



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

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

	Note	Individual quarter		Cumulative quarter	
		Current year quarter	Preceding year corresponding quarter	Current year todate	Preceding year todate
		30.09.2019 (Unaudited)	30.09.2018 (Unaudited)	30.09.2019 (Unaudited)	30.09.2018 (Unaudited)
		RM'000	RM'000	RM'000	RM'000
Revenue		113,335	144,955	340,332	382,148
Cost of sales:					
Factory and production cost		(107,224)	(124,046)	(317,100)	(319,858)
Factory depreciation		(1,331)	(1,338)	(3,992)	(4,018)
Gross profit		4,780	19,571	19,240	58,272
Other income	B12	512	122	1,450	2,462
Depreciation and amortisation		(442)	(428)	(1,325)	(1,266)
Administrative expenses		(2,770)	(3,001)	(8,109)	(9,686)
Selling and distribution expenses		(3,735)	(3,625)	(10,432)	(9,962)
Finance costs		(11)	(41)	(229)	(46)
(Loss)/Profit before taxation		(1,666)	12,598	595	39,774
Tax expense	B6	(28)	(3,220)	(565)	(9,739)
(Loss)/Profit after taxation		(1,694)	9,378	30	30,035
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive (loss)/income		(1,694)	9,378	30	30,035
(Loss)/Profit attributable to:					
Owners of the parent		(1,694)	9,378	30	30,035
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(1,694)	9,378	30	30,035
(Loss)/Earnings per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	(1.30)	7.17	0.02	22.98
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	30.09.2019 (Unaudited)	31.12.2018 (Audited)
		RM'000	RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		160,406	137,029
Investment properties		1,870	1,870
Right-of-use-assets		3,906	4,691
Deferred tax assets		-	1
		<u>166,182</u>	<u>143,591</u>
<b>Current Assets</b>			
Inventories		193,592	249,404
Trade and other receivables		115,975	120,820
Derivative assets		102	-
Other investments		13,103	-
Current tax assets		6,389	870
Cash and bank balances		39,016	36,069
		<u>368,177</u>	<u>407,163</u>
<b>TOTAL ASSETS</b>		<u><u>534,359</u></u>	<u><u>550,754</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the owners of the parent</b>			
Share capital		131,691	131,691
Treasury shares		(1,462)	(1,462)
Reserves		371,562	378,068
<b>TOTAL EQUITY</b>		<u>501,791</u>	<u>508,297</u>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Lease liabilities		710	1,366
Deferred tax liabilities		10,815	10,714
		<u>11,525</u>	<u>12,080</u>
<b>Current Liabilities</b>			
Trade and other payables		10,153	13,018
Borrowings	B8	10,000	16,000
Lease liabilities		884	910
Derivative liabilities		6	113
Current tax liabilities		-	336
		<u>21,043</u>	<u>30,377</u>
<b>TOTAL LIABILITIES</b>		<u>32,568</u>	<u>42,457</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>534,359</u></u>	<u><u>550,754</u></u>
		RM	RM
<b>Net assets per share attributable to owners of the Company</b>	A16	<u>3.84</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 SEPTEMBER 2019 (UNAUDITED)**

	30.09.2019 (Unaudited) RM'000	30.09.2018 (Unaudited) RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	595	39,774
Adjustments for non-cash flow items :-		
Amortisation of right-of-use assets	102	102
Bad debts written off	521	-
Depreciation of property, plant and equipment	5,215	5,182
Dividend income received from short term fund	(108)	(131)
Fair value adjustments on derivative financial instruments	(209)	543
Fair value adjustments on other investments	5	-
Loss on disposal of property, plant and equipment	125	130
Impairment losses on trade receivables	119	-
Interest expense	229	46
Interest income on overdue accounts	(232)	(357)
Interest income	(361)	(748)
Inventories written down	1,361	106
Property, plant and equipment written off	8	1
Reversal of impairment losses on trade receivables	(762)	(285)
Unrealised loss / (gain) on foreign exchange transactions	23	(1,277)
Operating profit before changes in working capital	<u>6,631</u>	<u>43,086</u>
Changes in working capital		
Inventories	54,451	(78,092)
Trade and other receivables	4,919	365
Trade and other payables	(2,844)	(4,145)
Cash flows generated from / (used in) operations	<u>63,157</u>	<u>(38,786)</u>
Interest received	232	357
Tax refunded	13	12
Tax paid	(6,331)	(10,111)
Net cash flows from / (used in) operating activities	<u>57,071</u>	<u>(48,528)</u>
<b>Cash Flows From Investing Activities</b>		
Increase in deposits pledged to the banks	(3)	-
Interest received	361	748
Purchase of property, plant and equipment	(28,806)	(3,253)
Purchase of other investments	(13,000)	(12,000)
Proceeds from disposal of property, plant and equipment	81	269
Proceeds from disposal of other investments	-	14,140
Net cash flows used in investing activities	<u>(41,367)</u>	<u>(96)</u>



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

	30.09.2019 (Unaudited) RM'000	30.09.2018 (Unaudited) RM'000
<b>Cash Flows From Financing Activities</b>		
Dividends paid	(6,536)	(6,536)
Interest paid	(229)	(46)
Short term borrowings		
- Repayments	(62,100)	(12,000)
- Drawdowns	56,100	42,200
Net cash flows (used in) / from financing activities	<u>(12,765)</u>	<u>23,618</u>
Net increase/(decrease) in cash and cash equivalents	2,939	(25,006)
Effect of exchange rate changes on cash and cash equivalents	5	903
Cash and cash equivalents at beginning of period	<u>35,866</u>	<u>54,149</u>
Cash and cash equivalents at end of period	<u><u>38,810</u></u>	<u><u>30,046</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	26,530	25,176
Deposits with licensed banks	12,280	4,870
Deposits pledged to licensed banks	206	200
As per balance sheet	<u>39,016</u>	<u>30,246</u>
Less : Deposits pledged to licensed banks	(206)	(200)
Cash and cash equivalents at end of period	<u><u>38,810</u></u>	<u><u>30,046</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	Total Equity RM '000
	Share Capital RM '000	Treasury Shares RM '000	General Reserve RM '000	Retained Earnings RM '000	
<b>Balance as at 1 January 2019</b>	131,691	(1,462)	1,186	376,882	508,297
Profit for the period	-	-	-	30	30
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	30	30
<b>Transactions with owners</b>					
Dividends paid (Note A7)	-	-	-	(6,536)	(6,536)
<b>Total transactions with owners</b>	-	-	-	(6,536)	(6,536)
<b>Balance as at 30 September 2019</b>	131,691	(1,462)	1,186	370,376	501,791
<b>Balance as at 1 January 2018</b>	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	-	-	-	30,035	30,035
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	30,035	30,035
<b>Transactions with owners</b>					
Issuance of ordinary shares pursuant to bonus issue	4,023	-	-	(4,023)	-
Dividends paid	-	-	-	(6,536)	(6,536)
<b>Total transactions with owners</b>	4,023	-	-	(10,559)	(6,536)
<b>Balance as at 30 September 2018</b>	131,691	(1,462)	1,186	374,631	506,046

(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:*

<b>MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations</b>	<b>Effective for annual periods beginning on or after</b>
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 MRFS 11 – Previously Held Interest in a Joint Operation : Amendments to MRFS 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:

<b>MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations</b>	<b>Effective for annual periods beginning on or after</b>
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 nature 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 (3<sup>rd</sup>) quarter and nine (9) months ended 30 September 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 third (3<sup>rd</sup>) quarter and nine (9) months ended 30 September 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 September 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 September 2019 and 30 September 2018, which are within the Group's objectives for capital management, are as follows:

	30.09.2019	30.09.2018
	RM'000	RM'000
Borrowings	10,000	30,200
Trade and other payables	10,153	11,230
Less : Cash and bank balances	<u>(39,016)</u>	<u>(30,246)</u>
Net (equity) / debts	<u>(18,863)</u>	<u>11,184</u>
Equity attributable to the owners of the parent	501,791	506,046
Capital and (equity) / debts	482,928	517,230
Gearing ratio (%)	0%	2%





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**A7 Dividends paid**

A final single tier dividend of 5 sen per ordinary share (2018: final single tier dividend of 6 sen) amounting to RM6,536,450.15 in respect of financial year 31 December 2018 was paid on 28 August 2019.

**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 third (3<sup>rd</sup>) quarter ended 30 September 2019 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<b>Revenue</b>			
Total revenue	85,108	55,163	140,271
Inter-segment revenue	(2,955)	(23,981)	(26,936)
Revenue from external customers	<u>82,153</u>	<u>31,182</u>	<u>113,335</u>
<b>Loss for the quarter</b>			
Total loss	(151)	(1,123)	(1,274)
Unallocated expenses			(381)
Finance costs			<u>(11)</u>
Loss before tax			(1,666)
Tax expense			<u>(28)</u>
Loss after tax for the quarter			<u>(1,694)</u>

Segment information for the third (3<sup>rd</sup>) quarter ended 30 September 2018 is as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<b>Revenue</b>			
Total revenue	98,957	69,906	168,863
Inter-segment revenue	(1,922)	(21,986)	(23,908)
Revenue from external customers	<u>97,035</u>	<u>47,920</u>	<u>144,955</u>
<b>Profit for the quarter</b>			
Total profit	5,298	7,500	12,798
Unallocated expenses			(159)
Finance costs			<u>(41)</u>
Profit before tax			12,598
Tax expense			<u>(3,220)</u>
Profit after tax for the quarter			<u>9,378</u>



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**A8 Operating segment information (Cont'd)**

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<b>Revenue</b>			
Total revenue	247,720	171,220	418,940
Inter-segment revenue	(8,146)	(70,462)	(78,608)
Revenue from external customers	<u>239,574</u>	<u>100,758</u>	<u>340,332</u>
<b>Profit for the period</b>			
Total profit / (loss)	2,441	(1,006)	1,435
Unallocated expenses			(611)
Finance costs			<u>(229)</u>
Profit before tax			595
Tax expense			<u>(565)</u>
Profit after tax for the period			<u><u>30</u></u>

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<b>Revenue</b>			
Total revenue	271,386	182,307	453,693
Inter-segment revenue	(7,887)	(63,658)	(71,545)
Revenue from external customers	<u>263,499</u>	<u>118,649</u>	<u>382,148</u>
<b>Profit for the period</b>			
Total profit	17,691	23,083	40,774
Unallocated expenses			(954)
Finance costs			<u>(46)</u>
Profit before tax			39,774
Tax expense			<u>(9,739)</u>
Profit after tax for the period			<u><u>30,035</u></u>



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**A8 Operating segment information (Cont'd)**

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<b>Assets</b>			
Segment assets	209,148	271,120	480,268
<u>Unallocated assets:</u>			
Investment properties			1,870
Derivative assets			102
Other investments	3,034	10,069	13,103
Cash and bank balances			39,016
Total assets			<u><u>534,359</u></u>
<b>Liabilities</b>			
Segment liabilities	5,922	15,825	21,747
<u>Unallocated liabilities:</u>			
Derivative liabilities			6
Deferred tax liabilities			10,815
Total liabilities			<u><u>32,568</u></u>

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<b>Assets</b>			
Segment assets	224,172	307,680	531,852
<u>Unallocated assets:</u>			
Investment properties			2,176
Cash and bank balances			30,246
Total assets			<u><u>564,274</u></u>
<b>Liabilities</b>			
Segment liabilities	12,356	34,616	46,972
<u>Unallocated liabilities:</u>			
Derivative liabilities			226
Deferred tax liabilities			11,030
Total liabilities			<u><u>58,228</u></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 third (3<sup>rd</sup>) quarter and nine (9) months ended 30 September 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 September 2019 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	31,876
Approved but not contracted for	<u>84,372</u>
	<u><u>116,248</u></u>

**A13 Related party transactions**

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

	<b>Group</b>	
	Current year quarter <u>RM'000</u>	Current year todate <u>RM'000</u>
Rental expense	<u>(246)</u>	<u>(737)</u>
	<u><u>(246)</u></u>	<u><u>(737)</u></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 September 2019 was RM1,360,499.



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**A15 Financial instruments**

<b>Group</b>	<b>As at 30 September 2019</b>		
	<b>Amortised cost 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 prepayments	115,326	-	115,326
Derivative assets	-	102	102
Other investments	-	13,103	13,103
Cash and bank balances	39,016	-	39,016
	154,342	13,205	167,547
	<b>Amortised cost 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	10,153	-	10,153
Borrowings	10,000	-	10,000
Derivative liabilities	-	6	6
	20,153	6	20,159

**(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	Level 2	Level 3	Total	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets measured at fair value</b>					
Derivative assets					
- Forward contracts	-	102	-	102	102
Investment properties	-	-	1,870	1,870	1,870
Other investments	13,103	-	-	13,103	13,103
<hr style="border-top: 3px double #000;"/>					
<b>Liabilities measured at fair value</b>					
Derivative liabilities					
- Forward contracts	-	6	-	6	6
<hr style="border-top: 3px double #000;"/>					

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

**(c) Derivative assets / (liabilities)**

	<b>As at 30 September 2019</b>		
	<b>Contract / Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Forward currency contracts (SGD)	27,407	102	-
Forward currency contracts (USD)	(5,873)	-	(6)



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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 June 2020.
- iii. For the financial quarter and period ended 30 September 2019, the Group recognised a gain of RM209,000 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 September 2019 stood at RM3.84, a decline of 1.3% 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 RM113.3 million for the quarter ended 30.09.2019 (“3Q 2019”), which tumbled by RM31.6 million (-22%) compared to revenue of RM144.9 million for the quarter ended 30.09.2018 (“3Q 2018”). The decline in performance was attributed to weak market demand impacting both the manufacturing & trading segments.

In line with the downward revenue trend, the Group recorded a loss before taxation of RM1.7 million for 3Q 2019 as compared to profit before taxation of RM12.6 million achieved in 3Q 2018, impacted by tepid average selling prices eroding profit margins.

The performance of the respective operating business segments of the Group for 3Q 2019 as compared to 3Q 2018 are analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM31.2 million in 3Q 2019, which decreased by RM16.7 million (-35%) compared to RM47.9 million in 3Q 2018. The decline in performance was mainly due to lower metric tonne sales due to the wait-and-see attitude of buyers on the back of economic uncertainties and raw material price volatility.

Trading

The trading operations contributed revenue of RM82.1 million in 3Q 2019, which contracted by RM14.9 million (-15%) compared to RM97.0 million recorded in 3Q 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 30.09.2019 (“YTD 3Q 2019”), the Group recorded revenue of RM340.3 million, which fell by RM41.8 million (-11%) as compared to revenue of RM382.1 million recorded for the period ended 30.09.2018 (“YTD 3Q 2018”). This was mainly attributed to lacklustre market sentiments from the lack of economic impetus affecting steel demand for both the manufacturing and trading segments.

The Group's profit before taxation for YTD 3Q 2019 tumbled to RM0.03 million as compared to RM30.0 million recorded for YTD 3Q 2018, mainly due to depressed average selling prices and higher raw material costs.

The performance of the respective operating business segments of the Group for YTD 3Q 2019 as compared to YTD 3Q 2018 are analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM100.7 million for YTD 3Q 2019, which declined by 15% as compared to RM118.6 million in YTD 3Q 2018. The softer performance was mainly due to anaemic average selling prices and lower 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 RM239.6 million for YTD 3Q 2019, which decreased by 9% as compared to RM263.5 million in YTD 3Q 2018. The decline in performance was mainly due to lower average selling prices and weaker metric tonne sales.

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

The Group's revenue for 3Q 2019 increased by 7% to RM113.3 million as compared to RM105.6 million achieved in 2Q 2019. The stronger performance was due to a pickup in demand.

However, the Group slid to a loss before taxation of RM1.7 million for 3Q 2019 as compared to a profit before taxation of RM2.6 million for 2Q 2019. This was mainly due to depressed average selling prices eroding profit margins.

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

**a) Prospects for 2019**

Despite iron ore prices firming up, international steel prices continued its downward trend due to lacklustre demand from the slowing global economy. Additionally, uncertainty over the trade environment and volatility in the financial markets exerted further downside risks to demand and steel prices.

Domestically, the steel industry is battered by weak demand in the absence of positive developments resulting in depressed selling prices from intense pricing competition. The recent Budget 2020 announced also lacked significant impetus to lift the current weak sentiments weighing down the local steel industry, with the exception to the measures taken to boost property sales. Should this measure be successful, it is expected to help improve steel demand somewhat. To counteract the dampened market sentiments, the speedy commencement of mega infrastructure projects (ECRL, Bandar Malaysia and second phase of Klang Valley Double Track rail) and public transport infrastructure projects (LRT 3 and MRT 2) remains crucial to spur the local steel industry.

The Group will continue to focus on strategies to ensure product quality, employ cost effective procurement/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 <u>RM'000</u>	Current year todate <u>RM'000</u>
Income tax		
- current quarter / year to date	(243)	136
Deferred tax		
- current quarter / year to date	271	429
Tax expense	<u>28</u>	<u>565</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated taxable profits for the period. The Group's effective tax rate for the period was higher than statutory tax rate of 24% due to deferred tax adjustment for unrealised profit now recognised as well as 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 2019 are as follows:

**Short-term borrowings**

	RM'000	
Bankers' acceptances	5,000	Unsecured
Trust receipts	5,000	Unsecured
	<u>10,000</u>	

Borrowings are denominated in the following currencies:

	RM'000	
- Ringgit Malaysia	10,000	Unsecured
	<u>10,000</u>	

The Group has no debt securities as at 30 September 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**

There was no dividend proposed in the current quarter.



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**B11 (Loss) / Earnings per share**

**(a) Basic (loss) / earnings per ordinary share**

		3 months ended		9 months ended	
		30.09.2019	30.09.2018	30.09.2019	30.09.2018
(Loss) / Profit attributable to the equity holders of the Parent	(RM'000)	(1,694)	9,378	30	30,035
Weighted average number of ordinary shares in issue	('000)	130,729	130,729	130,729	130,729
Basic (loss) / earnings per ordinary share	(sen)	(1.30)	7.17	0.02	22.98

**(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		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Interest on :				
Customer overdue account	93	115	232	357
Short term deposits	125	108	361	748
Impairment losses on trade receivables	-	(133)	(119)	-
Bad debt written off	(521)	-	(521)	-
Dividend income received from short term fund	100	32	108	131
Fair value adjustments on derivative financial instruments	226	(507)	209	(543)
Fair value adjustments on other investments	(5)	-	(5)	-
(Loss)/Gain on disposal of property, plant and equipment	(24)	6	(125)	(130)
Trade compensation	-	6	52	8
Rental income	141	135	521	215
Reversal of impairment losses on trade receivable	603	62	762	285
Realised (loss)/gain on foreign exchange transactions	(114)	111	(8)	94
Unrealised (loss)/gain on foreign exchange transactions	(113)	172	(23)	1,277
Others	1	15	6	20
	<u>512</u>	<u>122</u>	<u>1,450</u>	<u>2,462</u>

**B13 Authorisation for issue**

The interim financial statements were authorised on 27 November 2019 for issue by the Board of Directors.