



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE SECOND
FINANCIAL QUARTER ENDED 30 JUNE 2014

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter 30.06.2014 RM'000	Preceding year corresponding quarter 30.06.2013 RM'000	Current year todate 30.06.2014 RM'000	Preceding year todate 30.06.2013 RM'000
Revenue		121,016	121,308	237,024	231,127
Cost of sales:					
Factory and production cost		(109,824)	(107,786)	(215,238)	(201,720)
Factory depreciation		(1,400)	(1,303)	(2,777)	(2,606)
Gross profit		9,792	12,219	19,009	26,801
Other gains	B12	53	349	1,102	1,053
Depreciation and amortisation		(269)	(277)	(540)	(560)
Administrative expenses		(2,293)	(2,465)	(4,997)	(5,071)
Selling & distribution expenses		(3,278)	(3,118)	(6,361)	(5,976)
Finance costs		(131)	(146)	(289)	(200)
Profit before taxation		3,874	6,562	7,924	16,047
Tax expense	B6	(1,003)	(1,349)	(2,102)	(2,893)
Profit for the period		2,871	5,213	5,822	13,154
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		2,871	5,213	5,822	13,154
Profit attributable to:					
Owners of the parent		2,871	5,213	5,822	13,154
Total comprehensive income attributable to:					
Owners of the parent		2,871	5,213	5,822	13,154
Earnings per share attributable to equity holders of the Company (sen):					
a) Basic	B11(a)	2.64	4.78	5.34	12.07
b) Diluted	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 2013 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	Note	30.06.2014 <u>RM'000</u>	31.12.2013 (Audited) <u>RM'000</u>
ASSETS			
Non-current Assets			
Property, plant and equipment		135,306	126,834
Investment properties		3,929	3,929
Prepaid lease payments for land		<u>3,027</u>	<u>3,095</u>
		<u>142,262</u>	<u>133,858</u>
Current Assets			
Inventories		194,257	206,726
Derivative assets		228	114
Trade and other receivables		143,066	131,331
Current tax assets		903	1,533
Cash and cash equivalents		<u>8,026</u>	<u>9,076</u>
		<u>346,480</u>	<u>348,780</u>
TOTAL ASSETS		<u><u>488,742</u></u>	<u><u>482,638</u></u>
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital		109,903	109,903
Treasury shares		(1,454)	(1,452)
Reserves		<u>317,332</u>	<u>318,046</u>
TOTAL EQUITY		<u><u>425,781</u></u>	<u><u>426,497</u></u>
LIABILITIES			
Non-current Liabilities			
Deferred tax liabilities		<u>10,178</u>	<u>9,820</u>
Current Liabilities			
Trade and other payables		17,713	13,236
Derivative liabilities		1	387
Borrowings	B8	<u>35,069</u>	<u>32,698</u>
		<u>52,783</u>	<u>46,321</u>
TOTAL LIABILITIES		<u><u>62,961</u></u>	<u><u>56,141</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>488,742</u></u>	<u><u>482,638</u></u>
Net Tangible Assets Per Share (RM)		3.91	3.91
Net Assets Per Share (RM)		3.91	3.91

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 2014 (UNAUDITED)

	30.06.2014	30.06.2013
	RM'000	RM'000
Cash Flows From Operating Activities		
Cash received from customers	254,202	251,347
Cash payments for inventory/to suppliers	(227,131)	(280,678)
Cash paid for operating expenses and to employees	(17,110)	(19,881)
Cash flows from/(used in) operations	9,961	(49,212)
Interest received	164	139
Tax refunded	1,219	1
Tax paid	(2,333)	(1,498)
Net cash flows from/(used in) operating activities	9,011	(50,570)
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	124	528
Interest received	66	158
Purchase of property, plant and equipment	(12,145)	(6,989)
Proceeds from disposal of other investment	-	4,133
Increase in fixed deposits pledged to the bank	(3)	(3)
Net cash flows used in investing activities	(11,958)	(2,173)
Cash Flows From Financing Activities		
Drawdowns of short-term borrowings	98,509	90,352
Repayments of short-term borrowings	(96,138)	(62,575)
Interest paid	(289)	(200)
Repurchase of own shares	(2)	(3)
Net cash flows from financing activities	2,080	27,574
Net decrease in cash and cash equivalents	(867)	(25,169)
Effects of exchange rate changes on cash and cash equivalents	(186)	97
Cash and cash equivalents at beginning of period	8,903	35,186
Cash and cash equivalents at end of period	7,850	10,114
Cash and cash equivalents comprise:		
Cash and bank balances	7,850	10,114
Fixed deposits pledged to the bank	176	170
Cash and Cash Equivalents at end of period	8,026	10,284



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE QUARTER
ENDED 30 JUNE 2014 (UNAUDITED) (CONT'D)

	30.06.2014	30.06.2013
	RM'000	RM'000
Note : Reconciliation of operating profit to cash flows from operations :		
Profit before taxation	7,924	16,047
Adjustments for non-cash flow items :-		
Impairment losses on trade and other receivables	110	8
Impairment losses on trade receivables no longer required	(665)	(234)
Amortisation of prepaid lease payments for land	68	68
Bad debts recovered	-	(203)
Depreciation of property, plant and equipment	3,249	3,098
Interest expenses	289	200
Fair value adjustments on derivative financial instruments	(500)	(79)
Fair value adjustments on other investments	-	(15)
Interest income on overdue accounts	(164)	(139)
Interest income	(66)	(158)
Inventories write down/(written back)	439	(32)
Loss on disposal of property, plant and equipment	213	61
Gain on disposal of other investments	-	(11)
Property, plant and equipment written off	86	2
Unrealised loss on foreign exchange transaction	315	33
Operating profit before changes in working capital	<u>11,298</u>	<u>18,646</u>
Changes in working capital :		
Inventories	12,030	(46,389)
Trade and other receivables	(11,046)	(16,719)
Trade and other payables	(2,321)	(4,750)
Cash flows from/(used in) from operations	<u>9,961</u>	<u>(49,212)</u>
Interest received	164	139
Tax refunded	1,219	1
Tax paid	(2,333)	(1,498)
Net cash flows from/(used in) operating activities	<u><u>9,011</u></u>	<u><u>(50,570)</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 2013 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
	Share Capital RM '000	Treasury Shares RM '000	Non-distributable Share Premium RM '000	General Reserve RM '000	
Balance as at 1 Jan 2014	109,903	(1,452)	17,765	1,186	299,095
Profit for the financial period,	-	-	-	-	5,822
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	-	5,822
Transactions with owners					
Dividends	-	-	-	-	(6,536)
Purchase of treasury shares	-	(2)	-	-	(2)
Total transactions with owners	-	(2)	-	-	(6,538)
Balance as at 30 June 2014	109,903	(1,454)	17,765	1,186	425,781
Balance as at 1 Jan 2013	109,903	(1,447)	17,765	1,186	280,762
Profit for the financial period	-	-	-	-	13,154
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	-	13,154
Transactions with owners					
Dividends	-	-	-	-	(4,086)
Purchase of treasury shares	-	(3)	-	-	-
Total transactions with owners	-	(3)	-	-	(4,086)
Balance as at 30 June 2013	109,903	(1,450)	17,765	1,186	417,234

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 also 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 2013 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 quarter:*

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
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Amendments to MFRS 10 : <i>Consolidated Financial Statements: Investment Entities</i>	1 January 2014
Amendments to MFRS 12 : <i>Disclosure of Interests in Other Entities: Investments Entities</i>	1 January 2014
Amendments to MFRS 127 : <i>Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
Amendments to MFRS 132 : <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136 : <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139 : <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21 : <i>Levies</i>	1 January 2014



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A1 Basis of preparation (Cont'd)

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

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

(ii) *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 adopted by the Group:

MFRSs, Amendments to MFRSs and IC Interpretations	Effective for annual periods beginning on or after
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MFRS 9	: Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced by Malaysian Accounting Standards Board (MASB)
MFRS 9	: Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced by Malaysian Accounting Standards Board (MASB)
MFRS 9	: Financial Instruments: Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 and MFRS 7)	To be announced by Malaysian Accounting Standards Board (MASB)
MFRS 9	: Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)	To be announced by Malaysian Accounting Standards Board (MASB)
Amendments to MFRS 119	: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle		1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle		1 July 2014

MFRS 9 introduces proposed changes to the way financial instruments are to be accounted for. The Group will assess the financial impact of its adoption once the full standard is issued.

The amendments to MFRS 119 provides a practical expedient in accounting for contributions from employees or third parties to defined benefit plans. The adoption of the amendments to MFRS 119 will not have any financial impact to the Group as it does not practice any defined benefit plan for employees that requires contribution from them or third parties.



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A1 Basis of preparation (Cont'd)

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

The Annual Improvements to MFRSs 2010 – 2012 Cycle consist of the following amendments:

(a) MFRS 2 Share-based Payment

The amendment clarifies the definition of 'vesting conditions' by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

(b) MFRS 3 Business Combinations

The amendment clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. In addition, contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in the statement of profit or loss.

(c) MFRS 8 Operating Segments

The amendment requires the disclosure of judgements made in applying the aggregation criteria to operating segments. This includes a brief description of the operating segment and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. In addition, a reconciliation of the total reportable segments' assets to the entity's assets is required if that amount is regularly provided to the chief operating decision maker.

(d) MFRS 13 Fair Value Measurement

The amendment relates to the IASB's Basis for Conclusions which clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

(e) MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

The amendment clarifies the accounting for the accumulated depreciation or amortisation when an asset is revalued.

(f) MFRS 124 Related Party Disclosures

The amendment extends the definition of 'related party' to include an entity, or any member of a group of which it is a party, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The adoption of the Annual Improvements to MFRSs 2010 - 2012 Cycle is not expected to have any financial impact to the Group.



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A1 Basis of preparation (Cont'd)

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

Annual Improvements to MFRSs 2011 – 2013 Cycle consist of the following amendments:

(a) MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

The amendment relates to the IASB's Basis for Conclusions which clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

(b) MFRS 3 Business Combinations

The amendment clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 Joint Arrangements) in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangements for their interests in the joint arrangement.

(c) MFRS 13 Fair Value Measurement

The amendment clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 Financial Instruments: Recognition and Measurement or MFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 Financial Instruments: Presentation.

(d) MFRS 140 Investment Property

The amendment clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

The adoption of the Annual Improvements to MFRSs 2011-2013 Cycle is not expected to have any financial impact to the Group.

A2 Auditor's report on preceding annual financial statements

The preceding year's audit report for the year ended 31 December 2013 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 2nd quarter and six months ended 30 June 2014.

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 2014.



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- 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 2014, a total of 956,925 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 2014 and 30 June 2013, which are within the Group's objectives for capital management, are as follows:

	<u>30.06.2014</u>	<u>30.06.2013</u>
	RM'000	RM'000
Borrowings	35,069	28,923
Trade and other payables	17,713	12,760
Less : Cash and bank balances	<u>(8,026)</u>	<u>(10,284)</u>
Net debts	<u>44,756</u>	<u>31,399</u>
Equity attributable to the owners of the parent	425,781	417,234
Capital and net debts	470,537	448,633
Gearing ratio (%)	9.5%	7.0%

- A7 Dividends paid**
There were no dividends paid in the current financial quarter.



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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 quarter ended 30 June 2014 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	87,968	48,264	136,232
Inter-segment revenue	(6,334)	(8,882)	(15,216)
Revenue from external customers	<u>81,634</u>	<u>39,382</u>	<u>121,016</u>
Profit for the quarter			
Total profit or loss	3,340	781	4,121
Unallocated expenses			(116)
Finance costs			<u>(131)</u>
Profit before tax			3,874
Tax expense			<u>(1,003)</u>
Profit after tax for the quarter			<u><u>2,871</u></u>

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	83,631	54,295	137,926
Inter-segment revenue	(7,111)	(9,507)	(16,618)
Revenue from external customers	<u>76,520</u>	<u>44,788</u>	<u>121,308</u>
Profit for the quarter			
Total profit or loss	3,183	3,639	6,822
Unallocated expenses			(114)
Finance costs			<u>(146)</u>
Profit before tax			6,562
Tax expense			<u>(1,349)</u>
Profit after tax for the quarter			<u><u>5,213</u></u>



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A8 Operating segment information (Cont'd)

Segment information for the current financial period ended 30 June 2014 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	168,250	96,330	264,580
Inter-segment revenue	(10,454)	(17,102)	(27,556)
Revenue from external customers	<u>157,796</u>	<u>79,228</u>	<u>237,024</u>
Profit for the quarter			
Total profit or loss	6,431	1,984	8,415
Unallocated expenses			(202)
Finance costs			<u>(289)</u>
Profit before tax			7,924
Tax expense			<u>(2,102)</u>
Profit after tax for the quarter			<u>5,822</u>

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

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



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A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 30 June 2014 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Total assets	183,451	292,205	475,656
Investment properties			3,929
Derivative assets			228
Current tax assets			903
Cash and cash equivalents			8,026
			<u>488,742</u>
Liabilities			
Total liabilities	18,400	34,382	52,782
Derivative liabilities			1
Deferred tax liabilities			10,178
			<u>62,961</u>

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Total assets	185,444	272,141	457,585
Investment properties			2,947
Derivative assets			79
Current tax assets			1,778
Cash and cash equivalents			10,284
			<u>472,673</u>
Liabilities			
Total liabilities	20,578	21,105	41,683
Current tax liabilities			199
Deferred tax liabilities			13,557
			<u>55,439</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 2nd quarter and six months ended 30 June 2014.

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 2014 are as follows:

	RM'000
Capital expenditure :	
Approved and contracted for	27,786
Approved but not contracted for	<u>3,621</u>
	<u><u>31,407</u></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:

	Group	
	Current year quarter	Current year to date
	RM'000	RM'000
Sales of steel products	304	477
Rental expense	<u>(214)</u>	<u>(428)</u>
	<u>90</u>	<u>49</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 June 2014 was RM439,172.