

EONMETALL GROUP BERHAD

(Company No. 631617 D)

(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2017

	Three Months Ended		Period Ended	
	30-Jun-17 RM'000	30-Jun-16 RM'000	30-Jun-17 RM'000	30-Jun-16 RM'000
Continuing Operations				
Revenue	<u>27,683</u>	<u>26,615</u>	<u>60,707</u>	<u>59,513</u>
Operating profit/(loss)	6,837	4,820	14,248	17,148
Interest expense	(978)	(743)	(1,922)	(1,552)
Interest income	4	4	9	6
Profit/(Loss) before tax	<u>5,863</u>	<u>4,081</u>	<u>12,335</u>	<u>15,602</u>
Tax expense	(95)	(78)	(268)	(182)
Profit/(Loss) after tax from continuing operations	<u>5,768</u>	<u>4,003</u>	<u>12,067</u>	<u>15,420</u>
Other comprehensive income/(loss)	92	(158)	151	283
Total comprehensive income/(loss)	<u>5,860</u>	<u>3,845</u>	<u>12,218</u>	<u>15,703</u>
Profit/(Loss) after tax attributable to:				
Owners of parent	5,771	4,004	12,070	15,421
Non-controlling interests	(3)	(1)	(3)	(1)
	<u>5,768</u>	<u>4,003</u>	<u>12,067</u>	<u>15,420</u>
Total comprehensive income/(loss) attributable to:				
Owners of parent	5,870	3,845	12,228	15,703
Non-controlling interests	(10)	-	(10)	-
	<u>5,860</u>	<u>3,845</u>	<u>12,218</u>	<u>15,703</u>
Earnings/(Loss) per share attributable to owners of the Company				
Basic earnings/(loss) per share (sen)	<u>3.42</u>	<u>2.37</u>	<u>7.16</u>	<u>9.14</u>
Diluted earnings/(loss) per share (sen)	<u>3.42</u>	<u>2.37</u>	<u>7.16</u>	<u>9.14</u>

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and the audited financial statements for the year ended 31 December 2016.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Unaudited 30-Jun-17 RM'000	Audited 31-Dec-16 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	94,209	95,593
Investment properties	30,831	30,981
Deferred tax assets	1,625	1,625
Trade and other receivables	-	-
	<u>126,665</u>	<u>128,199</u>
Current assets		
Trade and other receivables	56,457	44,943
Inventories	71,902	61,476
Current tax assets	10	210
Cash and cash equivalents	3,612	2,621
	<u>131,981</u>	<u>109,250</u>
TOTAL ASSETS	<u>258,646</u>	<u>237,449</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	85,585	85,585
Treasury share, at cost	(783)	(783)
Share premium	1,549	1,549
Translation reserve	(1,568)	(1,729)
Retained earnings	84,014	71,944
	<u>168,797</u>	<u>156,566</u>
Non-controlling interests	258	271
TOTAL EQUITY	<u>169,055</u>	<u>156,837</u>
LIABILITIES		
Non-current liabilities		
Loans and borrowings	6,918	10,295
Deferred tax liabilities	1,407	1,407
	<u>8,325</u>	<u>11,702</u>
Current liabilities		
Trade and other payables	17,307	11,661
Loans and borrowings	63,215	56,505
Current tax liabilities	744	744
	<u>81,266</u>	<u>68,910</u>
TOTAL LIABILITIES	<u>89,591</u>	<u>80,612</u>
TOTAL EQUITY AND LIABILITIES	<u>258,646</u>	<u>237,449</u>
Net assets per share (RM)	<u>1.00</u>	<u>0.93</u>

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and audited financial statements for the year ended 31 December 2016.

EONMETALL GROUP BERHAD

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

	←————— Non-distributable —————→				—————→ Distributable		Total attributable to owner of the parent	Non- controlling interest	Total equity	
	Share capital	Share premium	Treasury shares	Share option reserve	Statutory reserve	Translation reserve				Retained earnings
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance at 1 January 2016	85,585	1,549	(781)	-	-	(1,319)	63,699	148,733	318	149,051
Profit for the year	-	-	-	-	-	-	15,421	15,421	(1)	15,420
Foreign currency translations	-	-	-	-	-	283	-	283	-	283
Total comprehensive loss for the period	-	-	-	-	-	283	15,421	15,704	(1)	15,703
Purchase of treasury shares	-	-	(1)	-	-	-	-	(1)	-	(1)
Non-controlling interest arising on a business combination	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2016	85,585	1,549	(782)	-	-	(1,036)	79,120	164,436	317	164,753
Balance at 1 January 2017	85,585	1,549	(783)	-	-	(1,729)	71,944	156,566	271	156,837
Profit for the year	-	-	-	-	-	-	12,070	12,070	(3)	12,067
Foreign currency translations	-	-	-	-	-	161	-	161	(10)	151
Total comprehensive income for the year	-	-	-	-	-	161	12,070	12,231	(13)	12,218
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2017	85,585	1,549	(783)	-	-	(1,568)	84,014	168,797	258	169,055

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and audited financial statements for the year ended 31 December 2016.

EONMETALL GROUP BERHAD

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2017

	Period ended	
	30-Jun-17 RM'000	30-Jun-16 RM'000
Cash flows from operating activities		
Profit before tax from continuing operations	12,335	15,602
Adjustments for:		
Depreciation of property, plant and equipment	2,587	2,074
Depreciation of investment property	218	212
Interest expense	1,922	1,552
Interest income	(9)	(6)
Gain on disposal of plant and equipment	(101)	(262)
Property, plant and equipment written off	-	3
Loss on foreign exchange - unrealised	192	294
Operating profit before changes in working capital	17,144	19,469
Changes in working capital:		
Inventories	(10,426)	268
Trade and other receivables	(11,514)	(2,608)
Trade and other payables	5,454	(6,457)
Cash generated from operations	658	10,672
Tax paid	(68)	(182)
Net cash generated from operating activities	590	10,490
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,208)	(332)
Purchase of investment property	(68)	(176)
Interest received	9	6
Proceeds from disposal of plant and equipment	106	264
Net cash used in investing activities	(1,161)	(238)
Cash flows from financing activities		
Drawdown of short term borrowings, net	6,018	(1,569)
Proceeds from hire purchase creditors	-	145
Repayment of term loans	(3,370)	(2,642)
Repayment of hire purchase creditors	(60)	(88)
Purchase of treasury shares	-	(1)
Interest paid	(1,922)	(1,552)
Net cash generated from/(used in) financing activities	666	(5,707)
Net (decrease)/increase in cash and cash equivalents	95	4,545
Effect of exchange rate changes	151	283
Cash and cash equivalents at beginning of year	(8,374)	(3,060)
Cash and cash equivalents at end of financial year	(8,128)	1,768
Notes:		
A) Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise :		
Cash & bank balances	3,612	6,020
Bank overdrafts	(11,740)	(4,252)
	(8,128)	1,768

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and audited financial statements for the year ended 31 December 2016.

EONMETALL GROUP BERHAD

(Company No. 631617-D)

(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017

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 2016. 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 2016.

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 2016 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 2017

- Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014 – 2016 Cycle
- Amendments to MFRS 107 Disclosure Initiative
- Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

The Group had adopted the above Amendments to Standards, with a date of initial application of 1 January 2017. The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

EONMETALL GROUP BERHAD

(Company No. 631617-D)

(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017

2. Significant Accounting Policies (cont'd)

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

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been early adopted by the Group and the Company.

Description		Effective for financial periods beginning on or after
• Amendments to MFRS 1	Annual Improvement to MFRS Standards 2014 – 2016 Cycle	1 January 2018
• 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	1 January 2018
• Clarifications to MFRS 15		1 January 2018
• Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
• Amendments to MFRS 128	Annual Improvement to MFRS Standards 2014 – 2016 Cycle	1 January 2018
• Amendments to MFRS 140	Transfer of Investment Property	1 January 2018
• IC Interpretation 22	Foreign Currency Translation and Advance Consideration	1 January 2018
• Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract	See MFRS 4 Paragraphs 46
• MFRS 16	Leases	1 January 2019
• Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	Deferred

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

3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2016 was not qualified.

EONMETALL GROUP BERHAD

(Company No. 631617-D)

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2017**

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)

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017

9. Segment revenue and results

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

Period-to-date ended	Machinery and equipment RM'000	Steel product and trading activity RM'000	Property, investment holding and others RM'000	Total RM'000
30-June-17				
Total revenue	11,521	47,715	925	60,161
Inter-segment revenue	-	(32,120)	(358)	(32,478)
External revenue	11,521	15,595	567	27,683
Interest income	1	3	-	4
Interest expense	328	495	155	978
Depreciation and amortisation	201	1,017	194	1,412
Segment profit/(loss)	3,538	3,227	(902)	5,863
Period-to-date ended				
30-June-16				
Total revenue	9,444	24,684	863	34,991
Inter-segment revenue	-	(8,036)	(340)	(8,376)
External revenue	9,444	16,648	523	26,615
Interest income	3	1	-	4
Interest expense	374	266	103	743
Depreciation and amortisation	212	1,102	234	1,548
Segment (loss)/profit	627	3,758	(303)	4,082

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.

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(Company No. 631617-D)

(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017

12. Changes in contingent liabilities or contingent assets

	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	<u>192,704</u>	<u>194,004</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 30 June 2017.

	Period ended 30.06.2017 RM'000
Rental of premises	159
Sale of goods	10,500
Purchase of goods	<u>669</u>

EONMETALL GROUP BERHAD

(Company No. 631617-D)

(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017

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 second quarter ended 30 June 2017 increased by RM1.1 million from RM26.6 million up to RM27.7 million as compared to the corresponding quarter in the prior financial year. This is mainly attributed by revenue generated from machinery and equipment segment for the current quarter.

The Group's profit before tax ("PBT") for the current quarter is RM5.9 million, increased by RM1.8 million equivalent to a rise of 43.9% as compared to the PBT of RM4.1 million recorded in preceding year corresponding quarter. The performance of the operating of each business segment for the second quarter as compared to the preceding year corresponding quarter is presented as follows:-

(a) Machinery and equipment segment

This segment recorded revenue of RM11.5 million for the current quarter as compared to RM9.4 million achieved in the previous year corresponding quarter, representing an increase of RM2.1 million equivalent to a rise of 22.3%. This segment recorded PBT of RM3.5 million, a rise of RM2.9 million equivalent to 4.83 times as compared to PBT of RM0.6 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 RM15.6 million, representing a decrease of RM1 million (from RM16.6 million drop to RM15.6 million) as compared to the corresponding quarter preceding year. This segment recorded PBT of RM3.2 million for the quarter under review, a decrease of RM0.6 million which represents a drop of 15.8% from PBT of RM3.8 million recorded in the previous year corresponding quarter which was in line with the decrease in revenue.

(c) Property, investment holding and other segment

This segment represents non significant trading of non-steel products and rental income derived from the Group's properties 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 30 JUNE 2017

16. Variation of results against preceding quarter

	Individual quarter ended	
	30.06.2017	31.03.2017
	RM'000	RM'000
Revenue	27,683	33,024
Profit before tax	<u>5,863</u>	<u>6,472</u>

The Group recorded a current quarter PBT of RM5.9 million, representing a decrease of RM0.6 million (from RM6.5 million drop to RM5.9 million) as compare to the preceding quarter mainly due to decrease in revenue of machinery and equipment segment and steel product and trading activity 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 2017 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	Period
	ended	ended
	30.06.2017	30.06.2017
	RM'000	RM'000
Other income	(217)	(434)
Interest Income	(4)	(9)
Interest expenses	978	1,922
(Loss)/Gain on disposal of plant and equipment	(1)	101
Depreciation of property, plant and equipment	1,302	2,587
Depreciation of investment property	110	218
Realised (gain)/loss on foreign exchange	(143)	(393)
Unrealised (gain)/loss on foreign exchange	<u>227</u>	<u>192</u>

EONMETALL GROUP BERHAD

(Company No. 631617-D)

(Incorporated in Malaysia)

**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2017**

20. Taxation

	3 months ended 30.06.2017 RM'000	Period ended 30.06.2017 RM'000
Current tax expense	(95)	(268)
Deferred tax expense	-	-
	<u>(95)</u>	<u>(268)</u>

21. Status of corporate proposal announced

There was no corporate proposal announced but not completed as at the date of this announcement save for the following :-

On 13 October 2016, the company announced that the company proposed to undertake a private placement of new ordinary shares of RM0.50 each in the company of up to ten percent (10%) of the issued and paid-up share capital of the company. The investors to be identified and at an issue price to be determined by the Board and to be announced later.

On 28 October 2016, the company announced that the additional listing application for the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad.

On 8 November 2016, the company announced that Bursa Malaysia Securities Berhad had vide its letter dated 7 November 2016 (which was received on 8 November 2016) approved the listing and quotation of up to 17,117,100 new shares to be issued pursuant to the Proposed Private Placement.

On 21 April 2017, the company announced that an application for an extension of time of six (6) months up to 6 November 2017 to complete the implementation of the Private Placement has been submitted to Bursa Malaysia Securities Berhad.

On 05 May 2017, the company announced that Bursa Malaysia Securities Berhad had vide its letter dated 04 May 2017 (which was received on 5 May 2017) approved the extension of time of 6 months up to 6 November 2017 to complete the implementation of the Private Placement.

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EONMETALL GROUP BERHAD

(Company No. 631617-D)

(Incorporated in Malaysia)

**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2017****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
RM denominated borrowings		
<u>Secured</u>		
Term loans	6,781	6,843
Hire purchases	52	75
	6,833	6,918
<u>Unsecured</u>		
Bank overdrafts	11,740	-
Bankers' acceptances	34,892	-
Revolving credit	9,750	-
	56,382	-
Total borrowings	63,215	6,918

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 current financial period.

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EONMETALL GROUP BERHAD**(Company No. 631617-D)****(Incorporated in Malaysia)****SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2017****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 30.06.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits of Eonmetall Group Berhad and its subsidiaries:		
- Realised	121,450	110,453
- Unrealised	2,325	1,638
	<u>123,775</u>	<u>112,091</u>
Less: Consolidation adjustments	<u>(39,761)</u>	<u>(40,147)</u>
Total Group retained profits as per consolidation accounts	<u>84,014</u>	<u>71,944</u>

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2017**

26. Earnings per share

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

	3 months ended 30.06.2017	Period ended 30.06.2017
Profit after tax attributable to owners of the Company (RM'000)	5,771	12,070
Basic :		
Weighted average number of shares in issue ('000)	168,651	168,651
Basic earnings per share (sen)	<u>3.42</u>	<u>7.16</u>
Diluted :		
Diluted earnings per share (sen)	<u>3.42</u>	<u>7.16</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 24th August 2017