



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE SECOND
FINANCIAL QUARTER ENDED 30 JUNE 2016

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

		Individual quarter		Cumulative quarter	
		Current year quarter	Preceding year corresponding quarter	Current year todate	Preceding year todate
Note		30.06.2016 (Unaudited)	30.06.2015 (Unaudited)	30.06.2016 (Unaudited)	30.06.2015 (Unaudited)
		RM'000	RM'000	RM'000	RM'000
Revenue		96,788	109,027	197,531	253,918
Cost of sales:					
Factory and production cost		(76,506)	(101,780)	(166,092)	(232,852)
Factory depreciation		(1,344)	(1,402)	(2,687)	(2,807)
Gross profit		18,938	5,845	28,752	18,259
Other gain / (losses)	B12	772	(119)	594	(405)
Depreciation and amortisation		(421)	(364)	(782)	(683)
Administrative expenses		(3,040)	(2,454)	(5,334)	(4,965)
Selling and distribution expenses		(2,964)	(4,000)	(5,896)	(7,601)
Finance costs		-	(232)	(6)	(580)
Profit before taxation		13,285	(1,324)	17,328	4,025
Tax (expense) / income	B6	(3,332)	5,142	(4,523)	3,702
Profit for the period		9,953	3,818	12,805	7,727
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		9,953	3,818	12,805	7,727
Profit attributable to:					
Owners of the parent		9,953	3,818	12,805	7,727
Total comprehensive income attributable to:					
Owners of the parent		9,953	3,818	12,805	7,727
Earnings per share attributable to equity holders of the Company (sen):					
a) Basic	B11(a)	9.14	3.50	11.75	7.09
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 2015 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

Note	30.06.2016 (Unaudited) RM'000	31.12.2015 (Audited) RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	148,744	135,646
Investment properties	1,779	1,779
Prepaid lease payments for land	2,755	2,823
	<u>153,278</u>	<u>140,248</u>
Current Assets		
Inventories	104,090	150,797
Other investments	5,315	10,037
Derivative assets	47	-
Trade and other receivables	117,198	120,704
Current tax assets	-	446
Cash and cash equivalents	89,819	34,014
	<u>316,469</u>	<u>315,998</u>
TOTAL ASSETS	<u><u>469,747</u></u>	<u><u>456,246</u></u>
EQUITY AND LIABILITIES		
Equity attributable to the owners of the parent		
Share capital	109,903	109,903
Treasury shares	(1,460)	(1,459)
Reserves	331,476	323,029
TOTAL EQUITY	<u>439,919</u>	<u>431,473</u>
LIABILITIES		
Non-current Liabilities		
Deferred tax liabilities	12,807	12,980
Current Liabilities		
Trade and other payables	13,930	9,654
Derivative liabilities	16	61
Current tax liabilities	3,075	78
Borrowings	-	2,000
	<u>17,021</u>	<u>11,793</u>
TOTAL LIABILITIES	<u>29,828</u>	<u>24,773</u>
TOTAL EQUITY AND LIABILITIES	<u><u>469,747</u></u>	<u><u>456,246</u></u>
Net Tangible Assets Per Share (RM)	4.04	3.96
Net Assets Per Share (RM)	4.04	3.96

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 30 JUNE 2016 (UNAUDITED)

	30.06.2016 (Unaudited) RM'000	30.06.2015 (Unaudited) RM'000
Cash Flows From Operating Activities		
Cash received from customers	225,577	299,224
Cash payments for inventory/to suppliers	(146,021)	(236,578)
Cash paid for operating expenses and to employees	(9,806)	(27,348)
Cash flows from operations	69,750	35,298
Interest received	254	167
Tax refunded	-	50
Tax paid	(1,253)	(2,068)
Net cash flows from operating activities	68,751	33,447
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	175	1,239
Proceeds from disposal of other investments	25,000	-
Interest received	747	66
Purchase of property, plant and equipment	(16,996)	(4,486)
Purchase of other investments	(20,000)	-
Increase in deposits pledged to licensed banks	(55,431)	-
Net cash flows used in investing activities	(66,505)	(3,181)
Cash Flows From Financing Activities		
Repayments of short-term borrowings	(4,100)	(129,529)
Drawdowns of short-term borrowings	2,100	96,602
Interest paid	(6)	(580)
Repurchase of own shares	(1)	(2)
Net cash flows used in financing activities	(2,007)	(33,509)
Net increase / (decrease) in cash and cash equivalents	239	(3,243)
Effect of exchange rate changes on cash and cash equivalents	135	(372)
Cash and cash equivalents at beginning of period	33,829	10,247
Cash and cash equivalents at end of period	34,203	6,632
Cash and cash equivalents comprise:		
Cash and bank balances	27,167	6,632
Deposits with licensed banks	7,036	-
Deposits pledged to licensed banks	55,616	182
	89,819	6,814
Less : Deposits pledged to licensed banks	(55,616)	(182)
Cash and cash equivalents at end of period	34,203	6,632



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 30 JUNE 2016 (UNAUDITED) (CONT'D)

	30.06.2016 (Unaudited) RM'000	30.06.2015 (Unaudited) RM'000
Note : Reconciliation of cash flows from operating activities :		
Profit before taxation	17,328	4,025
Adjustments for non-cash flow items :-		
Amortisation of prepaid lease payments for land	68	68
Bad debts recovered	(5)	(6)
Depreciation of property, plant and equipment	3,401	3,422
Fair value adjustments on derivative financial instruments	(91)	500
Fair value adjustments on other investment	(36)	-
Gain on disposal of other investments	(243)	-
Loss / (Gain) on disposal of property, plant and equipment	321	(160)
Impairment losses on trade and other receivables	824	23
Impairment losses on trade and other receivables no longer required	-	(53)
Interest expenses	6	580
Interest income on overdue accounts	(254)	(167)
Interest income	(747)	(66)
Inventories written (back) / down	(2,343)	644
Property, plant and equipment written off	1	2
Unrealised (gain) / loss on foreign exchange transactions	(194)	12
Operating profit before changes in working capital	18,036	8,824
Changes in working capital		
Inventories	49,050	14,107
Trade and other receivables	2,746	12,986
Trade and other payables	(82)	(619)
Cash flows from operations	69,750	35,298
Interest received	254	167
Tax refunded	-	50
Tax paid	(1,253)	(2,068)
Net cash flows from operating activities	68,751	33,447

(The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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				
	Non-distributable		----- >	Distributable	
	Share Capital	Treasury Shares	Share Premium	General Reserve	Retained Earnings
	RM '000	RM '000	RM '000	RM '000	RM '000
Balance as at 1 January 2016	109,903	(1,459)	17,765	1,186	304,078
Profit for the financial year	-	-	-	-	12,805
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	-	12,805
Transactions with owners					
Dividends	-	-	-	-	(4,358)
Purchase of treasury shares	-	(1)	-	-	-
Total transactions with owners	-	(1)	-	-	(4,358)
Balance as at 30 June 2016	109,903	(1,460)	17,765	1,186	312,525
Balance as at 1 January 2015	109,903	(1,455)	17,765	1,186	304,684
Profit for the financial year	-	-	-	-	7,727
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	-	7,727
Transactions with owners					
Dividends	-	-	-	-	(6,535)
Purchase of treasury shares	-	(2)	-	-	-
Total transactions with owners	-	(2)	-	-	(6,535)
Balance as at 30 June 2015	109,903	(1,457)	17,765	1,186	305,876

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2015 of the Group and the accompanying notes attached to the interim financial report. The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 31 December 2015, except for the adoption of the Amendments and Annual improvements to Standards effective as of 1 January 2016.

(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

Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
MFRS 14 : Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10, : Investment Entities : Applying the MFRS 12 and MFRS 128 Consolidation Exception	1 January 2016
Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101 : Disclosure Initiative	1 January 2016
Amendments to MFRS 116 : Clarification of Acceptable Methods and MFRS 138 of Depreciation and Amortisation	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

The above pronouncements are either not relevant or do not 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

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 10 and MFRS 128	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 107	: Statement of Cash Flows : Disclosure Initiative	1 January 2017
Amendments to MFRS 112	: Incomes Taxes : Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
MFRS 15	: Revenue from Contracts with Customers	1 January 2018
MFRS 9	: Financial Instruments (IFRS 9 as issued by International Accounting Standards Board ("IASB") in July 2014)	1 January 2018
MFRS 16	: Leases	1 January 2019

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

The adoption of amendments to MFRSs 10 and 128 will not have any financial impact to the Group as the Group does not have any interest in joint operations.

Amendments to MFRS 107 Statement of Cash Flows : Disclosure Initiative

The amendments to MFRS 107 requires entity to provide disclosures on changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The adoption of these amendments is not expected to have any financial impact on the Group as it only affects disclosure.

Amendments to MFRS 112 Income Taxes : Recognition of Deferred Tax Asset for Unrealised Losses

The amendments to MFRS 112 clarify the accounting treatment of deferred tax assets for unrealised losses on fixed-rate debt instruments measured at fair value. The Group is currently assessing the financial impact of the adoption of this standard in relation to the new requirements on this standard.



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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)

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, where a retrospective application is required, but comparative information is not compulsory. 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, establishes a more principle-based approach base to hedge accounting and addresses 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 relevant to the Group and is not expected to have any impact.

MFRS 16 Leases

MFRS 16 Leases was issued in April 2016 and will supersede all current lease recognition under MFRS. Under this standard, a lease is a contract (or contains a lease in a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. MFRS 16 eliminates the classification of leases as either operating leases or financial leases for a lessee, and requires a lessee to treat all leases as a finance lease that recognises the right to use of the underlying lease asset and the future lease payments liabilities in the Group statement of financial position. For a lessor, MFRS 16 made changes to the disclosures of the existing requirements under MFRS 117 and continue to allow a lessor to classify all leases as either operating leases or finance leases.

A2 Auditor's report on preceding annual financial statements

The preceding year's audit report for the year ended 31 December 2015 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 second quarter and six months ended 30 June 2016.



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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 second quarter and six months ended 30 June 2016.

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 RM1.4149 per share.

As at 30 June 2016, a total of 960,925 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 period 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 30 June 2016 and 30 June 2015, which are within the Group's objectives for capital management, are as follows:

	30.06.2016	30.06.2015
	RM'000	RM'000
Borrowings	-	13,538
Trade and other payables	13,930	11,784
Less : Cash and bank balances	(89,819)	(6,813)
Net (cash) / debts	<u>(75,889)</u>	<u>18,509</u>
Equity attributable to the owners of the parent	439,919	433,273
Capital and net debts	364,030	451,782
Gearing ratio (%)	0%	4%

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 30 June 2016 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	70,818	36,615	107,433
Inter-segment revenue	(2,659)	(7,986)	(10,645)
Revenue from external customers	68,159	28,629	96,788
Profit for the quarter			
Total profit	8,513	4,879	13,392
Unallocated expenses			(107)
Profit before tax			13,285
Tax expense			(3,332)
Profit after tax for the quarter			9,953

Segment information for the quarter ended 30 June 2015 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	66,431	53,925	120,356
Inter-segment revenue	(3,437)	(7,892)	(11,329)
Revenue from external customers	62,994	46,033	109,027
Profit or loss for the quarter			
Total loss	(49)	(902)	(951)
Unallocated expenses			(141)
Finance costs			(232)
Loss before tax			(1,324)
Tax income			5,142
Profit after tax for the quarter			3,818



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8 Operating segment information (Cont'd)

Segment information for the current financial period ended 30 June 2016 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	131,219	86,811	218,030
Inter-segment revenue	(4,137)	(16,362)	(20,499)
Revenue from external customers	127,082	70,449	197,531
Profit for the period			
Total profit	10,096	7,429	17,525
Unallocated expenses			(191)
Finance costs			(6)
Profit before tax			17,328
Tax expense			(4,523)
Profit after tax for the period			12,805

Segment information for the previous financial period ended 30 June 2015 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	162,678	112,547	275,225
Inter-segment revenue	(6,710)	(14,597)	(21,307)
Revenue from external customers	155,968	97,950	253,918
Profit for the period			
Total profit	5,178	(326)	4,852
Unallocated expenses			(247)
Finance costs			(580)
Profit before tax			4,025
Tax income			3,702
Profit after tax for the period			7,727



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A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 30 June 2016 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Total assets	160,373	212,414	372,787
Investment properties			1,779
Derivative assets			47
Other investments			5,315
Cash and cash equivalents			89,819
			<u>469,747</u>
Liabilities			
Total liabilities	8,840	8,165	17,005
Derivative liabilities			16
Deferred tax liabilities			12,807
			<u>29,828</u>

Segment assets and liabilities as at 30 June 2015 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Total assets	172,568	288,245	460,813
Investment properties			1,870
Current tax assets			6,132
Cash and cash equivalents			6,814
			<u>475,629</u>
Liabilities			
Total liabilities	10,251	20,715	30,966
Derivative liabilities			886
Deferred tax liabilities			10,504
			<u>42,356</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 the composition of the Group during the second quarter and six months ended 30 June 2016.

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 recognised in the interim financial statements as at 30 June 2016 are as follows:

	RM'000
Capital expenditure :	
Approved and contracted for	784
Approved but not contracted for	1,200
	<u>1,984</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
Rental expense	(223)	(446)
	<u>(223)</u>	<u>(446)</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 30 June 2016 was RM2,343,009.



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A15 Financial instruments
(a) Financial instruments

Group	As at 30 June 2016		
	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	116,577	-	116,577
Derivative assets	-	47	47
Other investments	-	5,315	5,315
Cash and cash equivalents	89,819	-	89,819
	<u>206,396</u>	<u>5,362</u>	<u>211,758</u>
Financial liabilities			
	Other financial liabilities RM'000	Fair value through profit or loss RM'000	Total RM'000
Trade and other payables	13,930	-	13,930
Derivative liabilities	-	16	16
	<u>13,930</u>	<u>16</u>	<u>13,946</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 and 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 not probable.

(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
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets measured at fair value					
Financial assets at fair value through profit and loss					
- Forward currency contracts	-	-	47	47	47
- Other investments	5	-	-	5	5
Liabilities measured at fair value					
Financial liabilities at fair value through profit and loss					
- Forward currency contracts	-	-	16	16	16

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial period ended 30 June 2016.



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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 RM96.8 million for the quarter ended 30.06.2016 (“2Q 2016”), which contracted by RM12.2 million (-11.2%) compared to revenue of RM109 million for the quarter ended 30.06.2015 (“2Q 2015”). The weaker performance was mainly attributed to lower contribution from the manufacturing segment.

However, the Group’s profit before taxation bucked the downward revenue trend and rose significantly to RM13.3 million for 2Q 2016 as compared to a loss of RM1.3 million in 2Q 2015. This was mainly due to higher profit margins achieved as a result of lower average material cost and stable average selling prices. Profit before taxation was further supported by an inventory write back of RM1.9 million, interest income of RM0.6 million from short term deposits with banks and foreign exchange gains of RM0.5 million.

The performance of the respective operating business segments of the Group for 2Q 2016 as compared to 2Q 2015 are analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM28.6 million in 2Q 2016, which declined significantly by RM17.4 million (-37.8%) compared to RM46 million in 2Q 2015. The weaker performance was mainly attributable to weak customer demand.

Trading

The trading operations contributed revenue of RM68.2 million in 2Q 2016, which increased by RM5.2 million (8.3%) compared to RM63 million recorded in 2Q 2015. The stronger performance was due to customers stocking up inventory on the back of the rally in global steel prices as a result of China’s commodity traders speculating steel commodities, driving prices upwards.

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

For the 6 months ended 30.06.2016 (“YTD 2Q 2016”), the Group recorded revenue of RM197.5 million, which declined by RM56.4 million as compared to revenue of RM253.9 million recorded in the 6 months ended 30.06.2015 (“YTD 2Q 2015”). The drop in performance was mainly due to weak market demand affecting both the trading and manufacturing segments.

The Group’s profit before taxation for YTD 2Q 2016, however, recorded significant improvement of RM13.3 million to RM17.3 million as compared to RM4 million recorded for YTD 2Q 2015. This was mainly due to improved profit margins on the back of lower material cost while average selling prices saw improvements, especially in 2Q 2016 offsetting lower metric tonne sales volume. Profit before taxation was strengthened further by an inventory write back of RM2.3 million, interest income of RM0.7 million from short term deposits with banks, and favorable foreign exchange gains of RM0.4 million.



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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 2Q 2016 as compared to YTD 2Q 2015 are analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM70.4 million for YTD 2Q 2016, which decreased by 28.1% as compared to RM97.9 million in YTD 2Q 2015. The decline in performance was mainly due to weak market demand.

Trading

The trading operations recorded revenue of RM127.1 million for YTD 2Q 2016, which declined by 18.5% as compared to RM156 million in YTD 2Q 2015. The weaker performance was mainly due to weak market demand.

B2 Comparison with preceding quarter's results

The Group's revenue for 2Q 2016 shrank by 3.9% to RM96.8 million as compared to RM100.7 million achieved in 1Q 2016. The softer performance was mainly due to the weaker May'16 and Jun'16 metric tonne sales, where dealers were still clearing off inventory purchased in Mar / Apr'16 during the spike in global selling prices while adopting a cautious stance on supply and demand trend.

Despite the lower revenue trend, the Group's profit before taxation for 2Q 2016 surged by RM9.3 million to RM13.3 million as compared to RM4 million for 1Q 2016. The stronger performance was due to higher profit margins achieved as a result of improved average selling prices coupled with lower material cost. Profit before taxation was strengthened further by an inventory write back of RM1.9 million, interest income of RM0.6 million from short term deposits with banks and favorable foreign exchange gains of RM0.5 million.

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

a) Prospects for 2016

The international prices for steel have stabilised somewhat after having softened for the past several months. In the short term, prices are expected to remain stable until a clearer picture on the supply/demand equilibrium emerges. The current challenging environment facing the steel industry with China's slowdown, volatility in financial markets, sluggish growth in global trade and commodity prices are all expected to impact the direction of prices and steel demand.

On the domestic front, the steel industry leaders recently have called for a dialogue with a local HRC producer, to have a clearer understanding of their capability to supply to the domestic market. From the discussion and review, it was concluded that their production capacity would not be sufficient to meet all the local HRC consumption needs, requiring steel companies to rely on importation for the time being. Demand for steel consumption would continue to hinge on the rolling out to both private development projects and government infrastructure projects.



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

a) Prospects for 2016 (Cont'd)

The Group will continue to focus on strategies to improve cost efficiencies, strengthen productivity and enhance quality and delivery of our products to weather the challenging environment.

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	3,437	4,696
Deferred tax		
- current quarter / year	(105)	(173)
Tax expense	3,332	4,523

Income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the period. The effective tax rate for the current quarter and year to date was higher than the statutory tax rate mainly due to the expenses non-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.



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B8 Group borrowings and debt securities

Details of Group's borrowings as at 30 June 2016 are as follows:

Short-term borrowings

	RM'000	
Bankers' acceptances	-	Unsecured
	-	
	-	
Borrowings are denominated in the following currencies:	RM'000	
- Ringgit Malaysia	-	Unsecured
	-	
	-	

The Group has no debt securities as at 30 June 2016.

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

The Board of Director has proposed a final single tier dividend of 4% (2015: 6%) amounting to RM4.4 million in respect of the financial year ended 31 December 2015. The proposed final dividend was approved by the shareholders at the Annual General Meeting on 24 June 2016 and was paid on 19 August 2016 to shareholders registered at the close of business on 22 July 2016.

B11 Earnings per share (EPS)

(a) Basic earnings per share

		3 months ended		6 months ended	
		30.06.2016	30.06.2015	30.06.2016	30.06.2015
Profit attributable to the owners of the Company	(RM'000)	9,953	3,818	12,805	7,727
Weighted average number of ordinary shares in issue	('000)	108,942	108,944	108,942	108,944
Basic earnings per share	(sen)	9.14	3.50	11.75	7.09

(b) Diluted earnings per share

Not applicable.



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B12 Other Gain / (Losses)

	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Interest on :				
Customer overdue account	156	115	254	167
Short term deposits	577	32	747	66
Impairment losses on trade and other receivables	(192)	(23)	(824)	(23)
Impairment losses on trade and other receivables no longer required	-	52	-	53
Bad debts recovered	-	6	5	6
Fair value adjustments on derivative financial instruments	(239)	(339)	91	(500)
Fair value adjustment on other investments	(56)	-	36	-
(Loss) / Gain on disposal of property, plant and equipment	(268)	(35)	(321)	160
Gain on disposal of other investments	179	-	243	-
Trade compensation	5	-	30	1
Rental income	22	18	44	28
Realised gain / (loss) on foreign exchange transactions	256	79	96	(351)
Unrealised gain / (loss) on foreign exchange transactions	332	(18)	194	(12)
Others	-	(6)	(1)	-
	<u>772</u>	<u>(119)</u>	<u>594</u>	<u>(405)</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 30.06.2016 RM'000	As at 30.06.2015 RM'000
- Realised	324,308	320,563
- Unrealised	10,897	4,038
	335,205	324,601
Less : Consolidation adjustments	(22,680)	(18,725)
Total group retained earnings	312,525	305,876

B14 Authorisation for issue

The interim financial statements were authorised on 26 August 2016 for issue by the Board of Directors.