents	455	(24,497)
Effect of exchange rate changes on cash and cash equivalents	(106)	117
Cash and cash equivalents at beginning of period	8,903	35,186
Cash and cash equivalents at end of period	9,252	10,806
Cash and cash equivalents comprise:		
Cash and bank balances	9,252	10,806
Fixed deposits pledged to the bank	176	170
Cash and cash equivalents at end of period	9,428	10,976

CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE QUARTER ENDED 30 SEPTEMBER 2014 (UNAUDITED) (CONT'D)

	30.09.2014	30.09.2013
	RM'000	RM'000
Note : Reconciliation of operating profit to cash flows from operations :		
Profit before taxation	13,524	19,453
Adjustments for non-cash flow items :-		
Impairment losses on trade and other receivables	92	8
Impairment losses on trade receivables no longer required	(665)	(254)
Amortisation of prepaid lease payments for land	102	102
Bad debts recovered	-	(233)
Depreciation of property, planty and equipment	4,905	4,664
Interest expenses	668	378
Fair value adjustments on derivative financial instruments	(510)	620
Interest income on overdue accounts	(364)	(242)
Interest income	(93)	(209)
Inventories write down	351	432
Loss/(Gain) on disposal of property, plant and equipment	242	(655)
Gain on disposal of other investments	-	(11)
Property, plant and equipment written off	88	5
Unrealised loss/(gain) on foreign exchange transaction	34	(224)
Operating profit before changes in working capital	18,374	23,834
Changes in working capital :		
Inventories	8,851	(51,819)
Trade and other receivables	(23,761)	(16,262)
Trade and other payables	(2,375)	(910)
Cash flows from/(used in) from operations	1,089	(45,157)
Interest received	364	242
Tax refunded	1,218	1
Tax paid	(3,115)	(2,357)
Net cash flows used in operating activities	(444)	(47,271)

(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).

CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	< ---------------	Attributable to Owners of the Company		--------------- >		
	< --------------- Non-distributable			---------------- >	Distributable	
	Share Capital	Treasury Shares	Share Premium	General Reserve	Retained Earnings	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Balance as at 1 Jan 2014	109,903	(1,452)	17,765	1,186	299,095	426,497
Profit for the financial period,	-	-	-	-	9,358	9,358
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	9,358	9,358
Transactions with owners						
Dividends	-	-	-	-	(6,537)	(6,537)
Purchase of treasury shares	-	(3)	-	-	-	(3)
Total transactions with owners	-	(3)	-	-	(6,537)	(6,540)
Balance as at 30 Sept 2014	109,903	(1,455)	17,765	1,186	301,916	429,315
Balance as at 1 Jan 2013	109,903	(1,447)	17,765	1,186	280,762	408,169
Profit for the financial period	-	-	-	-	16,056	16,056
Transfer from general reserve to retained earnings	-	-	-	(217)	217	-
Total comprehensive income	-	-	-	(217)	16,273	16,056
Transactions with owners						
Dividends	-	-	-	-	(4,085)	(4,085)
Purchase of treasury shares	-	(5)	-	-	-	(5)
Total transactions with owners	-	(5)	-	-	(4,085)	(4,090)
Balance as at 30 September 2013	109,903	(1,452)	17,765	969	292,950	420,135

(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).

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**
Amendments to MFRS 10 : Consolidated Financial Statements: Investment Entities	1 January 2014
Amendments to MFRS 12 : Disclosure of Interests in Other Entities: Investments Entities	1 January 2014
Amendments to MFRS 127 : Separate Financial Statements (2011): Investment Entities	1 January 2014
Amendments to MFRS 132 : 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

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**
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
Amendments to MFRS 11	: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 14	: Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 116 and MFRS 138	: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	: Agriculture : Bearer Plants	1 January 2016
MFRS 15	: Revenue from Contracts with Customers	1 January 2017

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.

A1 Basis of preparation (Cont'd)

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

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.

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.

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.

The adoption of amendments to MFRS 11 will not have any financial impact to the Group as the Group does not have any interest in joint operations. The adoption of MFRS 14 and amendments to MFRS 116 and MFRS 141 will also not have any impact to the Group as they are not relevant to the business of the Group.

The amendments to MFRS 116 and MFRS 138 clarify that the use of revenue-based methods are prohibited to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets. The adoption of these amendments will not have any impact on the Group as the Group does not use revenue-based methods to calculate depreciation and amortisation of its property, plant and equipment or intangible assets.

A1 Basis of preparation (Cont'd)

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

MFRS 15 establishes principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customers. The core principle of MFRS 15 is that an entity recognises revenue in a manner which reflects the consideration an entity expects to be entitled in exchange for goods or services. The adoption of MFRS 15 is not expected to have any material impact on the financial statements of 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 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 3rd quarter and nine months ended 30 September 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 3rd quarter and nine months ended 30 September 2014.

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 RM1.8525 per share. As at 30 Sept 2014, a total of 957,925 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.

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

The gearing ratios as at 30 September 2014 and 30 September 2013, which are within the Group's objectives for capital management, are as follows:

	30.09.2014	30.09.2013
	RM'000	RM'000
Borrowings	55,817	33,942
Trade and other payables	10,819	12,505
Less : Cash and bank balances	(9,428)	(10,976)
Net debts	57,208	35,471
Equity attributable to the owners of the parent	429,315	420,135
Capital and net debts	486,523	455,606
Gearing ratio (%)	12%	8%

A7 Dividends paid

A final single tier dividend of 6% per share amounting RM6,536,764.50 in respect of financial year 31 December 2013 was paid on 22 August 2014.

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 30 September 2014 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	77,967	55,753	133,720
Inter-segment revenue	(2,227)	(7,247)	(9,474)
Revenue from external customers	75,740	48,506	124,246
Profit for the quarter			
Total profit or loss	3,654	2,434	6,088
Unallocated expenses			(109)
Finance costs			(379)
Profit before tax			5,600
Tax expense			(2,064)
Profit after tax for the quarter			3,536

A8 Operating segment information (Cont'd)

Segment information for the quarter ended 30 September 2013 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	87,662	47,291	134,953
Inter-segment revenue	(7,070)	(6,880)	(13,950)
Revenue from external customers	80,592	40,411	121,003
Profit for the quarter			
Total profit or loss	2,888	1,270	4,158
Unallocated expenses			(575)
Finance costs			(178)
Profit before tax			3,405
Tax expense			(503)
Profit after tax for the quarter			2,902

Segment information for the current financial period ended 30 September 2014 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	246,216	152,084	398,300
Inter-segment revenue	(12,681)	(24,349)	(37,030)
Revenue from external customers	233,535	127,735	361,270
Profit for the quarter			
Total profit or loss	10,085	4,419	14,504
Unallocated expenses			(312)
Finance costs			(668)
Profit before tax			13,524
Tax expense			(4,166)
Profit after tax for the period			9,358

A8 Operating segment information (Cont'd)

Segment information for the previous financial period ended 30 September 2013 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	249,869	149,958	399,827
Inter-segment revenue	(22,339)	(25,358)	(47,697)
Revenue from external customers	227,530	124,600	352,130
Profit for the quarter			
Total profit or loss	9,415	11,200	20,615
Unallocated expenses			(784)
Finance costs			(378)
Profit before tax			19,453
Tax expense			(3,397)
Profit after tax for the period			16,056

Segment assets and liabilities as at 30 September 2014 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Assets			
Total assets	182,349	312,864	495,213
Investment properties			1,629
Deferred tax assets			36
Derivative assets			237
Current tax assets			327
Cash and cash equivalents			9,428
			506,870
Liabilities			
Total liabilities	28,131	38,505	66,636
Deferred tax liabilities			10,919
			77,555

A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 30 September 2013 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Assets			
Total assets	199,436	265,468	464,904
Investment properties			2,947
Derivative assets			66
Current tax assets			1,634
Cash and cash equivalents			10,976
			480,527
Liabilities			
Total liabilities	30,919	15,528	46,447
Derivative liabilities			687
Current tax liabilities			361
Deferred tax liabilities			12,897
			60,392

A9 Material events subsequent to the end of the interim period

On 21 November 2014, Pan Asian Management Consultants Sdn. Bhd. ("PAM"), a wholly owned subsidiary of Taik Bee Hardware Sdn. Bhd. ("TBH"), which in turn is a wholly owned subsidiary of the Company, has at its Extraordinary General Meeting held obtained shareholders' approval to commence Members' Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act 1965. The winding up of TBH is not expected to have any material impact to the Group due to its dormant status.

A10 Effects of changes in composition of the group

There were no changes in composition of the Group during the 3rd quarter and nine months ended 30 September 2014.

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 30 September 2014 are as follows:

	RM'000
Capital expenditure :	
Approved and contracted for	21,037
Approved but not contracted for	3,080
	24,117

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	210	687
Rental expense	(214)	(642)
	(4)	45

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 period ended 30 September 2014 was RM350,605.

A15 Financial instruments

(a) Financial instruments

	As at 30 September 2014		
	Loans and receivables	**Fair value through profit or loss**	**Total**
Group	**RM'000**	**RM'000**	**RM'000**
Financial assets			
Trade and other receivables, net of prepayment	155,156	-	155,156
Derivative assets	-	237	237
Cash and cash equivalents	9,428	-	9,428
	164,584	237	164,821

	Other financial liabilities	**Fair value through profit or loss**	**Total**
	RM'000	**RM'000**	**RM'000**
Financial liabilities			
Trade and other payables	10,819	-	10,819
Borrowings	55,817	-	55,817
	66,636	-	66,636

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.

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 amount
Assets measured at fair value	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets at fair value through profit or loss					
- Forward currency contracts	-	-	237	237	237

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the quarter ended 30 September 2014.

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 RM124.2 million for the quarter ended 30.09.2014 ("3Q 2014"), an improvement by RM3.2 million (2.6%) compared to revenue of RM121.0 million for the quarter ended 30.09.2013 ("3Q 2013"). The stronger performance for 3Q 2014 was mainly contributed by the manufacturing segment, which offset the weaker performance of the trading segment as compared to 3Q 2013.

In tandem with the stronger revenue trend, the Group's profit before taxation for 3Q 2014 grew by RM2.2 million to RM5.6 million as compared to 3Q 2013 of RM3.4 million. The increase in profit before taxation was due to higher sales volume achieved and improved margins.

The performance of the respective operating business segments of the Group for 3Q 2014 as compared to 3Q 2013 is analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM48.5 million in 3Q 2014, an increase of RM8.1 million (20%) compared to RM40.4 million in 3Q 2013. The increase was mainly attributed to the stronger sales volume recorded on the back of increased production output, with the addition of a new tube mill line offsetting weaker selling prices.

Trading

The trading operations contributed revenue of RM75.7 million in 3Q 2014, a decline of RM4.9 million (-6.1%) compared to RM80.6 million recorded in 3Q 2013. The weaker market demand was a result of a slowdown in the construction sector.

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

For the 9 months ended 30.09.2014 ("YTD 3Q 2014"), the Group recorded revenue of RM361.3 representing an increase of RM9.2 million as compared to revenue of RM352.1 million recorded in the 9 months ended 30.09.2013 ("YTD 3Q 2013"). The increase was contributed by both the trading and manufacturing segment, while the trading segment remains the main contributor to the Group's revenue.

Despite the higher revenue recorded, the Group's profit before taxation for YTD 3Q 2014 slipped to RM13.5 million from RM19.5 million recorded for YTD 3Q 2013. This was mainly due to the manufacturing segment being impacted by lower incentives and rebates received for raw materials purchased, coupled with weaker average selling prices pressuring the Group's margins.

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B1 Review of the performance of the company and its principal subsidiaries (Cont'd)

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 3Q 2014 as compared to YTD 3Q 2013 is analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM127.7 million in YTD 3Q 2014, an increase of 2.5% compared to RM124.6 million in YTD 3Q 2013. The increase was supported by stronger sales volume achieved in 3Q'14, on the back of an addition of a new tube mill line increasing production output offsetting the weaker performance achieved for the first half of the year.

Trading

The trading operations recorded a revenue of RM233.5 million in YTD 3Q 2014, an increase of 2.6% compared to RM227.5 million in YTD 3Q 2013. For the YTD increase, though the construction sector slowed down in 3Q 2014 impacting sales volume and performance, the stronger first half of the year and better average selling prices equalised this impact to record a net growth in revenue.

B2 Comparison with preceding quarter's results

The Group's revenue for 3Q 2014 of RM124.2 million grew by RM3.2 million as compared to RM121.0 million achieved in 2Q 2014, mainly supported by stronger manufacturing segment sales volume in 3Q 2014 as compared to 2Q 2014. This was aided by the addition of a new tube mill line during the quarter boosting production output. Profit before taxation for 3Q 2014 followed the upward revenue trend by increasing 44% to RM5.6 million from RM3.9 million recorded in 2Q 2014.

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

a) Prospects for 2014

The global steel industry will remain challenging with China's excess supply situation, lower demand growth compounded by the head-long fall in iron ore prices. Recoveries in the European Union (EU) and United States were somewhat stable, but not strong enough to offset the slowdown, particularly from China's softer than expected economy along with weaker emerging and developing economies. As such, international selling prices are expected to remain soft in the near future.

Domestically, the future of selling prices, which are currently hovering at low levels, will largely be influenced by the supply from China and how they handle their global supply situation. Government measures to cease dumping, such as the recent initiative to impose anti-dumping duties on hot rolled coils (HRC) from China, Indonesia and South Korea would play a major part in protecting local steel player's competitiveness and margins. Timely implementation of governmental infrastructure projects, steady roll out of private projects and property projects would also further support demand and prices for steel products.

B3 Current year prospects and progress on previously announced revenue or profit forecast (Cont'd)

a) Prospects for 2014 (Cont'd)

The Group expects the remaining months to be challenging. The Group will continue to focus on improving competitiveness by expanding its distribution capacity, improving procurement of raw materials, increasing productivity and operational efficiency.

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	1,459	3,204
- over provision in prior quarter / year	(102)	(102)
Deferred tax		
- current quarter / year	707	1,064
Tax expense	2,064	4,166

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 quarter and year to date was higher than the statutory tax rate mainly due to the effect of expenses not-deductible for tax purposes and reversal of previously recognized deferred tax asset on unabsorbed reinvestment allowance balances now utilized.

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 30 September 2014 are as follows:-

Short-term borrowings

	RM'000	
Bankers' acceptances	52,537	Unsecured
Trust receipts	3,280	Unsecured
	55,817	

Borrowings are denominated in the following currencies:	RM'000	
- Ringgit Malaysia	55,817	Unsecured

The Group has no debt securities as at 30 September 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.

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		9 months ended	
		30.09.2014	30.09.2013	30.09.2014	30.09.2013
Profit attributable to the owners of the Company	(RM'000)	3,536	2,902	9,358	16,056
Weighted average number of ordinary shares in issue	('000)	108,944	108,946	108,946	108,948
Basic earnings per share	(sen)	3.25	2.66	8.59	14.74

(b) Diluted earnings per share

Not applicable.

B12 Other (Losses) / Gains

	3 months ended		9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
Interest on :				
Customer overdue account	200	103	364	242
Short term deposits	26	51	93	209
Impairment losses on trade and other receivables	18	-	(92)	(8)
Impairment losses on trade receivables no longer required	-	20	665	254
Bad debts recovered	-	30	-	233
Fair value adjustment on derivative financial instruments	10	(714)	510	(620)
(Loss)/gain on disposal of property, plant and equipment	(29)	716	(242)	655
Gain on disposal of unquoted investment	-	-	-	11
Trade compensation	31	33	94	120
Rental income	9	12	53	52
Realised (loss) / gain on foreign exchange transactions	(662)	410	(427)	596
Unrealised gain / (loss) on foreign exchange transactions	281	257	(34)	224
Others	2	1	4	4
	(114)	919	988	1,972

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 30.09.2014	As at 30.09.2013
	RM'000	RM'000
- Realised	308,760	294,997
- Unrealised	13,918	16,130
	322,678	311,127
Less : Consolidation adjustments	(20,762)	(18,177)
Total group retained earnings	301,916	292,950

B14 Authorisation for issue

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