



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

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

	Note	Individual quarter		Cumulative quarter	
		Current year quarter 30.09.2013 RM'000	Preceding year corresponding quarter 30.09.2012 RM'000	Current year todate 30.09.2013 RM'000	Preceding year todate 30.09.2012 RM'000
Revenue		121,003	109,062	352,130	346,167
Cost of sales:					
Factory and production cost		(111,335)	(98,720)	(313,055)	(313,739)
Factory depreciation		(1,295)	(1,307)	(3,900)	(3,917)
Gross profit		<u>8,373</u>	<u>9,035</u>	<u>35,175</u>	<u>28,511</u>
Other gain	B12	919	636	1,972	321
Depreciation and amortisation		(306)	(273)	(866)	(818)
Administrative expenses		(2,458)	(2,432)	(7,529)	(7,521)
Selling & distribution expenses		(2,945)	(2,836)	(8,921)	(8,110)
Finance costs		(178)	(78)	(378)	(184)
Profit before taxation		<u>3,405</u>	<u>4,052</u>	<u>19,453</u>	<u>12,199</u>
Tax expense	B6	(503)	(1,182)	(3,397)	(3,377)
Profit for the period		<u><u>2,902</u></u>	<u><u>2,870</u></u>	<u><u>16,056</u></u>	<u><u>8,822</u></u>
Other comprehensive income		-	-	-	-
Total comprehensive income		<u><u>2,902</u></u>	<u><u>2,870</u></u>	<u><u>16,056</u></u>	<u><u>8,822</u></u>
Profit attributable to:					
Owners of the parent		<u><u>2,902</u></u>	<u><u>2,870</u></u>	<u><u>16,056</u></u>	<u><u>8,822</u></u>
Total comprehensive income attributable to:					
Owners of the parent		<u><u>2,902</u></u>	<u><u>2,870</u></u>	<u><u>16,056</u></u>	<u><u>8,822</u></u>
Earnings per share attributable to owners of the Company:					
a) Basic (sen)	B11(a)	2.66	2.63	14.74	8.10
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).



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**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

	Note	As at 30.09.2013 (Unaudited) RM'000	As at 31.12.2012 (Audited) RM'000	As at 01.01.2012 (Restated) RM'000
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Property, plant and equipment		125,345	119,318	122,495
Investment properties		2,947	2,947	2,570
Prepaid lease payments for land		3,101	3,203	3,332
Goodwill on consolidation		-	-	87
		<u>131,393</u>	<u>125,468</u>	<u>128,484</u>
<b>Current Assets</b>				
Inventories		194,745	143,358	179,582
Other investments		-	4,112	-
Derivative assets		66	58	9
Trade and other receivables		141,713	124,722	126,688
Current tax assets		1,634	2,630	1,425
Cash and cash equivalents		10,976	35,354	10,163
		<u>349,134</u>	<u>310,234</u>	<u>317,867</u>
<b>TOTAL ASSETS</b>		<u><u>480,527</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		(1,452)	(1,447)	(1,374)
Reserves		311,684	299,713	294,976
<b>TOTAL EQUITY</b>		<u>420,135</u>	<u>408,169</u>	<u>403,505</u>
<b>LIABILITIES</b>				
<b>Non-current Liabilities</b>				
Deferred tax liabilities		12,897	13,207	12,682
		<u>12,897</u>	<u>13,207</u>	<u>12,682</u>
<b>Current Liabilities</b>				
Trade and other payables		12,505	13,314	9,604
Derivative liabilities		687	6	-
Borrowings	B8	33,942	1,000	20,331
Current tax liabilities		361	6	229
		<u>47,495</u>	<u>14,326</u>	<u>30,164</u>
<b>TOTAL LIABILITIES</b>		<u>60,392</u>	<u>27,533</u>	<u>42,846</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>480,527</u></u>	<u><u>435,702</u></u>	<u><u>446,351</u></u>
Net Tangible Assets Per Share (RM)		3.86	3.75	3.70
Net Assets Per Share (RM)		3.86	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 9 MONTHS**  
**ENDED 30 SEPTEMBER 2013 (UNAUDITED)**

	30.09.2013	30.09.2012
	RM'000	(Restated) RM'000
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	386,331	377,760
Cash payments for inventory/to suppliers	(407,414)	(315,810)
Cash paid for operating expenses and to employees	(24,074)	(23,313)
Cash flows (used in)/generated from operations	(45,157)	38,637
Tax paid	(2,357)	(4,907)
Tax refunded	1	459
Interest received	242	371
Net cash flows (used in)/from operating activities	(47,271)	34,560
<b>Cash Flows From Investing Activities</b>		
Proceeds from disposal of prepaid lease payments for lands and property, plant and equipment	1,289	652
Interest received	209	145
Purchase of property, plant and equipment	(11,328)	(2,609)
Purchase of prepaid lease payments for land	-	(6)
Proceeds from disposal of other investment	4,133	-
Fixed deposits pledged to the bank	(3)	(168)
Net cash flows used in investing activities	(5,700)	(1,986)
<b>Cash Flows From Financing Activities</b>		
Drawdowns of short term borrowings	155,856	70,310
Repayments of short term borrowings	(122,914)	(88,509)
Dividend paid	(4,085)	(4,904)
Interest paid	(378)	(184)
Repurchase of own shares	(5)	(73)
Net cash flows from/(used in) financing activities	28,474	(23,360)
Net (decrease)/increase in cash and cash equivalents	(24,497)	9,214
Effects of exchange rate changes on cash and cash equivalents	117	(155)
Cash and cash equivalents at beginning of period	35,186	10,163
Cash and cash equivalents at end of period	10,806	19,222
Cash and cash equivalent comprise:		
Cash and bank balances	10,976	19,390
Fixed deposits pledged to the bank	(170)	(168)
Cash and cash equivalents at end of period	10,806	19,222



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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE 9 MONTHS**  
**ENDED 30 SEPTEMBER 2013 (UNAUDITED) (CONT'D)**

	30.09.2013	30.09.2012
	RM'000	(Restated) RM'000
<b>Note: Reconciliation of operating profit to cash flows from operations:</b>		
Profit before taxation	19,453	12,199
Adjustments for non-cash flow items:-		
Impairment losses on trade and other receivables	292	192
Impairment losses on trade receivables no longer required	(539)	(177)
Amortisation of prepaid lease payments for land	102	102
Depreciation of property, plant and equipment	4,664	4,633
Interest expenses	378	184
Fair value adjustments on derivative financial instruments	620	63
Gain on disposal of prepaid lease payments for land and property, plant and equipment	(655)	(352)
Gain on disposal of unquoted investment	(11)	-
Interest income	(209)	(145)
Interest income on overdue accounts	(242)	(371)
Inventories write down	432	1,347
Property, plant and equipment written off	5	2
Unrealised gain on foreign exchange transaction	(224)	(41)
Total adjustments	4,613	5,437
Operating profit before changes in working capital	24,066	17,636
<u>Changes in working capital:</u>		
Inventories	(51,819)	29,263
Trade and other receivables	(16,494)	(10,491)
Trade and other payables	(910)	2,229
Total changes in working capital	(69,223)	21,001
Cash flows (used in)/generated from operations	(45,157)	38,637
Tax paid	(2,357)	(4,907)
Tax refunded	1	459
Interest received	242	371
<b>Net cash flows (used in)/from operating activities</b>	<b>(47,271)</b>	<b>34,560</b>

(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						Total Equity RM '000
	Non-distributable					Distributable	
	Share Capital RM '000	Treasury Shares RM '000	Share Premium RM '000	Revaluation Reserve RM '000	General Reserve RM '000	Retained Earnings 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	-	-	-	-	-	16,056	16,056
Transfer from general reserve to retained earnings	-	-	-	-	(217)	217	-
	109,903	(1,447)	17,765	-	969	297,035	424,225
<b>Transactions with owners</b>							
Dividends paid	-	-	-	-	-	(4,085)	(4,085)
Purchase of treasury shares	-	(5)	-	-	-	-	(5)
<b>Total transactions with owners</b>	-	(5)	-	-	-	(4,085)	(4,090)
<b>Closing Balance at 30 Sept 2013</b>	109,903	(1,452)	17,765	-	969	292,950	420,135
<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	-	-	-	-	-	8,822	8,822
<b>Transactions with owners</b>							
Proposed dividends	-	-	-	-	-	(4,904)	(4,904)
Purchase of treasury shares	-	(73)	-	-	-	-	(73)
<b>Total transactions with owners</b>	-	(73)	-	-	-	(4,904)	(4,977)
<b>Closing Balance at 30 Sept 2012 (restated)</b>	109,903	(1,447)	17,765	292	1,186	279,651	407,350

(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:

<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 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>As previously reported</b>	<b>Reclassifications</b>	<b>As Restated</b>
<b><u>As at 1 January 2012</u></b>	<b>RM'000</b>	<b>RM'000</b>	<b>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
Amendments to MFRS 136 : Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139 : Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 : Levies	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





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

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.

Amendments to MFRS 136 clarify the disclosure requirements in respect of impaired non-financial assets when the recoverable amount is based on the fair value less costs of disposal. The Group's policy in determining the recoverable amount is based on the value-in-use method, hence the amendment to MFRS 136 is not expected to have any financial impact upon adoption. Amendments to MFRS 139 provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument, and is not expected to have any financial impact to the Group as it does not practice hedge accounting nor novation of hedging instruments. With regards to IC Interpretation 21, it clarifies that an entity needs to recognise a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. This pronouncement is not expected to have any impact to the financial statements of the Group.

**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 cyclicity 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 due to their nature, size or incidence**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group in the 3rd quarter and nine months ended 30 September 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 3rd quarter and nine months ended 30 September 2013.

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

For the current quarter, the Company had repurchased a total of 3,700 ordinary shares of RM1.00 each of its issued share capital from the open market at an average cost of RM1.3953 per share. As at 30 September 2013, a total of 955,925 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.



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

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 September 2013 and 30 September 2012, which are within the Group's objectives for capital management, are as follows:

	30 Sept 2013 (RM'000)	30 Sept 2012 (RM'000)
Borrowings	33,942	2,000
Trade and other payables	12,505	11,934
Less : Cash and bank balances	(10,976)	(19,390)
Net debts	35,471	(5,456)
Equity attributable to the owners of the parent	420,135	407,350
Capital and net debts	455,606	401,896
Gearing ratio (%)	8%	(1%)

**A7 Dividends paid**

A final ordinary dividend of 5% per share less 25% Malaysian income tax amounting to RM 4,085,552.70 in respect of financial year ended 31 December 2012 was paid on 22 August 2013.

**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



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

Segment information for the quarter ended 30 September 2013 is as follows:-

	Trading RM'000	Manufacturing RM'000	Total RM'000
<b>Revenue</b>			
Total revenue	87,662	47,291	134,953
Inter-segment revenue	(7,070)	(6,880)	(13,950)
Revenue from external customers	<u>80,592</u>	<u>40,411</u>	<u>121,003</u>
<b>Profit for the quarter</b>			
Total profit or loss	2,888	1,270	4,158
Unallocated expenses			(575)
Finance costs			<u>(178)</u>
Profit before tax			3,405
Tax expense			<u>(503)</u>
Profit for the quarter			<u><u>2,902</u></u>

Segment information for the quarter ended 30 September 2012 is as follows:-

	Trading RM'000	Manufacturing RM'000	Total RM'000
<b>Revenue</b>			
Total revenue	69,411	52,082	121,493
Inter-segment revenue	(3,799)	(8,632)	(12,431)
Revenue from external customers	<u>65,612</u>	<u>43,450</u>	<u>109,062</u>
<b>Profit for the quarter</b>			
Total profit or loss	1,423	2,824	4,247
Unallocated expenses			(117)
Finance costs			<u>(78)</u>
Profit before tax			4,052
Tax expense			<u>(1,182)</u>
Profit for the quarter			<u><u>2,870</u></u>



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

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

	Trading RM'000	Manufacturing RM'000	Total RM'000
<b>Revenue</b>			
Total revenue	249,869	149,958	399,827
Inter-segment revenue	(22,339)	(25,358)	(47,697)
Revenue from external customers	<u>227,530</u>	<u>124,600</u>	<u>352,130</u>
<b>Profit for the period</b>			
Total profit or loss	9,415	11,200	20,615
Unallocated expenses			(784)
Finance costs			<u>(378)</u>
Profit before tax			19,453
Tax expense			<u>(3,397)</u>
Profit for the quarter			<u><u>16,056</u></u>

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

	Trading RM'000	Manufacturing RM'000	Total RM'000
<b>Revenue</b>			
Total revenue	218,589	167,953	386,542
Inter-segment revenue	(17,354)	(23,021)	(40,375)
Revenue from external customers	<u>201,235</u>	<u>144,932</u>	<u>346,167</u>
<b>Profit for the period</b>			
Total profit or loss	7,201	5,542	12,743
Unallocated expenses			(360)
Finance costs			<u>(184)</u>
Profit before tax			12,199
Tax expense			<u>(3,377)</u>
Profit for the quarter			<u><u>8,822</u></u>



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

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

	Trading RM'000	Manufacturing RM'000	Total RM'000
<b>Assets</b>			
Total assets	199,436	265,468	464,904
Investment properties			2,947
Derivative assets			66
Current tax assets			1,634
Cash and cash equivalents			10,976
			<u>480,527</u>
<b>Liabilities</b>			
Total liabilities	30,919	15,528	46,447
Derivative liabilities			687
Current tax liabilities			361
Deferred tax liabilities			12,897
			<u>60,392</u>

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

	Trading RM'000	Manufacturing RM'000	Total RM'000
<b>Assets</b>			
Total assets	228,194	181,520	409,714
Investment properties			2,570
Goodwill			87
Drivative assets			-
Current tax assets			3,527
Cash and cash equivalents			19,390
			<u>435,288</u>
<b>Liabilities</b>			
Total liabilities	5,048	8,886	13,934
Derivative liabilities			62
Current tax liabilities			16
Deferred tax liabilities			13,924
			<u>27,936</u>



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**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 3rd quarter and nine months ended 30 September 2013.

**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 September 2013 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	17,500
Approved but not contracted for	14,500
	<u>32,000</u>

**A13 Related party transactions**

Related party transactions for the quarter and year to date 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	211	868
Rental	214	642
	<u>425</u>	<u>1,510</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 down to either net realizable value or replacement cost for the financial period ended 30 September 2013 was RM431,951.



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**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 RM121.0 million for the quarter ended 30.09.2013 (“3Q 2013”), an increase of 11% (RM11.9 million) compared to revenue of RM109.1 million for the quarter ended 30.09.2012 (“3Q 2012”). The revenue growth was mainly supported by the trading segment, cushioning the lower contribution from the manufacturing segment.

The Group's profit before taxation for 3Q 2013 on the other hand eased to RM3.4 million from RM4.1 million for 3Q 2012. This was mainly attributed to unfavorable average selling prices and higher raw materials purchased which negated the higher sales volume.

The performance of the respective operating business segments of the Group for 3Q 2013 as compared to 3Q 2012 is analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM40.4 million in 3Q 2013, a decrease of RM3.1 million (7.1%) compared to RM43.5 million in 3Q 2012. The decrease was due to the relocation of a tube mill (as part of the Group's strategy to centralize production for cost efficacy), coupled with weaker market demand and lower average selling prices compared to 3Q 2012.

Trading

The trading operations contributed revenue of RM80.6 million in 3Q 2013, up by RM15 million (22.9%) compared to RM65.6 million in 3Q 2012. The increase was mainly due to higher sales volume from the construction sector, which includes projects for a water dam and power station respectively in the northern region.

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

For the 9 months ended 30.09.2013 (“YTD 3Q 2013”), the Group's revenue of RM352.1 million improved marginally by 1.7% (RM5.9 million) from RM346.2 million recorded in the 9 months ended 30.09.2012 (“YTD 3Q 2012”). The marginal improvement was contributed by the trading segment performance which offset the weaker manufacturing segment performance.

The Group's profit before taxation for YTD 3Q 2013, however, showed significant improvement of 60% (RM7.3 million) to RM19.5 million as compared to YTD 3Q 2012 of RM12.2 million. This increase was largely attributed to lower raw materials cost from the manufacturing segment, resulting from incentives and rebates received on quantity purchases which equalised the effects of lower average 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 3Q 2013 as compared to YTD 3Q 2012 is analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM124.6 million in YTD 3Q 2013, which skidded 14.0% compared to RM145.0 million in YTD 3Q 2012. The decline was due to a slump in market demand further impacted by lower average selling prices and a tube mill relocation during 3Q 2013 which impacted production volume.

Trading

The trading operations recorded a revenue of RM227.5 million in YTD 3Q 2013, an increase of 13.1% compared to RM201.2 million in YTD 3Q 2012. This increase was due to higher demand for construction materials, both for existing projects and a new housing and power plant project in the northern region.

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

The Group's revenue for 3Q 2013 of RM121.0 million remained fairly consistent with the RM121.3 million achieved in 2Q 2013, despite higher sales volume. Profit before taxation for 3Q 2013 dipped to RM3.4 million as compared with RM6.6 million in 2Q 2013. The lower profit before taxation position was due to lower average selling prices eroding margins, further impacted by higher raw materials purchases which offset the higher metric tonne sales volume.

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

**a) Prospects for 2013**

Of late, the key risks in the global economy, namely the US fiscal constraint, eurozone recession and a softer Chinese economy have seen some stabilization. However, major emerging economies are now performing slower than expected, mainly due to key structural issues. These factors have led to a lower global steel demand impacting steel prices (with China being the one exception) causing the global economy to be riddled with uncertainty.

Domestically, the steel market remains challenging and any slowdown in the projects under the government's Economic Transformation Programme (ETP) will adversely impact the local steel market's performance in terms of steel prices and margins. Recent measures relating to testing requirement on importation, allegedly to prevent sub-par material from being dumped into the domestic market, but largely regarded more as a non-tariff barrier to imports, have been creating considerable confusion in the market place. It is becoming a bureaucratic challenge for importers and may impede imports somewhat in the short term. Improvements to stabilise the domestic steel market will continue to 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 which affects margins.





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

The Group expects a tough remaining quarter, where there will be a slowdown in market demand as well as year end destocking of inventories by steel players further weakening domestic steel prices. To be competitive, the Group would also be offering higher discounts in order to thin off current levels of inventories. Profit margins will be impacted adversely due to the competitive market pricing.

**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	3,861	6,424
- underprovision in prior quarter / year	411	371
Deferred tax		
- current quarter / year	<u>(3,769)</u>	<u>(3,398)</u>
Tax expenses	<u><u>503</u></u>	<u><u>3,397</u></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.

**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.



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**B8 Group borrowings and debt securities**

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

**Short-term borrowings**

	RM'000	
Bankers' acceptance	<u>33,942</u>	Unsecured

Borrowings are denominated in the following currencies:

	RM'000	
- Ringgit Malaysia	<u>33,942</u>	Unsecured

The Group has no debt securities as at 30 September 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**

There was no dividend proposed in the current quarter.

**B11 Earnings per share (EPS)**

**(a) Basic earnings per share**

		3 months ended		9 months ended	
		30.09.2013	30.09.2012	30.09.2013	30.09.2012
Profit attributable to the owners of the Company	(RM'000)	2,902	2,870	16,056	8,822
Weighted average number of ordinary shares in issue	('000)	108,946	108,948	108,948	108,973
Basic earnings per share	(sen)	2.66	2.63	14.74	8.10

**(b) Diluted earnings per share**

Not applicable.



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**B12 Other Gain**

	3 months ended		9 months ended	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	RM'000	RM'000	RM'000	RM'000
Interest on :				
Customer overdue account	103	177	242	371
Short term deposits	51	57	209	145
Impairment losses on trade and other receivables	-	(192)	(292)	(192)
Impairment losses on trade receivables no longer required	20	65	539	177
Bad debts recovered	30	-	233	-
Fair value adjustment on derivative financial instruments	(714)	195	(620)	(63)
Gain on disposal of property, plant and equipment	716	343	655	352
Gain on disposal of unquoted investment	-	-	11	-
Trade compensation	33	10	120	13
Rental income	13	20	52	59
Realised gain/(loss) on foreign exchange transactions	410	(104)	596	(586)
Unrealised gain on foreign exchange transactions	257	65	224	41
Others	-	-	3	4
	<u>919</u>	<u>636</u>	<u>1,972</u>	<u>321</u>

**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 30.09.2013 RM'000	As at 31.12.2012 RM'000
- Realised	294,997	283,080
- Unrealised	<u>16,130</u>	<u>16,400</u>
	311,127	299,480
Less : Consolidation adjustments	<u>(18,177)</u>	<u>(18,718)</u>
Total group retained earnings	<u>292,950</u>	<u>280,762</u>



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**B14 Authorisation for issue**

The interim financial statements were authorised on 22 November 2013 for issue by the Board of Directors.