

# EONMETALL GROUP BERHAD

(Company No. 631617-D)

(Incorporated in Malaysia)

## SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 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 statements have been reviewed by the external auditors.

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: Investment Entities
• Amendment to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
• Amendment to MFRS 127	Separate Financial Statements: Investment Entities
• Amendment to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
• Amendment to MFRS 136	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
• Amendment to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
• IC Interpretation 21	Levies

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

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#### **2. Significant Accounting Policies (cont'd)**

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

- |  |  |
|--|--|
| • MFRS 14  | Regulatory Deferral Accounts   |
| • MFRS 15  | Revenue from Contracts with Customers  |
| • MFRS 9   | Financial Instruments (IFRS 9 as issued by International Accounting Standards Board ("IASB") in July 2014) |
| • Amendments to MFRS 119                         | Defined Benefit Plans: Employee Contributions  |
| • Amendments to MFRS 10 and MFRS 128             | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture                      |
| • Amendments to MFRS 11                          | Accounting for Acquisitions of Interests in Joint Operations   |
| • Amendments to MFRS 116 and MFRS 138            | Clarification of Acceptable Methods of Depreciation and Amortisation                                       |
| • Amendments to MFRS 116 and MFRS 141            | Agriculture: Bearer Plants   |
| • Amendments to MFRS 127                         | Equity Method in Separate Financial Statements   |
| • Annual Improvements to MFRSs 2010 - 2012 Cycle |  |
| • Annual Improvements to MFRSs 2011 - 2013 Cycle |  |
| • Annual Improvements to MFRSs 2012 - 2014 Cycle |  |

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material impact to the financial statements of the Group upon their initial application.

#### **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.

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**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 quarter and financial year.

**6. Material changes in estimates**

There were no changes in estimates that have a material effect in the current quarter and financial year.

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

Save as disclosed below, there were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities for the financial year under review.

- 1,000 of its own shares at RM0.32 per share for a total cash consideration of RM320 had been purchased as treasury shares on 3 Jun 2014
- 1,000 of its own shares at RM0.31 per share for a total cash consideration of RM310 had been purchased as treasury shares on 28 November 2014

**8. Dividends paid**

No dividend was paid by the Company during the financial year.

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Segmental reporting for the financial year is as below:-

<b>Year ended</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>
<b>31-December-14</b>				
Total revenue	14,713	84,694	20,158	119,565
Inter-segment revenue	(2,846)	(32,221)	(20,079)	(55,146)
External revenue	11,867	52,473	79	64,419
Interest income	1	2	-	3
Interest expense	1,521	892	862	3,275
Depreciation and amortisation	973	2,772	579	4,324
Segment (loss)/profit	(6,167)	6,504	(2,640)	(2,303)
<b>Year ended</b>				
<b>31-December-13</b>				
Total revenue	34,116	56,014	5,165	95,295
Inter-segment revenue	(1,056)	(12,923)	(5,057)	(19,036)
External revenue	33,060	43,091	108	76,259
Interest income	1	11	-	12
Interest expense	1,341	1,337	1,142	3,820
Depreciation and amortisation	998	3,998	636	5,632
Segment (loss)/profit	(2,854)	(2,522)	12,346	6,970

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

There were no material events subsequent to the end of the year under review which has not been reflected in this interim financial report.

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

There were no changes in the composition of the Group during the financial year.

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

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	<u>191,624</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 year ended 31 December 2014.

	Year ended 31.12.2014 RM'000
Rental of premises	150
Sale of goods	12,897
Purchase of goods	<u>253</u>

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### **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 fourth quarter ended 31 December 2014 slightly decreased by 3% from RM17.2 million down to RM16.7 million as compared to the corresponding quarter in the prior financial year while the Group's revenue for the financial year recorded a drop of 16% from RM76.3 million down to RM64.4 million as compared to the corresponding financial year. This is mainly attributed by the lower revenue generated from machinery and equipment segment.

The Group's loss before tax ("LBT") of RM2.3 million decreased by 133% as compared to the profit before tax ("PBT") of RM7.0 million is mainly due to gain on disposal derived from the Group's properties recorded in preceding year. The performance of the operating business segment is presented as follows:-

##### **(a) Machinery and equipment segment**

This segment recorded revenue of RM2.7 million for the current quarter as compared to RM8.3 million achieved in the previous year corresponding quarter, representing a decrease of 68%. Revenue for the current financial year decreased by 64% to RM11.9 million as compared to RM33.1 million recorded in previous year. This segment recorded LBT of RM6.2 million, a decrease of 116% as compared to LBT of RM2.9 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 RM13.9 million, representing an increase of RM5.1 million (from RM8.8 million to RM13.9 million) as compared to the corresponding quarter preceding year. Revenue generated from this segment increased by 22% to RM52.5 million for the financial year under review as compared to revenue of RM43.1 million reported in the previous year. The LBT of RM2.5 million registered in previous year increased to PBT of RM6.5 million mainly contributed by the higher revenue coupled with lower production cost.

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

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

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### 16. Variation of results against preceding quarter

	Individual quarter ended	
	31.12.2014	30.09.2014
	RM'000	RM'000
Revenue	16,658	13,114
Loss before tax	(226)	(1,287)

The Group recorded a current quarter LBT of RM0.2 million, an increase of RM1,061 million over the preceding quarter mainly due to higher revenue generated from steel product and trading activity.

### 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 2015 to be challenging.

### 18. Profit forecast

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

### 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	Year
	ended	ended
	31.12.2014	31.12.2014
	RM'000	RM'000
Other income	(189)	(587)
Interest Income	-	(3)
Depreciation of property, plant and equipment	897	3,917
Depreciation of investment property	105	407
Gain on disposal of plant and equipment	(189)	(617)
Gain on fair value adjustment on other receivable	(107)	(107)
Impairment loss on other receivables	376	376
Reversal of impairment loss on trade receivable	-	(18)
Inventories written down	160	593
Realised (gain)/loss on foreign exchange	(24)	34
Unrealised gain on foreign exchange	(450)	(440)

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**20. Taxation**

	3 months ended 31.12.2014 RM'000	Year ended 31.12.2014 RM'000
Current tax expense	(8)	(203)
Deferred tax expense	(280)	(267)
	<u>(288)</u>	<u>(470)</u>

**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:-

- 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.

On 01 July 2014, EAGRO had received the Disposal Price from POIC. Hence, the Disposal is deemed completed on the event date.

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The Group's borrowings as at the end of the current reporting year 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	5,201	15,952
Hire purchases	309	341
	5,510	16,293
<b><u>Unsecured</u></b>		
Bank overdrafts	5,901	-
Bankers' acceptances	16,843	-
Revolving credit	9,000	-
	31,744	-
<b>Total borrowings</b>	<b>37,254</b>	<b>16,293</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.

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**25. Realised and Unrealised Profits/Losses**

The following analysis of realised and unrealised 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 Realised and Unrealised 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 31.12.2014 RM'000	As at 31.12.2013 RM'000
Total retained profits of Eonmetall Group Berhad and its subsidiaries:		
- Realised	101,792	106,152
- Unrealised	(1,974)	(2,104)
	<u>99,818</u>	<u>104,048</u>
Less: Consolidation adjustments	<u>(42,948)</u>	<u>(44,484)</u>
Total Group retained profits as per consolidation accounts	<u><b>56,870</b></u>	<u><b>59,564</b></u>

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**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:

	3 months ended 31.12.2014	Year ended 31.12.2014
Loss after tax attributable to owners of the Company (RM'000)	(516)	(2,777)
<b>Basic :</b>		
Weighted average number of shares in issue ('000)	168,656	168,656
Basic loss per share (sen)	<u>(0.31)</u>	<u>(1.65)</u>
<b>Diluted :</b>		
Diluted loss per share (sen)	<u>(0.31)</u>	<u>(1.65)</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 26<sup>th</sup> February 2015**