



**CHOO BEE METAL INDUSTRIES BERHAD (10587-A)**  
**INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE SECOND**  
**FINANCIAL QUARTER ENDED 30 JUNE 2013**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

	Note	Individual quarter		Cumulative quarter	
		Current	Preceding	Current	Preceding
		year quarter 30.06.2013 RM'000	year corresponding quarter 30.06.2012 RM'000	year todate 30.06.2013 RM'000	year todate 30.06.2012 RM'000
Revenue		121,308	127,175	231,127	237,104
Cost of sales:					
Factory and production cost		(107,786)	(116,826)	(201,720)	(215,019)
Factory depreciation		(1,303)	(1,306)	(2,606)	(2,610)
Gross profit		12,219	9,043	26,801	19,475
Other gain/(expense)	B12	349	(286)	1,053	(315)
Depreciation and amortisation		(277)	(272)	(560)	(544)
Administrative expenses		(2,465)	(2,475)	(5,071)	(5,088)
Selling & distribution expenses		(3,118)	(2,814)	(5,976)	(5,274)
Finance costs		(146)	(77)	(200)	(106)
Profit before taxation		6,562	3,119	16,047	8,148
Tax expense	B6	(1,349)	(711)	(2,893)	(2,195)
Profit for the period		5,213	2,408	13,154	5,953
Other comprehensive income		-	-	-	-
Total comprehensive income		5,213	2,408	13,154	5,953
Profit attributable to:					
Owners of the parent		5,213	2,408	13,154	5,953
Total comprehensive income attributable to:					
Owners of the parent		5,213	2,408	13,154	5,953
Earnings per share attributable to owners of the Company:					
a) Basic (sen)	B11(a)	4.78	2.21	12.07	5.46
b) Diluted (sen)	B11(b)	N/A	N/A	N/A	N/A

(The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements).



**CHOO BEE METAL INDUSTRIES BERHAD (10587-A)**  
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**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

	As at 30.06.2013 (Unaudited) RM'000	As at 31.12.2012 (Audited) RM'000	As at 01.01.2012 (Restated) RM'000
Note			
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	122,618	119,318	122,495
Investment properties	2,947	2,947	2,570
Prepaid lease payments for land	3,135	3,203	3,332
Goodwill on consolidation	-	-	87
	<u>128,700</u>	<u>125,468</u>	<u>128,484</u>
<b>Current Assets</b>			
Inventories	189,779	143,358	179,582
Other investments	-	4,112	-
Derivative assets	79	58	9
Trade and other receivables	142,053	124,722	126,688
Current tax assets	1,778	2,630	1,425
Cash and cash equivalents	10,284	35,354	10,163
	<u>343,973</u>	<u>310,234</u>	<u>317,867</u>
<b>TOTAL ASSETS</b>	<u><u>472,673</u></u>	<u><u>435,702</u></u>	<u><u>446,351</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the owners of the parent</b>			
Share capital	109,903	109,903	109,903
Treasury shares	(1,450)	(1,447)	(1,374)
Reserves	308,781	299,713	294,976
<b>TOTAL EQUITY</b>	<u>417,234</u>	<u>408,169</u>	<u>403,505</u>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Deferred tax liabilities	13,557	13,207	12,682
	<u>13,557</u>	<u>13,207</u>	<u>12,682</u>
<b>Current Liabilities</b>			
Trade and other payables	12,760	13,314	9,604
Derivative liabilities	-	6	-
Borrowings	28,923	1,000	20,331
Current tax liabilities	199	6	229
	<u>41,882</u>	<u>14,326</u>	<u>30,164</u>
<b>TOTAL LIABILITIES</b>	<u>55,439</u>	<u>27,533</u>	<u>42,846</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>472,673</u></u>	<u><u>435,702</u></u>	<u><u>446,351</u></u>
Net Tangible Assets Per Share (RM)	3.83	3.75	3.70
Net Assets Per Share (RM)	3.83	3.75	3.70

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements).



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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE QUARTER**  
**ENDED 30 JUNE 2013 (UNAUDITED)**

	30.06.2013	30.06.2012
	RM'000	(Restated) RM'000
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	251,347	236,399
Cash payments for inventory/to suppliers	(280,678)	(215,724)
Cash paid for operating expenses and to employees	(19,881)	(19,456)
Cash flows (used in)/generated from operations	(49,212)	1,219
Tax paid	(1,498)	(3,703)
Tax refunded	1	459
Interest received	139	194
Net cash flows used in operating activities	(50,570)	(1,831)
<b>Cash Flows From Investing Activities</b>		
Proceeds from disposal of prepaid lease payments for lands and property, plant and equipment	528	22
Interest received	158	88
Purchase of property, plant and equipment	(6,989)	(1,768)
Purchase of prepaid lease payments for land	-	(6)
Proceeds from disposal of other investment	4,133	-
Fixed deposits pledged to the bank	(3)	-
Net cash flows used in investing activities	(2,173)	(1,664)
<b>Cash Flows From Financing Activities</b>		
Drawdowns of short term borrowings	90,352	44,965
Repayments of short term borrowings	(62,575)	(43,899)
Interest paid	(200)	(106)
Repurchase of own shares	(3)	(41)
Net cash flows from financing activities	27,574	919
Net decrease in cash and cash equivalents	(25,169)	(2,576)
Effects of exchange rate changes on cash and cash equivalents	97	-
Cash and cash equivalents at beginning of period	35,186	10,163
Cash and cash equivalents at end of period	10,114	7,587
<b>Cash and cash equivalent comprise:</b>		
Cash and bank balances	10,284	7,587
Fixed deposits pledged to the bank	(170)	-
Cash and cash equivalents at end of period	10,114	7,587



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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE QUARTER**  
**ENDED 30 JUNE 2013 (UNAUDITED) (CONT'D)**

**Note: Reconciliation of operating profit to cash flows from operations:**

Profit before taxation	16,047	8,148
Adjustments for:-		
Impairment losses on trade and other receivables	293	-
Impairment losses on trade receivables no longer required	(519)	(113)
Amortisation of prepaid lease payments for land	68	68
Depreciation of property, plant and equipment	3,098	3,086
Interest expenses	200	106
Fair value adjustments on derivative financial instruments	(79)	258
Fair value adjustments on other investments	(15)	-
Loss/(Gain) on disposal of prepaid lease payments for land and property, plant and equipment	61	(9)
Gain on disposal of other investment	(11)	-
Interest income	(158)	(88)
Interest income on overdue accounts	(139)	(194)
Inventories (written back)/write down	(32)	1,812
Property, plant and equipment written off	2	-
Unrealised loss on foreign exchange transaction	33	24
Total adjustments	<u>2,802</u>	<u>4,950</u>
Operating profit before changes in working capital	18,849	13,098
<u>Changes in working capital:</u>		
Inventories	(46,389)	8,003
Trade and other receivables	(16,922)	(28,996)
Trade and other payables	(4,750)	9,114
Total changes in working capital	<u>(68,061)</u>	<u>(11,879)</u>
Cash flows (used in)/generated from operations	(49,212)	1,219
Tax paid	(1,498)	(3,703)
Tax refunded	1	459
Interest received	139	194
<b>Net cash flows used in operating activities</b>	<u><u>(50,570)</u></u>	<u><u>(1,831)</u></u>

(The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements).



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

	< ----- Attributable to Owners of the Company ----- >					----- >	
	Non-distributable					Distributable	
	Share Capital	Treasury Shares	Share Premium	Revaluation Reserve	General Reserve	Retained Earnings	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Opening Balance At 1 Jan 2013</b>	109,903	(1,447)	17,765	-	1,186	280,762	408,169
Total comprehensive income for the period	-	-	-	-	-	13,154	13,154
<b>Transactions with owners</b>							
Proposed dividends	-	-	-	-	-	(4,086)	(4,086)
Purchase of treasury shares	-	(3)	-	-	-	-	(3)
<b>Total transactions with owners</b>	-	(3)	-	-	-	(4,086)	(4,089)
<b>Closing Balance at 30 Jun 2013</b>	109,903	(1,450)	17,765	-	1,186	289,830	417,234
<b>Opening Balance At 1 Jan 2012 (restated)</b>	109,903	(1,374)	17,765	292	1,186	275,733	403,505
Effects of adopting MFRS	-	-	-	-	-	-	-
<b>Restated balance</b>	109,903	(1,374)	17,765	292	1,186	275,733	403,505
Total comprehensive income for the period	-	-	-	-	-	5,953	5,953
<b>Transactions with owners</b>							
Proposed dividends	-	-	-	-	-	(4,904)	(4,904)
Purchase of treasury shares	-	(41)	-	-	-	-	(41)
<b>Total transactions with owners</b>	-	(41)	-	-	-	(4,904)	(4,945)
<b>Closing Balance at 30 Jun 2012 (restated)</b>	109,903	(1,415)	17,765	292	1,186	276,782	404,513

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim statements).



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**EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING**

**A1 Basis of preparation**

The interim financial statements, other than for financial instruments and investment properties, have been prepared under the historical cost convention. Certain financial instruments have been carried at fair value in accordance to MFRS 139 Financial Instruments: Recognition and Measurement, while investment properties are stated at fair value as per MFRS 140 : Investment Property.

The interim financial statements has been prepared in accordance with MFRS 134 : Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia).

This interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 of the Group and the accompanying notes attached to the interim financial report.

(i) *MFRS, IC Interpretation and Amendments to MFRSs adopted by the Group during the current financial period:*

The following MFRS, IC Interpretation and Amendments to MFRSs have been adopted by the Group during the current financial period:

**MFRSs, Amendments to MFRSs and IC Interpretations**

**Effective for annual periods  
beginning on or after**

Amendments to MFRS 101 : Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3 : Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 : Consolidated Financial Statements	1 January 2013
MFRS 11 : Joint Arrangements	1 January 2013
MFRS 12 : Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 : Fair Value Measurement	1 January 2013
MFRS 119 : Employee Benefits (as amended by IASB in June 2011)	1 January 2013
MFRS 127 : Separate Financial Statements (as amended by IASB in May 2011)	1 January 2013
MFRS 127 : Consolidated and Separate Financial Statements (revised by IASB in December 2003)	1 January 2013
MFRS 128 : Investments in Associates and Joint Ventures (as amended by IASB in May 2011)	1 January 2013
IC Interpretation 20 : Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 1 : First Time Adoption of MFRS – Government Loans	1 January 2013



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**A1 Basis of preparation (Cont'd)**

(ii) *MFRS, IC Interpretation and Amendments to MFRSs adopted by the Group during the current financial period (Cont'd):*

Amendments to MFRS 7	: Financial Instruments : Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10	: Consolidated Financial Statements : Transition Guidance	1 January 2013
Amendments to MFRS 11	: Joint Arrangements : Transition Guidance	1 January 2013
Amendments to MFRS 12	: Disclosure of Interests in Other Entities : Transition Guidance	1 January 2013
Amendments to MFRS 101	: Annual improvements 2009 – 2011 cycle	1 January 2013
Annual Improvements to IC Interpretations and MFRSs 2009 – 2011 Cycle		1 January 2013

IC Interpretation 20 is not applicable to the Group as it is not relevant to the Group's operations. Government Loans (Amendments to MFRS 1) has no financial impact to the Group as the Group does not hold any government grants or receive any government assistance.

The adoption of all the other MFRSs, amendments to MFRSs and Annual improvements to IC interpretations and MFRSs did not have any financial impact on the Group, except the following:

**a. Amendments to MFRS 101 : Annual improvements 2009 – 2011 cycle**

The above amendments require disclosure when reclassifications are made to the comparative figures as a result of changes in classification of items in its financial statements. Certain items in the Condensed Consolidated Statements of Financial Position have been reclassified to conform with the presentation of the audited accounts presentation for the year ended 31 December 2012.

The adoption of this amendment affects presentation only and has no financial impact on the financial statements.

<b><u>Condensed Consolidated Statements of Financial position</u></b> <b><u>As at 1 January 2012</u></b>	<b>As previously reported RM'000</b>	<b>Reclassifi cations RM'000</b>	<b>As Restated RM'000</b>
<i>Current assets</i>			
Trade and other receivables	114,214	12,474	126,688
Other assets	12,474	(12,474)	-



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**a. Amendments to MFRS 101 : Annual improvements 2009 – 2011 cycle (Cont'd)**

<b><u>Condensed Consolidated Statements of Financial position</u></b>	<b>As previously reported RM'000</b>	<b>Reclassifi cations RM'000</b>	<b>As Restated RM'000</b>
<i>Equity attributable to the owners of the parent</i>			
Reserves	18,951	276,025	294,976
Retained earnings	276,025	(276,025)	-

*(iii) MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective*

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

<b>MFRSs, Amendments to MFRSs and IC Interpretations</b>	<b>Effective for annual periods beginning on or after</b>
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Amendments to MFRS 10 : Consolidated Financial Statements : Investment Entities	1 January 2014
Amendments to MFRS 12 : Disclosure of Interests in Other Entities : Investment Entities	1 January 2014
Amendments to MFRS 127 : Consolidated and Separate Financial Statements : Investment Entities	1 January 2014
Amendments to MFRS 132 : Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9 : Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9 : Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015
Amendments to MFRS 9 : Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015

The above amendments to MFRSs and revised MFRS will be adopted in the financial statements when they become effective. The adoption of amendments to MFRS 10, 12 and 127 are not expected to have any significant financial impact to the Group as the Company is not an investment entity as defined in MFRS 10. As for the adoption of amendments to MFRS 132 and MFRS 9, it is not expected to have any financial impact to the Group as current accounting practices are aligned with the respective MFRSs.





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**A2 Auditor's report on preceding annual financial statements**

The preceding year's audit report for the year ended 31 December 2012 was not qualified.

**A3 Seasonality or cyclical nature of operations**

The level of business activities usually varies with the festivals at the end and beginning of each year subject to the level of underlying demand and prevailing prices.

**A4 Unusual items**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group in the 2nd quarter and six months ended 30 June 2013.

**A5 Material changes in estimates of amounts reported**

There were no material changes in estimates of amounts reported in the previous financial year which have a material effect in the 2nd quarter and six months ended 30 June 2013.

**A6 Capital management, issuances, repurchases, and repayments of debts and equity instruments**

For the current quarter, the Company did not repurchase any ordinary shares from the open market. As at 30 June 2013, a total of 954,925 treasury shares were held by the Company. The repurchased shares are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act, 1965.

There were no issues of debt or equity securities for the current financial year to date.

The Group's objectives of managing capital are to safeguard the Group's ability to continue in operations as a going concern in order to provide fair returns for shareholders and benefits for other stakeholders and to maintain the optimal capital structure, the Group may, from time to time, adjust the dividend payout to shareholders, return capital to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

For capital management purposes, the Group considers shareholders' equity, non-controlling interests and long-term liabilities to be the key components in the Group's capital structure. The Group monitors capital on the basis of gearing ratio, which is net debt divided by total capital plus net debts. The Group includes within net debt, loan and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the equity holders of the Group less the fair value adjustment reserve. The Group's strategy is to maintain a low gearing ratio.

The gearing ratios as at 30 June 2013 and 30 June 2012, which are within the Group's objectives for capital management, are as follows:



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**A6 Capital management, issuances, repurchases, and repayments of debts and equity instruments (Cont'd)**

	30 June 2013 (RM'000)	30 June 2012 (RM'000)
Borrowings	28,923	21,397
Trade and other payables	12,760	23,723
Less : Cash and bank balances	(10,284)	(7,587)
Net debts	31,399	37,533
Equity attributable to the owners of the parent	417,234	404,513
Capital and net debts	448,633	442,046
Gearing ratio (%)	7.0%	8.5%

**A7 Dividends paid**

There were no dividends paid in the current financial quarter.

**A8 Operating segment information**

Segment information is presented in respect of the Group's operating segments.

The Group comprises the following main operating segments:

- (i) Manufacturing      Processing of steel coils into steel products and fabrication of steel products
- (ii) Trading              Dealing in hardware and construction materials

Segment information for the current financial period ended 30 June 2013 is as follows:-

	Trading RM'000	Manufacturing RM'000	Total RM'000
<b>Revenue</b>			
Total revenue	162,206	102,668	264,874
Inter-segment revenue	(15,269)	(18,478)	(33,747)
Revenue from external customers	146,937	84,190	231,127
<b>Profit for the quarter</b>			
Total profit or loss	6,527	9,930	16,457
Unallocated expenses			(210)
Finance costs			(200)
Profit before tax			16,047
Tax expense			(2,893)
Profit for the quarter			13,154



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**A8 Operating segment information (Cont'd)**

Segment information for the previous financial period ended 30 June 2012 is as follows:-

	Trading RM'000	Manufacturing RM'000	Total RM'000
<b>Revenue</b>			
Total revenue	149,178	115,871	265,049
Inter-segment revenue	(13,556)	(14,389)	(27,945)
Revenue from external customers	<u>135,622</u>	<u>101,482</u>	<u>237,104</u>
<b>Profit for the quarter</b>			
Total profit or loss	5,778	2,719	8,497
Unallocated expenses			(243)
Finance costs			<u>(106)</u>
Profit before tax			8,148
Tax expense			<u>(2,195)</u>
Profit for the quarter			<u><u>5,953</u></u>

Segment assets and liabilities as at 30 June 2013 is as follows:-

	Trading RM'000	Manufacturing RM'000	Total RM'000
<b>Assets</b>			
Total assets	185,444	272,141	457,585
Investment properties			2,947
Other investments			-
Derivative assets			79
Current tax assets			1,778
Cash and cash equivalents			<u>10,284</u>
			<u><u>472,673</u></u>



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**A8 Operating segment information (Cont'd)**

Segment assets and liabilities as at 30 June 2013 is as follows (Cont'd):-

	Trading RM'000	Manufacturing RM'000	Total RM'000
<b>Liabilities</b>			
Total liabilities	20,578	21,105	41,683
Derivative liabilities			-
Current tax liabilities			199
Deferred tax liabilities			13,557
			<u>55,439</u>

Segment assets and liabilities as at 30 June 2012 is as follows :-

	Trading RM'000	Manufacturing RM'000	Total RM'000
<b>Assets</b>			
Total assets	272,903	177,179	450,082
Investment properties			2,570
Goodwill			87
Other investments			-
Drivative assets			-
Current tax assets			2,651
Cash and cash equivalents			7,587
			<u>462,977</u>
<b>Liabilities</b>			
Total liabilities	22,510	22,610	45,120
Derivative liabilities			257
Current tax liabilities			16
Deferred tax liabilities			13,070
			<u>58,463</u>

**A9 Material events subsequent to the end of the interim period**

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the interim financial statements.

**A10 Effects of changes in composition of the group**

There were no changes in composition of the Group during the 2nd quarter and six months ended 30 June 2013.



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**A11 Contingent assets and contingent liabilities**

There were no contingent liabilities or contingent assets at the date of issue of the quarterly report.

**A12 Capital commitments**

Authorised capital commitments not recognized in the interim financial statements as at 30 June 2013 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	17,400
Approved but not contracted for	14,500
	<u>31,900</u>

**A13 Related party transactions**

Related party transactions for the quarter under review in which certain directors have direct/indirect interest are as follows:

	<b>Group</b>	
	Current year quarter RM'000	Current year to date RM'000
Sales of steel products	199	656
Rental	214	428
	<u>413</u>	<u>1,084</u>

These transactions have been entered into in the normal course of business and at arms length basis and on terms no more favourable to the related party than those generally available to the public.

**A14 Write back of inventories to net realizable values**

Total net inventories written back to either net realizable value or replacement cost for the financial period ended 30 June 2013 was RM32,087.



## **CHOO BEE METAL INDUSTRIES BERHAD (10587-A)** **INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE SECOND** **FINANCIAL QUARTER ENDED 30 JUNE 2013**

**EXPLANATORY NOTES : (AS PER MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA – PART A OF APPENDIX 9B)**

### **B1 Review of the performance of the company and its principal subsidiaries**

#### **a) Current quarter vs. Previous year corresponding quarter**

The Group recorded revenue of RM121.3 million for the quarter ended 30.06.2013 (“2Q 2013”), compared to revenue of RM127.2 million for the quarter ended 30.06.2012 (“2Q 2012”), a decline of RM5.9 million (4.6%). Though the trading segment recorded revenue growth of 1.1%, this increase was offset by the weaker market demand of the manufacturing segment and lower selling prices as compared to 2Q 2012.

Even though revenue decreased, the Group's profit before taxation for 2Q 2013 strengthened by RM3.5 million to RM6.6 million as compared to 2Q 2012 of RM3.1 million. This was mainly contributed by the manufacturing segment due to lower raw materials cost resulting from incentives and rebates received on quantity purchases improving profit margins.

The performance of the respective operating business segments of the Group for 2Q 2013 as compared to 2Q 2012 is analysed as follows:

#### Manufacturing

Manufacturing operations comprise processing of steel coils into steel products and fabrication of steel products. The manufacturing operations recorded a revenue of RM44.8 million in 2Q 2013, a decrease of RM6.7 million (13%) compared to RM51.5 million in 2Q 2012. The decrease was mainly due to the weaker market demand and lower selling prices compared to 2Q 2012.

#### Trading

Trading operations comprise dealings in hardware and construction materials. The trading operations recorded a revenue of RM76.5 million in 2Q 2013, an increase of RM0.8 million (1.1%) compared to RM75.7 million in 2Q 2012. The increase was mainly due to higher sales volume for a palm oil mill factory project in the northern region.

#### **b) Current year-to date vs. Previous year-to date**

For the 6 months ended 30.06.2013 (“YTD 2Q 2013”), the Group recorded revenue of RM231.1 representing a decrease of RM6.0 million as compared to revenue of RM237.1 million recorded in the 6 months ended 30.06.2012 (“YTD 2Q 2012”), despite a higher metric tonne sales. The decrease was mainly contributed by lower average selling prices.

The Group's profit before taxation for YTD 2Q 2013 meanwhile improved by RM7.9 million to RM16.0 million as compared to YTD 2Q 2012 of RM8.1 million, despite the lower revenue recorded. This was mainly contributed by the manufacturing segment due to lower raw materials cost resulting from incentives and rebates received on quantity purchases, which cushioned the effects of the lower selling prices.



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#### **b) Current year-to date vs. Previous year-to date (Cont'd)**

The performance of the respective operating business segments of the Group for YTD 2Q 2013 as compared to YTD 2Q 2012 is analysed as follows:

##### Manufacturing

Manufacturing operations comprises processing of steel coils into steel products and fabrication of steel products. The manufacturing operations recorded a revenue of RM84.2 million in YTD 2Q 2013, a decline of 17.0% compared to RM101.5 million in YTD 2Q 2012. The decline is mainly due to weaker market demand and the completion of the national water project in 2012.

##### Trading

Trading operations comprises dealings in hardware and construction materials. The trading operations recorded a revenue of RM146.9 million in YTD 2Q 2013, an increase of 8.3% compared to RM135.6 in YTD 2Q 2012. This increase was contributed by higher demand for construction materials and a palm oil mill factory project in the northern region.

#### **B2 Comparison with preceding quarter's results**

The Group's revenue for 2Q 2013 of RM121.3 million increased by RM11.5 million or 10.5% as compared to 1Q 2013 of RM109.8 million, on the back of a higher metric tonne sales volume. Despite the increase in revenue, profit before taxation of RM6.6 million was recorded for 2Q 2013, a decrease of RM2.9 million as compared with RM9.5 million in 1Q 2013. The lower profit before taxation position was contributed by the higher purchase of raw materials to take advantage of the quantity discounts and rebates offered which setoff the higher metric tonne sales volume.

The increase in revenue was contributed by both the manufacturing and trading segments. For the manufacturing segment, the revenue increase was mainly due to the improvement in demand for steel pipes post 1Q 2013 chinese new year festive season, coupled with better average selling prices. The trading segment revenue increase was contributed by the higher sales volume for a palm oil mill factory project in the northern region.

#### **B3 Current year prospects and progress on previously announced revenue or profit forecast**

##### **a) Prospects for 2013**

Although there were recent improvements in global steel prices, i.e in Q1'13, prices begin slipping from mid of Q2'13 onwards. This weak price sentiment is expected to bottom out by Q3'13 with some upwards movement. The global steel outlook remains challenging and would continue to depend on further improvements to the Eurozone crisis, China's governmental measures to successfully rebalance the economy in China and the performance of the US economy.



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**a) Prospects for 2013 (Cont'd)**

On the domestic front, steel prices have somewhat stabilized due to the strengthening of the US dollar which translates into higher import prices and the uncertainty associated with the impending SIRIM policy change on material testing, which may have an adverse impact on selling prices. Projects under the government's Economic Transformation Programme (ETP) will continue to be the major driver affecting the local steel market performance in terms of steel prices and margins. Further improvements will also depend on the Government's on-going effort to address the steel industry's structural weaknesses by implementing various policies that will improve the cost competitiveness of steel manufacturers affecting margins.

Amidst the challenges, the Group will continue with its business strategy of improving on competitiveness and performance through higher productivity and operational efficiency.

**b) Progress and steps to achieve revenue or profit estimate, forecast, projection and internal targets previously announced**

There was no revenue or profit forecast announced by the Group.

**B4 Statement of the Board of Directors' opinion on achievability of revenue or profit estimate, forecast, projection and internal targets previously announced**

There was no revenue or profit forecast announced by the Group.

**B5 Variance of actual profit from forecast profit or profit guarantee**

There were no profit forecast or profit guarantee issued by the Group.

**B6 Taxation**

Tax charges comprise:

	Current year quarter RM'000	Current year todate RM'000
Income tax		
- current quarter / year	1,194	2,563
- underprovision in prior quarter / year	(32)	(40)
Deferred tax		
- current quarter / year	187	370
Tax expenses	<u>1,349</u>	<u>2,893</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the period. The Group's effective tax rate for the year to date under review was lower than the statutory tax rate mainly due to the utilization of unabsorbed reinvestment allowances offset against non-deductible expenses.





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**B7 (a) Status of corporate proposals announced but not completed**

There were no corporate proposals at the date of issue of the quarterly report.

**(b) Status of utilization of proceeds raised from any corporate proposal**

Not applicable.

**B8 Group borrowings and debt securities**

Details of Group's borrowings as at 30 June 2013 are as follows:-

**Short-term borrowings**

	RM'000	
Trade loan	7,473	Unsecured
Bankers' acceptance	21,450	Unsecured
	<u>28,923</u>	

Borrowings are denominated in the following currencies:

	RM'000	
- United States Dollar	7,473	Unsecured
- Ringgit Malaysia	21,450	Unsecured
	<u>28,923</u>	

The Group has no debt securities as at 30 June 2013.

**B9 Changes in material litigation (including status of any pending material litigation)**

There was no material litigation against the Group as at the date of this report.

**B10 Dividends proposed**

The Board of Directors has proposed a final dividend of 5% less 25% taxation (2011: 6% less 25% taxation) amounting to RM4.1 million in respect of the financial year ended 31 December 2012. The proposed final dividend has been approved by the shareholders' at the Annual General Meeting on 21 June 2013 and was paid on 22 August 2013 to shareholders registered at the close of business on 23 July 2013.



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**B11 Earnings per share (EPS)**  
**(a) Basic earnings per share**

		3 months ended		6 months ended	
		30.06.2013	30.06.2012	30.06.2013	30.06.2012
Profit attributable to the owners of the Company	(RM'000)	5,213	2,408	13,154	5,953
Weighted average number of ordinary shares in issue	('000)	108,948	108,974	108,949	108,976
Basic earnings per share	(sen)	4.78	2.21	12.07	5.46

**B11 Earnings per share (EPS) (Cont'd)**  
**(b) Diluted earnings per share**

Not applicable.

**B12 Other Gain/(Expense)**

		3 months ended		6 months ended	
		30.06.2013	30.06.2012	30.06.2013	30.06.2012
		RM'000	RM'000	RM'000	RM'000
Interest on :					
Customer overdue account		64	71	139	194
Short term deposits		43	34	158	88
Impairment losses on trade and other receivables		(256)	-	(293)	-
Impairment losses on trade receivables no longer required		403	17	519	113
Bad debts recovered		30	-	203	-
Fair value adjustment on derivative financial instruments		(35)	(246)	79	(258)
Fair value adjustment on other investments		(16)	-	15	-
(Loss)/Gain on disposal of property, plant and equipment		-	-	(61)	9
Gain on disposal of other investment		11	-	11	-
Trade compensation		80	-	87	2
Rental income		20	20	40	40
Realised gain/(loss) on foreign exchange transactions		(11)	71	186	(482)
Unrealised (loss)/gain on foreign exchange transactions		16	(253)	(33)	(24)
Others		-	-	3	3
		<u>349</u>	<u>(286)</u>	<u>1,053</u>	<u>(315)</u>



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**B13 Realised and unrealised profit or losses disclosure**

The breakdown of the retained profits of the Group as at the end of the reporting date, into realised and unrealised profit or losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 are as follows:-

	As at 30.06.2013 RM'000	As at 31.12.2012 RM'000
- Realised	295,802	283,080
- Unrealised	12,540	16,400
	<u>308,342</u>	<u>299,480</u>
Less : Consolidation adjustments	(18,512)	(18,718)
Total group retained earnings	<u><u>289,830</u></u>	<u><u>280,762</u></u>

**B14 Authorisation for issue**

The interim financial statements were authorised on 23 August 2013 for issue by the Board of Directors.