



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

**A15 Financial instruments**

**(a) Financial instruments**

<b>Group</b>	<b>As at 30 June 2014</b>		
	<b>Loans and receivables RM'000</b>	<b>Fair value through profit or loss RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>			
Trade and other receivables, net of prepayment	142,411	-	142,411
Derivative assets	-	228	228
Cash and cash equivalents	8,026	-	8,026
	<u>150,437</u>	<u>228</u>	<u>150,665</u>
	<b>Fair value</b>		
	<b>Other financial liabilities RM'000</b>	<b>through profit or loss RM'000</b>	<b>Total RM'000</b>
<b>Financial liabilities</b>			
Trade and other payables	17,713	-	17,713
Derivative liabilities	-	1	1
Borrowings	35,069	-	35,069
	<u>52,782</u>	<u>1</u>	<u>52,783</u>

Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

- i. Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

- ii. Quoted investments

The fair value of quoted investments in Malaysia is determined by reference to the exchange quoted market exit prices at the close of the business on the end of the reporting period.



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**A15 Financial instruments (contd.)**

**(a) Financial instruments (contd.)**

iii. Derivatives

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of the reporting period applied to a contract of similar amount and maturity profile.

iv. Financial guarantee

The Group and the Company provide corporate guarantees to financial institutions for banking facilities, corporate guarantee given to a third party in respect of sales of good to a subsidiary and letter of credit. The fair value of such financial corporate guarantees is negligible as the probability of the Group defaulting on the financial facilities and repayment to the supplier is remote.

**(b) Fair value hierarchy**

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables set-out the financial instruments carried at fair value is disclosed, together with their fair values and carrying amounts showed in the statement of financial position.

	Level 1	Level 2	Level 3	Total	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets measured at fair value</b>					
Financial assets at fair value through profit or loss					
- Forward currency contracts	-	-	228	228	228



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**A15 Financial instruments (contd.)**

**(b) Fair value hierarchy (contd.)**

<b>Liabilities measured at fair value</b>	Level 1	Level 2	Level 3	Total	Carrying amount
Financial liabilities at fair value through profit or loss	RM'000	RM'000	RM'000	RM'000	RM'000
- Forward currency contracts	-	-	1	1	1

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the quarter ended 30 June 2014.



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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 30.06.2014 (“2Q 2014”), which was marginally lower by RM0.3 million (0.2%) compared to revenue of RM121.3 million for the quarter ended 30.06.2013 (“2Q 2013”). Though the trading segment recorded revenue growth of 6.7%, the increase was offset by the weaker performance of the manufacturing segment as compared to 2Q 2013.

The Group’s profit before taxation for 2Q 2014 contracted by RM2.7 million to RM3.9 million as compared to 2Q 2013 of RM6.6 million. The decline in profit before taxation was a result of lower quantity incentives and rebates received for the manufacturing segment eroding margins.

The performance of the respective operating business segments of the Group for 2Q 2014 as compared to 2Q 2013 is analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM39.4 million in 2Q 2014, a decrease of RM5.4 million compared to RM44.8 million in 2Q 2013. The decrease was mainly attributed to softer market demand and weaker average selling prices.

Trading

The trading operations contributed revenue of RM81.6 million in 2Q 2014, up by RM5.1 million (6.7%) compared to RM76.5 million recorded in 2Q 2013. The increase was mainly due to higher demand from the construction sector (housing projects, power station and factory project) coupled with better average selling prices.

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

For the 6 months ended 30.06.2014 (“YTD 2Q 2014”), the Group recorded revenue of RM237.0 representing an increase of RM5.9 million as compared to revenue of RM231.1 million recorded in the 6 months ended 30.06.2013 (“YTD 2Q 2013”). The increase was mainly contributed by the trading segment.

Despite the higher revenue recorded, the Group's profit before taxation for YTD 2Q 2014 slipped to RM7.9 million from RM16.0 million recorded for YTD 2Q 2013. This was mainly due to the manufacturing segment being impacted by lower incentives and rebates received for raw materials purchased, coupled with weaker average selling prices pressuring margins further.



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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 2014 as compared to YTD 2Q 2013 is analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM79.2 million in YTD 2Q 2014, a decline of 5.9% compared to RM84.2 million in YTD 2Q 2013. The decline was mainly due to weaker market demand.

Trading

The trading operations recorded a revenue of RM157.8 million in YTD 2Q 2014, an increase of 7.4% compared to RM146.9 million in YTD 2Q 2013. This increase was contributed by higher demand for construction materials and new projects supplied to during the year (housing projects, power station and a factory project).

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

The Group's revenue for 2Q 2014 of RM121.0 million increased by RM5.0 million as compared to RM116.0 million achieved in 1Q 2014, mainly due to stronger demand in 2Q 2014 as compared to 1Q 2014 due to the festive season. However, profit before taxation for 2Q 2014 bucked this upward revenue trend by declining 4.9% to RM3.9 million from RM4.1 million recorded in 1Q 2014. The lower profit before taxation position was attributed to higher impairment losses on trade receivables with the absence of impairment reversals.

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

**a) Prospects for 2014**

The global steel industry remains challenging amid the fragile recovery of the global economy, though recovery in the United States gained strength while the downturn in the European Union (EU) bottomed out. China continues to experience an oversupply situation which would weigh on the supply-demand situation regionally (including Malaysia). With this, the Chinese government has been pushing for infrastructure projects at the same time, employing various other stimulus measures to revive the property construction sector to bolster economic growth.

Domestically, the steel industry's performance will depend on international price movements, continuous demand from and growth in the construction sector, supported by better governmental protection measures against cheap chinese imports. Timely implementation of governmental infrastructure projects are also expected to have a positive impact.

The second half of the year is expected to be challenging due to intense price competition. The Group will continue to focus on improving competitiveness through higher productivity, operational efficiency and engage in promotional activities.

**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.



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**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	824	1,745
- under / (over) provision in prior quarter / year	-	-
Deferred tax		
- current quarter / year	179	357
- underprovision in prior quarter / year	-	-
Tax expense	1,003	2,102

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the period. The effective tax rate for the year to date was slightly higher than the statutory tax rate mainly due to the effect of expenses not-deductible for tax purposes.

**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 2014 are as follows:-

**Short-term borrowings**

	RM'000	
Bankers' acceptances	32,379	Unsecured
Trust receipts	2,690	Unsecured
	35,069	

Borrowings are denominated in the following currencies:

	RM'000	
- Ringgit Malaysia	35,069	Unsecured

The Group has no debt securities as at 30 June 2014.



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**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 single tier dividend of 6% (2012: 5% less 25% taxation) amounting to RM6.5 million in respect of the financial year ended 31 December 2013. The proposed final dividend has been approved by the shareholders' at the Annual General Meeting on 13 June 2014 and was paid on 22 August 2014 to shareholders registered at the close of business on 23 July 2014.

**B11 Earnings per share (EPS)**

**(a) Basic earnings per share**

		3 months ended		6 months ended	
		30.06.2014	30.06.2013	30.06.2014	30.06.2013
Profit attributable to the owners of the Company	(RM'000)	2,871	5,213	5,822	13,154
Weighted average number of ordinary shares in issue	('000)	108,946	108,948	108,946	108,949
Basic earnings per share	(sen)	2.64	4.78	5.34	12.07

**(b) Diluted earnings per share**

Not applicable.



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**B12 Other Gains**

	3 months ended		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
Interest on :				
Customer overdue account	104	64	164	139
Short term deposits	35	43	66	158
Impairment losses on trade and other receivables	(110)	(9)	(110)	(8)
Impairment losses on trade receivables no longer required	-	156	665	234
Bad debts recovered	-	30	-	203
Fair value adjustment on derivative financial instruments	280	(35)	500	79
Fair value adjustment on other investments	-	(16)	-	15
Loss on disposal of property, plant and equipment	(99)	-	(213)	(61)
Gain on disposal of unquoted investment	-	11	-	11
Trade compensation	6	80	63	87
Rental income	22	20	44	40
Realised (loss) / gain on foreign exchange transactions	(16)	(11)	235	186
Unrealised (loss) / gain on foreign exchange transactions	(167)	16	(315)	(33)
Others	(2)	-	3	3
	<u>53</u>	<u>349</u>	<u>1,102</u>	<u>1,053</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 30.06.2014 RM'000	As at 30.06.2013 RM'000
- Realised	309,375	295,802
- Unrealised	7,101	12,540
	<u>316,476</u>	<u>308,342</u>
Less : Consolidation adjustments	(18,095)	(18,512)
Total group retained earnings	<u><u>298,381</u></u>	<u><u>289,830</u></u>

**B14 Authorisation for issue**

The interim financial statements were authorised on 22 August 2014 for issue by the Board of Directors.