

# **EONMETALL GROUP BERHAD**

(Company No. 631617-D)

(Incorporated in Malaysia)

## **SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014**

### **A. DISCLOSURE REQUIREMENTS PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134 INTERIM FINANCIAL REPORTING**

#### **1. Basis of preparation**

The condensed consolidated interim financial report is unaudited and has been prepared in compliance with MFRS 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

#### **2. Significant Accounting Policies**

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2013 except for the adoption of the following MFRSs and Amendment to MFRSs and Interpretation:-

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014**

- Amendment to MFRS 10, Consolidated Financial Statements
- Amendment to MFRS 12, Disclosure of Interests in Other Entities
- Amendment to MFRS 127, Separate Financial Statements (2011)
- Amendment to MFRS 132, Offsetting Financial Assets and Financial Liabilities
- Amendment to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets
- Amendment to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21 Levies

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014**

- Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions
- Amendments to MFRSs Annual Improvements 2010 – 2012 Cycle
- Amendments to MFRSs Annual Improvements 2011 – 2013 Cycle

**EONMETALL GROUP BERHAD**

(Company No. 631617-D)

(Incorporated in Malaysia)

**SELECTED EXPLANATORY NOTES  
TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MARCH 2014**

**3. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.

**4. Seasonality of operations**

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

**5. Unusual items due to their nature, size or incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial period-to-date.

**6. Material changes in estimates**

There were no changes in estimates that have a material effect in the current financial period-to-date.

**7. Issuances and repayment of debt and equity securities**

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities for the current quarter under review.

**8. Dividends paid**

No dividend was paid by the Company during the current quarter under review.

**EONMETALL GROUP BERHAD**

(Company No. 631617-D)

(Incorporated in Malaysia)

**SELECTED EXPLANATORY NOTES  
TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MARCH 2014****9. Segment revenue and results**

Segmental reporting for the financial period-to-date is as below:-

<b>Period-to-date ended 31-March-14</b>	<b>Machinery and equipment RM'000</b>	<b>Steel product and trading activity RM'000</b>	<b>Property, investment holding and others RM'000</b>	<b>Total RM'000</b>
Total revenue	6,340	18,909	21	25,270
Inter-segment revenue	-	(5,933)	-	(5,933)
External revenue	6,340	12,976	21	19,337
Interest income	-	1	-	1
Interest expense	407	158	258	823
Depreciation and amortisation	246	757	151	1,154
Segment profit/(loss)	(466)	632	(634)	(468)
<b>Period-to-date ended 31-March-13</b>				
Total revenue	9,958	13,105	1	23,064
Inter-segment revenue	-	(1,598)	-	(1,598)
External revenue	9,958	11,507	1	21,466
Interest income	-	1	-	1
Interest expense	250	470	217	937
Depreciation and amortisation	252	1,034	186	1,472
Segment profit/(loss)	1,231	(341)	(419)	471

**10. Material events subsequent to the end of the reporting period**

There were no materials events subsequent to the end of the quarter under review which has not been reflected in this interim financial report save as below:

- Disposal by Eonmetall Agro Sdn. Bhd (“EAGRO”), a wholly-owned subsidiary of Eonmetall Group Berhad of all that piece of land described provisionally as Lot No. 19 consisting of total area measuring approximately 688,248 sq ft to POIC Sabah Sdn Bhd (“POIC”) for a total cash consideration of RM8,258,976.00 on 2 May 2014. A deed of mutual release was signed on 28 May 2014. POIC shall within 30 days upon its receipt of a notice and copy of redemption statement from the EAGRO’s solicitor, made full payment to the bank and the balance sum to EAGRO.

**EONMETALL GROUP BERHAD**

(Company No. 631617-D)

(Incorporated in Malaysia)

**SELECTED EXPLANATORY NOTES  
TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MARCH 2014**

**11. Changes in the composition of the Group**

There were no changes in the composition of the Group during the financial period-to-date.

**12. Changes in contingent liabilities or contingent assets**

	As at 31.03.14 RM'000	As at 31.12.2013 RM'000
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	<u>212,324</u>	<u>212,324</u>

**13. Capital commitments**

As at the date of this announcement, the Group has no material capital commitments.

**14. Related Party Transactions**

Below are transactions with companies in which a Director / his spouse and persons connected to them having controlling interests during the financial period ended 31 March 2014.

	Period ended 31.03.2014 RM'000
Sale of goods	3,459
Purchase of goods	<u>34</u>

**EONMETALL GROUP BERHAD**

(Company No. 631617-D)

(Incorporated in Malaysia)

**SELECTED EXPLANATORY NOTES  
TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MARCH 2014**

**B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING  
REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**

**15. Review of performance**

The Group's revenue for the first quarter ended 31 March 2014 decreased by 10% from RM21.5 million down to RM19.3 million as compared to the corresponding period in the prior financial year. This is mainly attributed by the lower revenue generated from machinery and equipment segment.

The Group's Loss before tax ("LBT") for the current quarter is RM0.5 million. Hence, the Group's results declined by 200% as compared to the Profit before tax ("PBT") of RM0.5 million recorded in preceding year corresponding quarter. The performance of the operating business segment for the first quarter as compared to the preceding year corresponding quarter is presented as follows:-

**(a) Machinery and equipment segment**

This segment recorded revenue of RM6.3 million for the current quarter as compared to RM10.0 million achieved in the previous year corresponding quarter, representing a decrease of 37%. This segment recorded LBT of RM0.5 million, a decline of 142% as compared to PBT of RM1.2 million earned from the corresponding quarter in prior year which was in line with the decrease in revenue.

**(b) Steel product and trading activity segment**

The revenue for the current quarter is RM13.0 million, representing an increase of RM1.5 million (from RM11.5 million to RM13.0 million) as compared to the corresponding quarter preceding year. This segment showed PBT of RM0.6 for the quarter under review, an increase of 300% from LBT of RM0.3 million recorded in the previous year corresponding quarter mainly due to the higher revenue coupled with lower production costs.

**(c) Property, investment holding and other segment**

This segment represents rental income derived from the Group's property offsetting with the operating expenses from all other segments.

**EONMETALL GROUP BERHAD**

(Company No. 631617-D)

(Incorporated in Malaysia)

**SELECTED EXPLANATORY NOTES  
TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MARCH 2014****16. Variation of results against preceding quarter**

	Individual quarter ended	
	31.03.2014	31.12.2013
	RM'000	RM'000
Revenue	19,337	17,213
(Loss)/profit before tax	<u>(468)</u>	<u>9,254</u>

During the preceding quarter, the Group would record a LBT of RM2.7 million as explained in table below. The Group recorded a current quarter LBT of RM0.5 million, a decrease of RM2.2 million over the preceding quarter. The improved margin was due to the higher revenue achieved coupled with lower production costs in current quarter.

	Individual quarter ended	
	31.03.2014	31.12.2013
	RM'000	RM'000
LBT before gain on disposal of property, plant and equipments impairment loss on property, plant and equipments and impairment loss on trade receivables	(468)	(2,674)
Add : Gain on disposal of property, plant and equipments	-	15,224
Less : Impairment loss on property, plant and equipments	-	(2,064)
Less : Impairment loss on trade receivables	-	(1,232)
(Loss)/profit before tax	<u>(468)</u>	<u>9,254</u>

**17. Commentary of prospects**

Based on the current global business environment, the Board of Directors of Eonmetall anticipates the performance of the Group for the financial year 2014 to be challenging.

**18. Profit forecast**

The Group did not publish any profit forecast in a public documents in the current financial quarter.

# EONMETALL GROUP BERHAD

(Company No. 631617-D)

(Incorporated in Malaysia)

## SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014

### 19. Notes to the Condensed Consolidated Statement of Comprehensive Income

Save as disclosed below and included in the consolidated income statements, there were no other items applicable to be disclosed pursuant to item 16 of Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia:

	3 months ended 31.03.2014 RM'000	Period ended 31.03.2014 RM'000
Other income	(113)	(113)
Depreciation of property, plant and equipment	1,056	1,376
Depreciation of investment property	98	98
Reversal of impairment loss on trade receivable	(18)	(18)
Inventories written down	(133)	(133)
Realised gain on foreign exchange	(3)	(3)
Unrealised loss on foreign exchange	2	2

### 20. Taxation

	3 months ended 31.03.2014 RM'000	Period ended 31.03.2014 RM'000
Current tax expense	(58)	(58)
Deferred tax expense	13	13

### 21. Status of corporate proposal announced

There were no corporate proposals announced but not completed as at the date of this announcement save as below:-

- (a) On 2 May 2014, the Company announced that its wholly owned subsidiary, Eonmetall Agro Sdn. Bhd. ("EAGRO") came to an agreement with POIC Sabah Sdn Bhd ("POIC") vide exchange of letters with POIC for POIC to exercise its right to repurchase all that Said Lot (hereinafter defined) pursuant to Clause 22.3 of the Sale and Purchase Agreement entered into on 2 May 2012 ("SPA") for a total cash consideration of Ringgit Malaysia Eight Million Two Hundred and Fifty Eight Thousand Nine Hundred and Seventy Six (RM8,258,976) only ("Disposal Price") ("Disposal"). An agreement would be signed later to formalise the Disposal.

On 28 May 2014, the Company had announced that EAGRO has entered into a Deed of Mutual Release with POIC in relation to the Disposal to formalise the Disposal.

**EONMETALL GROUP BERHAD**

(Company No. 631617-D)

(Incorporated in Malaysia)

**SELECTED EXPLANATORY NOTES  
TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MARCH 2014****22. Group borrowings**

The Group's borrowings as at the end of the current reporting period are as follows: -

	Payable within 12 months RM'000	Payable after 12 months RM'000
<b>RM denominated borrowings</b>		
<b><u>Secured</u></b>		
Term loans	6,354	25,259
Hire purchases	413	562
	6,767	25,821
<b><u>Unsecured</u></b>		
Bank overdrafts	4,533	-
Bankers' acceptances	14,348	-
Revolving credit	9,500	-
	28,381	-
Total RM denominated borrowings	35,148	25,821
<b>USD denominated borrowings</b>		
<b><u>Unsecured</u></b>		
Trade loan	511	-
<b>Total borrowings</b>	<b>35,659</b>	<b>25,821</b>

**23. Changes in material litigation**

There was no material litigation as at the date of the interim financial statements.

**24. Dividends**

The Board of Directors does not recommend any dividend for the time being this financial year.



**EONMETALL GROUP BERHAD**

(Company No. 631617-D)

(Incorporated in Malaysia)

**SELECTED EXPLANATORY NOTES  
TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MARCH 2014**

**25. Realized and Unrealized Profits/Losses**

The following analysis of realized and unrealized retained profits/(accumulated losses) is prepared pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No. 1 - Determination of Realized and Unrealized Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
Total retained profits of Eonmetall Group Berhad and its subsidiaries:		
- Realized	105,616	106,152
- Unrealized	(2,079)	(2,104)
	<hr/> 103,537	<hr/> 104,048
Less: Consolidation adjustments	<hr/> (44,492)	<hr/> (44,484)
Total Group retained profits as per consolidation accounts	<hr/> <b>59,045</b>	<hr/> <b>59,564</b>

(The remaining of this page is intentionally left blank)

**EONMETALL GROUP BERHAD**

(Company No. 631617-D)

(Incorporated in Malaysia)

**SELECTED EXPLANATORY NOTES  
TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MARCH 2014**

**26. Earnings per share**

The loss per share was computed based on the net loss divided by the weighted average number of shares in issue net of treasury shares:

	Three months ended 31.03.2014	Period ended 31.03.2014
Loss after tax attributable to owners of the Company (RM'000)	(519)	(519)
<b>Basic :</b> Weighted average number of shares in issue ('000)	168,657	168,657
Basic loss per share (sen)	<u>(0.31)</u>	<u>(0.31)</u>
<b>Diluted :</b> Diluted loss per share (sen)	<u>(0.31)</u>	<u>(0.31)</u>

The Group does not have any dilutive potential ordinary shares as the market price of the shares was lower than the exercise price. As a result, these share options are anti-dilutive in nature and have not been considered in the computation of diluted earnings per share.

By order of the Board

Yeoh Cheng Chye  
Managing Director and Chief Executive Director

**DATED THIS 29<sup>th</sup> May 2014**