CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter	Preceding year corresponding quarter	Current year todate	Preceding year todate
		30.06.2018 (Unaudited)	30.06.2017 (Unaudited)	30.06.2018 (Unaudited)	30.06.2017 (Unaudited)
		RM'000	RM'000	RM'000	RM'000
Revenue		122,591	102,243	237,193	199,565
Cost of sales:					
Factory and production cost		(101,659)	(86,648)	(195,812)	(162,013)
Factory depreciation		(1,340)	(1,336)	(2,680)	(2,671)
Gross profit		19,592	14,259	38,701	34,881
Other income and losses	B12	1,364	163	2,340	983
Depreciation and amortisation		(425)	(408)	(838)	(820)
Administrative expenses		(3,726)	(2,432)	(6,685)	(5,390)
Selling and distribution expenses		(3,361)	(3,217)	(6,337)	(5,960)
Finance costs		(3)	(3)	(5)	(5)
Profit before taxation		13,441	8,362	27,176	23,689
Tax expense	B6	(3,195)	(2,057)	(6,519)	(5,832)
Profit after taxation		10,246	6,305	20,657	17,857
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		10,246	6,305	20,657	17,857
Profit attributable to:					
Owners of the parent		10,246	6,305	20,657	17,857
Total comprehensive income attributable to:					
Owners of the parent		10,246	6,305	20,657	17,857
Earnings per share attributable to equity holders of the Company (sen):					
a) Basic	B11(a)	9.41	5.79	18.96	16.39
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 2017 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 2018

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	Note	30.06.2018 (Unaudited)	31.12.2017 (Audited)
		RM'000	RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		139,114	140,644
Investment properties		2,176	2,176
Prepaid lease payments for land		2,483	2,551
Right of use assets		2,743	-
		146,516	145,371
Current Assets			
Inventories		206,273	160,729
Trade and other receivables		135,322	150,674
Derivative assets		280	316
Other investments		9,111	2,009
Cash and bank balances		39,031	54,346
		390,017	368,074
TOTAL ASSETS		536,533	513,445
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital		127,668	127,668
Treasury shares		(1,462)	(1,462)
Reserves		370,462	357,500
TOTAL EQUITY		496,668	483,706
LIABILITIES			
Non-current Liabilities			
Deferred tax liabilities		11,127	11,176
Long term lease liabilities		1,821	-
		12,948	11,176
Current Liabilities			
Trade and other payables		17,237	15,385
Current tax liabilities		3,758	3,178
Borrowings	B8	5,000	-
Short term lease liabilities		922	-
		26,917	18,563
TOTAL LIABILITIES		39,865	29,739
TOTAL EQUITY AND LIABILITIES		536,533	513,445
Net Tangible Assets Per Share (RM)		4.56	4.44
Net Assets Per Share (RM)		4.56	4.44

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2018

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	30.06.2018 (Unaudited)	30.06.2017 (Unaudited)
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	27,176	23,689
Adjustments for non-cash flow items :-		
Amortisation of prepaid lease payments for land	68	68
Amortisation of lease	431	-
Bad debts written off	-	34
Bad debts recovered	-	(7)
Depreciation of property, plant and equipment	3,450	3,423
Dividend income received from short term fund	(99)	-
Fair value adjustments on derivative financial instruments	36	(59)
Fair value adjustments on other investments	(3)	-
Loss on disposal of property, plant and equipment	135	75
Impairment losses on trade and other receivables	-	813
Impairment losses on trade and other receivables no longer required	(356)	(134)
Interest expense	5	5
Interest income on overdue accounts	(242)	(97)
Interest income	(640)	(963)
Inventories written down	237	487
Unrealised (gain) / loss on foreign exchange transactions	(1,105)	240
Operating profit before changes in working capital	29,093	27,574
Changes in working capital		
Inventories	(45,781)	(60,795)
Trade and other receivables	14,776	(18,018)
Trade and other payables	(4,481)	(3,723)
Cash flows used in operations	(6,393)	(54,962)
Interest received	242	97
Tax refunded	9	90
Tax paid	(5,997)	(4,289)
Net cash flows used in operating activities	(12,139)	(59,064)
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	262	76
Interest received	640	963
Purchase of property, plant and equipment	(2,317)	(369)
Purchase of other investments	(12,000)	-
Proceeds from disposal of other investments	5,000	-
Increase in deposits pledged to licensed banks	-	(3)
Net cash flows (used in) / from investing activities	(8,415)	667

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED) (CONT'D)

	30.06.2018 (Unaudited)	30.06.2017 (Unaudited)
	RM'000	RM'000
Cash Flows From Financing Activities		
Repayments of short-term borrowings	(5,000)	(5,000)
Drawdowns of short-term borrowings	10,000	10,000
Interest paid	(5)	(5)
Short term lease liabilities paid	(431)	-
Net cash flows from financing activities	4,564	4,995
Net decrease in cash and cash equivalents	(15,990)	(53,402)
Effect of exchange rate changes on cash and cash equivalents	673	(163)
Cash and cash equivalents at beginning of period	54,149	92,789
Cash and cash equivalents at end of period	38,832	39,224
Cash and cash equivalents comprise:		
Cash and bank balances	38,832	38,321
Deposits with licensed banks	-	903
Deposits pledged to licensed banks	199	194
As per balance sheet	39,031	39,418
Less : Deposits pledged to licensed banks	(199)	(194)
Cash and cash equivalents at end of period	38,832	39,224

(The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2018

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 2018	127,668	(1,462)	-	1,186	356,314	483,706
Effects of MFRS 9 Financial Instruments adoption	-	-	-	-	(1,159)	(1,159)
Profit for the period	-	-	-	-	20,657	20,657
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	20,657	20,657
Transactions with owners						
Purchase of treasury shares	-	-	-	-	-	-
Dividend	-	-	-	-	(6,536)	(6,536)
Total transactions with owners	-	-	-	-	(6,536)	(6,536)
Balance as at 30 June 2018	127,668	(1,462)	-	1,186	369,276	496,668
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

Note a

During the quarter and period ended 31 March 2017, the credit standing in the share premium account of RM17,765,000 were transferred to the share capital account on the commencement of the Companies Act 2016 (“New Act”) on 31 January 2017. Pursuant to subsection 618(3) of the New Act, the credit amount transferred from the share premium account will be fully utilised by the company for the proposed bonus issue as disclosed in note A9.

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2017 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 2017, except for the adoption of the Amendments and Annual improvements to Standards effective as of 1 January 2018.

(i) MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations adopted by the Group during the current financial period:

MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations		**Effective for annual periods beginning on or after**
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
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
IC Interpretation 22	: Foreign Currency Transactions and Advance Consideration	1 January 2018

The adoption of above MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations does not have any impact on the Group, except the following:

A1 Basis of preparation (Cont'd)

(i) MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations adopted by the Group during the current financial period (Cont'd):

MFRS 9 Financial Instruments

The adoption of this standard resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets were amended to comply with the provisions in the standard. In accordance with the transition requirements under paragraph 7.2.15 of this standard, comparatives are not restated and the financial impact of the adoption of this standard is recognized in retained earnings as at 1 January 2018.

a. Changes in accounting policies

Financial assets

The Group classifies its financial assets into the following measurement categories:

- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss; and
- Those to be measured at amortised cost.

The classification above depends on the Group's business model for managing the financial assets and the contractual terms of cash flows. The following summaries the key changes:

- The loans and receivables financial asset category was removed.
- A new asset category measured at amortised cost was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interests and held in a business model whose objective is achieved by collecting contractual cash flows only.

Financial liabilities

There is no impact on the classification and measurement of the Group's financial liabilities.

Impairment of financial assets

MFRS 9 Financial Instruments requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139. The key changes in the Group's accounting policies for impairment of financial assets are as follows:

i) Trade and other receivables, net of prepayments

The Group applies the simplified approach prescribed by MFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the trade and other receivables which are financial assets.

A1 Basis of preparation (Cont'd)

(i) MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations adopted by the Group during the current financial period (Cont'd):

b. Classification and measurement of financial instruments

The following table summarises the reclassification and measurement of the Group's financial assets as at 1 January 2018:

		Measurement category		**Carrying amount as at 1 January 2018**		
Financial assets:	**Note**	**Original (MFRS 139)**	**New (MFRS 9)**	**Original (MFRS 139) RM'000**	**Effect (MFRS 9) RM'000**	**New (MFRS 9) RM'000**
Trade and other receivables, net of prepayments	a	Loans and receivables	Amortised cost	149,889	(1,159)	148,730
Derivative assets		FVTPL	FVTPL	316	-	316
Other investments		Amortised cost	Amortised cost	2,009	-	2,009
Cash and bank balances	a	Loans and receivables	Amortised cost	54,436	-	54,436

(ii) Early adoption of MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations adopted by the Group during the current financial period:

<u>Effective for financial periods beginning on or after 1 January 2019</u>

MFRS 16 Leases

The Group has early adopted MFRS 16 *Leases* and applied this Standard retrospectively during the financial period. In accordance with the transition requirements under the Appendix C, paragraph 5(b) of this Standard, comparatives are not restated.

As a result of the adoption of MFRS 16 *Leases*, the existing requirements for a lessee to distinguish between finance lease and operating lease under the MFRS 117 *Leases* are no longer required. This Standard introduces a single accounting model, requiring the lessee to recognise the right-of-use of the underlying lease asset and the future lease payments liabilities in the statement of financial position. For a lessor, MFRS 16 *Leases* continue to allow the lessor to classify leases as either operating leases or finance leases and to account for these two types of leases differently.

A1 Basis of preparation (Cont'd)

(ii) Early adoption of MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations adopted by the Group during the current financial period (Cont'd):

The following table presents the impact of changes to the consolidated Statements of Financial Position of the Group resulting from the early adoption of MFRS 16 *Leases* as at 1 January 2018:

	Note	As at 31 December 2017 RM'000	Effect of MFRS 16 RM'000	As at 01 January 2018 RM'000
Non-current assets				
Right-of-use assets	(a)	-	11,495	11,495
Current Liabilites				
Lease liabilites	(b)	-	3,247	3,247
Non-current Liabilites				
Lease liabilites	(b)	-	8,248	8,248
Total lease liabilites		-	11,495	11,495

Note:

(a) The right of use assets comprises multiple pieces of land and building leased and recognised during the period. Subsequent to initial recognition, the right of use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.

(b) The lease liabilities arising from the land and building leased are recognised and discounted using the Group's incremental borrowing rate of 3.93%. Subsequent to initial recognition, the Group measures the lease liabilities by increasing the carrying amount to reflect the interest on the lease liabilities, reducing the carrying amount to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

(iii) MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations were issued but not yet effective and have not been adopted by the Group:

MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations		**Effective for annual periods beginning on or after**
Amendments to MFRS 9	: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	: Long-term Interests in Associates and Joint Ventures	1 January 2019

A1 Basis of preparation (Cont'd)

(iii) MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations issued but not yet effective (Cont'd)

MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations		Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2015 – 2017 Cycle	: Amendments to MFRS 3 – Business Combinations : Amendments to MRFS 11 – Joint Arrangements : Amendments to MRFS 112 – Income Taxes : Amendments to MFRS 123 – Borrowing Costs	1 January 2019
IC Interpretation 23	: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2	: Share-based Payment	1 January 2020
Amendments to MFRS 3	: Business Combinations	1 January 2020
Amendments to MFRS 6	: Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14	: Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101	: Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108	: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134	: Interim Financial Reporting	1 January 2020
Amendments to MFRS 137	: Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138	: Intangible Assets	1 January 2020
Amendments to IC Interpretation 12	: Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 19	: Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20	: Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22	: Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132	: Intangible Assets – Web Site Costs	1 January 2020
MFRS 17	: Insurance Contracts	1 January 2021
Amendments to MFRS 10 And MFRS 128	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

A1 Basis of preparation (Cont'd)

(iii) MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations issued but not yet effective (Cont'd)

Amendments to MFRS 9 Prepayment Features with Negative Compensation

The amendments addresses the measurement of some prepayable financial assets with negative compensation at amortised cost. The assets affected, that include some loans and debt securities, would otherwise have been measured at fair value through profit or loss (FVTPL). Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract". In addition, to qualify for amortised cost measurement, the asset must be held within a "held to collect" business model.

Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement

The amendments clarify that when a plan amendment, curtailment or settlement occurs, an entity shall recognise and measure any past service cost, or gain or loss on settlement and shall not consider the effect of the asset ceiling. The effect of the asset ceiling shall be determine after the plan amendment, curtailment or settlement and shall recognise any change in that effect.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

The amendments clarify that companies should apply IFRS 9 (including its impairment requirements) to account for long-term interests in an associate or a joint venture to which the equity method is not applied.

Annual Improvements to MFRS Standards 2015 - 2017 Cycle

a. Amendments to MFRS 3 – Business Combinations

The amendments clarify that when an entity obtains control of a business that is a joint operation, it shall remeasure its previously held interest in the joint operation at fair value.

b. Amendments to MFRS 11 – Joint Arrangements

The amendments clarify that when an entity obtains joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3, the previously held interest is not remeasured.

c. Amendments to MFRS 112 – Income Taxes

The amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits i.e. in profit or loss, other comprehensive income or equity.

d. Amendments to MFRS 123 – Borrowing Costs

The amendments clarify that when a qualifying asset is ready for its intended use or sale, an entity shall treat any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings. This means that the amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The adoption of Annual Improvements to MFRS Standards 2015 - 2017 Cycle is not expected to have any financial impact on the financial statements of the Group.

A1 Basis of preparation (Cont'd)

(iii) MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations issued but not yet effective (Cont'd)

IC Interpretation 23 – Uncertainty over Income Tax Treatments

The IC Interpretation provides clarification on the application of recognition and measurement requirements in MFRS 112 Income Taxes when there is uncertainty over income tax treatments. The IC interpretation clarifies that an entity shall:

i) assume that a taxation will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount method or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

The adoption of the IC Interpretation is not expected to have any material financial impact on the financial statements of the Group.

Amendments to MFRS 2 Share-based Payment
Amendments to MFRS 3 Business Combinations
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14 Regulatory Deferral Accounts
Amendments to MFRS 101 Presentation of Financial Statements
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134 Interim Financial Reporting
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138 Intangible Assets
Amendments to IC Interpretation 12 Service Concession Arrangements
Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132 Intangible Assets – Web Site Costs

The international Accounting Standards Board (the IASB or the Board) issued the revised Conceptual Framework for Financial Reporting (the revised Conceptual Framework) on 29 March 2018. The revised version included comprehensive changes to the previous Conceptual Framework, issued in 1989 and partly revised version in 2010. The previous Conceptual Framework (the 2010 Conceptual Framework) was criticised for its lack of clarity, the exclusion of certain important concepts and for being outdated in terms of the IASB's current thinking. Following the IASB's agenda consultation in 2011, the Conceptual Framework project was added to the IASB's work plan in September 2012. Since then, the IASB has issued a discussion paper in July 2013 and an exposure draft in June 2015. In revising the Conceptual Framework, the Board was looking to underpin high level concepts with sufficient detail for it to set standards and to help others to better understand and interpret the standards.

The above amendments, which forms the "Amendments to References to the Conceptual Framework in IFRS Standards", sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. In most cases, the standard references are updated to refer to the revised Conceptual Framework. However, there are two exemptions, one for IFRS 3 Business Combinations and one for those applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in developing accounting policies for regulatory account balances.

A1 Basis of preparation (Cont'd)

(iii) MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations issued but not yet effective (Cont'd)

The adoption of the above Amendments to References to the Conceptual Framework in IFRS Standards are not expected to have any material financial impact on the financial statements of the Group.

MFRS 17 Insurance Contracts

MFRS 17 introduces consistent accounting for all insurance contracts based on a current measurement model. Under MFRS 17, the general model requires entities to recognise and measure a group of insurance contracts at:

i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable information; plus
ii) an amount representing the unearned profit in the group of contracts.

The adoption of MFRS 17 will not have any material financial impact on the financial statements of the Group as the Group is not in the business of providing insurance services.

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 2017 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 (2^{nd}) quarter and six (6) months ended 30 June 2018.

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 (2^{nd}) quarter and six (6) months ended 30 June 2018.

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 2018, 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.

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

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 2018 and 30 June 2017, which are within the Group's objectives for capital management, are as follows:

	30.06.2018	30.06.2017
	RM'000	RM'000
Borrowings	5,000	5,000
Trade and other payables	17,237	18,026
Less : Cash and bank balances	(39,031)	(39,418)
Net equity	(16,794)	(16,392)
Equity attributable to the owners of the parent	496,668	459,877
Capital and net equity	479,874	443,485
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

A8 Operating segment information (Cont'd)

Segment information for the quarter ended 30 June 2018 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	89,380	58,499	147,879
Inter-segment revenue	(2,050)	(23,238)	(25,288)
Revenue from external customers	87,330	35,261	122,591
Profit for the quarter			
Total profit	6,466	7,674	14,140
Unallocated expenses			(696)
Finance costs			(3)
Profit before tax			13,441
Tax expense			(3,195)
Profit after tax for the quarter			10,246

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

A8 Operating segment information (Cont'd)

Segment information for the financial period ended 30 June 2018 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	172,429	112,401	284,830
Inter-segment revenue	(5,965)	(41,672)	(47,637)
Revenue from external customers	166,464	70,729	237,193
Profit for the period			
Total profit	12,393	15,583	27,976
Unallocated expenses			(795)
Finance costs			(5)
Profit before tax			27,176
Tax expense			(6,519)
Profit after tax for the period			20,657

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

A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 30 June 2018 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Assets			
Segment assets	220,403	266,581	486,984
Unallocated assets:			
Investment properties			2,176
Derivative assets			280
Other investments			9,111
Cash and bank balances			39,031
Total assets			537,582
Liabilities			
Segment liabilities	14,382	15,406	29,788
Unallocated liabilities:			
Deferred tax liabilities			11,127
Total liabilities			40,915

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

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

A9 Material events subsequent to the end of the interim period

The proposed bonus issue announced by the Company on 26 April 2018 was approved by the shareholders at the Extraordinary General Meeting ("EGM") held on 22 June 2018. Subsequently, the number of ordinary shares of the Company on 31 July 2018 was increased from 109,903,000 to 131,690,928 by way of a bonus issue of 21,787,928 new ordinary shares, credited as fully paid up share capital on the basis of one new ordinary share for every five existing ordinary shares through capitalisation of the share premium and retained earnings of the Company.

A10 Effects of changes in composition of the group

There were no changes in the composition of the Group during the second (2^{nd}) quarter and six (6) months ended 30 June 2018.

A11 Contingent assets and contingent liabilities

Apart from the corporate guarantees given to financial institution for banking facilities and corporate guarantee given to a third party in respect to sales of good to a subsidiary, there were no other 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 2018 are as follows:

	RM'000
Capital Expenditure :	
Contracted but not provided for	510
Approved but not contracted for	1,517
	2,027

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)
	(223)	(446)

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

A14 Write down of inventories to net realizable values

Total net inventories written down to either net realizable value or replacement cost for the financial period ended 30 June 2018 was RM237,209.

A15 Financial instruments

(a) Financial instruments

Group	Amortised cost RM'000	Fair value through profit or loss RM'000	Total RM'000
	As at 30 June 2018		
Financial assets			
Derivative assets	-	280	280
Trade and other receivables, net of prepayments	134,482	-	134,482
Cash and bank balances	39,031	-	39,031
	173,513	280	173,793

	Other financial liabilities RM'000	Fair value through profit or loss RM'000	Total RM'000
Financial liabilities			
Trade and other payables	17,237	-	17,237
Borrowings	5,000	-	5,000
	22,237	-	22,237

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 approximation of fair value.

The carrying amounts of financial assets and liabilities, such as trade and other receivables and trade and other payables are reasonable approximation of fair value due to their short-term nature.

ii. 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.

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

A15 Financial instruments (Cont'd)

(a) 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).

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price of the residual maturity of the contract using a risk-free interest rate (based on Government bonds).

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 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	-	-	280	280	280
Liabilities measured at fair value					
Financial liabilities at fair value through profit and loss					
- Forward currency contracts	-	-	-	-	-

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial period ended 30 June 2018.

(b) Derivative assets / (liabilities)

	As at 30 June 2018		
Group	**Contract / Notional amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
Forward currency contracts (USD)	12,246	73	-
Forward currency contracts (SGD)	24,024	207	-

A15 Financial instruments (Cont'd)

(b) Derivative assets / (liabilities) (Cont'd)

i. The Group use forward currency contracts to manage some of the transaction exposure. These contracts are not designate as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

ii. Forward currency contracts are used to hedge the Group's purchases denominated in USD and sales denominated in SGD for which firm commitments existed at the reporting date, extending to June 2019.

iii. For the financial period ended 30 June 2018, the Group recognised a loss of RM36,000 arising from fair value changes of derivatives. The fair value changes are attributable to changes in foreign exchange spot and forward rates.

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 RM122.6 million for the quarter ended 30.06.2018 ("2Q 2018"), which rose by RM20.4 million (20%) compared to revenue of RM102.2 million for the quarter ended 30.06.2017 ("2Q 2017"). The stronger performance was attributed to higher contribution from the trading segment on the back of higher demand.

In line with the improvement in revenue trend, the Group's profit before taxation grew to RM13.4 million for 2Q 2018 as compared to RM8.4 million achieved in 2Q 2017. This was supported further by higher average selling prices strengthening profit margins.

The performance of the respective operating business segments of the Group for 2Q 2018 as compared to 2Q 2017 are analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM35.3 million in 2Q 2018, which decreased by RM2.5 million (-7%) compared to RM37.8 million in 2Q 2017. The weaker performance was mainly due to softer market demand.

Trading

The trading operations contributed revenue of RM87.3 million in 2Q 2018, which improved by RM22.9 million (36%) compared to RM64.4 million recorded in 2Q 2017. The stronger performance was due to improved average selling prices and higher metric tonne sales.

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

For the period ended 30.06.2018 ("YTD 2Q 2018"), the Group recorded revenue of RM237.2 million, which strengthened by RM37.6 million (19%) as compared to revenue of RM199.6 million recorded for the period ended 30.06.2017 ("YTD 2Q 2017"). The improvement in performance was mainly due to higher metric tonne sales.

The Group's profit before taxation for YTD 2Q 2018 was in tandem with the revenue trend and grew by RM3.5 million to RM27.2 million as compared to RM23.7 million recorded for YTD 2Q 2017. This was contributed by stronger profit margins as a result of higher average selling prices.

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 2018 as compared to YTD 2Q 2017 are analysed as follows:

<u>Manufacturing</u>

The manufacturing operations recorded revenue of RM70.7 million for YTD 2Q 2018, which slid by 12% as compared to RM80.4 million in YTD 2Q 2017. The decline in performance was mainly due to weaker market demand.

<u>Trading</u>

The trading operations recorded revenue of RM166.5 million for YTD 2Q 2018, which surged by 40% as compared to RM119.2 million in YTD 2Q 2017. The stronger performance was mainly due to strong metric tonne sales volume from the construction sector.

B2 Comparison with preceding quarter's results

The Group's revenue for 2Q 2018 improved by 7% to RM122.6 million as compared to RM114.6 million achieved in 1Q 2018. The stronger performance was due to pick up in market demand.

However, the Group's profit before taxation for 2Q 2018 reduced slightly by RM0.3 million to RM13.4 million as compared to RM13.7 million for 1Q 2018, due to higher raw materials cost and operating expenses compressing profit margins.

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

a) Prospects for 2018

Steel demand is expected to benefit from strengthening recovery of investment levels and commodity prices, both in developed and developing economies. However, the rising US-China trade tension and probable US and EU monetary policy changes could erode this momentum, though there is no discernible impact yet. Over the past month, new players are also seen entering the ASEAN regional market as exporting mills scour for new markets as substitute to the US.

The domestic market will be challenging due to the new Pakatan Harapan Government's economic policy changes as well as austerity measures to curb excessive expenditure, which has seen some major infrastructure projects terminated or downsized. We expect this scenario, which will affect steel demand to be temporary as such measures are believed to augur well for the future and will place the country's economy on a firmer footing.

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

c) 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 to date	3,138	6,567
Deferred tax		
- current quarter / year to date	57	(48)
Tax expense	3,195	6,519

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the period. The effective tax rate for the current quarter and year to date is 24%.

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 2018 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 2018.

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 (2017: final single tier dividend of 6 sen per ordinary share and a special tier dividend of 3 sen per ordinary) amouting to RM6.5 million for the financial year ended 31 December 2017. The proposed final dividend was approved by the shareholders at the Annual General Meeting on 22 June 2018 and was paid on 30 July 2018 to shareholders registered at the close of business on 09 July 2018.

B11 Earnings per share (EPS)

(a) Basic earnings per share

		3 months ended		6 months ended	
		30.06.2018	30.06.2017	30.06.2018	30.06.2017
Profit attributable to the owners of the Company	(RM'000)	10,246	6,305	20,657	17,857
Weighted average number of ordinary shares in issue	('000)	108,941	108,941	108,941	108,941
Basic earnings per share	(sen)	9.41	5.79	18.96	16.39

(b) Diluted earnings per share

There are no potential dilutive ordinary shares during the quarter and financial period year to date. Accordingly, the diluted earnings per ordinary share is not presented.

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B12 Other income and losses

	3 months ended		6 months ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Interest on :				
Customer overdue account	76	40	242	97
Short term deposits	294	236	640	963
Compensation for loss of stock	-	178	-	178
Impairment losses on trade and other receivables	-	-	-	(813)
Impairment losses on trade and other receivables no longer required	36	91	356	134
Bad debt written off	-	-	-	(34)
Bad debts recovered	-	7	-	7
Dividend income from short term fund	81	-	99	-
Fair value adjustments on derivative financial instruments	(223)	42	(36)	59
(Loss) / Gain on disposal of property, plant and equipment	(71)	6	(135)	(75)
Trade compensation	1	-	2	-
Rental income	40	42	80	64
Realised gain / (loss) on foreign exchange transactions	274	(450)	(17)	642
Unrealised gain / (loss) on foreign exchange transactions	851	(29)	1,105	(240)
Others	5	-	4	1
	1,364	163	2,340	983

B13 Authorisation for issue

The interim financial statements were authorised on 14 August 2018 for issue by the Board of Directors.