

A-Rank Berhad

(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position**As at 31 October 2017****(The figures have not been audited)**

	As at 31-Oct-17 RM'000	(Audited) As at 31.07.2017 RM'000
Assets		
Non-current assets		
Property, plant and equipment	58,176	54,869
Investment in an associate	442	442
	<u>58,618</u>	<u>55,311</u>
Current assets		
Inventories	48,388	62,589
Trade and other receivables	47,552	37,969
Deposits with licensed banks	6,880	3,523
Cash and bank balances	8,718	4,228
	<u>111,538</u>	<u>108,309</u>
Total assets	<u><u>170,156</u></u>	<u><u>163,620</u></u>
Equity and Liabilities		
Share capital	60,000	60,000
Retained earnings	57,361	54,345
Total equity	<u>117,361</u>	<u>114,345</u>
Non-current liabilities		
Deferred tax liabilities	5,389	5,187
	<u>5,389</u>	<u>5,187</u>
Current liabilities		
Trade and other payables	24,672	22,243
Borrowings	22,172	21,221
Derivative financial liabilities	164	33
Current tax liabilities	398	591
	<u>47,406</u>	<u>44,088</u>
Total liabilities	52,795	49,275
Total equity and liabilities	<u><u>170,156</u></u>	<u><u>163,620</u></u>
	RM	RM
Net assets per share based on 120,000,000 ordinary shares	<u>0.98</u>	<u>0.95</u>

These condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 July 2017.

A-Rank Berhad

(Incorporated in Malaysia)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Period Ended 31 October 2017
(The figures have not been audited)

	Current quarter ended		Cumulative period ended	
	31-Oct-17	31-Oct-16	31-Oct-17	31-Oct-16
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	120,088	120,687	120,088	120,687
Operating expenses	(116,404)	(115,326)	(116,404)	(115,326)
Profit from operations	3,684	5,361	3,684	5,361
Other income/(expenses)	627	162	627	162
Share of profit in an associate, net of tax	-	-	-	-
Profit before interest and taxation	4,311	5,523	4,311	5,523
Finance costs	(192)	(130)	(192)	(130)
Profit before taxation	4,119	5,393	4,119	5,393
Taxation	(1,103)	(635)	(1,103)	(635)
Profit for the financial period from continuing operations	3,016	4,758	3,016	4,758
Discontinued operations				
Loss for the financial period from discontinued operations, net of tax	-	(228)	-	(228)
Profit for the financial period	3,016	4,530	3,016	4,530
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	3,016	4,530	3,016	4,530
Profit attributable to:				
- Owners of the parent	3,016	4,655	3,016	4,655
- Non-controlling interest	-	(125)	-	(125)
	3,016	4,530	3,016	4,530
Total comprehensive income attributable to:				
- Owners of the parent	3,016	4,655	3,016	4,655
- Non-controlling interest	-	(125)	-	(125)
	3,016	4,530	3,016	4,530
Earnings per ordinary share attributable to equity holders of the parent (sen)				
- Basic and diluted				
Profit from continuing operations	2.51	3.97	2.51	3.97
Loss from discontinued operations	-	(0.09)	-	(0.09)
Profit for the financial period	2.51	3.88	2.51	3.88

These condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 July 2017.

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Condensed Consolidated Statement of Changes in Equity
For The Period Ended 31 October 2017
(The figures have not been audited)

	Non-distributable Share capital RM'000	Distributable Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non- controlling interest RM'000	Total equity RM'000
Balance as at 1 August 2016	60,000	41,748	101,748	1,923	103,671
Profit for the financial period	-	4,655	4,655	(125)	4,530
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	4,655	4,655	(125)	4,530
Balance as at 31 October 2016	<u>60,000</u>	<u>46,403</u>	<u>106,403</u>	<u>1,798</u>	<u>108,201</u>
Balance as at 1 August 2017	60,000	54,345	114,345	-	114,345
Profit for the financial period	-	3,016	3,016	-	3,016
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	3,016	3,016	-	3,016
Balance as at 31 October 2017	<u>60,000</u>	<u>57,361</u>	<u>117,361</u>	<u>-</u>	<u>117,361</u>

These condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 July 2017.

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Condensed Consolidated Statement of Cash Flow
For The Period Ended 31 October 2017
(The figures have not been audited)

	Period ended 31-Oct-17 RM'000	Period ended 31-Oct-16 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation		
Continuing operations	4,119	5,393
Discontinued operations	-	(228)
Adjustments for:		
Interest income	(92)	(227)
Interest expenses	192	149
Depreciation of property, plant and equipment	1,269	1,313
Loss on disposal of property, plant and equipment	-	103
Property, plant and equipment written off	-	66
Unrealised (gain)/loss on foreign exchange	(233)	440
Fair value loss on derivative instruments	131	34
Operating profit before changes in working capital	<u>5,386</u>	<u>7,043</u>
Changes in working capital		
Inventories	14,201	(4,770)
Trade and other receivables	(9,483)	300
Trade and other payables	2,456	1,993
Cash generated from operations	<u>12,560</u>	<u>4,566</u>
Tax paid	<u>(1,094)</u>	<u>(446)</u>
Net cash generated from operating activities	<u>11,466</u>	<u>4,120</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	92	227
Purchase of property, plant and equipment	(4,576)	(1,160)
Proceed from disposal of plant and equipment	-	301
Net cash used in investing activities	<u>(4,484)</u>	<u>(632)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net movements in bank borrowings	1,057	(250)
Dividend paid	-	-
Interest paid	(192)	(149)
Net cash generated from/(used in) financing activities	<u>865</u>	<u>(399)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,847	3,089
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	7,751	25,262
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>15,598</u>	<u>28,351</u>
COMPOSITION OF CASH AND CASH EQUIVALENTS:		
Deposits with licensed banks	6,880	25,271
Cash and bank balances	8,718	3,080
	<u>15,598</u>	<u>28,351</u>

These condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 31 July 2017.

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Notes to the Financial Statements
For The Period Ended 31 October 2017

A Explanatory Notes

A 1 Basis of preparation

The condensed financial statements are unaudited and have been prepared in accordance with the requirement of Malaysian Financial Reporting Standards ("MFRSs") 134: Interim Financial Reporting and Paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Securities")'s Listing Requirements.

The condensed financial statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 July 2017. The explanatory notes to these financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 July 2017.

A 2 Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 July 2017 except for the adoption of the following new/revised MFRSs, Amendments to MFRSs and Issues Committee Interpretations (IC Interpretations"):

New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 Jan 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 Jan 2018
Clarification to MFRS 15	1 Jan 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 Jan 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 Jan 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 Jan 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 Jan 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 Jan 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 Jan 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 Jan 2019
MFRS 17 <i>Insurance Contracts</i>	1 Jan 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

A 3 Qualification of financial statements

There was no qualification in the audited financial statements for the financial year ended 31 July 2017.

A 4 Seasonal or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

A 5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the current quarter and financial period to-date.

A 6 Change in estimates

There were no changes in estimates of amounts reported in prior financial periods that have a material effect in the current quarter and financial period to-date.

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Notes to the Financial Statements
For The Period Ended 31 October 2017

A Explanatory Notes

A 7 Debt and equity securities

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities for the current quarter and financial period to-date.

A 8 Dividend paid

No dividend has been paid by the Company during the current quarter.

A 9 Segmental information

The Group is principally engaged in investment holding and manufacturing and marketing of aluminium billets.

The Group has arrived at two reportable segments that are organised and managed separately according to geographical areas, which require different business and marketing strategies. The reportable segments are Malaysia and South East Asia other than Malaysia. Other operating segments comprise countries in Africa, Europe and South Asia.

The Group evaluates performance on the basis of profit before tax and revenue information is based on the geographical location of its customers..

	Malaysia RM'000	South East Asia other than Malaysia RM'000	Others RM'000	Total RM'000
Revenue from external customers	81,331	23,975	14,782	120,088
Profit from operations				3,684
Interest income				92
Other income/(expenses), net				535
Finance costs				(192)
Share of profit in an associate, net of tax				-
Profit before taxation				4,119
Taxation				(1,103)
Profit after taxation				3,016
Assets				
Segment assets	157,824	8,002	3,888	169,714
Investment in an associate	442	-	-	442
	158,266	8,002	3,888	170,156
Liabilities				
Segment liabilities	24,672	-	-	24,672
Unallocated liabilities:				
- Borrowings				22,172
- Derivative financial liabilities				164
- Current tax liabilities				398
- Deferred tax liabilities				5,389
				52,795

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Notes to the Financial Statements
For The Period Ended 31 October 2017

A Explanatory Notes

A 10 Contingent liabilities

At the end of the current quarter, there are no material contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position of the Group except for the following:

	As at 31-Oct-17 RM'000	As at 31.07.2017 RM'000
Corporate guarantees given to:		
- financial institutions for banking facilities utilised by a subsidiary #	22,172	21,221
- financial institution for banking facilities utilised by a subsidiary which was disposed on 2 February 2017 *	1,319	1,486
	<u>23,491</u>	<u>22,707</u>

The Company has provided corporate guarantees for banking facilities granted to its wholly-owned subsidiary totalling RM88.0 million and USD5.0 million (31 July 2017: RM88.0 million and USD5.0 million).

* The Company provided corporate guarantee for banking facilities granted to HongLee Group (M) Sdn Bhd, a 55% owned subsidiary totalling RM4.9 million which was disposed on 2 February 2017. The corporate guarantee is in the midst of being discharged.

A 11 Material events subsequent to the end of the current quarter

There were no material events subsequent to the end of the current quarter that has not been reflected in the financial statements for the financial period to-date.

A 12 Commitments

(a) Capital commitments

At the end of the current quarter, capital commitments of the Group are as follows:

	As at 31-Oct-17 RM'000	As at 31.07.2017 RM'000
Capital expenditures in respect of purchase of property, plant and equipment:		
- Approved and contracted for	455	5,040
- Approved but not contracted for	4,983	4,975
	<u>5,438</u>	<u>10,015</u>

(b) Operating lease commitments

The Group had entered into non-cancellable lease agreements for machinery and staff hostel, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rate. At the end of the current quarter, operating lease commitments of the Group are as follows:

	As at 31-Oct-17 RM'000	As at 31.07.2017 RM'000
Not later than one (1) year	247	216
Later than one (1) year and not later than five (5) years	404	321
	<u>651</u>	<u>537</u>

A 13 Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter and financial period to-date save for the Company's announcement on 8 November 2017 that A-Rank Berhad has acquired a shelf company, Emerald Innovations Sdn Bhd comprising of one (1) existing ordinary share representing 100% equity interest for a cash consideration of RM1.00.

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**Notes to the Financial Statements
For The Period Ended 31 October 2017****A Explanatory Notes****A 14 Related party transactions**

During the current quarter under review and cumulative period, the material business transactions entered by the Group with related parties were as follows:

	Current quarter ended		Cumulative period ended	
	31-Oct-17	31-Oct-16	31-Oct-17	31-Oct-16
	RM'000	RM'000	RM'000	RM'000
(a) With related parties in which a Director has substantial financial interests:				
Formosa Shyen Horng Metal Sdn Bhd				
- Sales to LB Aluminium Berhad	23,278	20,640	23,278	20,640
- Sales to LB Aluminium (Sarawak) Sdn Bhd	3,118	1,690	3,118	1,690
HongLee Group (M) Sdn Bhd*				
- Purchase from LB Aluminium Berhad	-	231	-	231
- Sales to LB Aluminium Berhad	-	10	-	10
(b) With related party in which certain Directors of a subsidiary has substantial financial interests:				
HongLee Group (M) Sdn Bhd*				
- Rental paid/payable to Apresi Sdn Bhd	-	36	-	36

The related party transactions had been entered into in the ordinary course of business on normal commercial terms.

* HongLee Group (M) Sdn Bhd ceased as a subsidiary on 2 February 2017.

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Notes to the Financial Statements
For The Period Ended 31 October 2017

B Additional information required by the Bursa Securities' Listing Requirements

B 1 Review of performance

	Current quarter ended				Cumulative period ended			
	Preceding				Preceding			
	Current		Corresponding		Current		Corresponding	
	Quarter	Quarter	Changes		period	Period	Changes	
	31-Oct-17	31-Oct-16	RM'000	%	31-Oct-17	31-Oct-16	RM'000	%
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	120,088	120,687	(599)	(0.5)	120,088	120,687	(599)	(0.5)
Profit from operations	3,684	5,361	(1,677)	(31.3)	3,684	5,361	(1,677)	(31.3)
Profit before interest and taxation	4,311	5,523	(1,212)	(21.9)	4,311	5,523	(1,212)	(21.9)
Profit before taxation	4,119	5,393	(1,274)	(23.6)	4,119	5,393	(1,274)	(23.6)
Profit after taxation	3,016	4,758	(1,742)	(36.6)	3,016	4,758	(1,742)	(36.6)
Profit attributable to owners of the parent	3,016	4,655	(1,639)	(35.2)	3,016	4,655	(1,639)	(35.2)

The Group's revenue decreased slightly by 0.5% to RM120.1 million for the quarter under review compared to RM120.7 million for the corresponding quarter last year. The decrease in revenue was due mainly to lower business volume although average selling prices were higher as a result of the increase in raw material costs.

The Group registered a decrease in profit before taxation of 23.6% for the current quarter compared to the corresponding quarter last year due mainly to lower business volume compounded by slightly lower margins.

The Group reported a decrease in profit after taxation of 36.6% for the quarter under review in line with the lower profit before taxation as compared to the corresponding quarter last year. The decrease is also as a result of higher provision for income tax due to the effect of certain expenses not deductible for tax purpose.

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Notes to the Financial Statements
For The Period Ended 31 October 2017

B Additional information required by the Bursa Securities' Listing Requirements

B 2 Variance of results against preceding quarter

	Current quarter ended			
	Current Quarter 31-Oct-17	Immediate Preceding Quarter 31-Jul-16	Changes	
	RM'000	RM'000	RM'000	%
Revenue	120,088	104,366	15,722	15.1
Profit from operations	3,684	4,869	(1,185)	(24.3)
Profit before interest and taxation	4,311	4,738	(427)	(9.0)
Profit before taxation	4,119	4,516	(397)	(8.8)
Profit after taxation	3,016	3,828	(812)	(21.2)
Profit attributable to owners of the parent	3,016	3,828	(812)	(21.2)

The Group's revenue increased by 15.1% for the quarter under review compared to RM104.4 million registered for the preceding quarter. The increase in revenue was contributed by higher average selling prices as a result of the increase in raw material costs although business volume was lower.

The Group registered a decrease in profit before taxation of 8.8% for the current quarter under review compared to RM4.5 million achieved for the preceding quarter due mainly to lower business volume and reduced margins.

The Group also registered a decrease of 21.2% in profit after taxation to RM3.0 million for the current quarter compared to that of the preceding quarter due to higher provision for income tax.

B 3 Prospects

Global economic activity continued to expand in the third quarter of 2017. Third quarter GDP releases showed sustained growth in the advanced economies, supported by private consumption and investment. This continued to provide support to global demand, as imports from the advanced economies expanded further. Domestic demand in China remained supportive of growth and global trade, albeit at a marginally more moderate pace. As a result, Asia continued to benefit from these favourable external developments, augmenting the strength in domestic demand.

Given the continued strong performance in the third quarter, the Malaysian economy is on track to register stronger growth in 2017. Domestic demand will remain the key driver of growth, albeit at a more moderate pace, reflecting the continued public sector consolidation. The strengthening Ringgit Malaysia will have adverse impacts on the Group exports' margin although the effect on local business is expected to be limited. In addition, the increase in natural gas pricing which will take effect from 1 January 2018 would have an unfavourable effect on the Group's margins. Notwithstanding, the strength of the Malaysian economy will continue to underpin support for local demand which should enhance our prospect moving forward. As usual, the Group will focus its efforts to improving cost efficiencies and recovery to maintain our margins.

Barring unforeseen circumstances, the Board is optimistic that the Group will remain profitable for the forthcoming quarter.

B 4 Variance of actual and profit estimate

Not applicable as no profit forecast was published.

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Notes to the Financial Statements
For The Period Ended 31 October 2017

B Additional information required by the Bursa Securities' Listing Requirements

B 5 Notes to the Condensed Consolidated Statement of Comprehensive Income

Continuing operations	Current quarter ended		Cumulative period ended	
	31-Oct-17 RM'000	31-Oct-16 RM'000	31-Oct-17 RM'000	31-Oct-16 RM'000
Profit before taxation for the financial period for continuing operations is arrived at after (crediting)/charging:				
Interest income	(92)	(227)	(92)	(227)
Interest expenses	192	130	192	130
Depreciation of property, plant and equipment	1,269	1,141	1,269	1,141
(Gain)/Loss on foreign exchange				
- realised	(295)	(371)	(295)	(371)
- unrealised	(233)	440	(233)	440
Fair value loss on derivative instruments	131	34	131	34

B 6 Taxation

Continuing operations	Current quarter ended		Cumulative period ended	
	31-Oct-17 RM'000	31-Oct-16 RM'000	31-Oct-17 RM'000	31-Oct-16 RM'000
Current income tax	901	446	901	446
Deferred tax	202	189	202	189
	<u>1,103</u>	<u>635</u>	<u>1,103</u>	<u>635</u>

The effective tax rate of the Group for the current quarter and financial period ended 31 October 2017 were higher than the statutory tax rate as result of the effect of certain expenses not-deductible for tax purposes.

B 7 Status of corporate proposals

There were no corporate proposals announced pending completion.

B 8 Changes in material litigation

The Group does not have any material litigation as at the date of this announcement.

B 9 Borrowings

	31-Oct-17		31.07.2017	
	Foreign currency USD'000	Amount equivalent RM'000	Foreign currency USD'000	Amount equivalent RM'000
Short term borrowings				
Unsecured:				
- Foreign currency loans	5,239	<u>22,172</u>	4,958	<u>21,221</u>
		<u>22,172</u>		<u>21,221</u>

B 10 Dividend

The Board of Directors has not proposed any dividend for this quarter ended 31 October 2017. At the Annual General Meeting held on 8 December 2017, the shareholders of the Company have approved the payment of a first and final single tier dividend of 3.25 sen per ordinary share, amounting to RM3.9 million in respect of the financial year ended 31 July 2017 which will be payable on 21 December 2017.

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Notes to the Financial Statements
For The Period Ended 31 October 2017

B Additional information required by the Bursa Securities' Listing Requirements

B 11 Realised and Unrealised Profit or Losses

The retained earnings as at the end of the reporting period may be analysed in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

	As at 31-Oct-17 RM'000	As at 31.07.2017 RM'000
Total retained earnings of the Company and its subsidiaries:		
- realised	83,220	80,026
- unrealised	(5,319)	(5,141)
	<u>77,901</u>	<u>74,885</u>
Total retained earnings from an associated company		
- realised	439	439
	<u>78,340</u>	<u>75,324</u>
Less: Consolidation adjustments	(20,979)	(20,979)
Total retained earnings	<u><u>57,361</u></u>	<u><u>54,345</u></u>

B 12 Earnings per ordinary share

(a) Basic earnings per ordinary share

Basic earnings per ordinary share for the current quarter under review and cumulative period are computed as follows:

	Current quarter ended		Cumulative period ended	
	31-Oct-17	31-Oct-16	31-Oct-17	31-Oct-16
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to equity holders of the parent from:				
- continuing operations	3,016	4,758	3,016	4,758
- discontinued operations	-	(103)	-	(103)
	<u>3,016</u>	<u>4,655</u>	<u>3,016</u>	<u>4,655</u>
Weighted average number of ordinary shares ('000)	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
Basic earnings per ordinary share (sen) for:				
- Profit from continuing operations	2.51	3.97	2.51	3.97
- Loss from discontinued operations	-	(0.09)	-	(0.09)
Profit for the financial year	<u>2.51</u>	<u>3.88</u>	<u>2.51</u>	<u>3.88</u>

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share equals basic earnings per ordinary share as there are no potential dilutive equity instruments.

By Order of the Board

Yap Sit Lee
Company Secretary

8 December 2017