



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH
FINANCIAL QUARTER ENDED 31 DECEMBER 2015

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

| | Note | Individual quarter | | Cumulative quarter | |
|---|--------|----------------------------|---|---------------------------|-----------------------------|
| | | Current year quarter | Preceding year corresponding quarter | Current year todate | Preceding year todate |
| | | 31.12.2015 (Unaudited) | 31.12.2014 (Unaudited) | 31.12.2015 (Unaudited) | 31.12.2014 (Audited) |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | 100,069 | 133,000 | 461,206 | 494,270 |
| Cost of sales: | | | | | |
| Factory and production cost | | (91,269) | (121,810) | (424,577) | (447,655) |
| Factory depreciation | | (1,399) | (1,435) | (5,611) | (5,634) |
| Gross profit | | <u>7,401</u> | <u>9,755</u> | <u>31,018</u> | <u>40,981</u> |
| Other (losses) / income | B12 | (368) | 370 | 896 | 1,354 |
| Depreciation and amortisation | | (356) | (274) | (1,402) | (1,082) |
| Administrative expenses | | (2,415) | (2,087) | (9,555) | (9,307) |
| Selling and distribution expenses | | (3,540) | (4,087) | (14,826) | (14,077) |
| Finance costs | | (15) | (445) | (630) | (1,113) |
| Profit before taxation | | <u>707</u> | <u>3,232</u> | <u>5,501</u> | <u>16,756</u> |
| Tax income / (expense) | B6 | <u>53</u> | <u>(464)</u> | <u>429</u> | <u>(4,630)</u> |
| Profit for the period | | <u>760</u> | <u>2,768</u> | <u>5,930</u> | <u>12,126</u> |
| Other comprehensive income, net of tax | | - | - | - | - |
| Total comprehensive income | | <u><u>760</u></u> | <u><u>2,768</u></u> | <u><u>5,930</u></u> | <u><u>12,126</u></u> |
| Profit attributable to: | | | | | |
| Owners of the parent | | <u><u>760</u></u> | <u><u>2,768</u></u> | <u><u>5,930</u></u> | <u><u>12,126</u></u> |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | <u><u>760</u></u> | <u><u>2,768</u></u> | <u><u>5,930</u></u> | <u><u>12,126</u></u> |
| Earnings per share attributable to equity holders of the Company (sen): | | | | | |
| a) Basic | B11(a) | 0.70 | 2.54 | 5.44 | 11.13 |
| 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 2014 and the accompanying explanatory notes attached to the interim financial statements).



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FINANCIAL QUARTER ENDED 31 DECEMBER 2015

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

| | Note | 31.12.2015 (Unaudited) RM'000 | 31.12.2014 (Audited) RM'000 |
|--|------|-------------------------------------|-----------------------------------|
| ASSETS | | | |
| Non-current Assets | | | |
| Property, plant and equipment | | 135,646 | 139,400 |
| Investment properties | | 1,779 | 1,870 |
| Prepaid lease payments for land | | 2,823 | 2,959 |
| | | <u>140,248</u> | <u>144,229</u> |
| Current Assets | | | |
| Inventories | | 150,797 | 184,635 |
| Other investments | | 10,037 | - |
| Trade and other receivables | | 120,704 | 161,452 |
| Current tax assets | | 446 | 317 |
| Cash and cash equivalents | | 34,014 | 10,425 |
| | | <u>315,998</u> | <u>356,829</u> |
| TOTAL ASSETS | | <u>456,246</u> | <u>501,058</u> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to the owners of the parent | | | |
| Share capital | | 109,903 | 109,903 |
| Treasury shares | | (1,459) | (1,455) |
| Reserves | | 323,029 | 323,635 |
| TOTAL EQUITY | | <u>431,473</u> | <u>432,083</u> |
| LIABILITIES | | | |
| Non-current Liabilities | | | |
| Deferred tax liabilities | | 12,980 | 10,409 |
| Current Liabilities | | | |
| Trade and other payables | | 9,654 | 11,516 |
| Derivative liabilities | | 61 | 386 |
| Borrowings | B8 | 2,000 | 46,664 |
| Current tax liabilities | | 78 | - |
| | | <u>11,793</u> | <u>58,566</u> |
| TOTAL LIABILITIES | | <u>24,773</u> | <u>68,975</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>456,246</u> | <u>501,058</u> |
| Net Tangible Assets Per Share (RM) | | 3.96 | 3.97 |
| Net Assets Per Share (RM) | | 3.96 | 3.97 |

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements).



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH
FINANCIAL QUARTER ENDED 31 DECEMBER 2015

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2015 (UNAUDITED)

| | 31.12.2015 (Unaudited) | 31.12.2014 (Audited) |
|--|---------------------------|-------------------------|
| | RM'000 | RM'000 |
| Cash Flows From Operating Activities | | |
| Cash received from customers | 550,268 | 517,191 |
| Cash payments for inventory/to suppliers | (428,517) | (466,078) |
| Cash paid for operating expenses and to employees | (34,991) | (36,790) |
| Cash flows from operations | <u>86,760</u> | <u>14,323</u> |
| Interest received | 527 | 521 |
| Tax refunded | 6,568 | 1,543 |
| Tax paid | (3,619) | (4,368) |
| Net cash flows from operating activities | <u>90,236</u> | <u>12,019</u> |
| Cash Flows From Investing Activities | | |
| Proceeds from disposal of property, plant and equipment | 1,240 | 296 |
| Proceeds from disposal of investment properties | - | 2,250 |
| Interest received | 287 | 125 |
| Purchase of property, plant and equipment | (4,994) | (19,576) |
| Purchase of unquoted investment | (10,000) | - |
| Increase in fixed deposits pledged to licensed banks | (7) | (5) |
| Net cash flows used in investing activities | <u>(13,474)</u> | <u>(16,910)</u> |
| Cash Flows From Financing Activities | | |
| Repayments of short-term borrowings | (158,576) | (232,474) |
| Drawdowns of short-term borrowings | 114,161 | 246,191 |
| Interest paid | (630) | (1,113) |
| Dividends paid | (6,536) | (6,537) |
| Repurchase of own shares | (4) | (3) |
| Net cash flows (used in) / from financing activities | <u>(51,585)</u> | <u>6,064</u> |
| Net increase in cash and cash equivalents | 25,177 | 1,173 |
| Effect of exchange rate changes on cash and cash equivalents | (1,556) | 132 |
| Cash and cash equivalents at beginning of financial year | 10,208 | 8,903 |
| Cash and cash equivalents at end of financial year | <u>33,829</u> | <u>10,208</u> |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 21,602 | 10,247 |
| Short term bank placement | 12,227 | - |
| Fixed deposits pledged to the bank | 185 | 178 |
| Cash and cash equivalents at end of financial year | <u>34,014</u> | <u>10,425</u> |
| Less : Bank overdraft | - | (39) |
| Less : Fixed deposits pledged to the bank | (185) | (178) |
| Cash and cash equivalents at end of financial year | <u>33,829</u> | <u>10,208</u> |



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2015 (UNAUDITED) (CONT'D)

| | 31.12.2015 (Unaudited) | 31.12.2014 (Audited) |
|--|---------------------------|-------------------------|
| | RM'000 | RM'000 |
| Note : Reconciliation of operating profit to cash flows from operations : | | |
| Profit before taxation | 5,501 | 16,756 |
| Adjustments for non-cash flow items :- | | |
| Impairment losses on trade and other receivables | - | 227 |
| Impairment losses on property, plant and equipment | 788 | 42 |
| Impairment losses on trade receivables no longer required | (227) | (867) |
| Amortisation of prepaid lease payments for land | 136 | 136 |
| Bad debts (recovered) / written off | (21) | 3 |
| Depreciation of property, plant and equipment | 6,877 | 6,580 |
| Interest expenses | 630 | 1,113 |
| Fair value adjustments on derivative financial instruments | (325) | 113 |
| Fair value adjustments on investment properties | 91 | (241) |
| Fair value adjustments on other investment | (37) | - |
| Interest income on overdue accounts | (527) | (521) |
| Interest income | (287) | (125) |
| Inventories written down / (back) | 2,247 | (176) |
| (Gain) / loss on disposal of property, plant and equipment | (160) | 86 |
| Loss on disposal of investment properties | - | 50 |
| Property, plant and equipment written off | 3 | 89 |
| Unrealised loss / (gain) on foreign exchange transactions | 1,576 | (98) |
| Operating profit before changes in working capital | <u>16,265</u> | <u>23,167</u> |
| Changes in working capital | | |
| Inventories | 31,591 | 22,267 |
| Trade and other receivables | 40,765 | (29,302) |
| Trade and other payables | (1,861) | (1,809) |
| Cash flows from operations | <u>86,760</u> | <u>14,323</u> |
| Interest received | 527 | 521 |
| Tax refunded | 6,568 | 1,543 |
| Tax paid | (3,619) | (4,368) |
| Net cash flows from operating activities | <u><u>90,236</u></u> | <u><u>12,019</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 2014 and the accompanying explanatory notes attached to the interim financial statements).



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

| | Attributable to Owners of the Company | | | | Distributable | Total Equity |
|--|---------------------------------------|-----------------|---------------|-----------------|---------------|--------------|
| | Non-distributable | | ----- > | | | |
| | Share Capital | Treasury Shares | Share Premium | General Reserve | | |
| RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | |
| Balance as at 1 January 2015 | 109,903 | (1,455) | 17,765 | 1,186 | 304,684 | 432,083 |
| Profit for the financial year | - | - | - | - | 5,930 | 5,930 |
| Other comprehensive income, net of tax | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | 5,930 | 5,930 |
| Transactions with owners | | | | | | |
| Dividends | - | - | - | - | (6,536) | (6,536) |
| Purchase of treasury shares | - | (4) | - | - | - | (4) |
| Total transactions with owners | - | (4) | - | - | (6,536) | (6,540) |
| Balance as at 31 December 2015 | 109,903 | (1,459) | 17,765 | 1,186 | 304,078 | 431,473 |
| Balance as at 1 January 2014 | 109,903 | (1,452) | 17,765 | 1,186 | 299,095 | 426,497 |
| Profit for the financial year | - | - | - | - | 12,126 | 12,126 |
| Other comprehensive income, net of tax | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | 12,126 | 12,126 |
| Transactions with owners | | | | | | |
| Dividends | - | - | - | - | (6,537) | (6,537) |
| Purchase of treasury shares | - | (3) | - | - | - | (3) |
| Total transactions with owners | - | (3) | - | - | (6,537) | (6,540) |
| Balance as at 31 December 2014 | 109,903 | (1,455) | 17,765 | 1,186 | 304,684 | 432,083 |

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 2014 of the Group and the accompanying notes attached to the interim financial report. The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 31 December 2014, except for the adoption of the Amendments and Annual improvements to Standards effective as of 1 January 2015.

(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**

| | |
|--|----------------|
| Amendments to MFRS 119 : Defined Benefit Plans: Employee Contributions | 1 January 2015 |
| Annual Improvements to MFRSs 2010 – 2012 Cycle | 1 January 2015 |
| Annual Improvements to MFRSs 2011 – 2013 Cycle | 1 January 2015 |

The adoption of the above pronouncements did not 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

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 |
|--|---|

| | |
|--|----------------|
| Annual Improvements to MFRSs 2012 – 2014 Cycle | 1 January 2016 |
| MFRS 14 : Regulatory Deferral Accounts | 1 January 2016 |
| Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |
| Amendments to MFRS 10, MFRS 12 and MFRS 128 : Investment Entities : Applying the Consolidation Exception | 1 January 2016 |
| Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to MFRS 101 : Disclosure Initiative | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138 : Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141 : Agriculture : Bearer Plants | 1 January 2016 |
| Amendments to MFRS 127 : Equity Method in Separate Financial Statements | 1 January 2016 |
| MFRS 15 : Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 9 : Financial Instruments (IFRS 9 as issued by International Accounting Standards Board (“IASB”) in July 2014) | 1 January 2018 |

Annual Improvements to MFRSs 2012 – 2014 Cycle consist of the following amendments:

(a) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

- if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.



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A1 Basis of preparation (Cont'd)

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

(b) MFRS 7 Financial Instruments : Disclosures

The amendment clarifies when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset – e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered ‘continuing involvement.’

It is also amended to clarify that the additional disclosures required by Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of MFRS 134 Interim Financial Reporting require their inclusion.

(c) MFRS 119 Employee Benefits

The amendment clarifies that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not at the country level.

(d) MFRS 134 Interim Financial Reporting

The amendment clarifies that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

The adoption of the Annual Improvements to MFRSs 2012 - 2014 Cycle is not expected to have any financial impact to the Group.

Amendments to MFRS 10, MFRS 12 and MFRS 128

The amendments addresses issues that have arisen in the application of the consolidation exception for investment entities and provide relief in certain circumstances. The amendments clarify the exemption from preparing consolidated financial statements for an intermediate parent entity, a subsidiary providing services that support parent's investment activities, application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity, and the disclosures required. The adoption of these amendments is not expected to have any impact on the financial statements of 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 (Cont'd)

Amendments to MFRS 101

The amendments aim to improve the presentation and disclosure in the financial statements and are designed to encourage companies to apply professional judgement in determining what information to disclose and how to structure it in their financial statements. Since the amendments only affect disclosures, the adoption of these amendments are not expected to have any financial impact on the Group.

Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that the use of revenue-based methods are prohibited to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets. The adoption of these amendments will not have any impact on the Group as the Group does not use revenue-based methods to calculate depreciation and amortisation of its property, plant and equipment or intangible assets.

Amendments to MFRS 127 Equity Method in Separate Financial Statements

The amendments eliminate a GAAP difference for countries where regulations require entities to use the equity method to account for investments in subsidiaries, associates and joint ventures in an entity's separate financial statements. The adoption of this amendments is not expected to have any impact on the Group.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customers. The core principle of MFRS 15 is that an entity recognises revenue in a manner which reflects the consideration an entity expects to be entitled in exchange for goods or services. The adoption of MFRS 15 is not expected to have any material impact on the financial statements of the Group.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments, replacing MFRS 139, where a retrospective application is required, but comparative information is not compulsory. This standard made changes to the requirements for classification and measurement of financial assets and financial liabilities, impairment, and hedge accounting. It also requires impairment assessments to be based on an expected loss model, replacing the MFRS 139 incurred loss model. Finally, it aligns hedge accounting more closely with risk management, establish a more principle-based approach base to hedge accounting and address inconsistencies and weaknesses in the previous model.

The adoption of this standard is expected to have an effect on the classification and measurement of the Group's financial assets. The Group is currently assessing the financial impact of the adoption of this standard in relation to the new requirements for classification, measurements and impairment. The requirements for hedge accounting is not relevant to the Group and is not expected to have any impact.



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A1 Basis of preparation (Cont'd)

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

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

MFRS 11 Accounting for Acquisitions of Interests in Joint Operations

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 116 and MFRS 141 Agriculture : Bearer Plants

The adoption of amendments to MFRSs 10, 11 and 128 will not have any financial impact to the Group as the Group does not have any interest in joint operations. The adoption of MFRS 14 and amendments to MFRS 116 and MFRS 141 will also not have any impact to the Group as they are not relevant to the business of the Group.

A2 Auditor's report on preceding annual financial statements

The preceding year's audit report for the year ended 31 December 2014 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 fourth (4th) quarter and financial year ended 31 December 2015.

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 fourth (4th) quarter and financial year ended 31 December 2015.

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 31 December 2015, the Company had repurchased a total 2,000 ordinary shares of RM1.00 each of its issued share capital from the open market and carried at cost.

As at 31 December 2015, a total of 959,925 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.



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

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 31 December 2015 and 31 December 2014, which are within the Group's objectives for capital management, are as follows:

| | <u>31.12.2015</u> | <u>31.12.2014</u> |
|---|------------------------|----------------------|
| | RM'000 | RM'000 |
| Borrowings | 2,000 | 46,664 |
| Trade and other payables | 9,654 | 11,516 |
| Less : Cash and bank balances | <u>(34,014)</u> | <u>(10,425)</u> |
| Net debts | <u><u>(22,360)</u></u> | <u><u>47,755</u></u> |
| Equity attributable to the owners of the parent | 431,473 | 432,083 |
| Capital and net debts | 409,113 | 479,838 |
| Gearing ratio (%) | -5% | 10% |

A7 Dividends paid

During the financial year, a final single tier dividend of 6% per share amounting RM6,536,645 in respect of financial year ended 31 December 2014 was paid on 18 August 2015.

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 31 December 2015 is as follows:-

| | <u>Trading</u> | <u>Manufacturing</u> | <u>Total</u> |
|----------------------------------|----------------|----------------------|-------------------|
| | RM'000 | RM'000 | RM'000 |
| Revenue | | | |
| Total revenue | 64,595 | 47,303 | 111,898 |
| Inter-segment revenue | (3,424) | (8,405) | (11,829) |
| Revenue from external customers | <u>61,171</u> | <u>38,898</u> | <u>100,069</u> |
| Profit for the quarter | | | |
| Total profit | (423) | 1,235 | 812 |
| Unallocated expenses | | | (90) |
| Finance costs | | | <u>(15)</u> |
| Profit before tax | | | 707 |
| Tax income | | | <u>53</u> |
| Profit after tax for the quarter | | | <u><u>760</u></u> |

Segment information for the quarter ended 31 December 2014 is as follows:-

| | <u>Trading</u> | <u>Manufacturing</u> | <u>Total</u> |
|----------------------------------|----------------|----------------------|---------------------|
| | RM'000 | RM'000 | RM'000 |
| Revenue | | | |
| Total revenue | 83,974 | 60,683 | 144,657 |
| Inter-segment revenue | (3,013) | (8,644) | (11,657) |
| Revenue from external customers | <u>80,961</u> | <u>52,039</u> | <u>133,000</u> |
| Profit for the quarter | | | |
| Total profit | 3,324 | 428 | 3,752 |
| Unallocated expenses | | | (75) |
| Finance costs | | | <u>(445)</u> |
| Profit before tax | | | 3,232 |
| Tax expense | | | <u>(464)</u> |
| Profit after tax for the quarter | | | <u><u>2,768</u></u> |



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A8 Operating segment information (Cont'd)

Segment information for the current financial year ended 31 December 2015 is as follows:-

| | <u>Trading</u> | <u>Manufacturing</u> | <u>Total</u> |
|---|----------------|----------------------|---------------------|
| | RM'000 | RM'000 | RM'000 |
| Revenue | | | |
| Total revenue | 296,149 | 211,285 | 507,434 |
| Inter-segment revenue | (14,904) | (31,324) | (46,228) |
| Revenue from external customers | <u>281,245</u> | <u>179,961</u> | <u>461,206</u> |
| Profit for the year | | | |
| Total profit | 5,654 | 1,032 | 6,686 |
| Unallocated expenses | | | (555) |
| Finance costs | | | <u>(630)</u> |
| Profit before tax | | | 5,501 |
| Tax income | | | 429 |
| Profit after tax for the financial year | | | <u><u>5,930</u></u> |

Segment information for the previous financial year ended 31 December 2014 is as follows:-

| | <u>Trading</u> | <u>Manufacturing</u> | <u>Total</u> |
|---|----------------|----------------------|----------------------|
| | RM'000 | RM'000 | RM'000 |
| Revenue | | | |
| Total revenue | 330,189 | 212,767 | 542,956 |
| Inter-segment revenue | (15,693) | (32,993) | (48,686) |
| Revenue from external customers | <u>314,496</u> | <u>179,774</u> | <u>494,270</u> |
| Profit for the year | | | |
| Total profit | 13,409 | 4,848 | 18,257 |
| Unallocated expenses | | | (388) |
| Finance costs | | | <u>(1,113)</u> |
| Profit before tax | | | 16,756 |
| Tax expense | | | <u>(4,630)</u> |
| Profit after tax for the financial year | | | <u><u>12,126</u></u> |



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A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 31 December 2015 is as follows:-

| | <u>Trading</u> | <u>Manufacturing</u> | <u>Total</u> |
|---------------------------|----------------|----------------------|----------------|
| | RM'000 | RM'000 | RM'000 |
| Assets | | | |
| Total assets | 152,881 | 257,535 | 410,416 |
| Investment properties | | | 1,779 |
| Other investments | | | 10,037 |
| Cash and cash equivalents | | | 34,014 |
| | | | <u>456,246</u> |
| Liabilities | | | |
| Total liabilities | 8,607 | 3,125 | 11,732 |
| Derivative liabilities | | | 61 |
| Deferred tax liabilities | | | 12,980 |
| | | | <u>24,773</u> |

Segment assets and liabilities as at 31 December 2014 (audited) is as follows:-

| | <u>Trading</u> | <u>Manufacturing</u> | <u>Total</u> |
|---------------------------|----------------|----------------------|----------------|
| | RM'000 | RM'000 | RM'000 |
| Assets | | | |
| Total assets | 188,145 | 300,618 | 488,763 |
| Investment properties | | | 1,870 |
| Cash and cash equivalents | | | 10,425 |
| | | | <u>501,058</u> |
| Liabilities | | | |
| Total liabilities | 33,199 | 24,981 | 58,180 |
| Derivative liabilities | | | 386 |
| Deferred tax liabilities | | | 10,409 |
| | | | <u>68,975</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 the composition of the Group during the fourth (4th) quarter and financial year ended 31 December 2015.

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 recognised in the interim financial statements as at 31 December 2015 are as follows:

| | |
|---------------------------------|----------------------|
| | RM'000 |
| Capital expenditure : | |
| Approved and contracted for | 15,584 |
| Approved but not contracted for | <u>1,178</u> |
| | <u><u>16,762</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 todate |
| | <u>RM'000</u> | <u>RM'000</u> |
| Rental expense | <u>(223)</u> | <u>(871)</u> |
| | <u><u>(223)</u></u> | <u><u>(871)</u></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 down of inventories to net realizable values

Total net inventories written down to either net realizable value or replacement cost for the financial year ended 31 December 2015 was RM2,246,591.



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A15 Financial instruments
(a) Financial instruments

| Group | As at 31 December 2015 | | |
|---|---|---|-------------------------|
| | Loans and receivables RM'000 | Fair value through profit or loss RM'000 | Total RM'000 |
| Financial assets | | | |
| Trade and other receivables, net of prepayment | 120,169 | - | 120,169 |
| Other investments | - | 10,037 | 10,037 |
| Cash and cash equivalents | 34,014 | - | 34,014 |
| | <u>154,183</u> | <u>10,037</u> | <u>164,220</u> |
| | | | |
| | Fair value | | |
| | Other financial liabilities RM'000 | through profit or loss RM'000 | Total RM'000 |
| Financial liabilities | | | |
| Trade and other payables | 9,654 | - | 9,654 |
| Derivative liabilities | - | 61 | 61 |
| Borrowings | 2,000 | - | 2,000 |
| | <u>11,654</u> | <u>61</u> | <u>11,715</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. 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.



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A15 Financial instruments (contd.)

(a) Financial instruments (contd.)

iii. Financial guarantee

The Group and the Company provide corporate guarantees to financial institutions for banking facilities and 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 not probable.

(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 |
| Assets measured at fair value | | | | | |
| Financial assets at fair value through profit or loss | | | | | |
| - Other investments | 10,037 | - | - | 10,037 | 10,037 |
| Liabilities measured at fair value | | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| - Forward currency contracts | - | - | 61 | 61 | 61 |

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial year ended 31 December 2015.



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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 RM100.1 million for the quarter ended 31.12.2015 (“4Q 2015”), which contracted RM32.9 million (-24.7%) compared to revenue of RM133.0 million for the quarter ended 31.12.2014 (“4Q 2014”). The weaker performance for 4Q 2015 was contributed by both the trading and manufacturing segments.

The Group’s profit before taxation tumbled to RM0.7 million for 4Q 2015 as compared to RM3.2 million in 4Q 2014. Apart from weaker market demand and declining average selling prices pressuring margins, profit margins were further impacted by impairment losses of RM0.8 million on a subsidiary’s stainless steel pipe making machines, write down of inventories amounting to RM1.0 million as well as unfavorable foreign exchange losses of RM2.0 million due to the volatile Ringgit.

The performance of the respective operating business segments of the Group for 4Q 2015 as compared to 4Q 2014 are analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM38.9 million in 4Q 2015, which declined significantly by RM13.1 million (-25.2%) compared to RM52.0 million in 4Q 2014. The softer performance was mainly attributed to weak customer demand and poor average selling prices.

Trading

The trading operations contributed revenue of RM61.2 million in 4Q 2015, which shrank by RM19.8 million (-24.4%) compared to RM81.0 million recorded in 4Q 2014. The weaker performance was due to softer market demand and declining average selling prices.

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

For the year ended 31.12.2015 (“FY 2015”), the Group’s revenue fell to RM461.2 as compared to revenue of RM494.3 million recorded for the year ended 31.12.2014 (“FY 2014”). The weaker performance was contributed by both the trading and manufacturing segments, while the trading segment remains the bigger contributor to the Group’s revenue.

The Group’s profit before taxation for FY 2015 dropped sharply by RM11.3 million to RM5.5 million as compared to RM16.8 million recorded for FY 2014. This was mainly due to weaker average selling prices compressing margins and weaker demand post GST implementation impacting our trading segment. The Group’s profit margins were pressured further by impairment losses from a subsidiary’s stainless steel pipe making machines of RM0.8 million, write down of inventories amounting to RM2.2 million, unfavorable foreign exchange losses and higher operating costs.



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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 FY 2015 as compared to FY 2014 are analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM180.0 million for FY 2015, which remained relatively flat as compared to RM179.8 million in FY 2014. The marginal increase was mostly supported by a strong 1Q 2015 performance buoyed by demand from dealers which stocked up prior to GST implementation and a pickup in demand towards the year end.

Trading

The trading operations recorded revenue of RM281.2 million for FY 2015, which declined by 10.6% as compared to RM314.5 million in FY 2014. The softer performance was due to weak market demand post GST implementation and lower average selling prices.

B2 Comparison with preceding quarter's results

The Group's revenue for 4Q 2015 shrank by 6.6% to RM100.1 million as compared to RM107.2 million achieved in 3Q 2015 on the back of weaker tonnage sales and lower average selling prices.

In line with the weaker revenue trend, profit before taxation of RM0.7 million was recorded for 4Q 2015 as compared to a profit before taxation of RM0.8 million recorded in 3Q 2015. Profit before taxation for 4Q 2015 was also impacted by unrealised foreign exchange losses and impairment losses on a subsidiary's stainless steel pipe making machine.

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

a) Prospects for 2016

Globally the steel industry outlook has been challenging and the outlook will remain so due to the ongoing concerns over China's economic slowdown and weaker demand from developed countries. Combined with China's slowdown and global oversupply situation spurred by China, which led to shrinking world steel prices, the global steel industry is also faced with low investment, financial market turbulence and geopolitical conflicts in many developing regions.

The local steel industry continues to be hampered by the influx of cheap imported Chinese steel products which has depressed domestic selling prices. With the recent hike in electricity tariffs and foreign workers levy, this is also expected to drive up operational costs further. Under such sluggish market conditions, most steel companies are expected to see reduced sales volume and margins erosion. Demand for domestic steel products will hinge on the steady implementation of high impact infrastructure projects under the 11th Malaysia Plan (11 MP) and governmental safeguard measures on imports.

The group expects a very challenging year ahead. Nonetheless, the Group will continue to focus on strategies to improve cost efficiencies, strengthen productivity and enhance quality and delivery of our products to weather the headwinds faced.



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B3 Current year prospects and progress on previously announced revenue or profit forecast (Cont'd)

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 <u>RM'000</u> | Current year todate <u>RM'000</u> |
|---|--|---|
| Income tax | | |
| - current quarter / year | 882 | 2,602 |
| - over provision in prior quarter / year | (18) | (5,602) |
| Deferred tax | | |
| - current quarter / year | (3,940) | (452) |
| - under provision in prior quarter / year | <u>3,023</u> | <u>3,023</u> |
| Tax income | <u>(53)</u> | <u>(429)</u> |

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 current quarter and year to date resulted in a tax asset position due to the refund of prior years tax overpaid offset by the reversal of deferred tax assets previously recognised on unabsorbed reinvestment allowances now utilised.

The Malaysian statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective from year of assessment 2016.

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 31 December 2015 are as follows:-

Short-term borrowings

| | | |
|----------------|--------------|-----------|
| | RM'000 | |
| Trust receipts | 2,000 | Unsecured |
| | <u>2,000</u> | |

Borrowings are denominated in the following currencies:

| | | |
|--------------------|--------------|-----------|
| | RM'000 | |
| - Ringgit Malaysia | 2,000 | Unsecured |
| | <u>2,000</u> | |

The Group has no debt securities as at 31 December 2015.

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 | | 12 months ended | |
|---|----------|----------------|------------|-----------------|------------|
| | | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| Profit attributable to the owners of the Company | (RM'000) | 760 | 2,768 | 5,930 | 12,126 |
| Weighted average number of ordinary shares in issue | ('000) | 108,943 | 108,945 | 108,944 | 108,946 |
| Basic earnings per share | (sen) | 0.70 | 2.54 | 5.44 | 11.13 |

(b) Diluted earnings per share

Not applicable.



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B12 Other (Losses) / Gains

| | 3 months ended | | 12 months ended | |
|---|----------------|------------|-----------------|--------------|
| | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest on : | | | | |
| Customer overdue account | 162 | 157 | 527 | 521 |
| Short term deposits | 159 | 32 | 287 | 125 |
| Impairment losses on trade and other receivables | 24 | (136) | - | (227) |
| Impairment losses on trade receivables no longer required | (13) | 202 | 227 | 867 |
| Impairment losses on property, plant and equipment | (788) | (42) | (788) | (42) |
| Bad debts recovered | 5 | - | 21 | - |
| Fair value adjustments on derivative financial instruments | 986 | (623) | 325 | (113) |
| Fair value adjustment on investment properties | (91) | 241 | (91) | 241 |
| Fair value adjustment on other investments | - | - | 37 | - |
| Gain / (loss) on disposal of property, plant and equipment | - | 107 | 160 | (86) |
| Loss on disposal of investment properties | - | - | - | (50) |
| Trade compensation | 22 | 14 | 64 | 108 |
| Rental income | 22 | 9 | 71 | 64 |
| Realised gain / (loss) on foreign exchange transactions | 1,149 | 255 | 1,629 | (171) |
| Unrealised (loss) / gain on foreign exchange transactions | (2,006) | 138 | (1,576) | 98 |
| Others | 1 | 16 | 3 | 19 |
| | <u>(368)</u> | <u>370</u> | <u>896</u> | <u>1,354</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 31.12.2015 RM'000 | As at 31.12.2014 RM'000 |
|----------------------------------|-------------------------------|-------------------------------|
| - Realised | 309,240 | 311,080 |
| - Unrealised | 13,538 | 12,503 |
| | <u>322,778</u> | <u>323,583</u> |
| Less : Consolidation adjustments | (18,700) | (18,899) |
| Total group retained earnings | <u><u>304,078</u></u> | <u><u>304,684</u></u> |

B14 Authorisation for issue

The interim financial statements were authorised on 26 February 2016 for issue by the Board of Directors.