



**CHOO BEE METAL INDUSTRIES BERHAD (10587-A)**  
**INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FIRST**  
**FINANCIAL QUARTER ENDED 31 MARCH 2017**

**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
		31.03.2017 (Unaudited)	31.03.2016 (Unaudited)	31.03.2017 (Unaudited)	31.03.2016 (Unaudited)
		RM'000	RM'000	RM'000	RM'000
Revenue		97,322	100,743	97,322	100,743
Cost of sales:					
Factory and production cost		(75,364)	(89,586)	(75,364)	(89,586)
Factory depreciation		(1,336)	(1,343)	(1,336)	(1,343)
Gross profit		20,622	9,814	20,622	9,814
Other income / (losses)	B12	820	(178)	820	(178)
Depreciation and amortisation		(412)	(361)	(412)	(361)
Administrative expenses		(2,958)	(2,294)	(2,958)	(2,294)
Selling and distribution expenses		(2,743)	(2,932)	(2,743)	(2,932)
Finance costs		(2)	(6)	(2)	(6)
Profit before taxation		15,327	4,043	15,327	4,043
Tax expense	B6	(3,775)	(1,191)	(3,775)	(1,191)
Profit after taxation		11,552	2,852	11,552	2,852
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		11,552	2,852	11,552	2,852
Profit attributable to:					
Owners of the parent		11,552	2,852	11,552	2,852
Total comprehensive income attributable to:					
Owners of the parent		11,552	2,852	11,552	2,852
Earnings per share attributable to equity holders of the Company (sen):					
a) Basic	B11(a)	10.60	2.62	10.60	2.62
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 2016 and the accompanying explanatory notes attached to the interim financial statements).



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

	Note	31.03.2017 (Unaudited) RM'000	31.12.2016 (Audited) RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		144,898	146,445
Investment properties		1,779	1,779
Prepaid lease payments for land		2,653	2,687
		<u>149,330</u>	<u>150,911</u>
<b>Current Assets</b>			
Inventories		191,089	132,503
Trade and other receivables		113,015	102,365
Derivative assets		1	22
Current tax assets		-	42
Cash and bank balances		45,127	92,980
		<u>349,232</u>	<u>327,912</u>
<b>TOTAL ASSETS</b>		<u><u>498,562</u></u>	<u><u>478,823</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the owners of the parent</b>			
Share capital		127,668	109,903
Treasury shares		(1,462)	(1,462)
Reserves		337,171	343,384
<b>TOTAL EQUITY</b>		<u>463,377</u>	<u>451,825</u>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Deferred tax liabilities		12,238	12,614
<b>Current Liabilities</b>			
Trade and other payables		14,174	11,954
Derivative liabilities		42	81
Current tax liabilities		3,731	2,349
Borrowings	B8	5,000	-
		<u>22,947</u>	<u>14,384</u>
<b>TOTAL LIABILITIES</b>		<u>35,185</u>	<u>26,998</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>498,562</u></u>	<u><u>478,823</u></u>
Net Tangible Assets Per Share (RM)		4.25	4.15
Net Assets Per Share (RM)		4.25	4.15

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2017 (UNAUDITED)**

	31.03.2017 (Unaudited)	31.03.2016 (Unaudited)
	RM'000	RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	15,327	4,043
Adjustments for non-cash flow items :-		
Amortisation of prepaid lease payments for land	34	34
Bad debts written off	34	-
Bad debts recovered	-	(5)
Depreciation of property, plant and equipment	1,714	1,670
Fair value adjustments on derivative financial instruments	(19)	(330)
Fair value adjustments on other investments	-	(92)
Gain on disposal of other investments	-	(64)
Loss on disposal of property, plant and equipment	82	53
Impairment losses on trade and other receivables	813	632
Impairment losses on trade and other receivables no longer required	(43)	-
Interest expenses	2	6
Interest income on overdue accounts	(57)	(98)
Interest income	(727)	(170)
Inventories written back	(100)	(461)
Property, plant and equipment written off	-	1
Unrealised loss on foreign exchange transactions	211	138
Operating profit before changes in working capital	<u>17,271</u>	<u>5,357</u>
Changes in working capital		
Inventories	(58,486)	32,751
Trade and other receivables	(11,469)	2,189
Trade and other payables	2,186	(642)
Cash flows (used in) / from operations	<u>(50,498)</u>	<u>39,655</u>
Interest received	57	98
Tax paid	(2,727)	(576)
Net cash flows (used in) / from operating activities	<u>(53,168)</u>	<u>39,177</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from disposal of property, plant and equipment	59	28
Proceeds from disposal of other investments	-	10,000
Interest received	727	170
Purchase of property, plant and equipment	(308)	(549)
Purchase of other investments	-	(20,000)
Net cash flows from / (used in) investing activities	<u>478</u>	<u>(10,351)</u>



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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD**  
**ENDED 31 MARCH 2017 (UNAUDITED) (CONT'D)**

	31.03.2017 (Unaudited) <u>RM'000</u>	31.03.2016 (Unaudited) <u>RM'000</u>
<b>Cash Flows From Financing Activities</b>		
Repayments of short-term borrowings	-	(2,000)
Drawdowns of short-term borrowings	5,000	2,100
Interest paid	(2)	(6)
Repurchase of treasury shares	-	(1)
Net cash flows from financing activities	<u>4,998</u>	<u>93</u>
Net (decrease) / increase in cash and cash equivalents	(47,692)	28,919
Effect of exchange rate changes on cash and cash equivalents	(161)	(3)
Cash and cash equivalents at beginning of period	<u>92,789</u>	<u>33,829</u>
Cash and cash equivalents at end of period	<u><u>44,936</u></u>	<u><u>62,745</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	35,826	48,276
Deposits with licensed banks	9,110	14,469
Deposits pledged to licensed banks	191	185
As per balance sheet	<u>45,127</u>	<u>62,930</u>
Less : Deposits pledged to licensed banks	(191)	(185)
Cash and cash equivalents at end of period	<u><u>44,936</u></u>	<u><u>62,745</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 2016 and the accompanying explanatory notes attached to the interim financial statements).



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

	< ----- Attributable to Owners of the Company ----- >					Total Equity RM '000
	< ----- Non-distributable ----- >			----- > Distributable		
	Share Capital RM '000	Treasury Shares RM '000	Share Premium RM '000	General Reserve RM '000	Retained Earnings RM '000	
<b>Balance as at 1 January 2017</b>	109,903	(1,462)	17,765	1,186	324,433	451,825
Adjustment for effects of Companies Act 2016 (Note a)	17,765	-	(17,765)	-	-	-
Profit for the period	-	-	-	-	11,552	11,552
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	11,552	11,552
<b>Transactions with owners</b>						
Purchase of treasury shares	-	-	-	-	-	-
Dividend	-	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	-	-	-	-
<b>Balance as at 31 March 2017</b>	127,668	(1,462)	-	1,186	335,985	463,377
<b>Balance as at 1 January 2016</b>	109,903	(1,459)	17,765	1,186	304,078	431,473
Profit for the period	-	-	-	-	2,852	2,852
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	2,852	2,852
<b>Transactions with owners</b>						
Purchase of treasury shares	-	(1)	-	-	-	(1)
Dividend	-	-	-	-	-	-
<b>Total transactions with owners</b>	-	(1)	-	-	-	(1)
<b>Balance as at 31 March 2016</b>	109,903	(1,460)	17,765	1,186	306,930	434,324

**Note a**

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium of RM17,765,000, has been transferred to the share capital account. Pursuant to subsection 618(3) and 618(4) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2016 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 2016, except for the adoption of the Amendments and Annual improvements to Standards effective as of 1 January 2017.

*(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:

<b>MFRSs, Amendments to MFRSs and IC Interpretations</b>	<b>Effective for annual periods beginning on or after</b>
Annual Improvements to MFRSs 2014 – 2016 Cycle : Amendments to MFRS 12	1 January 2017
Amendments to MFRS 107 : Statement of Cash Flows – Disclosure Initiative	1 January 2017
Amendments to MFRS 112 : Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

The above pronouncements are either not relevant or do 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:

<b>MFRSs, Amendments to MFRSs and IC Interpretations</b>	<b>Effective for annual periods beginning on or after</b>
Annual Improvements to MFRSs 2014 – 2016 Cycle : Amendments to MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards : Amendments to MFRS 128 – Investments in Associates and Joint Ventures	1 January 2018
MFRS 9 : Financial Instruments (IFRS 9 as issued by International Accounting Standards Board (“IASB”) in July 2014)	1 January 2018
MFRS 15 : Revenue from Contracts with Customers : Clarification to MFRS 15	1 January 2018
Amendments to MFRS 2 : Classification and Measurement of Share-Based Payment Transactions	1 January 2018
Amendments to MFRS 4 : Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140 : Transfers of Investment Property	1 January 2018
IC Interpretation 22 : Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 : Leases	1 January 2019
Amendments to MFRS 10 And MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred



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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)*

***Annual Improvements to MFRS Standards 2014 - 2016 Cycle***

***a. Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards***

The amendments remove certain provisions from the Standard that have served their intended purposes and are no longer required.

***b. Amendments to MFRS 128 Investments in Associates and Joint Ventures***

The amendments clarify that when an investment in an associate or a joint venture is held by an entity which is a venture capital organisation, or a mutual fund, unit trust or similar entities, the entity may elect to measure that investment at fair value on an investment by investment basis in accordance with the standard.

The adoption of Annual Improvements to MFRS Standards 2014 - 2016 Cycle is not expected to have any financial 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, establishes a more principle-based approach base to hedge accounting and addresses 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.

***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.





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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 2 - Classification and Measurement of Share-Based Payment Transactions***

The amendments provides guidance on how to account for the following situations:

- The effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payments;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment transaction that changes the classification of the transaction from cash-settled to equity-settled.

As the Group does not practice share-based payment transactions, the adoption of these amendments are not expected to have any financial impact on the Group.

***Amendments to MFRS 4 - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts***

The amendments address the issues arising from the transitional challenges of applying the temporary exemption from MFRS 9 for an insurer in view that the upcoming new insurance contracts standard MFRS 17 is expected to be issued soon. The expiration date of the temporary exemption from MFRS 9 coincide with the tentative effective date of MFRS 17, as decided by IASB in November 2016. In addition, to reduce the impact of temporary volatility in reported results of entity dealing with insurance contracts, the amendments introduce two additional voluntary options, namely an overlay approach and a deferral approach. The adoption of these amendments is not expected to have any material financial impact on the financial statements of the Group.

***Amendments to MFRS 140 -Transfers of Investment Property***

The amendments clarify the existing provisions in the Standard on transfer to, or from the investment property category. The adoption of these amendments is not expected to have any material financial impact on the financial statements of the Group.

***IC Interpretation 22 - Foreign Currency Transactions and Advance Consideration***

The IC Interpretation addresses the issue on which exchange rate is to be used in reporting foreign currency transactions that involve advance consideration paid or received. The adoption of the IC Interpretation is not expected to have any material financial impact on the financial statements of the Group.

***MFRS 16 Leases***

MFRS 16 Leases was issued in April 2016 and will supersede all current lease recognition under MFRS. Under this standard, a lease is a contract (or contains a lease in a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. MFRS 16 eliminates the classification of leases as either operating leases or financial leases for a lessee, and requires a lessee to treat all leases as a finance lease that recognises the right to use of the underlying lease asset and the future lease payments liabilities in the Group statement of financial position. For a lessor, MFRS 16 made changes to the disclosures of the existing requirements under MFRS 117 and continue to allow a lessor to classify all leases as either operating leases or finance leases.



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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***

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.

**A2 Auditor's report on preceding annual financial statements**

The preceding year's audit report for the year ended 31 December 2016 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 (1<sup>st</sup>) quarter ended 31 March 2017.

**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 (1<sup>st</sup>) quarter ended 31 March 2017.

**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 March 2017, a total of 961,925 treasury shares were held by the Company. The repurchased shares are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act, 2016.

There were no issues of debt or equity securities for the current year to date.

The Group's objectives of managing capital are to safeguard the Group's ability to continue in operations as a going concern in order to provide fair returns for shareholders and benefits for other stakeholders and to maintain the optimal capital structure, the Group may, from time to time, adjust the dividend payout to shareholders, return capital to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

For capital management purposes, the Group considers shareholders' equity, non-controlling interests and long-term liabilities to be the key components in the Group's capital structure. The Group monitors capital on the basis of gearing ratio, which is net debt divided by total capital plus net debts.

The Group includes within net debt, loan and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the equity holders of the Group less the fair value adjustment reserve. The Group's strategy is to maintain a low gearing ratio.



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**A6 Capital management, issuances, repurchases, and repayments of debts and equity instruments (contd.)**

The gearing ratios as at 31 March 2017 and 31 March 2016, which are within the Group's objectives for capital management, are as follows:

	31.03.2017	31.03.2016
	RM'000	RM'000
Borrowings	5,000	2,100
Trade and other payables	14,174	9,012
Less : Cash and bank balances	(45,127)	(62,930)
Net equity	<u>(25,953)</u>	<u>(51,818)</u>
Equity attributable to the owners of the parent	463,377	434,324
Capital and net equity	437,424	382,506
Gearing ratio (%)	0%	0%

**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

Segment information for the quarter ended 31 March 2017 is as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
<b>Revenue</b>			
Total revenue	56,406	47,725	104,131
Inter-segment revenue	(1,570)	(5,239)	(6,809)
Revenue from external customers	<u>54,836</u>	<u>42,486</u>	<u>97,322</u>
<b>Profit for the quarter</b>			
Total profit	6,222	9,248	15,470
Unallocated expenses			(141)
Finance costs			<u>(2)</u>
Profit before tax			15,327
Tax expense			<u>(3,775)</u>
Profit after tax for the quarter			<u>11,552</u>



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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
<b>Revenue</b>			
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>
<b>Profit for the quarter</b>			
Total profit	1,583	2,550	4,133
Unallocated expenses			(84)
Finance costs			(6)
Profit before tax			4,043
Tax expense			(1,191)
Profit after tax for the quarter			<u>2,852</u>

Segment assets and liabilities as at 31 March 2017 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<b>Assets</b>			
Total assets	158,825	292,831	451,656
Investment properties			1,779
Derivative assets			-
Cash and bank balances			<u>45,127</u>
			<u>498,562</u>
<b>Liabilities</b>			
Total liabilities	10,640	12,265	22,905
Derivative liabilities			42
Deferred tax liabilities			<u>12,238</u>
			<u>35,185</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
<b>Assets</b>			
Total assets	136,721	237,222	373,943
Investment properties			1,779
Derivative assets			322
Other investments			20,193
Cash and bank balances			62,930
			<u>459,167</u>
<b>Liabilities</b>			
Total liabilities	5,558	6,321	11,879
Derivative liabilities			52
Deferred tax liabilities			12,912
			<u>24,843</u>

**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 (1<sup>st</sup>) quarter ended 31 March 2017.

**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 2017 are as follows:

	RM'000
Capital expenditure :	
Approved and contracted for	1,335
Approved but not contracted for	1,285
	<u>2,620</u>



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**A13 Related party transactions**

Related party transactions for the quarter and year to date under review in which certain directors have direct/indirect interest are as follows:

	<b>Group</b>	
	Current year quarter	Current year todate
	RM'000	RM'000
Rental expense	(223)	(223)
	<u>(223)</u>	<u>(223)</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 year ended 31 March 2017 was RM99,703.

**A15 Financial instruments**

**(a) Financial instruments**

<b>Group</b>	<b>As at 31 March 2017</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	112,138	-	112,138
Derivative assets	-	1	1
Cash and bank balances	45,127	-	45,127
	<u>157,265</u>	<u>1</u>	<u>157,266</u>
	<b>Other financial liabilities RM'000</b>	<b>Fair value through profit or loss RM'000</b>	<b>Total RM'000</b>
<b>Financial liabilities</b>			
Trade and other payables	14,174	-	14,174
Derivative liabilities	-	42	42
	<u>14,174</u>	<u>42</u>	<u>14,216</u>



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**A15 Financial instruments (contd.)**

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

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.

- 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).



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**A15 Financial instruments (Contd.)**

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

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 and loss					
- Forward currency contracts	-	-	1	1	1
<b>Liabilities measured at fair value</b>					
Financial liabilities at fair value through profit and loss					
- Forward currency contracts	-	-	42	42	42

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial year ended 31 March 2017.





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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**

**Current quarter vs. Previous year corresponding quarter**

The Group recorded revenue of RM97.3 million for the quarter ended 31.03.2017 (“1Q 2017”), which contracted by RM3.4 million (-3%) compared to revenue of RM100.7 million for the quarter ended 31.03.2016 (“1Q 2016”). The weaker performance was mainly attributed to lower contribution from the trading segment.

However, the Group’s profit before taxation bucked the downward revenue trend and rose significantly to RM15.3 million for 1Q 2017 as compared to RM4.0 million achieved in 1Q 2016. This was mainly due to higher profit margins achieved as a result of improved average selling prices. Profit before taxation was further strengthened by interest income of RM0.7 million from short term deposits with banks, and RM1.1 million from realised gain on foreign exchange transactions.

The performance of the respective operating business segments of the Group for 1Q 2017 as compared to 1Q 2016 are analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM42.5 million in 1Q 2017, which increased by RM0.7 million (2%) compared to RM41.8 million in 1Q 2016. The stronger performance was mainly attributed to higher average selling prices offsetting lower sales volume as a result of softer market demand.

Trading

The trading operations contributed revenue of RM54.8 million in 1Q 2017, which eased by RM4.1 million (-7%) compared to RM58.9 million recorded in 1Q 2016. The weaker performance was due to the dealers exercising a cautious stance in view of the delay in private development projects and contracting of governmental infrastructure projects.

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

The Group’s revenue for 1Q 2017 improved by 3% to RM97.3 million as compared to RM94.1 million achieved in 4Q 2016. The pickup in performance was mainly due to stronger average selling prices.

Following the higher revenue trend, the Group’s profit before taxation for 1Q 2017 increased by RM4.1 million to RM15.3 million as compared to RM11.2 million for 4Q 2016.



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

**a) Prospects for 2017**

Of late, the lofty international steel price levels have started to soften and is expected to face further downward adjustment in the next several months as a result of China dropping their prices drastically due to declining raw material prices and higher inventory levels. Most major mills followed suit accordingly. However, it is difficult to use the Chinese price movement as a bellwether for prices as the trend does not always co-relate closely to fundamentals. The recent cyclone in Australia may give pause to the softer price trend as a result of the sharp spike in the price of coking coal, but the popular view is that it will be an anomaly and that price weakness will persist in the medium term.

On the domestic front, the local steel industry remains challenging as the market adopts a cautious stance, underpinned by the slow contracting of governmental infrastructure projects as well as delayed development of real estate projects impacting demand for steel products. Additionally, local steel prices have begun to experience some easing pressure as most dealers refrained from stocking up their inventories with the volatile and unpredictable price trend in China, while manufacturers compete to clear existing inventories. The catalyst that will drive demand for steel products and building materials will continue to hinge upon the steady deployment of governmental infrastructure projects and active development of real estate projects.

With the challenges faced above, the Group have taken appropriate measures to remain competitive and relevant.

**(c) 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	4,151	4,151
Deferred tax		
- current quarter / year	(376)	(376)
Tax expense	<u>3,775</u>	<u>3,775</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) 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 effect of expenses not-deductible for tax purposes.



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**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 2017 are as follows:

**Short-term borrowings**

	RM'000	
Bankers' acceptances	5,000	Unsecured
	<u>5,000</u>	

Borrowings are denominated in the following currencies:

	RM'000	
- Ringgit Malaysia	5,000	Unsecured
	<u>5,000</u>	

The Group has no debt securities as at 31 March 2017.

**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 proposed a final single tier dividend of 6 sen per ordinary share and a special single tier dividend of 3 sen per ordinary amounting to RM6.5 million and RM3.3 million, respectively for the financial year ended 31 December 2016. The proposed final dividend and special 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 18 August 2017 to shareholders registered at the close of business on 21 July 2017.

**B11 Earnings per share (EPS)**

**(a) Basic earnings per share**

		3 months ended	
		<u>31.03.2017</u>	<u>31.03.2016</u>
Profit attributable to the owners of the Company	(RM'000)	11,552	2,852
Weighted average number of ordinary shares in issue	('000)	108,941	108,942
Basic earnings per share	(sen)	10.60	2.62

**(b) Diluted earnings per share**

There are no potential dilutive ordinary shares during the quarter. Accordingly, the diluted earnings per ordinary share is not presented.



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**B12 Other income / (losses)**

	3 months ended	
	<u>31.03.2017</u>	<u>31.03.2016</u>
	RM'000	RM'000
Interest on :		
Customer overdue account	57	98
Short term deposits	727	170
Impairment losses on trade and other receivables	(813)	(632)
Impairment losses on trade and other receivables no longer required	43	-
Bad debt written off	(34)	-
Bad debts recovered	-	5
Fair value adjustments on derivative financial instruments	19	330
Fair value adjustment on other investments	-	92
Loss on disposal of property, plant and equipment	(82)	(53)
Gain on disposal of other investments	-	64
Property, plant and equipment written off		
Trade compensation	-	25
Rental income	22	22
Realised gain / (loss) on foreign exchange transactions	1,092	(160)
Unrealised loss on foreign exchange transactions	(211)	(138)
Others	-	(1)
	<u>820</u>	<u>(178)</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 31.03.2017 <u>RM'000</u>	As at 31.03.2016 <u>RM'000</u>
- Realised	341,155	314,358
- Unrealised	<u>14,403</u>	<u>14,995</u>
	355,558	329,353
Less : Consolidation adjustments	<u>(19,573)</u>	<u>(22,423)</u>
Total group retained earnings	<u><u>335,985</u></u>	<u><u>306,930</u></u>

**B14 Authorisation for issue**

The interim financial statements were authorised on 19 May 2017 for issue by the Board of Directors.