



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE SECOND
FINANCIAL QUARTER ENDED 30 JUNE 2019

CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(UNAUDITED)

		Individual quarter		Cumulative quarter	
		Current year quarter	Preceding year corresponding quarter	Current year todate	Preceding year todate
Note		30.06.2019 (Unaudited)	30.06.2018 (Unaudited)	30.06.2019 (Unaudited)	30.06.2018 (Unaudited)
		RM'000	RM'000	RM'000	RM'000
Revenue		105,574	122,591	226,997	237,193
Cost of sales:					
Factory and production cost		(95,749)	(101,659)	(209,876)	(195,812)
Factory depreciation		(1,331)	(1,340)	(2,661)	(2,680)
Gross profit		8,494	19,592	14,460	38,701
Other income	B12	822	1,364	938	2,340
Depreciation and amortisation		(442)	(425)	(883)	(838)
Administrative expenses		(2,761)	(3,726)	(5,340)	(6,685)
Selling and distribution expenses		(3,453)	(3,361)	(6,697)	(6,337)
Finance costs		(61)	(3)	(218)	(5)
Profit before taxation		2,599	13,441	2,260	27,176
Tax expense	B6	(385)	(3,195)	(537)	(6,519)
Profit after taxation		2,214	10,246	1,723	20,657
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		2,214	10,246	1,723	20,657
Profit attributable to:					
Owners of the parent		2,214	10,246	1,723	20,657
Total comprehensive income attributable to:					
Owners of the parent		2,214	10,246	1,723	20,657
Earnings per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	1.69	9.41	1.32	18.96
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 2018 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	Note	30.06.2019 (Unaudited) RM'000	31.12.2018 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		160,600	137,029
Investment properties		1,870	1,870
Right-of-use-assets		4,168	4,691
Deferred tax assets		-	1
		<u>166,638</u>	<u>143,591</u>
Current Assets			
Inventories		209,052	249,404
Trade and other receivables		116,164	120,820
Other investments		3,008	-
Current tax assets		6,298	870
Cash and bank balances		37,661	36,069
		<u>372,183</u>	<u>407,163</u>
TOTAL ASSETS		<u>538,821</u>	<u>550,754</u>
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital		131,691	131,691
Treasury shares		(1,462)	(1,462)
Reserves		373,255	378,068
TOTAL EQUITY		<u>503,484</u>	<u>508,297</u>
LIABILITIES			
Non-current Liabilities			
Lease liabilities		929	1,366
Deferred tax liabilities		10,872	10,714
		<u>11,801</u>	<u>12,080</u>
Current Liabilities			
Trade and other payables		14,514	13,018
Borrowings	B8	8,000	16,000
Lease liabilities		892	910
Derivative liabilities		130	113
Current tax liabilities		-	336
		<u>23,536</u>	<u>30,377</u>
TOTAL LIABILITIES		<u>35,337</u>	<u>42,457</u>
TOTAL EQUITY AND LIABILITIES		<u>538,821</u>	<u>550,754</u>
		RM	RM
Net Assets per Share Attributable to Owners of the Company A16		<u>3.85</u>	<u>3.89</u>

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 JUNE 2019 (UNAUDITED)

	30.06.2019 (Unaudited) RM'000	30.06.2018 (Unaudited) RM'000
Cash Flows From Operating Activities		
Profit before taxation	2,260	27,176
Adjustments for non-cash flow items :-		
Amortisation of right-of-use assets	68	68
Depreciation of property, plant and equipment	3,476	3,450
Dividend income received from short term fund	(8)	(99)
Fair value adjustments on derivative financial instruments	17	36
Fair value adjustments on other investments	-	(3)
Loss on disposal of property, plant and equipment	101	135
Impairment losses on trade and other receivables	119	-
Interest expense	218	5
Interest income on overdue accounts	(139)	(242)
Interest income	(236)	(640)
Inventories written down	195	237
Property, plant and equipment written off	8	-
Reversal of impairment losses on trade receivables	(159)	(356)
Unrealised gain on foreign exchange transactions	(90)	(1,105)
Operating profit before changes in working capital	5,830	28,662
Changes in working capital		
Inventories	40,157	(45,781)
Trade and other receivables	4,829	14,776
Trade and other payables	(5,102)	(4,481)
Cash flows generated from / (used in) operations	45,714	(6,824)
Interest received	139	242
Tax refunded	13	9
Tax paid	(6,155)	(5,997)
Net cash flows from / (used in) operating activities	39,711	(12,570)
Cash Flows From Investing Activities		
Increase in deposits pledged to the banks	(3)	-
Interest received	236	640
Purchase of property, plant and equipment	(27,209)	(2,317)
Purchase of other investments	(3,000)	(12,000)
Proceeds from disposal of property, plant and equipment	53	262
Proceeds from disposal of other investments	-	5,000
Net cash flows used in investing activities	(29,923)	(8,415)



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 30 JUNE 2019 (UNAUDITED) (CONT'D)

	30.06.2019 (Unaudited) RM'000	30.06.2018 (Unaudited) RM'000
Cash Flows From Financing Activities		
Interest paid	(218)	(5)
Short term borrowings		
- Repayments	(54,100)	(5,000)
- Drawdowns	46,100	10,000
Net cash flows (used in) / from financing activities	<u>(8,218)</u>	<u>4,995</u>
Net increase/(decrease) in cash and cash equivalents	1,570	(15,990)
Effect of exchange rate changes on cash and cash equivalents	19	673
Cash and cash equivalents at beginning of period	35,866	54,149
Cash and cash equivalents at end of period	<u><u>37,455</u></u>	<u><u>38,832</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	34,455	38,832
Deposits with licensed banks	3,000	-
Deposits pledged to licensed banks	206	199
As per balance sheet	<u>37,661</u>	<u>39,031</u>
Less : Deposits pledged to licensed banks	<u>(206)</u>	<u>(199)</u>
Cash and cash equivalents at end of period	<u><u>37,455</u></u>	<u><u>38,832</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 2018 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	< ----- Non-distributable ----- >			Distributable	
	Share Capital RM '000	Treasury Shares RM '000	General Reserve RM '000	Retained Earnings RM '000	Total Equity RM '000
Balance as at 1 January 2019	131,691	(1,462)	1,186	376,882	508,297
Profit for the period	-	-	-	1,723	1,723
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	1,723	1,723
Transactions with owners					
Dividends payable (Note B10)	-	-	-	(6,536)	(6,536)
Total transactions with owners	-	-	-	(6,536)	(6,536)
Balance as at 30 June 2019	131,691	(1,462)	1,186	372,069	503,484
Balance as at 1 January 2018	127,668	(1,462)	1,186	356,314	483,706
Effects of MFRS 9 Financial Instruments adoption	-	-	-	(1,159)	(1,159)
Profit for the period	-	-	-	20,657	20,657
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	20,657	20,657
Transactions with owners					
Dividends payable	-	-	-	(6,536)	(6,536)
Total transactions with owners	-	-	-	(6,536)	(6,536)
Balance as at 30 June 2018	127,668	(1,462)	1,186	369,276	496,668

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 of the Group have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”), the International Financial Reporting Standards (“IFRSs”) and the provisions of the Companies Act 2016 in Malaysia. Other than for financial instruments and investment properties, the interim financial statements have been prepared under the historical cost convention. Certain financial instruments are carried at fair value in accordance to MFRS 9 *Financial Instruments*, while investment properties are stated at fair value as per MFRS 140 *Investment Properties*.

The interim financial statements has also 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 2018 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 2018, except for the adoption of the MFRSs, Amendments and Annual improvements to Standards effective as of 1 January 2019.

(i) *MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations adopted by the Group during the current financial period:*

MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations		Effective for annual periods beginning on or after
Amendments to MFRS 9	: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle	: Amendments to MFRS 3 – Previously Held Interest in a Joint Operation : Amendments to MFRS 11 – Previously Held Interest in a Joint Operation : Amendments to MFRS 112 – Income Tax Consequences of Payments on Financial Instruments Classified as Equity : Amendments to MFRS 123 – Borrowing Costs Eligible for Capitalisation	1 January 2019
IC Interpretation 23	: Uncertainty over Income Tax Treatments	1 January 2019

The adoption of the above MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations does not have any material impact on the financial statements of the Group.



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A1 Basis of preparation (Cont'd)

(ii) *MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations issued but not yet effective*

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations were issued but not yet effective and have not been adopted by the Group:

MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations		Effective for annual periods beginning on or after
Amendments to MFRS 3	: Definition of a Business	1 January 2020
Amendments to MFRS 101	: Presentation of Financial Statements – Definition of Material	1 January 2020
Amendments to MFRS 108	: Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material	1 January 2020
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

Amendments to MFRS 3 Business Combinations – Definition of Business

As the accounting requirements for goodwill, acquisition costs and deferred tax differ on the acquisition of a business and on the acquisition of a group of assets, the amendments issued are aimed at resolving the difficulties that arise when an entity is determining whether it has acquired a business or a group of assets.

Amendments to MFRS 101 Presentation of Financial Statements – Definition of Material

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

The amendments clarify the definition of ‘material’ and to align the definition used in the Conceptual Framework and the Standards themselves.

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.

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 2018 was not qualified.



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A3 Seasonality or cyclical 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 second (2nd) quarter and six (6) months ended 30 June 2019.

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 second (2nd) quarter and six (6) months ended 30 June 2019.

A6 Capital management, issuances, repurchases, and repayments of debts and equity securities

For the current quarter, the Company did not repurchase any ordinary shares from the open market.

As at 30 June 2019, 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.

The gearing ratios as at 30 June 2019 and 30 June 2018, which are within the Group's objectives for capital management, are as follows:

	31.06.2019	30.06.2018
	RM'000	RM'000
Borrowings	8,000	5,000
Trade and other payables	14,514	17,237
Less : Cash and bank balances	(37,661)	(39,031)
Net equity	(15,147)	(16,794)
Equity attributable to the owners of the parent	503,484	496,668
Capital and equity	488,337	479,874
Gearing ratio (%)	0%	0%

A7 Dividends paid

There were no dividends paid in the current financial quarter.



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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 second (2nd) quarter ended 30 June 2019 is as follows:-

	Trading RM'000	Manufacturing RM'000	Total RM'000
Revenue			
Total revenue	77,191	52,814	130,005
Inter-segment revenue	(2,161)	(22,270)	(24,431)
Revenue from external customers	75,030	30,544	105,574
Profit for the quarter			
Total profit	1,714	1,079	2,793
Unallocated expenses			(133)
Finance costs			(61)
Profit before tax			2,599
Tax expense			(385)
Profit after tax for the quarter			2,214

Segment information for the second (2nd) quarter ended 30 June 2018 is as follows:-

	Trading RM'000	Manufacturing RM'000	Total RM'000
Revenue			
Total revenue	89,380	58,499	147,879
Inter-segment revenue	(2,050)	(23,238)	(25,288)
Revenue from external customers	87,330	35,261	122,591
Profit for the quarter			
Total profit	6,466	7,674	14,140
Unallocated expenses			(696)
Finance costs			(3)
Profit before tax			13,441
Tax expense			(3,195)
Profit after tax for the quarter			10,246



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A8 Operating segment information (Cont'd)

Segment information for the financial period ended 30 June 2019 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	162,612	116,057	278,669
Inter-segment revenue	(5,191)	(46,481)	(51,672)
Revenue from external customers	157,421	69,576	226,997
Profit for the period			
Total profit	2,592	117	2,709
Unallocated expenses			(231)
Finance costs			(218)
Profit before tax			2,260
Tax expense			(537)
Profit after tax for the period			1,723

Segment information for the financial period ended 30 June 2018 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	172,429	112,401	284,830
Inter-segment revenue	(5,965)	(41,672)	(47,637)
Revenue from external customers	166,464	70,729	237,193
Profit for the period			
Total profit	12,393	15,583	27,976
Unallocated expenses			(795)
Finance costs			(5)
Profit before tax			27,176
Tax expense			(6,519)
Profit after tax for the period			20,657



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A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 30 June 2019 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	219,968	279,322	499,290
<u>Unallocated assets:</u>			
Investment properties			1,870
Cash and bank balances			37,661
Total assets			<u>538,821</u>
Liabilities			
Segment liabilities	6,996	17,339	24,335
<u>Unallocated liabilities:</u>			
Derivative liabilities			130
Deferred tax liabilities			10,872
Total liabilities			<u>35,337</u>

Segment assets and liabilities as at 30 June 2018 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	224,553	271,542	496,095
<u>Unallocated assets:</u>			
Investment properties			2,176
Derivative assets			280
Cash and bank balances			39,031
Total assets			<u>537,582</u>
Liabilities			
Segment liabilities	14,382	15,406	29,788
<u>Unallocated liabilities:</u>			
Deferred tax liabilities			11,127
Total liabilities			<u>40,915</u>

A9 Material events subsequent to the end of the interim period

There was no material events subsequent to the end of the reporting date that require disclosure or adjustments to the interim financial statements.



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A10 Effects of changes in composition of the group

There were no changes in the composition of the Group during the second (2nd) quarter and six (6) months ended 30 June 2019.

A11 Contingent assets and contingent liabilities

Apart from the corporate guarantees given to financial institution for banking facilities and corporate guarantee given to a third party in respect to sales of good to a subsidiary, there were no other 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 30 June 2019 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	31,861
Approved but not contracted for	84,387
	<u>116,248</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	(246)	(492)
	<u>(246)</u>	<u>(492)</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 down of inventories to net realisable values

Total net inventories written down to either net realisable value or replacement cost for the financial period ended 30 June 2019 was RM194,884.



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A15 Financial instruments

Group	As at 30 June 2019		
	Amortised cost RM'000	Fair value through profit or loss RM'000	Total RM'000
Financial assets			
Trade and other receivables, net of prepayments	115,122	-	115,122
Other investments	-	3,008	3,008
Cash and bank balances	37,661	-	37,661
	<u>152,783</u>	<u>3,008</u>	<u>155,791</u>
Financial liabilities			
Trade and other payables	14,514	-	14,514
Borrowings	8,000	-	8,000
Derivative liabilities	-	130	130
	<u>22,514</u>	<u>130</u>	<u>22,644</u>

(a) 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 due to their short-term nature.

- ii. Derivatives

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

- iii. Quoted investments

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



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A15 Financial instruments (Cont'd)

(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).

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price of the residual maturity of the contract using a risk-free interest rate (based on Government bonds).

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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Assets measured at fair value					
Investment properties	-	-	1,870	1,870	1,870
Other investments	3,008	-	-	3,008	3,008
Liabilities measured at fair value					
Derivative liabilities					
- Forward contracts	-	130	-	130	130

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial period ended 30 June 2019.

(c) Derivative liabilities

Group	As at 30 June 2019	
	Contract / Notional amount RM'000	Liabilities RM'000
Forward currency contracts (USD)	10,166	73
Forward currency contracts (SGD)	14,962	57



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A15 Financial instruments (Cont'd)

(c) Derivative assets / (liabilities) (Cont'd)

- i. The Group use forward currency contracts to manage some of the transaction exposure. These contracts are not designate as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.
- ii. Forward currency contracts are used to hedge the Group's purchases denominated in USD and sales denominated in SGD for which firm commitments existed at the reporting date, extending to March 2020.
- iii. For the financial quarter and period ended 30 June 2019, the Group recognised a loss of RM17,000 arising from fair value changes of derivatives. The fair value changes are attributable to changes in foreign exchange spot and forward rates.

A16 Net assets per share attributable to owners of the Company

Net assets per share ("NAPS") as at 30 June 2019 stood at RM3.85, a decline of 1.1% compared to RM3.89 as at 31 December 2018 mainly due to a lower asset base.



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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 RM105.6 million for the quarter ended 30.06.2019 (“2Q 2019”), which tumbled by RM17.0 million (-14%) compared to revenue of RM122.6 million for the quarter ended 30.06.2018 (“2Q 2018”). The weaker performance was attributed to lower metric tonne sales from both the manufacturing & trading segments.

In line with the downward revenue trend, the Group recorded a lower profit before taxation of RM2.6 million for 2Q 2019 as compared to RM13.4 million achieved in 2Q 2018, impacted further by weaker average selling prices and higher raw materials cost eroding profit margins.

The performance of the respective operating business segments of the Group for 2Q 2019 as compared to 2Q 2018 are analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM30.6 million in 2Q 2019, which decreased by RM4.7 million (-13%) compared to RM35.3 million in 2Q 2018. The weaker performance was mainly due to lower metric tonne sales due to the wait-and-see attitude of buyers on the back of economic uncertainties, higher supply and raw material price volatility.

Trading

The trading operations contributed revenue of RM75.0 million in 2Q 2019, which sunk by RM12.3 million (-14%) compared to RM87.3 million recorded in 2Q 2018. The waning performance was due to lower metric tonne sales on the back of weak market demand.

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

For the period ended 30.06.2019 (“YTD 2Q 2019”), the Group recorded revenue of RM227.0 million, which dropped by RM10.2 million (-4%) as compared to revenue of RM237.2 million recorded for the period 30.06.2018 (“YTD 2Q 2018”). Despite stronger metric tonne sales contributed by both the manufacturing and trading segments, weaker average selling prices offset the higher metric tonne sales.

The Group's profit before taxation for YTD 2Q 2019 tumbled to RM2.3 million as compared to RM27.2 million recorded for YTD 2Q 2018, mainly due to lower average selling prices and higher raw material prices.

The performance of the respective operating business segments of the Group for YTD 2Q 2019 as compared to YTD 2Q 2018 are analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM69.6 million for YTD 2Q 2019, which declined by 2% as compared to RM70.7 million in YTD 2Q 2018. The softer performance was mainly due to weaker average selling prices offsetting higher metric tonne sales.



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

b) Current year-to-date vs. Previous year-to-date (Cont'd)

Trading

The trading operations recorded revenue of RM157.4 million for YTD 2Q 2019, which decreased by 5% as compared to RM166.5 million in YTD 2Q 2018. The weaker performance was mainly due to lower average selling prices offsetting higher metric tonne sales.

B2 Comparison with preceding quarter's results

The Group's revenue for 2Q 2019 decreased by 13% to RM105.6 million as compared to RM121.4 million achieved in 1Q 2019. The weaker performance was due to weaker metric tonne sales.

However, the Group bounced back to a profit before taxation of RM2.6 million for 2Q 2019 as compared to a loss before taxation of RM0.3 million for 1Q 2019. This was mainly attributed to a pickup in average selling prices coupled with lower raw materials cost improving profit margins.

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

a) Prospects for 2019

International steel prices arose further in July due to escalating input costs, i.e. iron ore hitting the highest level in five years. This is due to the Brazilian Vale dam incident and bad weather in Australia which has curtailed shipments just as Chinese demand expanded. However, the strong rally in iron ore prices are triggering warnings that the gains have taken the market beyond fundamental drivers. Of late, the escalating tension from the US-China trade war, pickup in iron ore output and a slowdown in global construction activity has pummelled iron ore prices impacting steel prices correspondingly.

On the domestic front, demand remains rather subdued due to the lack of significant developments to spur the construction and property sectors, which has a bearing on steel demand and prices.

Nevertheless, the Group remains sanguine that steel demand will recover in the second half of 2019, with the commencement of the renegotiated infrastructure projects (East Coast Rail Link ("ECRL"), Bandar Malaysia and second phase of Klang Valley Double Track rail) and public transport infrastructure projects (LRT 3 and MRT 2). The Group will continue to focus on strategies to ensure product quality, employ cost effective procurement and inventory management strategies, enhance delivery efficiency of our products and deepen overseas market penetration 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 to date	268	379
Deferred tax		
- current quarter / year to date	117	158
Tax expense	385	537

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated taxable profits for the period.

B7 (a) Status of corporate proposals announced but not completed

There were no corporate proposals at the date of issue of the quarterly report.

(b) Status of utilization of proceeds raised from any corporate proposal

Not applicable.

B8 Group borrowings and debt securities

Details of Group's borrowings as at 30 June 2019 are as follows:

Short-term borrowings

	RM'000	
Bankers' acceptances	3,000	Unsecured
Trust receipts	5,000	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 June 2019.

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 payable

The Board of Director has proposed a final single tier dividend of 5 sen per ordinary share (2018: final single tier dividend of 6 sen per ordinary share) amounting to approximately RM6,536,000 in respect of the financial year ended 31 December 2018. The proposed final dividend was approved by the shareholders at the Annual General Meeting on 21 June 2019 and will be paid on 28 August 2019 to shareholders registered at the close of business on 08 August 2019.



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B11 Earnings per share

(a) Basic earnings per ordinary share

		3 months ended		6 months ended	
		30.06.2019	30.06.2018	30.06.2019	30.06.2018
Profit attributable to the equity holders of the Parent	(RM'000)	2,214	10,246	1,723	20,657
Weighted average number of ordinary shares in issue	('000)	130,729	108,941	130,729	108,941
Basic earnings per ordinary share	(sen)	1.69	9.41	1.32	18.96

(b) Diluted earnings per ordinary share

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

B12 Other income

	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Interest on :				
Customer overdue account	48	76	139	242
Short term deposits	124	294	236	640
Impairment losses on trade and other receivables	-	-	(119)	-
Dividend income received from short term fund	8	81	8	99
Fair value adjustments on derivative financial instruments	(243)	(223)	(17)	(36)
Fair value adjustments on other investments	-	-	-	3
Loss on disposal of property, plant and equipment	-	(71)	(101)	(135)
Trade compensation	48	1	52	2
Rental income	191	40	380	80
Reversal of impairment losses on trade receivables	139	36	159	356
Realised gain / (loss) on foreign exchange transactions	298	274	106	(17)
Unrealised gain on foreign exchange transactions	205	851	90	1,105
Others	4	5	5	1
	<u>822</u>	<u>1,364</u>	<u>938</u>	<u>2,340</u>

B13 Authorisation for issue

The interim financial statements were authorised on 23 August 2019 for issue by the Board of Directors.