CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2017

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	30.06.2017 (Unaudited)	30.06.2016 (Unaudited)	30.06.2017 (Unaudited)	30.06.2016 (Unaudited)
		RM'000	RM'000	RM'000	RM'000
Revenue		102,243	96,788	199,565	197,531
Cost of sales:					
Factory and production cost		(86,648)	(76,506)	(162,013)	(166,092)
Factory depreciation		(1,336)	(1,344)	(2,671)	(2,687)
Gross profit		14,259	18,938	34,881	28,752
Other income	B12	163	772	983	594
Depreciation and amortisation		(408)	(421)	(820)	(782)
Administrative expenses		(2,432)	(3,040)	(5,390)	(5,334)
Selling and distribution expenses		(3,217)	(2,964)	(5,960)	(5,896)
Finance costs		(3)	-	(5)	(6)
Profit before taxation		8,362	13,285	23,689	17,328
Tax expense	B6	(2,057)	(3,332)	(5,832)	(4,523)
Profit after taxation		6,305	9,953	17,857	12,805
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		6,305	9,953	17,857	12,805
Profit attributable to:					
Owners of the parent		6,305	9,953	17,857	12,805
Total comprehensive income attributable to:					
Owners of the parent		6,305	9,953	17,857	12,805
Earnings per share attributable to equity holders of the Company (sen):					
a) Basic	B11(a)	5.79	9.14	16.39	11.75
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 2016 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 SECOND FINANCIAL QUARTER ENDED 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	Note	30.06.2017 (Unaudited)	31.12.2016 (Audited)
		RM'000	RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		143,240	146,445
Investment properties		1,779	1,779
Prepaid lease payments for land		2,619	2,687
		147,638	150,911
Current Assets			
Inventories		192,811	132,503
Trade and other receivables		119,590	102,365
Derivative assets		2	22
Current tax assets		-	42
Cash and bank balances		39,418	92,980
		351,821	327,912
TOTAL ASSETS		499,459	478,823
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital		127,668	109,903
Treasury shares		(1,462)	(1,462)
Reserves		333,671	343,384
TOTAL EQUITY		459,877	451,825
LIABILITIES			
Non-current Liabilities			
Deferred tax liabilities		12,047	12,614
Current Liabilities			
Trade and other payables		18,026	11,954
Derivative liabilities		2	81
Current tax liabilities		4,507	2,349
Borrowings	B8	5,000	-
		27,535	14,384
TOTAL LIABILITIES		39,582	26,998
TOTAL EQUITY AND LIABILITIES		499,459	478,823
Net Tangible Assets Per Share (RM)		4.22	4.15
Net Assets Per Share (RM)		4.22	4.15

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 SECOND FINANCIAL QUARTER ENDED 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	30.06.2017 (Unaudited) RM'000	30.06.2016 (Unaudited) RM'000
Cash Flows From Operating Activities		
Profit before taxation	23,689	17,328
Adjustments for non-cash flow items :-		
Amortisation of prepaid lease payments for land	68	68
Bad debts written off	34	-
Bad debts recovered	(7)	(5)
Depreciation of property, plant and equipment	3,423	3,401
Fair value adjustments on derivative financial instruments	(59)	(91)
Fair value adjustments on other investments	-	(36)
Gain on disposal of other investments	-	(243)
Loss on disposal of property, plant and equipment	75	321
Impairment losses on trade and other receivables	813	824
Impairment losses on trade and other receivables no longer required	(134)	-
Interest expenses	5	6
Interest income on overdue accounts	(97)	(254)
Interest income	(963)	(747)
Inventories written down / (back)	487	(2,343)
Property, plant and equipment written off	-	1
Unrealised loss / (gain) on foreign exchange transactions	240	(194)
Operating profit before changes in working capital	27,574	18,036
Changes in working capital		
Inventories	(60,795)	49,050
Trade and other receivables	(18,018)	2,746
Trade and other payables	(3,723)	(82)
Cash flows (used in) / from operations	(54,962)	69,750
Interest received	97	254
Tax refunded	90	-
Tax paid	(4,289)	(1,253)
Net cash flows (used in) / from operating activities	(59,064)	68,751
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	76	175
Proceeds from disposal of other investments	-	25,000
Interest received	963	747
Purchase of property, plant and equipment	(369)	(16,996)
Purchase of other investments	-	(20,000)
Increase in deposits pledged to licensed banks	(3)	(55,431)
Net cash flows from / (used in) investing activities	667	(66,505)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2017 (UNAUDITED) (CONT'D)

	30.06.2017 (Unaudited) RM'000	30.06.2016 (Unaudited) RM'000
Cash Flows From Financing Activities		
Repayments of short-term borrowings	(5,000)	(4,100)
Drawdowns of short-term borrowings	10,000	2,100
Interest paid	(5)	(6)
Repurchase of treasury shares	-	(1)
Net cash flows from / (used in) financing activities	4,995	(2,007)
Net (decrease) / increase in cash and cash equivalents	(53,402)	239
Effect of exchange rate changes on cash and cash equivalents	(163)	135
Cash and cash equivalents at beginning of period	92,789	33,829
Cash and cash equivalents at end of period	39,224	34,203
Cash and cash equivalents comprise:		
Cash and bank balances	38,321	27,167
Deposits with licensed banks	903	7,036
Deposits pledged to licensed banks	194	55,616
As per balance sheet	39,418	89,819
Less : Deposits pledged to licensed banks	(194)	(55,616)
Cash and cash equivalents at end of period	39,224	34,203

(The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements).

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 January 2017	109,903	(1,462)	17,765	1,186	324,433	451,825
Adjustment for effects of Companies Act 2016 **(Note a)**	17,765	-	(17,765)	-	-	-
Profit for the period	-	-	-	-	17,857	17,857
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	17,857	17,857
Transactions with owners						
Purchase of treasury shares	-	-	-	-	-	-
Dividend	-	-	-	-	(9,805)	(9,805)
Total transactions with owners	-	-	-	-	(9,805)	(9,805)
Balance as at 30 June 2017	127,668	(1,462)	-	1,186	332,485	459,877
Balance as at 1 January 2016	109,903	(1,459)	17,765	1,186	304,078	431,473
Profit for the period	-	-	-	-	12,805	12,805
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	12,805	12,805
Transactions with owners						
Purchase of treasury shares	-	(1)	-	-	-	(1)
Dividend	-	-	-	-	(4,358)	(4,358)
Total transactions with owners	-	(1)	-	-	(4,358)	(4,359)
Balance as at 30 June 2016	109,903	(1,460)	17,765	1,186	312,525	439,919

Note a

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium of RM17,765,000, has been transferred to the share capital account. Pursuant to subsection 618(3) and 618(4) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2016 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 2016, except for the adoption of the Amendments and Annual improvements to Standards effective as of 1 January 2017.

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

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

MFRSs, Amendments to MFRSs and IC Interpretations		**Effective for annual periods beginning on or after**
Annual Improvements to MFRSs 2014 – 2016 Cycle	: Amendments to MFRS 12– Disclosure of Interests in other Entities	1 January 2017
Amendments to MFRS 107	: Statement of Cash Flows – Disclosure Initiative	1 January 2017
Amendments to MFRS 112	: Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

The above pronouncements are either not relevant or do not 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

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**
Annual Improvements to MFRSs 2014 – 2016 Cycle	: Amendments to MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards : Amendments to MRFS 128 – Investments in Associates and Joint Ventures	1 January 2018
MFRS 9	: Financial Instruments (IFRS 9 as issued by International Accounting Standards Board ("IASB") in July 2014)	1 January 2018
MFRS 15	: Revenue from Contracts with Customers : Clarification to MFRS 15	1 January 2018
Amendments to MFRS 2	: Classification and Measurement of Share-Based Payment Transactions	1 January 2018
Amendments to MFRS 4	: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140	: Transfers of Investment Property	1 January 2018
IC Interpretation 22	: Foreign Currency Transactions and Advance Consideration	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	Deferred

Annual Improvements to MFRS Standards 2014 - 2016 Cycle

a. ***Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards***
The amendments remove certain provisions from the Standard that have served their intended purposes and are no longer required.

b. ***Amendments to MFRS 128 Investments in Associates and Joint Ventures***
The amendments clarify that when an investment in an associate or a joint venture is held by an entity which is a venture capital organisation, or a mutual fund, unit trust or similar entities, the entity may elect to measure that investment at fair value on an investment by investment basis in accordance with the standard.

The adoption of Annual Improvements to MFRS Standards 2014 - 2016 Cycle is not expected to have any financial impact on the financial statements of the Group.

A1 Basis of preparation (Cont'd)

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

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 expected to have any impact.

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.

Amendments to MFRS 2 - Classification and Measurement of Share-Based Payment Transactions

The amendments provides guidance on how to account for the following situations:

- The effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payments;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment transaction that changes the classification of the transaction from cash-settled to equity-settled.

As the Group does not practice share-based payment transactions, the adoption of these amendments are not expected to have any financial impact on the Group.

Amendments to MFRS 4 - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

The amendments address the issues arising from the transitional challenges of applying the temporary exemption from MFRS 9 for an insurer in view that the upcoming new insurance contracts standard MFRS 17 is expected to be issued soon. The expiration date of the temporary exemption from MFRS 9 coincide with the tentative effective date of MFRS 17, as decided by IASB in November 2016. In addition, to reduce the impact of temporary volatility in reported results of entity dealing with insurance contracts, the amendments introduce two additional voluntary options, namely an overlay approach and a deferral approach. The adoption of these amendments is not expected to have any material financial impact on the financial statements of the Group.

A1 Basis of preparation (Cont'd)

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

Amendments to MFRS 140 -Transfers of Investment Property

The amendments clarify the existing provisions in the Standard on transfer to, or from the investment property category. The adoption of these amendments is not expected to have any material financial impact on the financial statements of the Group.

IC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The IC Interpretation addresses the issue on which exchange rate is to be used in reporting foreign currency transactions that involve advance consideration paid or received. The adoption of the IC Interpretation is not expected to have any material financial impact on the financial statements of the Group.

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.

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.

A2 Auditor's report on preceding annual financial statements

The preceding year's audit report for the year ended 31 December 2016 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 second (2nd) quarter and six (6) months ended 30 June 2017.

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 (2nd) quarter and six (6) months ended 30 June 2017.

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 30 June 2017, a total of 961,925 treasury shares were held by the Company. The repurchased shares are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act, 2016.

There were no issues of debt or equity securities for the current year to date.

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

For capital management purposes, the Group considers shareholders' equity, non-controlling interests and long-term liabilities to be the key components in the Group's capital structure. The Group monitors capital on the basis of gearing ratio, which is net debt divided by total capital plus net debts.

The Group includes within net debt, loan and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the equity holders of the Group less the fair value adjustment reserve. The Group's strategy is to maintain a low gearing ratio.

The gearing ratios as at 30 June 2017 and 30 June 2016, which are within the Group's objectives for capital management, are as follows:

	30.06.2017	30.06.2016
	RM'000	RM'000
Borrowings	5,000	-
Trade and other payables	18,026	13,930
Less : Cash and bank balances	(39,418)	(89,819)
Net equity	(16,392)	(75,889)
Equity attributable to the owners of the parent	459,877	439,919
Capital and net equity	443,485	364,030
Gearing ratio (%)	0%	0%

A7 Dividends paid

There were no dividends paid in the current financial quarter.

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 2017 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	65,165	43,681	108,846
Inter-segment revenue	(793)	(5,810)	(6,603)
Revenue from external customers	64,372	37,871	102,243
Profit for the quarter			
Total profit	5,456	2,973	8,429
Unallocated expenses			(64)
Finance costs			(3)
Profit before tax			8,362
Tax expense			(2,057)
Profit after tax for the quarter			6,305

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

A8 Operating segment information (Cont'd)

Segment information for the financial period ended 30 June 2017 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	121,571	91,406	212,977
Inter-segment revenue	(2,363)	(11,049)	(13,412)
Revenue from external customers	119,208	80,357	199,565
Profit for the period			
Total profit	11,678	12,221	23,899
Unallocated expenses			(205)
Finance costs			(5)
Profit before tax			23,689
Tax expense			(5,832)
Profit after tax for the period			17,857

Segment information for the 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

A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 30 June 2017 is as follows:-

	Trading RM'000	Manufacturing RM'000	Total RM'000
Assets			
Total assets	165,074	293,186	458,260
Investment properties			1,779
Derivative assets			2
Cash and bank balances			39,418
			499,459
Liabilities			
Total liabilities	6,680	20,853	27,533
Derivative liabilities			2
Deferred tax liabilities			12,047
			39,582

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

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

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 (2nd) quarter and six (6) months ended 30 June 2017.

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 2017 are as follows:

	RM'000
Capital expenditure :	
Approved and contracted for	1,335
Approved but not contracted for	1,285
	2,620

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)	(223)
	(223)	(223)

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

A14 Write back of inventories to net realizable values

Total net inventories written down to either net realizable value or replacement cost for the financial year ended 30 June 2017 was RM487,440.

A15 Financial instruments

(a) Financial instruments

Group	Loans and receivables RM'000	As at 30 June 2017 Fair value through profit or loss RM'000	Total RM'000
Financial assets			
Trade and other receivables, net of prepayment	118,227	-	118,227
Derivative assets	-	2	2
Cash and bank balances	39,418	-	39,418
	157,645	2	157,647

	Other financial liabilities RM'000	Fair value through profit or loss RM'000	Total RM'000
Financial liabilities			
Trade and other payables	18,026	-	18,026
Derivative liabilities	-	2	2
Borrowings	5,000	-	5,000
	23,026	2	23,028

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 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).

(b) Fair value hierarchy (Contd.)

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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Assets measured at fair value					
Financial assets at fair value through profit and loss					
- Forward currency contracts	-	-	2	2	2
Liabilities measured at fair value					
Financial liabilities at fair value through profit and loss					
- Forward currency contracts	-	-	2	2	2

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial period 30 June 2017.

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 RM102.2 million for the quarter ended 30.06.2017 ("2Q 2017"), which improved by RM5.4 million (6%) compared to revenue of RM96.8 million for the quarter ended 30.06.2016 ("2Q 2016"). The stronger performance was mainly attributed to higher contribution from the manufacturing segment.

However, the Group's profit before taxation bucked the revenue trend and slipped to RM8.4 million for 2Q 2017 as compared to RM13.3 million achieved in 2Q 2016. This was mainly due to higher raw material prices lowering profit margins as well as foreign exchange losses.

The performance of the respective operating business segments of the Group for 2Q 2017 as compared to 2Q 2016 are analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM37.9 million in 2Q 2017, which increased by RM9.3 million (33%) compared to RM28.6 million in 2Q 2016. The stronger performance was mainly attributed to higher average selling prices and metric tonne sales volume.

Trading

The trading operations contributed revenue of RM64.3 million in 2Q 2017, which eased by RM3.9 million (-6%) compared to RM68.2 million recorded in 2Q 2016. The weaker performance was due to weaker metric tonne sales volume, on the back of dealers exercising a cautious stand on stocking inventory in the midst of softer market demand.

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

For the 6 months ended 30.06.2017 ("YTD 2Q 2017"), the group recorded revenue of RM199.6 million, which strengthened by RM2.1 million (1%) as compared to revenue of RM197.5 million recorded in the 6 months ended 30.06.2016 ("YTD 2Q 2016"). The improvement in performance was mainly due to higher average selling prices negating lower metric tonne sales volume.

The Group's profit before taxation for YTD 2Q 2017 followed the upward trend in revenue and recorded improvement of RM6.4 million to RM23.7 million as compared to RM17.3 million recorded for YTD 2Q 2016. This was contributed by stronger profit margins as a result of higher average selling prices. Profit before taxation was strengthened further by interest income from short term deposits with banks of RM0.9 million and foreign exchange gains of RM0.6 million.

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

a) Current quarter vs. Previous year corresponding quarter (Cont'd)

The performance of the respective operating business segments of the Group for YTD 2Q 2017 as compared to YTD 2Q 2016 are analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM80.4 million for YTD 2Q 2017, which increased by 14% as compared to RM70.4 million in YTD 2Q 2016. The improvement in performance was mainly due to higher average selling prices.

Trading

The trading operations recorded revenue of RM119.2 million for YTD 2Q 2017, which declined by 6% as compared to RM127.1 million in YTD 2Q 2016. The weaker performance was mainly due to tepid market conditions impacting demand.

B2 Comparison with preceding quarter's results

The Group's revenue for 2Q 2017 improved by 5% to RM102.2 million as compared to RM97.3 million achieved in 1Q 2017. The revenue growth was due to pick-up in market demand.

However, the Group's profit before taxation for 2Q 2017 decreased by RM6.9 million to RM8.4 million as compared to RM15.3 million for 1Q 2017, due to higher materials cost burdening profit margins.

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

a) Prospects for 2017

Of late, flat strip products have begun to pick up in price prior to earlier moderation, mainly due to speculative buying activities in China's futures market. The pick-up in prices will augur well for tubular products and manufacturers where they are expected to raise their selling prices for finished products in tandem with the rise in iron ore prices. However, global demand ex-China remains soft and as such, sustainability of this price increase remains uncertain.

Domestically, as the majority of the steel products produced are destined for the infrastructural and construction sector applications, the outlook for the domestic steel industry hinges on the growth and performance of this sector. The construction sector is expected to maintain its robust performance with a targeted double-digit growth rate of 10.3% and through new construction works valued at RM138 billion in 2017. The implementation of projects (especially high impact mega infrastructure and government development projects) announced by the Federal Government will undeniably boost the demand for steel products and generate a positive outlook for the local steel industry.

Barring any unforeseen circumstances, the Group will strive for a commendable performance for the financial year.

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

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

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

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

B5 Variance of actual profit from forecast profit or profit guarantee

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

B6 Taxation

Tax charges comprise:

	Current year quarter RM'000	Current year todate RM'000
Income tax		
- current quarter / year	2,248	6,399
Deferred tax		
- current quarter / year	(191)	(567)
Tax expense	2,057	5,832

Income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the period. The effective tax rate for the current quarter and year to date was slightly higher than the statutory tax rate mainly due to the effect of expenses not-deductible for tax purposes.

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

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

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

Not applicable.

B8 Group borrowings and debt securities

Details of Group's borrowings as at 30 June 2017 are as follows:

Short-term borrowings

	RM'000	
Bankers' acceptances	5,000	Unsecured
	5,000	

	RM'000	
Borrowings are denominated in the following currencies:		
- Ringgit Malaysia	5,000	Unsecured
	5,000	

The Group has no debt securities as at 30 June 2017.

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 6 sen per ordinary share and a special single tier dividend of 3 sen per ordinary (2016: 4 sen) amounting to RM6.5 million and RM3.3 million, respectively for the financial year ended 31 December 2016. The proposed final dividend and special dividend was approved by the shareholders at the Annual General Meeting on 16 June 2017 and was paid on 18 August 2017 to shareholders registered at the close of business on 21 July 2017.

B11 Earnings per share (EPS)

(a) Basic earnings per share

		3 months ended		6 months ended	
		30.06.2017	30.06.2016	30.06.2017	30.06.2016
Profit attributable to the owners of the Company	(RM'000)	6,305	9,953	17,857	12,805
Weighted average number of ordinary shares in issue	('000)	108,941	108,942	108,941	108,942
Basic earnings per share	(sen)	5.79	9.14	16.39	11.75

(b) Diluted earnings per share

There are no potential dilutive ordinary shares during the quarter. Accordingly, the diluted earnings per ordinary share is not presented.

B12 Other income

	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Interest on :				
Customer overdue account	40	156	97	254
Short term deposits	236	577	963	747
Compensation for loss of stock	178	-	178	-
Impairment losses on trade and other receivables	-	(192)	(813)	(824)
Impairment losses on trade and other receivables no longer required	91	-	134	-
Bad debt written off	-	-	(34)	-
Bad debts recovered	7	-	7	5
Fair value adjustments on derivative financial instruments	42	(239)	59	91
Fair value adjustment on other investments	-	(56)	-	36
Gain / (Loss) on disposal of property, plant and equipment	6	(268)	(75)	(321)
Gain on disposal of other investments	-	179	-	243
Trade compensation	-	5	-	30
Rental income	42	22	64	44
Realised (loss) / gain on foreign exchange transactions	(450)	256	642	96
Unrealised (loss) / gain on foreign exchange transactions	(29)	332	(240)	194
Others	-	-	1	(1)
	163	772	983	594

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 30.06.2017	As at 30.06.2016
	RM'000	RM'000
- Realised	347,635	324,308
- Unrealised	4,362	10,897
	351,997	335,205
Less : Consolidation adjustments	(19,512)	(22,680)
Total group retained earnings	332,485	312,525

B14 Authorisation for issue

The interim financial statements were authorised on 25 August 2017 for issue by the Board of Directors.