



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE THIRD
FINANCIAL QUARTER ENDED 30 SEPTEMBER 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
		30.09.2017 (Unaudited)	30.09.2016 (Unaudited)	30.09.2017 (Unaudited)	30.09.2016 (Unaudited)
		RM'000	RM'000	RM'000	RM'000
Revenue		130,394	78,022	329,959	275,553
Cost of sales:					
Factory and production cost		(109,203)	(66,504)	(271,216)	(232,595)
Factory depreciation		(1,338)	(1,344)	(4,009)	(4,032)
Gross profit		19,853	10,174	54,734	38,926
Other income	B12	235	1,142	1,218	1,737
Depreciation and amortisation		(406)	(418)	(1,226)	(1,200)
Administrative expenses		(2,930)	(2,581)	(8,320)	(7,916)
Selling and distribution expenses		(3,113)	(2,761)	(9,073)	(8,657)
Finance costs		(4)	-	(9)	(6)
Profit before taxation		13,635	5,556	37,324	22,884
Tax expense	B6	(3,415)	(1,128)	(9,247)	(5,652)
Profit after taxation		10,220	4,428	28,077	17,232
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		10,220	4,428	28,077	17,232
Profit attributable to:					
Owners of the parent		10,220	4,428	28,077	17,232
Total comprehensive income attributable to:					
Owners of the parent		10,220	4,428	28,077	17,232
Earnings per share attributable to equity holders of the Company (sen):					
a) Basic	B11(a)	9.38	4.06	25.77	15.82
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	30.09.2017 (Unaudited) RM'000	31.12.2016 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		142,819	146,445
Investment properties		1,779	1,779
Prepaid lease payments for land		2,585	2,687
		147,183	150,911
Current Assets			
Inventories		171,538	132,503
Trade and other receivables		138,892	102,365
Derivative assets		170	22
Current tax assets		-	42
Cash and bank balances		47,763	92,980
		358,363	327,912
TOTAL ASSETS		505,546	478,823
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital		127,668	109,903
Treasury shares		(1,462)	(1,462)
Reserves		343,891	343,384
TOTAL EQUITY		470,097	451,825
LIABILITIES			
Non-current Liabilities			
Deferred tax liabilities		11,700	12,614
Current Liabilities			
Trade and other payables		10,473	11,954
Derivative liabilities		-	81
Current tax liabilities		5,276	2,349
Borrowings	B8	8,000	-
		23,749	14,384
TOTAL LIABILITIES		35,449	26,998
TOTAL EQUITY AND LIABILITIES		505,546	478,823
Net Tangible Assets Per Share (RM)		4.32	4.15
Net Assets Per Share (RM)		4.32	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 30 SEPTEMBER 2017 (UNAUDITED)

	30.09.2017 (Unaudited) RM'000	30.09.2016 (Unaudited) RM'000
Cash Flows From Operating Activities		
Profit before taxation	37,324	22,884
Adjustments for non-cash flow items :-		
Amortisation of prepaid lease payments for land	102	102
Bad debts written off	34	200
Bad debts recovered	(7)	(5)
Depreciation of property, plant and equipment	5,133	5,130
Fair value adjustments on derivative financial instruments	(229)	(54)
Fair value adjustments on other investments	-	(85)
Gain on disposal of other investments	-	(243)
Loss on disposal of property, plant and equipment	127	321
Impairment losses on trade and other receivables	813	1,026
Impairment losses on trade and other receivables no longer required	(197)	(194)
Interest expenses	9	6
Interest income on overdue accounts	(161)	(502)
Interest income	(1,196)	(1,573)
Inventories written back	(556)	(2,121)
Property, plant and equipment written off	1	1
Unrealised loss / (gain) on foreign exchange transactions	344	(205)
Operating profit before changes in working capital	<u>41,541</u>	<u>24,688</u>
Changes in working capital		
Inventories	(38,479)	49,639
Trade and other receivables	(37,331)	32,873
Trade and other payables	(1,487)	(2,585)
Cash flows (used in) / from operations	<u>(35,756)</u>	<u>104,615</u>
Interest received	161	502
Tax refunded	90	-
Tax paid	(7,282)	(2,097)
Net cash flows (used in) / from operating activities	<u>(42,787)</u>	<u>103,020</u>
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	107	175
Proceeds from disposal of other investments	-	25,000
Interest received	1,196	1,573
Purchase of property, plant and equipment	(1,743)	(17,050)
Purchase of other investments	-	(20,000)
Increase in deposits pledged to licensed banks	(3)	(3)
Net cash flows used in investing activities	<u>(443)</u>	<u>(10,305)</u>



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONT'D)

	30.09.2017 (Unaudited) <u>RM'000</u>	30.09.2016 (Unaudited) <u>RM'000</u>
Cash Flows From Financing Activities		
Repayments of short-term borrowings	(10,000)	(4,100)
Drawdowns of short-term borrowings	18,000	2,100
Interest paid	(9)	(6)
Dividends paid	(9,805)	(4,358)
Repurchase of treasury shares	-	(3)
Net cash flows used in financing activities	<u>(1,814)</u>	<u>(6,367)</u>
Net (decrease) / increase in cash and cash equivalents	(45,044)	86,348
Effect of exchange rate changes on cash and cash equivalents	(176)	143
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>47,569</u></u>	<u><u>120,320</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	28,200	19,021
Repo	3,000	15,574
Deposits with licensed banks	16,369	85,725
Deposits pledged to licensed banks	194	188
As per balance sheet	<u>47,763</u>	<u>120,508</u>
Less : Deposits pledged to licensed banks	(194)	(188)
Cash and cash equivalents at end of period	<u><u>47,569</u></u>	<u><u>120,320</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
	Non-distributable				Distributable	
	Share Capital	Treasury Shares	Share Premium	General Reserve	Retained Earnings	
RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	
Balance as at 1 January 2017	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	-	-	-	-	28,077	28,077
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	28,077	28,077
Transactions with owners						
Purchase of treasury shares	-	-	-	-	-	-
Dividend	-	-	-	-	(9,805)	(9,805)
Total transactions with owners	-	-	-	-	(9,805)	(9,805)
Balance as at 30 September 2017	127,668	(1,462)	-	1,186	342,705	470,097
Balance as at 1 January 2016	109,903	(1,459)	17,765	1,186	304,078	431,473
Profit for the period	-	-	-	-	17,232	17,232
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	17,232	17,232
Transactions with owners						
Purchase of treasury shares	-	(3)	-	-	-	(3)
Dividend	-	-	-	-	(4,358)	(4,358)
Total transactions with owners	-	(3)	-	-	(4,358)	(4,361)
Balance as at 30 September 2016	109,903	(1,462)	17,765	1,186	316,952	444,344

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 financial period:

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 2014 – 2016 Cycle : Amendments to MFRS 12– Disclosure of Interests in other Entities	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:

MFRSs, Amendments to MFRSs and IC Interpretations	Effective for annual periods beginning on or after
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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
IC Interpretation 23	: Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17	: Insurance Contracts	1 January 2021
Amendments to MFRS 10 And MFRS 128	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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.



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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

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.

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.



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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 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.

IC Interpretation 23 – Uncertainty over Income Tax Treatments

The IC Interpretation provides clarification on the application of recognition and measurement requirements in MFRS 112 Income Taxes when there is uncertainty over income tax treatments. The IC interpretation clarifies that an entity shall:

- i) assume that a taxation will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
- ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount method or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

The adoption of the IC Interpretation is not expected to have any material financial impact on the financial statements of the Group.

MFRS 17 Insurance Contracts

MFRS 17 introduces consistent accounting for all insurance contracts based on a current measurement model. Under MFRS 17, the general model requires entities to recognise and measure a group of insurance contracts at:

- i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable information; plus
- ii) an amount representing the unearned profit in the group of contracts.

The adoption of MFRS 17 will not have any material financial impact on the financial statements of the Group as the Group is not in the business of providing insurance services.



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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 third (3rd) quarter and nine (9) months ended 30 September 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 third (3rd) quarter and nine (9) months ended 30 September 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 30 September 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 (Cont'd)

The gearing ratios as at 30 September 2017 and 30 September 2016, which are within the Group's objectives for capital management, are as follows:

	<u>30.09.2017</u>	<u>30.09.2016</u>
	RM'000	RM'000
Borrowings	8,000	-
Trade and other payables	10,473	7,096
Less : Cash and bank balances	<u>(47,763)</u>	<u>(120,508)</u>
Net equity	<u>(29,290)</u>	<u>(113,412)</u>
Equity attributable to the owners of the parent	470,097	444,344
Capital and net equity	440,807	330,932
Gearing ratio (%)	0%	0%

A7 Dividends paid

A final single tier dividend of 6 sen per ordinary share (2016: 4 sen) and a special single tier dividend of 3 sen per ordinary share in total amounting to RM9,804,697.00 in respect of financial year 31 December 2016 was paid on 18 August 2017.

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 30 September 2017 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	76,369	66,907	143,276
Inter-segment revenue	(3,026)	(9,856)	(12,882)
Revenue from external customers	<u>73,343</u>	<u>57,051</u>	<u>130,394</u>
Profit for the quarter			
Total profit	7,647	6,100	13,747
Unallocated expenses			(108)
Finance costs			<u>(4)</u>
Profit before tax			13,635
Tax expense			<u>(3,415)</u>
Profit after tax for the quarter			<u>10,220</u>

Segment information for the quarter ended 30 September 2016 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	51,942	34,584	86,526
Inter-segment revenue	(1,072)	(7,432)	(8,504)
Revenue from external customers	<u>50,870</u>	<u>27,152</u>	<u>78,022</u>
Profit for the quarter			
Total profit	3,582	2,322	5,904
Unallocated expenses			(348)
Profit before tax			5,556
Tax expense			<u>(1,128)</u>
Profit after tax for the quarter			<u>4,428</u>



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A8 Operating segment information (Cont'd)

Segment information for the financial period ended 30 September 2017 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	197,940	158,313	356,253
Inter-segment revenue	(5,389)	(20,905)	(26,294)
Revenue from external customers	<u>192,551</u>	<u>137,408</u>	<u>329,959</u>
Profit for the period			
Total profit	19,325	18,321	37,646
Unallocated expenses			(313)
Finance costs			<u>(9)</u>
Profit before tax			37,324
Tax expense			<u>(9,247)</u>
Profit after tax for the period			<u><u>28,077</u></u>

Segment information for the financial period ended 30 September 2016 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	183,161	121,395	304,556
Inter-segment revenue	(5,209)	(23,794)	(29,003)
Revenue from external customers	<u>177,952</u>	<u>97,601</u>	<u>275,553</u>
Profit for the period			
Total profit	13,678	9,751	23,429
Unallocated expenses			(539)
Finance costs			<u>(6)</u>
Profit before tax			22,884
Tax expense			<u>(5,652)</u>
Profit after tax for the period			<u><u>17,232</u></u>



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A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 30 September 2017 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Total assets	178,306	277,528	455,834
Investment properties			1,779
Derivative assets			170
Cash and bank balances			<u>47,763</u>
			<u><u>505,546</u></u>
Liabilities			
Total liabilities	13,950	9,799	23,749
Deferred tax liabilities			<u>11,700</u>
			<u><u>35,449</u></u>

Segment assets and liabilities as at 30 September 2016 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Total assets	135,821	204,110	339,931
Investment properties			1,779
Derivative assets			29
Other investments			5,365
Cash and bank balances			<u>120,508</u>
			<u><u>467,612</u></u>
Liabilities			
Total liabilities	4,799	2,266	7,065
Derivative liabilities			36
Current tax liabilities			3441
Deferred tax liabilities			<u>12,726</u>
			<u><u>23,268</u></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 third (3rd) quarter and nine (9) months ended 30 September 2017.

A11 Contingent assets and contingent liabilities

There were no contingent liabilities or contingent assets at the date of issue of the quarterly report.



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A12 Capital commitments

Authorised capital commitments not recognised in the interim financial statements as at 30 September 2017 are as follows:

	RM'000
Capital expenditure :	
Approved and contracted for	1,335
Approved but not contracted for	1,284
	<u>2,619</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
	RM'000	RM'000
Rental expense	(223)	(669)
	<u>(223)</u>	<u>(669)</u>

These transactions have been entered into in the normal course of business and at arm's 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 30 September 2017 was RM555,877.



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A15 Financial instruments
(a) Financial instruments

Group	As at 30 September 2017		
	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	138,239	-	138,239
Derivative assets	-	170	170
Cash and bank balances	47,763	-	47,763
	186,002	170	186,172
	Other financial liabilities RM'000	Fair value through profit or loss RM'000	Total RM'000
Financial liabilities			
Trade and other payables	10,473	-	10,473
Borrowings	8,000	-	8,000
	18,473	-	18,473

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	-	-	170	170	170
Liabilities measured at fair value					
Financial liabilities at fair value through profit and loss					
- Forward currency contracts	-	-	-	-	-

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial period 30 September 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

a) Current quarter vs. Previous year corresponding quarter

The Group recorded revenue of RM130.4 million for the quarter ended 30.09.2017 (“3Q 2017”), which rose significantly by RM52.4 million (67%) compared to revenue of RM78.0 million for the quarter ended 30.09.2016 (“3Q 2016”). The stronger performance was attributed to higher contribution from both the manufacturing and trading segments.

Following the upward trend, the Group’s profit before taxation increased to RM13.6 million for 3Q 2017 as compared to RM5.6 million achieved in 3Q 2016. This was mainly due to enhanced profit margins on the back of stronger average selling prices and sales volume.

The performance of the respective operating business segments of the Group for 3Q 2017 as compared to 3Q 2016 are analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM57.1 million in 3Q 2017, which increased by RM30.0 million (>100%) compared to RM27.1 million in 3Q 2016. The stronger performance was mainly attributed to higher average selling prices driving stronger market demand.

Trading

The trading operations contributed revenue of RM73.3 million in 3Q 2017, which improved by RM22.4 million (44%) compared to RM50.9 million recorded in 3Q 2016. The stronger performance was due to higher metric tonne sales volume coupled with improved average selling prices.

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

For the 9 months ended 30.09.2017 (“YTD 3Q 2017”), the Group recorded revenue of RM330.0 million, which strengthened by RM54.4 million (20%) as compared to revenue of RM275.6 million recorded in the 9 months ended 30.09.2016 (“YTD 3Q 2016”). The improvement in performance was mainly due to higher average selling prices negating weaker market demand experienced in 2Q 2017.

The Group's profit before taxation for YTD 3Q 2017 was in tandem with the revenue trend and recorded improvement of RM14.4 million to RM37.3 million as compared to RM22.9 million recorded for YTD 3Q 2016. This was contributed by stronger profit margins as a result of higher average selling prices. Profit before taxation was strengthened further by interest income from short term deposits with banks of RM1.2 million.



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B1 Review of the performance of the company and its principal subsidiaries (Cont'd)

a) Current quarter vs. Previous year corresponding quarter (Cont'd)

The performance of the respective operating business segments of the Group for YTD 3Q 2017 as compared to YTD 3Q 2016 are analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM137.4 million for YTD 3Q 2017, which increased by 41% as compared to RM97.6 million in YTD 3Q 2016. The improvement in performance was mainly due to higher average selling prices.

Trading

The trading operations recorded revenue of RM192.6 million for YTD 3Q 2017, which increased by 8% as compared to RM178.0 million in YTD 3Q 2016. The stronger performance was mainly due to higher metric tonne sales volume.

B2 Comparison with preceding quarter's results

The Group's revenue for 3Q 2017 improved by 28% to RM130.4 million as compared to RM102.2 million achieved in 2Q 2017. The revenue growth was due to pick-up in market demand on the back of higher average selling prices.

As a result, the Group's profit before taxation for 3Q 2017 increased by RM5.2 million to RM13.6 million as compared to RM8.4 million for 2Q 2017.

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

a) Prospects for 2017

International steel prices continued to escalate in the third quarter due to ongoing measures by the Chinese government to curb excess production and the environmental crackdown on polluting mills which has taken some capacity off the market. Though lately offer prices experienced some softening, many steel mills, especially the Koreans and Japanese feel that the price uptrend will continue after the early October holiday season in China and Korea. Apart from that, economic growth in emerging markets is also expected to generate higher demand for steel consumption.

Despite the strong international prices, current local demand has yet to rise to match the hike in prices mainly due to the cautious stance exercised by dealers as well as restocking activities carried out in the third quarter of this year. However, the outlook for the local steel industry remains sanguine with the Government's commitment under Budget 2018 to roll out infrastructure spending which will boost the construction sector. This is expected to bolster stronger demand for steel consumption which will bode well for the steel industry.

Barring any unforeseen circumstances, the Group will strive for a commendable performance for the financial year.

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.



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B5 Variance of actual profit from forecast profit or profit guarantee
 There were no profit forecast or profit guarantee issued by the Group.

B6 Taxation
 Tax charges comprise:

	Current year quarter RM'000	Current year todate RM'000
Income tax		
- current quarter / year	3,623	10,022
- over provision in prior quarter / year	138	138
Real property gain tax	-	-
Deferred tax		
- current quarter / year	(346)	(913)
Tax expense	3,415	9,247

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the period. The effective tax rate for the current quarter and year to date was slightly higher than the statutory tax rate mainly due to the effect of expenses not-deductible for tax purposes.

B7 (a) Status of corporate proposals announced but not completed
 There were no corporate proposals at the date of issue of the quarterly report.

(b) Status of utilization of proceeds raised from any corporate proposal
 Not applicable.

B8 Group borrowings and debt securities
 Details of Group's borrowings as at 30 September 2017 are as follows:

Short-term borrowings

	RM'000	
Bankers' acceptances	8,000	Unsecured
	8,000	

Borrowings are denominated in the following currencies:

	RM'000	
- Ringgit Malaysia	8,000	Unsecured
	8,000	

The Group has no debt securities as at 30 September 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
 There was no dividend proposed in the current quarter.



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B11 Earnings per share (EPS)

(a) Basic earnings per share

		3 months ended		9 months ended	
		30.09.2017	30.09.2016	30.09.2017	30.09.2016
Profit attributable to the owners of the Company	(RM'000)	10,220	4,428	28,077	17,232
Weighted average number of ordinary shares in issue	('000)	108,941	108,940	108,941	108,942
Basic earnings per share	(sen)	9.38	4.06	25.77	15.82

(b) Diluted earnings per share

There are no potential dilutive ordinary shares during the quarter and financial period year to date. Accordingly, the diluted earnings per ordinary share is not presented.

B12 Other income

	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Interest on :				
Customer overdue account	64	248	161	502
Short term deposits	233	826	1,196	1,573
Compensation for loss of stock	-	-	178	-
Impairment losses on trade and other receivables	-	(285)	(813)	(1,026)
Impairment losses on trade and other receivables no longer required	63	277	197	194
Bad debt written off	-	-	(34)	-
Bad debts recovered	-	-	7	5
Fair value adjustments on derivative financial instruments	170	(37)	229	54
Fair value adjustment on other investments	-	49	-	85
Loss on disposal of property, plant and equipment	(52)	-	(127)	(321)
Gain on disposal of other investments	-	-	-	243
Trade compensation	-	-	-	30
Rental income	37	22	101	66
Realised (loss) / gain on foreign exchange transactions	(178)	31	464	127
Unrealised (loss) / gain on foreign exchange transactions	(104)	11	(344)	205
Others	2	-	3	-
	<u>235</u>	<u>1,142</u>	<u>1,218</u>	<u>1,737</u>



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B13 Realised and unrealised profit or losses disclosure

The breakdown of the retained profits of the Group as at the end of the reporting date, into realised and unrealised profit or losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 are as follows:

	As at 30.09.2017	As at 30.09.2016
	RM'000	RM'000
- Realised	348,684	320,687
- Unrealised	13,805	15,204
	<u>362,489</u>	<u>335,891</u>
Less : Consolidation adjustments	(19,784)	(18,939)
Total group retained earnings	<u><u>342,705</u></u>	<u><u>316,952</u></u>

B14 Authorisation for issue

The interim financial statements were authorised on 24 November 2017 for issue by the Board of Directors.