



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH
FINANCIAL QUARTER ENDED 31 DECEMBER 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
		31.12.2014 (Unaudited)	31.12.2013 (Unaudited)	31.12.2014 (Unaudited)	31.12.2013 (Audited)
		RM'000	RM'000	RM'000	RM'000
Revenue		133,000	116,940	494,270	469,070
Cost of sales:					
Factory and production cost		(121,810)	(106,707)	(447,592)	(419,762)
Factory depreciation		(1,435)	(1,349)	(5,634)	(5,248)
Gross profit		<u>9,755</u>	<u>8,884</u>	<u>41,044</u>	<u>44,060</u>
Other gains	B12	370	1,179	1,358	3,152
Depreciation and amortisation		(274)	(291)	(1,082)	(1,158)
Administrative expenses		(2,087)	(2,333)	(9,602)	(9,861)
Selling & distribution expenses		(4,087)	(3,328)	(13,849)	(12,250)
Finance costs		(445)	(272)	(1,113)	(650)
Profit before taxation		<u>3,232</u>	<u>3,839</u>	<u>16,756</u>	<u>23,293</u>
Tax expense / (income)	B6	(464)	2,523	(4,630)	(874)
Profit for the period		<u>2,768</u>	<u>6,362</u>	<u>12,126</u>	<u>22,419</u>
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		<u><u>2,768</u></u>	<u><u>6,362</u></u>	<u><u>12,126</u></u>	<u><u>22,419</u></u>
Profit attributable to:					
Owners of the parent		<u><u>2,768</u></u>	<u><u>6,362</u></u>	<u><u>12,126</u></u>	<u><u>22,419</u></u>
Total comprehensive income attributable to:					
Owners of the parent		<u><u>2,768</u></u>	<u><u>6,362</u></u>	<u><u>12,126</u></u>	<u><u>22,419</u></u>
Earnings per share attributable to equity holders of the Company (sen):					
a) Basic	B11(a)	2.54	5.84	11.13	20.58
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	31.12.2014 (Unaudited) RM'000	31.12.2013 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		139,400	126,834
Investment properties		1,870	3,929
Prepaid lease payments for land		2,959	3,095
		<u>144,229</u>	<u>133,858</u>
Current Assets			
Inventories		184,635	206,726
Derivative assets		-	114
Trade and other receivables		161,452	131,331
Current tax assets		317	1,533
Cash and cash equivalents		10,425	9,076
		<u>356,829</u>	<u>348,780</u>
TOTAL ASSETS		<u><u>501,058</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		(1,455)	(1,452)
Reserves		323,635	318,046
TOTAL EQUITY		<u>432,083</u>	<u>426,497</u>
LIABILITIES			
Non-current Liabilities			
Deferred tax liabilities		10,409	9,820
Current Liabilities			
Trade and other payables		11,516	13,236
Derivative liabilities		386	387
Borrowings	B8	46,664	32,698
		<u>58,566</u>	<u>46,321</u>
TOTAL LIABILITIES		<u>68,975</u>	<u>56,141</u>
TOTAL EQUITY AND LIABILITIES		<u><u>501,058</u></u>	<u><u>482,638</u></u>
Net Tangible Assets Per Share (RM)		3.97	3.91
Net Assets Per Share (RM)		3.97	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 YEAR ENDED 31
DECEMBER 2014 (UNAUDITED)

	31.12.2014 (Unaudited) RM'000	31.12.2013 (Audited) RM'000
Cash Flows From Operating Activities		
Cash received from customers	517,243	543,300
Cash payments for inventory/to suppliers	(466,084)	(540,397)
Cash paid for operating expenses and to employees	(36,790)	(45,757)
Cash flows from/(used in) operations	14,369	(42,854)
Interest received	521	386
Tax refunded	1,543	1,076
Real property gain tax paid	(103)	-
Tax paid	(4,264)	(4,246)
Net cash flows from/(used in) operating activities	12,066	(45,638)
Cash Flows From Investing Activities		
Increase in fixed deposits pledged to the banks	(5)	(5)
Proceeds from disposal of investment properties	2,250	-
Proceeds from disposal of other investment	-	4,155
Proceeds from disposal of property, plant and equipment	297	1,302
Interest received	125	244
Purchase of prepaid lease payments for land	-	(28)
Purchase of property, plant and equipment	(19,659)	(13,265)
Net cash flows used in investing activities	(16,992)	(7,597)
Cash Flows From Financing Activities		
Repayments of short-term borrowings	(232,474)	(186,152)
Drawdowns of short-term borrowings	246,230	217,850
Interest paid	(1,113)	(650)
Dividend paid	(6,537)	(4,086)
Repurchase of own shares	(3)	(5)
Net cash flows from financing activities	6,103	26,957
Net increase/(decrease) in cash and cash equivalents	1,177	(26,278)
Effect of exchange rate changes on cash and cash equivalents	166	(5)
Cash and cash equivalents at beginning of financial year	8,903	35,186
Cash and cash equivalents at end of financial year	10,246	8,903
Cash and cash equivalents comprise:		
Cash and bank balances	10,246	8,903
Fixed deposits pledged to the bank	179	173
Cash and cash equivalents at end of financial year	10,425	9,076



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

	31.12.2014 (Unaudited)	31.12.2013 (Audited)
	<u>RM'000</u>	<u>RM'000</u>
Note : Reconciliation of operating profit to cash flows from operations :		
Profit before taxation	16,756	23,293
Adjustments for non-cash flow items :-		
Impairment losses on trade and other receivables	225	18
Impairment losses on property, plant and equipment	42	18
Impairment losses on trade and other receivables no longer required	(864)	(254)
Amortisation of prepaid lease payments for land	136	136
Depreciation of property, plant and equipment	6,580	6,270
Interest expenses	1,113	650
Fair value adjustments on derivative financial instruments	113	325
Fair value adjustments on investment properties	(241)	(982)
Interest income on overdue accounts	(521)	(386)
Interest income	(125)	(244)
Inventories (written back) / written down	(175)	1,619
Loss/(Gain) on disposal of property, plant and equipment	136	(667)
Gain on disposal of other investments	-	(43)
Property, plant and equipment written off	89	4
Unrealised gain on foreign exchange transaction	(104)	(34)
Operating profit before changes in working capital	<u>23,160</u>	<u>29,723</u>
Changes in working capital		
Inventories	22,266	(64,987)
Trade and other receivables	(29,336)	(6,356)
Trade and other payables	(1,721)	(1,234)
Cash flows from/(used in) from operations	<u>14,369</u>	<u>(42,854)</u>
Interest received	521	386
Tax refunded	1,543	1,076
Real property gain tax paid	(103)	-
Tax paid	(4,264)	(4,246)
Net cash flows from/(used in) operating activities	<u><u>12,066</u></u>	<u><u>(45,638)</u></u>

(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				Distributable	Total Equity
	Non-distributable		----- >			
	Share Capital	Treasury Shares	Share Premium	General Reserve		
RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	
Balance as at 1 January 2014	109,903	(1,452)	17,765	1,186	299,095	426,497
Profit for the financial year	-	-	-	-	12,126	12,126
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	12,126	12,126
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 31 December 2014	109,903	(1,455)	17,765	1,186	304,684	432,083
Balance as at 1 January 2013	109,903	(1,447)	17,765	1,186	280,762	408,169
Profit for the financial year	-	-	-	-	22,419	22,419
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	22,419	22,419
Transactions with owners						
Dividends	-	-	-	-	(4,086)	(4,086)
Purchase of treasury shares	-	(5)	-	-	-	(5)
Total transactions with owners	-	(5)	-	-	(4,086)	(4,091)
Balance as at 31 December 2013	109,903	(1,452)	17,765	1,186	299,095	426,497

(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
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



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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
----------------------------------------------------------	-----------------------------------------------------------

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
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
MFRS 14 : Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and MFRS 128	1 January 2016
Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 : Clarification of Acceptable Methods of Depreciation and Amortisation and MFRS 138	1 January 2016
Amendments to MFRS 116 : Agriculture : Bearer Plants and MFRS 141	1 January 2016
Amendments to MFRS 127 : Equity Method in Separate Financial Statements	1 January 2016
MFRS 15 : Revenue from Contracts with Customers	1 January 2017
MFRS 9 : Financial Instruments (IFRS 9 as issued by International Accounting Standards Board (“IASB”) in July 2014)	1 January 2018



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A1 Basis of preparation (Cont'd)

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

Amendments to MFRS 119

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.

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.

Annual Improvements to MFRSs 2012 – 2014 Cycle consist of the following amendments:

(a) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment clarifies that :

- if an entity changes the method of disposal of an asset (or disposal group) – i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag – then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognises any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and



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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 2012 – 2014 Cycle consist of the following amendments:

(a) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

- if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

(b) MFRS 7 Financial Instruments : Disclosures

The amendment clarifies when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset – e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered ‘continuing involvement.’

It is also amended to clarify that the additional disclosures required by Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of MFRS 134 Interim Financial Reporting require their inclusion.

(c) MFRS 119 Employee Benefits

The amendment clarifies that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not at the country level.

(d) MFRS 134 Interim Financial Reporting

The amendment clarifies that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

The adoption of the Annual Improvements to MFRSs 2012-2014 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 (Cont'd)

Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments 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.

Amendments to MFRS 127 Equity Method in Separate Financial Statements

The amendments eliminate a GAAP difference for countries where regulations require entities to use the equity method to account for investments in subsidiaries, associates and joint ventures in an entity's separate financial statements. The adoption of this amendments is not expected to have any impact on the Group.

MFRS 15 Revenue from Contracts with Customers

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.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments, replacing MFRS 139. This standard made changes to the requirements for classification and measurement of financial assets and financial liabilities, impairment, and hedge accounting. It also requires impairment assessments to be based on an expected loss model, replacing the MFRS 139 incurred loss model. Finally, it aligns hedge accounting more closely with risk management, establish a more principle-based approach base to hedge accounting and address inconsistencies and weaknesses in the previous model.

The adoption of this standard is expected to have an effect on the classification and measurement of the Group's financial assets. The Group is currently assessing the financial impact of the adoption of this standard in relation to the new requirements for classification, measurements and impairment. The requirements for hedge accounting is not relevant to the Group and is not expected to have any impact.

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

MFRS 11 Accounting for Acquisitions of Interests in Joint Operations

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 116 and MFRS 141 Agriculture : Bearer Plants

The adoption of amendments to MFRSs 10, 11 and 128 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.



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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 4th quarter and financial year ended 31 December 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 4th quarter and financial year ended 31 December 2014.

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 2014, the Company had repurchased a total of 2,000 ordinary shares of RM1.00 each of its issued share capital from the open market at an average cost of RM1.7825 per share.

As at 31 December 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.



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

The gearing ratios as at 31 December 2014 and 31 December 2013, which are within the Group's objectives for capital management, are as follows:

	<u>31.12.2014</u>	<u>31.12.2013</u>
	RM'000	RM'000
Borrowings	46,664	32,698
Trade and other payables	11,516	13,236
Less : Cash and bank balances	<u>(10,425)</u>	<u>(9,076)</u>
Net debts	<u><u>47,755</u></u>	<u><u>36,858</u></u>
Equity attributable to the owners of the parent	432,083	426,497
Capital and net debts	479,838	463,355
Gearing ratio (%)	10%	8%

A7 Dividends paid

During the financial year, a final single tier dividend of 6% per share amounting to RM6,536,764.50 in respect of financial year ended 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 31 December 2014 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	83,974	60,683	144,657
Inter-segment revenue	(3,013)	(8,644)	(11,657)
Revenue from external customers	<u>80,961</u>	<u>52,039</u>	<u>133,000</u>
Profit for the quarter			
Total profit or loss	3,324	428	3,752
Unallocated expenses			(75)
Finance costs			<u>(445)</u>
Profit before tax			3,232
Tax expense			<u>(464)</u>
Profit after tax for the quarter			<u><u>2,768</u></u>



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A8 Operating segment information (Cont'd)

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

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

Segment information for the current financial year ended 31 December 2014 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	330,190	212,767	542,957
Inter-segment revenue	(15,694)	(32,993)	(48,687)
Revenue from external customers	<u>314,496</u>	<u>179,774</u>	<u>494,270</u>
Profit for the year			
Total profit or loss	13,409	4,848	18,257
Unallocated expenses			(388)
Finance costs			(1,113)
Profit before tax			<u>16,756</u>
Tax expense			(4,630)
Profit after tax for the financial year			<u><u>12,126</u></u>



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A8 Operating segment information (Cont'd)

Segment information for the previous financial year ended 31 December 2013 (audited) is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	338,880	193,238	532,118
Inter-segment revenue	(29,257)	(33,791)	(63,048)
Revenue from external customers	<u>309,623</u>	<u>159,447</u>	<u>469,070</u>
Profit for the year			
Total profit or loss	12,551	12,270	24,821
Unallocated expenses			(878)
Finance costs			<u>(650)</u>
Profit before tax			23,293
Tax expense			<u>(874)</u>
Profit after tax for the financial year			<u><u>22,419</u></u>

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Total assets	188,102	300,344	488,446
Investment properties			1,870
Current tax assets			317
Cash and cash equivalents			<u>10,425</u>
			<u><u>501,058</u></u>
Liabilities			
Total liabilities	33,199	24,981	58,180
Derivative liabilities			386
Deferred tax liabilities			<u>10,409</u>
			<u><u>68,975</u></u>



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A8 Operating segment information (Cont'd)

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Total assets	191,965	277,554	469,519
Investment properties			3,929
Derivative assets			114
Cash and cash equivalents			9,076
			<u>482,638</u>
Liabilities			
Total liabilities	21,567	24,367	45,934
Derivative liabilities			387
Deferred tax liabilities			9,820
			<u>56,141</u>

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

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 PAM is not expected to have any material impact to the Group due to its dormant status.

Apart from the above, there were no significant changes in the composition of the Group as at the date of this report.

A11 Contingent assets and contingent liabilities

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



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A12 Capital commitments

Authorised capital commitments not recognized in the interim financial statements as at 31 December 2014 are as follows:

	RM'000
Capital expenditure :	
Approved and contracted for	15,196
Approved but not contracted for	<u>1,196</u>
	<u><u>16,392</u></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	181	868
Rental expense	<u>(214)</u>	<u>(856)</u>
	<u><u>(33)</u></u>	<u><u>12</u></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 year ended 31 December 2014 was RM175,455.



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A15 Financial instruments
(a) Financial instruments

Group	As at 31 December 2014		
	Loans and receivables RM'000	Fair value through profit or loss RM'000	Total RM'000
Financial assets			
Trade and other receivables, net of prepayment	160,755	-	160,755
Cash and cash equivalents	10,425	-	10,425
	<u>171,180</u>	<u>-</u>	<u>171,180</u>
	Fair value		
	Other financial liabilities RM'000	through profit or loss RM'000	Total RM'000
Financial liabilities			
Trade and other payables	11,516	-	11,516
Derivative liabilities	-	386	386
Borrowings	46,664	-	46,664
	<u>58,180</u>	<u>386</u>	<u>58,566</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 amount
Assets measured at fair value	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities at fair value through profit or loss					
- Forward currency contracts	-	-	386	386	386

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial year ended 31 December 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 RM133.0 million for the quarter ended 31.12.2014 (“4Q 2014”), which grew by RM16.1 million (13.8%) compared to revenue of RM116.9 million for the quarter ended 31.12.2013 (“4Q 2013”). The stronger performance for 4Q 2014 was mostly contributed by the manufacturing segment.

Despite the growth in revenue, the Group’s profit before taxation for 4Q 2014 slipped by RM0.6 million to RM3.2 million as compared to 4Q 2013 of RM3.8 million. The weaker profit before taxation was due to lower average selling prices arising from intense competition and higher operating costs negating the increase in sales volume achieved.

The performance of the respective operating business segments of the Group for 4Q 2014 as compared to 4Q 2013 is analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM52.0 million in 4Q 2014, a significant increase of RM17.2 million (49%) compared to RM34.8 million in 4Q 2013. The increase was mainly attributed to the stronger sales volume recorded on the back of higher production output.

Trading

The trading operations contributed revenue of RM81.0 million in 4Q 2014, a decline of RM1.1 million (-1.3%) compared to RM82.1 million recorded in 4Q 2013. The weaker performance was a result of a dip in average selling prices which negated the stronger sales volume from new projects acquired during the quarter.

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

For the year ended 31.12.2014 (“FY 2014”), the Group recorded revenue of RM494.3 representing an increase of RM25.2 million as compared to revenue of RM469.1 million recorded for the year ended 31.12.2013 (“FY 2013”). The increase was contributed by both the trading and manufacturing segment, while the trading segment remains the bigger contributor to the Group’s revenue.

Though there was growth in revenue, the Group's profit before taxation for FY 2014 on the other hand reduced by RM6.5 million to RM16.8 million as compared to RM23.3 million recorded for FY 2013. This was mainly due to the weaker performance of the manufacturing segment (1st half 2014) being adversely impacted by softer market demand, lower incentives/rebates received for raw materials purchased and weaker average selling prices pressuring the Group’s margins. Profit margins were compressed further by higher operating costs.



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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 FY 2014 as compared to FY 2013 is analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM179.8 million for FY 2014, an increase of 12.8% compared to RM159.5 million in FY 2013. The growth in revenue was supported by stronger sales volume achieved in the second half of the year, on the back of a new tube mill line boosting production output offsetting the weaker performance achieved for the first half of the year.

Trading

The trading operations recorded a revenue of RM314.5 million for FY 2014, improving by 1.6% compared to RM309.6 million in FY 2013. The YTD increase was supported by stronger demand from the construction sector in 4Q 2014 with new projects acquired (theme park, showroom, etc), neutralizing the lower average selling prices and weaker sales volume for 1st half of the year resulting in net revenue growth.

B2 Comparison with preceding quarter's results

The Group's revenue for 4Q 2014 of RM133.0 million grew by RM8.8 million as compared to RM124.2 million achieved in 3Q 2014, on the back of stronger sales volume from both the manufacturing and trading operations respectively. For the manufacturing operations, the revenue increase was supported by higher production output, while new projects were entered into by the trading operations.

Despite the upward revenue trend, profit before taxation for 4Q 2014 slid to RM3.2 million from RM5.6 million recorded in 3Q 2014. This was mainly due to lower average selling prices and higher raw materials cost (manufacturing operations) eroding margins.

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

a) Prospects for 2015

Globally, the steel industry outlook has been challenging due to the slowing development in China and moderation of steel demand growth in developed countries. With these factors forced to rein in the face of a volatile and uncertain economic environment, the outlook will remain challenging.

Domestically, the challenging external environment is expected to have an influence on the local steel industry, in addition to the rising costs and implementation of GST coming into force effective from 1 April 2015. Local steel prices, which have almost hit rock bottom levels, would remain largely dependent on how China handles its global supply situation, which sets the benchmark. However, demand for local steel products is expected to rise from the construction industry, backed by the slew of mega projects such as the Klang-Valley MRT Line 2 project (as announced in Budget 2015) and various property projects. In the recently announced revised Budget for 2015, the government has also decided to maintain development expenditure which would bode well for the local steel industry.



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

a) Prospects for 2015 (Cont'd)

With a challenging backdrop for 2015, the Group will continue to focus on improving competitiveness by expanding and streamlining its distribution capacity, improving procurement of raw materials, increasing productivity as well as operational efficiency. Barring any adverse developments, we endeavor to achieve a commendable performance for 2015.

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	849	4,053
- over provision in prior quarter / year	(13)	(115)
Real property gain tax	103	103
Deferred tax		
- current quarter / year	(422)	642
- underprovision in prior quarter / year	(53)	(53)
Tax expense	<u>464</u>	<u>4,630</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 quarter was lower than the statutory tax rate mainly due to deferred tax asset recognized on a deemed disposal of plant and machinery and reduction of Malaysian statutory tax rate. 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 purpose.

The Malaysian statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective from year of assessment 2016.

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.



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B8 Group borrowings and debt securities

Details of Group's borrowings as at 31 December 2014 are as follows:-

Short-term borrowings

	RM'000	
Bankers' acceptances	32,772	Unsecured
Bank overdraft	40	Unsecured
Bank USD loan	5,980	Unsecured
Trust receipts	7,872	Unsecured
	<u>46,664</u>	

Borrowings are denominated in the following currencies:

	RM'000	
- Ringgit Malaysia	<u>46,664</u>	Unsecured

The Group has no debt securities as at 31 December 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		12 months ended	
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
Profit attributable to the owners of the Company	(RM'000)	2,768	6,362	12,126	22,419
Weighted average number of ordinary shares in issue	('000)	108,945	108,947	108,946	108,948
Basic earnings per share	(sen)	2.54	5.84	11.13	20.58

(b) Diluted earnings per share

Not applicable.



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B12 Other Gains

	3 months ended		12 months ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Interest on :				
Customer overdue account	157	61	521	386
Short term deposits	32	34	125	244
Impairment losses on trade and other receivables	(136)	(12)	(225)	(18)
Impairment losses on trade receivables no longer required	202	-	864	254
Impairment losses on property, plant and equipment	(42)	(18)	(42)	(18)
Bad debts recovered	-	30	-	170
Fair value adjustment on derivative financial instruments	(623)	289	(113)	(325)
Fair value adjustment on investment properties	241	982	241	982
Gain/(loss) on disposal of property, plant and equipment	107	12	(136)	667
Gain on disposal of unquoted investment	-	32	-	43
Trade compensation	14	13	108	133
Rental income	9	10	64	62
Realised gain / (loss) on foreign exchange transactions	255	(65)	(173)	525
Unrealised gain / (loss) on foreign exchange transactions	138	(190)	104	34
Others	16	1	20	13
	<u>370</u>	<u>1,179</u>	<u>1,358</u>	<u>3,152</u>



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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 31.12.2014 RM'000	As at 31.12.2013 RM'000
- Realised	311,637	303,298
- Unrealised	11,946	13,788
	<u>323,583</u>	<u>317,086</u>
Less : Consolidation adjustments	(18,899)	(17,991)
Total group retained earnings	<u><u>304,684</u></u>	<u><u>299,095</u></u>

B14 Authorisation for issue

The interim financial statements were authorised on 13 February 2015 for issue by the Board of Directors.