

# **EONMETALL GROUP BERHAD**

(Company No. 631617-D)

(Incorporated in Malaysia)

## **SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2016**

### **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 2015. 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 2015.

#### **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 2015 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 2016**

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

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 JANUARY 2016**

• MFRS 14	Regulatory Deferral Accounts
• Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
• Amendments to MFRS 101	Disclosure Initiative
• Amendments to MFRS 127	Equity Method in Separate Financial Statements
• Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
• 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 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
• Annual Improvements to MFRSs 2012 - 2014 Cycle	
• MFRS 9	Financial Instruments (IFRS as issued by IASB in July 2014)
• MFRS 15	Revenue from Contracts with Customers

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 2015 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.

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### 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.

### 9. Segment revenue and results

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

<b>Period-to-date 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-March-16</b>				
Total revenue	20,518	24,742	340	45,600
Inter-segment revenue	-	(12,362)	(340)	(12,702)
External revenue	20,518	12,380	-	32,898
Interest income	-	2	-	2
Interest expense	379	317	113	809
Depreciation and amortisation	217	456	65	738
Segment profit/(loss)	9,380	2,868	(728)	11,520
<b>31-March-15</b>				
Total revenue	4,368	27,854	812	33,034
Inter-segment revenue	(2,084)	(15,330)	(238)	(17,652)
External revenue	2,284	12,524	574	15,382
Interest income	-	2	-	2
Interest expense	342	310	145	797
Depreciation and amortisation	241	636	144	1,021
Segment (loss)/profit	(1,196)	2,061	(679)	186

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TO THE INTERIM FINANCIAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2016**

**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 current quarter under review.

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

	As at 31.03.2016 RM'000	As at 31.12.2015 RM'000
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	<u>169,290</u>	<u>169,290</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 2016.

	Period ended 31.03.2016 RM'000
Rental of premises	80
Sale of goods	102
Purchase of goods	<u>410</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 first quarter ended 31 March 2016 increased by 115% from RM15.3 million up to RM32.9 million as compared to the corresponding quarter in the prior financial year. This is mainly attributed by the revenue generated from machinery and equipment segment.

The Group's profit before tax ("PBT") for the current quarter is RM11.5 million, improved by RM11.3 million equivalent to 56.5 times as compared to the PBT of RM0.2 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 RM20.5 million for the current quarter as compared to RM2.3 million achieved in the previous year corresponding quarter, representing an increase of RM18.2 million equivalent to 7.91 times. This segment recorded PBT of RM9.4 million, a rise of RM10.6 million equivalent to 8.83 times as compared to loss before tax ("LBT") of RM1.2 million earned from the corresponding quarter in prior year which was in line with the increase in revenue.

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

The revenue for the current quarter is RM12.4 million, representing a decrease of RM0.1 million (from RM12.5 million to RM12.4 million) as compared to the corresponding quarter preceding year. This segment showed PBT of RM2.9 million for the quarter under review, an increase of 38% from PBT of RM2.1 million recorded in the previous year corresponding quarter mainly due to lower production costs.

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

This segment represents trading of non-steel products and rental income derived from the Group's property offsetting with the operating expenses from all other segments.

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(Incorporated in Malaysia)

## SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2016

### 16. Variation of results against preceding quarter

	Individual quarter ended	
	31.03.2016	31.12.2015
	RM'000	RM'000
Revenue	32,898	20,653
Profit/(loss) before tax	<u>11,520</u>	<u>1,524</u>

The Group recorded a current quarter PBT of RM11.5 million, an increase of RM10 million over the preceding quarter mainly due to significant increase in revenue of machinery and equipment segment.

### 17. Commentary of prospects

Notwithstanding the current global business environment, the Board of Directors of Eonmetall anticipates the performance of the Group for the financial year 2016 to be encouraging given the increase in demand for racking and machinery.

### 18. Profit forecast

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

### 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 31.03.2016 RM'000	Period ended 31.03.2016 RM'000
Other income	(214)	(214)
Interest Income	(2)	(2)
Depreciation of property, plant and equipment	639	639
Depreciation of investment property	105	105
Loss on disposal of plant and equipment	3	3
Realised loss on foreign exchange	170	170
Unrealised loss on foreign exchange	<u>549</u>	<u>549</u>

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**SELECTED EXPLANATORY NOTES  
TO THE INTERIM FINANCIAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2016****20. Taxation**

	3 months ended 31.03.2016 RM'000	Period ended 31.03.2016 RM'000
Current tax expense	(104)	(104)
Deferred tax expense	-	-
	<u>(104)</u>	<u>(104)</u>

**21. Status of corporate proposal announced**

There were no corporate proposals announced but not completed as at the date of this announcement.

**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	5,343	9,286
Hire purchases	145	156
	5,488	9,442
<b><u>Unsecured</u></b>		
Bank overdrafts	4,227	-
Bankers' acceptances	22,994	-
Revolving credit	9,000	-
Bill discounting	2,460	-
	38,681	-
<b>Total borrowings</b>	<u>44,169</u>	<u>9,442</u>

**23. Changes in material litigation**

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

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**SELECTED EXPLANATORY NOTES  
TO THE INTERIM FINANCIAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2016**

**24. Dividends**

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

**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 31.03.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits of Eonmetall Group Berhad and its subsidiaries:		
- Realised	119,225	96,984
- Unrealised	(133)	305
	<u>119,092</u>	<u>97,289</u>
Less: Consolidation adjustments	<u>(43,976)</u>	<u>(33,590)</u>
Total Group retained profits as per consolidation accounts	<u><b>75,116</b></u>	<u><b>63,699</b></u>

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TO THE INTERIM FINANCIAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2016**

**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 31.03.2016	Period ended 31.03.2016
Profit after tax attributable to owners of the Company (RM'000)	11,419	11,419
<b>Basic :</b>		
Weighted average number of shares in issue ('000)	168,653	168,653
Basic earnings per share (sen)	<u>6.77</u>	<u>6.77</u>
<b>Diluted :</b>		
Diluted earnings per share (sen)	<u>6.77</u>	<u>6.77</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 24<sup>th</sup> May 2016**