



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FIRST
FINANCIAL QUARTER ENDED 31 MARCH 2016

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
		31.03.2016 (Unaudited)	31.03.2015 (Unaudited)	31.03.2016 (Unaudited)	31.03.2015 (Unaudited)
		RM'000	RM'000	RM'000	RM'000
Revenue		100,743	144,891	100,743	144,891
Cost of sales:					
Factory and production cost		(89,586)	(131,072)	(89,586)	(131,072)
Factory depreciation		(1,343)	(1,405)	(1,343)	(1,405)
Gross profit		9,814	12,414	9,814	12,414
Other losses	B12	(178)	(286)	(178)	(286)
Depreciation and amortisation		(361)	(319)	(361)	(319)
Administrative expenses		(2,294)	(2,511)	(2,294)	(2,511)
Selling and distribution expenses		(2,932)	(3,601)	(2,932)	(3,601)
Finance costs		(6)	(348)	(6)	(348)
Profit before taxation		4,043	5,349	4,043	5,349
Tax expense	B6	(1,191)	(1,440)	(1,191)	(1,440)
Profit for the period		2,852	3,909	2,852	3,909
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		2,852	3,909	2,852	3,909
Profit attributable to:					
Owners of the parent		2,852	3,909	2,852	3,909
Total comprehensive income attributable to:					
Owners of the parent		2,852	3,909	2,852	3,909
Earnings per share attributable to equity holders of the Company (sen):					
a) Basic	B11(a)	2.62	3.59	2.62	3.59
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 2015 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	Note	31.03.2016 (Unaudited) RM'000	31.12.2015 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		134,442	135,646
Investment properties		1,779	1,779
Prepaid lease payments for land		2,789	2,823
		<u>139,010</u>	<u>140,248</u>
Current Assets			
Inventories		118,507	150,797
Other investments		20,193	10,037
Derivative assets		322	-
Trade and other receivables		117,753	120,704
Current tax assets		452	446
Cash and cash equivalents		62,930	34,014
		<u>320,157</u>	<u>315,998</u>
TOTAL ASSETS		<u>459,167</u>	<u>456,246</u>
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital		109,903	109,903
Treasury shares		(1,460)	(1,459)
Reserves		325,881	323,029
TOTAL EQUITY		<u>434,324</u>	<u>431,473</u>
LIABILITIES			
Non-current Liabilities			
Deferred tax liabilities		12,912	12,980
Current Liabilities			
Trade and other payables		9,012	9,654
Derivative liabilities		52	61
Borrowings	B8	2,100	2,000
Current tax liabilities		767	78
		<u>11,931</u>	<u>11,793</u>
TOTAL LIABILITIES		<u>24,843</u>	<u>24,773</u>
TOTAL EQUITY AND LIABILITIES		<u>459,167</u>	<u>456,246</u>
Net Tangible Assets Per Share (RM)		3.99	3.96
Net Assets Per Share (RM)		3.99	3.96

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 31 MARCH 2016 (UNAUDITED)

	31.03.2016 (Unaudited)	31.03.2015 (Unaudited)
	RM'000	RM'000
Cash Flows From Operating Activities		
Cash received from customers	120,826	159,010
Cash payments for inventory/to suppliers	(71,953)	(136,064)
Cash paid for operating expenses and to employees	(9,218)	(9,638)
Cash flows from operations	<u>39,655</u>	<u>13,308</u>
Interest received	98	52
Tax paid	(576)	(1,061)
Net cash flows from operating activities	<u>39,177</u>	<u>12,299</u>
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	28	1,198
Proceeds from disposal of other investments	10,000	-
Interest received	170	34
Purchase of property, plant and equipment	(549)	(3,186)
Purchase of other investments	(20,000)	-
Net cash flows used in investing activities	<u>(10,351)</u>	<u>(1,954)</u>
Cash Flows From Financing Activities		
Repayments of short-term borrowings	(2,000)	(66,595)
Drawdowns of short-term borrowings	2,100	56,584
Interest paid	(6)	(348)
Repurchase of own shares	(1)	(2)
Net cash flows from / (used in) financing activities	<u>93</u>	<u>(10,361)</u>
Net increase / (decrease) in cash and cash equivalents	28,919	(16)
Effect of exchange rate changes on cash and cash equivalents	(3)	(118)
Cash and cash equivalents at beginning of period	33,829	10,247
Cash and cash equivalents at end of period	<u>62,745</u>	<u>10,113</u>
Cash and cash equivalents comprise:		
Cash and bank balances	48,276	10,113
Deposits with licensed banks	14,469	-
Fixed deposits pledged to the bank	185	179
Cash and cash equivalents at end of period	<u>62,930</u>	<u>10,292</u>
Less : Fixed deposits pledged to the bank	(185)	(179)
Cash and cash equivalents at end of period	<u>62,745</u>	<u>10,113</u>



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 31 MARCH 2016 (UNAUDITED) (CONT'D)

	31.03.2016 (Unaudited)	31.03.2015 (Unaudited)
	RM'000	RM'000
Note : Reconciliation of cash flows from operating activities :		
Profit before taxation	4,043	5,349
Adjustments for non-cash flow items :-		
Amortisation of prepaid lease payments for land	34	34
Bad debts recovered	(5)	-
Depreciation of property, plant and equipment	1,670	1,690
Fair value adjustments on derivative financial instruments	(330)	161
Gain on disposal of other investments	(64)	-
Loss / (Gain) on disposal of property, plant and equipment	53	(195)
Impairment losses on trade and other receivables	632	-
Impairment losses on trade and other receivables no longer required	-	(1)
Interest expenses	6	348
Interest income on overdue accounts	(98)	(52)
Interest income	(170)	(34)
Inventories written (back) / down	(461)	399
Property, plant and equipment written off	1	1
Unrealised loss / (gain) on foreign exchange transactions	46	(6)
Operating profit before changes in working capital	<u>5,357</u>	<u>7,694</u>
Changes in working capital		
Inventories	32,751	(7,111)
Trade and other receivables	2,189	3,586
Trade and other payables	(642)	9,139
Cash flows from operations	<u>39,655</u>	<u>13,308</u>
Interest received	98	52
Tax paid	(576)	(1,061)
Net cash flows from operating activities	<u><u>39,177</u></u>	<u><u>12,299</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 2015 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Atributable to Owners of the Company				Retained Earnings RM '000	Total Equity RM '000
	Share Capital RM '000	Treasury Shares RM '000	Share Premium RM '000	General Reserve 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	-	-	-	-	3,909	3,909
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-
Transactions with owners					3,909	3,909
Dividends	-	-	-	-	-	-
Purchase of treasury shares	-	(2)	-	-	-	-
Total transactions with owners	-	(2)	-	-	-	(2)
Balance as at 31 March 2015	109,903	(1,457)	17,765	1,186	308,593	435,990
Balance as at 1 January 2016	109,903	(1,459)	17,765	1,186	304,078	431,473
Profit for the financial year	-	-	-	-	2,852	2,852
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	2,852	2,852
Transactions with owners						
Dividends	-	-	-	-	-	-
Purchase of treasury shares	-	(1)	-	-	-	-
Total transactions with owners	-	(1)	-	-	-	(1)
Balance as at 31 March 2016	109,903	(1,460)	17,765	1,186	306,930	434,324

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2015 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 2015, except for the adoption of the Amendments and Annual improvements to Standards effective as of 1 January 2016.

(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
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
MFRS 14 : Regulatory Deferral Accounts	1 January 2016
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 : Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 : Agriculture : Bearer Plants and MFRS 141	1 January 2016
Amendments to MFRS 127 : Equity Method in Separate Financial Statements	1 January 2016

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

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

The adoption of amendments to MFRSs 10 and 128 will not have any financial impact to the Group as the Group does not have any interest in joint operations.

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.



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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)

MFRS 9 Financial Instruments (Cont'd)

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.

- A2 Auditor's report on preceding annual financial statements**
The preceding year's audit report for the year ended 31 December 2015 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 first (1st) quarter ended 31 March 2016.

- 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 first (1st) quarter ended 31 March 2016.

- A6 Capital management, issuances, repurchases, and repayments of debts and equity instruments**
For the current quarter, the Company had repurchased a total of 1,000 ordinary shares of RM1.00 each of its issued share capital from the open market at an average cost of RM1.4149 per share.

As at 31 March 2016, a total of 960,925 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 period 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.



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

The gearing ratios as at 31 March 2016 and 31 March 2015, which are within the Group's objectives for capital management, are as follows:

	<u>31.03.2016</u>	<u>31.03.2015</u>
	RM'000	RM'000
Borrowings	2,100	36,443
Trade and other payables	9,012	20,642
Less : Cash and bank balances	<u>(62,930)</u>	<u>(10,292)</u>
Net debts	<u>(51,818)</u>	<u>46,793</u>
Equity attributable to the owners of the parent	434,324	435,990
Capital and net debts	382,506	482,783
Gearing ratio (%)	-14%	10%

A7 Dividends paid

There were no dividends paid in the current financial quarter.

A8 Operating segment information

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

The Group comprises the following main operating segments:

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



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A8 Operating segment information (Cont'd)

Segment information for the quarter ended 31 March 2016 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	60,401	50,196	110,597
Inter-segment revenue	(1,478)	(8,376)	(9,854)
Revenue from external customers	<u>58,923</u>	<u>41,820</u>	<u>100,743</u>
Profit for the quarter			
Total profit	1,583	2,550	4,133
Unallocated expenses			(84)
Finance costs			<u>(6)</u>
Profit before tax			4,043
Tax expense			<u>(1,191)</u>
Profit after tax for the quarter			<u><u>2,852</u></u>

Segment information for the quarter ended 31 March 2015 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	96,247	58,622	154,869
Inter-segment revenue	(3,273)	(6,705)	(9,978)
Revenue from external customers	<u>92,974</u>	<u>51,917</u>	<u>144,891</u>
Profit for the quarter			
Total profit	5,227	576	5,803
Unallocated expenses			(106)
Finance costs			<u>(348)</u>
Profit before tax			5,349
Tax expense			<u>(1,440)</u>
Profit after tax for the quarter			<u><u>3,909</u></u>



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A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 31 March 2016 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Total assets	136,721	237,222	373,943
Investment properties			1,779
Derivative assets			322
Other investments			20,193
Cash and cash equivalents			62,930
			<u>459,167</u>
Liabilities			
Total liabilities	5,558	6,321	11,879
Derivative liabilities			52
Deferred tax liabilities			12,912
			<u>24,843</u>

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Total assets	202,838	289,092	491,930
Investment properties			1,870
Derivative assets			9
Current tax assets			316
Cash and cash equivalents			10,292
			<u>504,417</u>
Liabilities			
Total liabilities	39,924	17,161	57,085
Derivative liabilities			555
Current tax liabilities			292
Deferred tax liabilities			10,495
			<u>68,427</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 first (1st) quarter ended 31 March 2016.

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 March 2016 are as follows:

	RM'000
Capital expenditure :	
Approved and contracted for	15,584
Approved but not contracted for	<u>1,200</u>
	<u><u>16,784</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
Rental expense	<u>(223)</u>	<u>(223)</u>
	<u><u>(223)</u></u>	<u><u>(223)</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 back of inventories to net realizable values

Total net inventories written back to either net realizable value or replacement cost for the financial period ended 31 March 2016 was RM461,547.



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A15 Financial instruments
(a) Financial instruments

Group	As at 31 March 2016		
	Loans and receivables	Fair value through profit or loss	Total
	RM'000	RM'000	RM'000
Financial assets			
Trade and other receivables, net of prepayment	116,998	-	116,998
Derivative assets	-	322	322
Other investments	-	20,193	20,193
Cash and cash equivalents	62,930	-	62,930
	<u>179,928</u>	<u>20,515</u>	<u>200,443</u>
Financial liabilities			
Trade and other payables	9,012	-	9,012
Derivative liabilities	-	52	52
Borrowings	2,100	-	2,100
	<u>11,112</u>	<u>52</u>	<u>11,164</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 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 and loss					
- Forward currency contracts	-	-	322	322	322
- Other investments	20,193	-	-	20,193	20,193
Liabilities measured at fair value					
Financial liabilities at fair value through profit and loss					
- Forward currency contracts	-	-	52	52	52

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial period ended 31 March 2016.



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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 RM100.7 million for the quarter ended 31.03.2016 (“1Q 2016”), which contracted by RM44.2 million (30%) compared to revenue of RM144.9 million for the quarter ended 31.03.2015 (“1Q 2015”). The weaker performance was mainly attributed to subdued demand and poor average selling prices as compared to strong demand by dealers to stock up in 1Q 2015 prior to GST implementation.

In line with the downward revenue trend, the Group’s profit before taxation decreased to RM4.0 million for 1Q 2016 as compared to RM5.3 million in 1Q 2015.

The performance of the respective operating business segments of the Group for 1Q 2016 as compared to 1Q 2015 are analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM41.8 million in 1Q 2016, which declined significantly by RM10.1 million (-19.5%) compared to RM51.9 million in 1Q 2015. The softer performance was mainly attributed to weak customer demand and poor average selling prices.

Trading

The trading operations contributed revenue of RM58.9 million in 1Q 2016, which shrank by RM34.1 million (-36.7%) compared to RM93.0 million recorded in 1Q 2015. The weaker performance was due to softer market demand and declining average selling prices.

B2 Comparison with preceding quarter’s results

The Group’s revenue for 1Q 2016 of RM100.7 million strengthened marginally by 1% as compared to RM100.1 million in 4Q 2015. The pickup in performance was mainly due to a rally in global steel prices in March 2016 as a result of China’s economy strengthening in addition to intense speculation in the futures market, softening the weaker performance for January and February 2016.

The Group’s profit before taxation for 1Q 2016 improved significantly by RM3.3 million to RM4.0 million as compared to RM0.7 million for 4Q 2015. The stronger performance was due to the absence of inventory write downs, impairment losses and commission paid out for land purchased as in 4Q 2015.



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

a) Prospects for 2016

Globally, steel prices have been experiencing a strong upswing since March 2016. This was attributed to the announcement by the Chinese government to drastically curb output to reduce the surplus in supply together with the property market picking up momentum on new policies implemented, leading to a surge in demand. Additionally, the rally in steel prices were also exacerbated by increased speculation in the future markets. Steel prices are expected to remain strong in the short term due to the strong buying interest. However, the rally in steel prices may not be sustainable and could hit low prices again once the current seasonal recovery in China's construction activity ends while supply levels remain high from increased output of idle capacity.

On the domestic front, demand for steel products is anticipated to remain healthy as long as the global steel prices remain strong, which is typical when prices are on an uptrend as buyers would usually replenish their inventories to capitalise on the higher prices. This coupled with the Government affirming a slew of LRT and water related projects should bolster the robustness of the steel sector. Of late, it is unfortunate that the local main raw materials supplier, Megasteel Sdn Bhd, has suspended their production due to financial and technical issues. We anticipate this situation to persist for the time being, therefore, will be purchasing competitively priced raw materials from our overseas and domestic sources to ensure that we are able to meet market demand accordingly.

The Group will continue to focus on strategies to improve cost efficiencies, strengthen productivity and enhance quality and delivery of our products to remain competitive.

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.



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B6 Taxation

Tax charges comprise:

	Current year quarter RM'000	Current year todate RM'000
Income tax		
- current quarter / year	1,259	1,259
Deferred tax		
- current quarter / year	<u>(68)</u>	<u>(68)</u>
Tax expense	<u>1,191</u>	<u>1,191</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the period. The effective tax rate for the current quarter was slightly higher than the statutory tax rate mainly due to the expenses non-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 31 March 2016 are as follows:

Short-term borrowings

	RM'000	
Bankers' acceptances	<u>2,100</u>	Unsecured
	<u>2,100</u>	

Borrowings are denominated in the following currencies:

	RM'000	
- Ringgit Malaysia	<u>2,100</u>	Unsecured
	<u>2,100</u>	

The Group has no debt securities as at 31 March 2016.

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 Director has proposed a final single tier dividend of 4% (2015: 6%) amounting to RM4.4 million in respect of the financial year ended 31 December 2015. The proposed final dividend will be presented for shareholders' approval at the forthcoming Annual General Meeting. Subject to shareholders' approval, the proposed final dividend will be paid on 19 August 2016 to shareholders registered at the close of business on 22 July 2016.



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

		3 months ended	
		31.03.2016	31.03.2015
Profit attributable to the owners of the Company	(RM'000)	2,852	3,909
Weighted average number of ordinary shares in issue	('000)	108,942	108,944
Basic earnings per share	(sen)	2.62	3.59

(b) Diluted earnings per share
 Not applicable.

B12 Other Losses

		3 months ended	
		31.03.2016	31.03.2015
		RM'000	RM'000
Interest on :			
Customer overdue account		98	52
Short term deposits		170	34
Impairment losses on trade and other receivables		(632)	-
Impairment losses on trade and other receivables no longer required		-	1
Bad debts recovered		5	-
Fair value adjustments on derivative financial instruments		330	(161)
(Loss) / Gain on disposal of property, plant and equipment		(53)	195
Gain on disposal of other investments		64	-
Trade compensation		25	1
Rental income		22	10
Realised loss on foreign exchange transactions		(160)	(430)
Unrealised (loss) / gain on foreign exchange transactions		(46)	6
Others		(1)	6
		(178)	(286)



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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 31.03.2016 RM'000	As at 31.03.2015 RM'000
- Realised	314,358	316,724
- Unrealised	14,995	10,569
	<u>329,353</u>	<u>327,293</u>
Less : Consolidation adjustments	<u>(22,423)</u>	<u>(18,700)</u>
Total group retained earnings	<u><u>306,930</u></u>	<u><u>308,593</u></u>

B14 Authorisation for issue

The interim financial statements were authorised on 27 May 2016 for issue by the Board of Directors.