



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH
FINANCIAL QUARTER ENDED 31 DECEMBER 2019

CONDENSED CONSOLIDATED 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
		31.12.2019 (Unaudited)	31.12.2018 (Unaudited)	31.12.2019 (Unaudited)	31.12.2018 (Audited)
		RM'000	RM'000	RM'000	RM'000
Revenue		102,807	118,110	443,139	500,258
Cost of sales:					
Factory and production cost		(100,681)	(106,521)	(417,781)	(426,379)
Factory depreciation		(1,326)	(1,338)	(5,318)	(5,356)
Gross profit		800	10,251	20,040	68,523
Other income	B12	4,835	383	5,911	2,845
Depreciation and amortisation		(431)	(436)	(1,758)	(1,702)
Administrative expenses		(2,410)	(2,598)	(10,143)	(12,284)
Selling and distribution expenses		(4,321)	(4,095)	(14,753)	(14,057)
Finance costs		(16)	(153)	(245)	(199)
(Loss)/Profit before taxation		(1,543)	3,352	(948)	43,126
Tax credit/(expense)	B6	396	(1,024)	(169)	(10,763)
(Loss)/Profit after taxation		(1,147)	2,328	(1,117)	32,363
Other comprehensive (loss)/income, net of tax		-	-	-	-
Total comprehensive (loss)/income		(1,147)	2,328	(1,117)	32,363
(Loss)/Profit attributable to:					
Owners of the parent		(1,147)	2,328	(1,117)	32,363
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(1,147)	2,328	(1,117)	32,363
(Loss)/Earnings per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	(0.88)	1.78	(0.85)	24.76
b) Diluted	B11(b)	N/A	N/A	N/A	N/A

(The condensed consolidated statements of profit or loss and other comprehensive income 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	31.12.2019 (Unaudited)	31.12.2018 (Audited)
		RM'000	RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		158,398	137,029
Investment properties		1,849	1,870
Right-of-use assets		3,645	4,691
Deferred tax assets		27	1
		<u>163,919</u>	<u>143,591</u>
Current Assets			
Inventories		166,693	249,404
Trade and other receivables		101,646	120,820
Derivative assets		31	-
Other investment		23,270	-
Current tax assets		4,548	870
Cash and bank balances		62,509	36,069
		<u>358,697</u>	<u>407,163</u>
TOTAL ASSETS		<u><u>522,616</u></u>	<u><u>550,754</u></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		370,415	378,068
TOTAL EQUITY		<u>500,644</u>	<u>508,297</u>
LIABILITIES			
Non-current Liabilities			
Lease liabilities		491	1,366
Deferred tax liabilities		10,320	10,714
		<u>10,811</u>	<u>12,080</u>
Current Liabilities			
Trade and other payables		10,034	13,018
Borrowings	B8	-	16,000
Lease liabilities		875	910
Derivative liabilities		252	113
Current tax liabilities		-	336
		<u>11,161</u>	<u>30,377</u>
TOTAL LIABILITIES		<u>21,972</u>	<u>42,457</u>
TOTAL EQUITY AND LIABILITIES		<u><u>522,616</u></u>	<u><u>550,754</u></u>
		RM	RM
Net Assets per Share Attributable to Owners of the Company A16		<u>3.83</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 YEAR ENDED
31 DECEMBER 2019 (UNAUDITED)

	31.12.2019 (Unaudited)	31.12.2018 (Audited)
	RM'000	RM'000
Cash Flows From Operating Activities		
(Loss)/Profit before taxation	(948)	43,126
Adjustments for :-		
Amortisation of right-of-use assets	1,045	1,034
Bad debts written off	521	813
Depreciation of property, plant and equipment	6,940	6,922
Dividend income received from short term fund	(273)	(131)
Fair value adjustments on investment properties	21	306
Fair value adjustments on derivative financial instruments	108	429
Fair value adjustments on other investment	3	-
(Gain)/Loss on disposal of property, plant and equipment	(4,740)	129
Impairment losses on trade and other receivables	718	72
Interest expense	245	199
Interest on lease liability	73	35
Interest income on overdue accounts	(306)	(389)
Interest income	(609)	(866)
Inventories written down	2,526	710
Property, plant and equipment written off	9	13
Reversal of impairment losses on trade receivables	(938)	(1,292)
Unrealised loss/(gain) on foreign exchange transactions	115	(119)
Operating profit before changes in working capital	4,510	50,991
Changes in working capital		
Inventories	80,185	(89,385)
Trade and other receivables	18,758	29,029
Trade and other payables	(3,020)	(2,367)
Cash flows generated from/(used in) operations	100,433	(11,732)
Interest received	306	389
Tax refunded	1,896	13
Tax paid	(6,499)	(14,951)
Net cash flows generated from/(used in) operating activities	96,136	(26,281)
Cash Flows From Investing Activities		
Increase in deposits pledged to licensed banks	(7)	(6)
Interest received	609	866
Purchase of property, plant and equipment	(29,159)	(3,718)
Purchase of other investment	(23,000)	(12,000)
Proceeds from disposal of property, plant and equipment	5,581	269
Proceeds from disposal of other investment	-	14,140
Net cash flows used in investing activities	(45,976)	(449)



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2019 (UNAUDITED) (CONT'D)

	31.12.2019 (Unaudited) RM'000	31.12.2018 (Audited) RM'000
Cash Flows From Financing Activities		
Dividends paid	(6,536)	(6,536)
Interest paid	(245)	(199)
Short term borrowings		
- Repayments	(72,100)	(45,200)
- Drawdowns	56,100	61,200
Repayment of lease interest	(73)	(35)
Repayment of lease liability	(909)	(898)
Net cash flows (used in)/from financing activities	<u>(23,763)</u>	<u>8,332</u>
Net increase/(decrease) in cash and cash equivalents	26,397	(18,398)
Effect of exchange rate changes on cash and cash equivalents	36	115
Cash and cash equivalents at beginning of the financial year	<u>35,866</u>	<u>54,149</u>
Cash and cash equivalents at end of the financial year	<u><u>62,299</u></u>	<u><u>35,866</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	42,596	35,866
Deposits with licensed banks	19,703	-
Deposits pledged to licensed banks	210	203
As per balance sheet	<u>62,509</u>	<u>36,069</u>
Less : Deposits pledged to licensed banks	(210)	(203)
Cash and cash equivalents at end of the financial year	<u><u>62,299</u></u>	<u><u>35,866</u></u>

(The condensed consolidated statements of cash flows 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
Loss for the financial year	-	-	-	(1,117)	(1,117)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive loss	-	-	-	(1,117)	(1,117)
Transactions with owners					
Dividends paid (Note A7)	-	-	-	(6,536)	(6,536)
Total transactions with owners	-	-	-	(6,536)	(6,536)
Balance as at 31 December 2019	131,691	(1,462)	1,186	369,229	500,644
Balance as at 1 January 2018	127,668	(1,462)	1,186	356,314	483,706
Adjustment on initial application of MFRS 9	-	-	-	(1,236)	(1,236)
Restated balance as at 1 January 2018	127,668	(1,462)	1,186	355,078	482,470
Profit for the financial year	-	-	-	32,363	32,363
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	32,363	32,363
Transactions with owners					
Issuance of ordinary shares pursuant to bonus issue	4,023	-	-	(4,023)	-
Dividends paid	-	-	-	(6,536)	(6,536)
Total transactions with owners	4,023	-	-	(10,559)	(6,536)
Balance as at 31 December 2018	131,691	(1,462)	1,186	376,882	508,297

(The condensed consolidated statement 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 condensed consolidated 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 condensed consolidated 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 condensed consolidated financial statements have 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 condensed consolidated 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 this report. The accounting policies adopted in the preparation of the interim condensed consolidated 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 year:*

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 condensed consolidated 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 : Business Combinations - Definition of a Business	1 January 2020
Amendments to MFRS 7 : Financial Instruments - Disclosures	1 January 2020
Amendments to MFRS 9 and MFRS 139 : Recognition and Measurement – Interest Rate Benchmark Reform	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 7 Financial Instruments – Disclosures

Amendments to MFRS 9 and MFRS 139 Recognition and Measurement – Interest Rate Benchmark Reform

The amendments address specific hedge accounting requirements and provides relief from potential effects of the uncertainty caused by the interbank offered rates (“IBOR”) reform. The amendments are in the form of temporary exceptions from applying specific hedge accounting should the need arises.

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.



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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 (Cont'd)*

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.

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 fourth (4th) quarter and financial year ended 31 December 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 fourth (4th) quarter and financial year ended 31 December 2019.

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

For the current quarter and year-to-date, the Company did not repurchase any ordinary shares from the open market.

As at 31 December 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.



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

The gearing ratios as at 31 December 2019 and 31 December 2018, which are within the Group's objectives for capital management, are as follows:

	31.12.2019	31.12.2018
	RM'000	RM'000
Borrowings	-	16,000
Trade and other payables	10,034	13,018
Less : Cash and bank balances	(62,509)	(36,069)
Net equity	(52,475)	(7,051)
Equity attributable to the owners of the parent	500,644	508,297
Capital and equity	448,169	501,246
Gearing ratio (%)	0%	0%

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 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 fourth (4th) quarter ended 31 December 2019 are as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	72,430	52,658	125,088
Inter-segment revenue	(1,584)	(20,697)	(22,281)
Revenue from external customers	70,846	31,961	102,807
Loss for the quarter			
Total (loss)/profit	(2,092)	640	(1,452)
Unallocated expenses			(75)
Finance costs			(16)
Loss before tax			(1,543)
Tax credit			396
Loss after tax for the quarter			(1,147)



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A8 Operating segment information (Cont'd)

Segment information for the fourth (4th) quarter ended 31 December 2018 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	84,047	57,272	141,319
Inter-segment revenue	(1,962)	(21,247)	(23,209)
Revenue from external customers	<u>82,085</u>	<u>36,025</u>	<u>118,110</u>
Profit for the quarter			
Total profit	1,791	1,837	3,628
Unallocated expenses			(123)
Finance costs			<u>(153)</u>
Profit before tax			3,352
Tax expense			<u>(1,024)</u>
Profit after tax for the quarter			<u>2,328</u>

Segment information for the financial year ended 31 December 2019 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	320,150	223,878	544,028
Inter-segment revenue	(9,730)	(91,159)	(100,889)
Revenue from external customers	<u>310,420</u>	<u>132,719</u>	<u>443,139</u>
Loss for the year			
Total profit/(loss)	349	(366)	(17)
Unallocated expenses			(686)
Finance costs			<u>(245)</u>
Loss before tax			(948)
Tax expense			<u>(169)</u>
Loss after tax for the year			<u>(1,117)</u>

Segment information for the financial year ended 31 December 2018 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	355,432	239,579	595,011
Inter-segment revenue	(9,848)	(84,905)	(94,753)
Revenue from external customers	<u>345,584</u>	<u>154,674</u>	<u>500,258</u>
Profit for the year			
Total profit	19,484	24,919	44,403
Unallocated expenses			(1,078)
Finance costs			<u>(199)</u>
Profit before tax			43,126
Tax expense			<u>(10,763)</u>
Profit after tax for the year			<u>32,363</u>



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A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 31 December 2019 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	191,693	268,356	460,049
<u>Unallocated assets:</u>			
Deferred tax assets			27
Derivative assets			31
Cash and bank balances			<u>62,509</u>
Total assets			<u><u>522,616</u></u>
Liabilities			
Segment liabilities	7,098	4,302	11,400
<u>Unallocated liabilities:</u>			
Derivative liabilities			252
Deferred tax liabilities			<u>10,320</u>
Total liabilities			<u><u>21,972</u></u>

Segment assets and liabilities as at 31 December 2018 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	231,641	283,044	514,685
<u>Unallocated assets:</u>			
Cash and bank balances			<u>36,069</u>
Total assets			<u><u>550,754</u></u>
Liabilities			
Segment liabilities	17,697	13,933	31,630
<u>Unallocated liabilities:</u>			
Derivative liabilities			113
Deferred tax liabilities			<u>10,714</u>
Total liabilities			<u><u>42,457</u></u>

A9 Material events subsequent to the end of the reporting year

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

A10 Effects of changes in composition of the group

There were no changes in the composition of the Group during the fourth (4th) quarter and financial year ended 31 December 2019.



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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 31 December 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>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	<u>(246)</u>	<u>(982)</u>
	<u>(246)</u>	<u>(982)</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 year ended 31 December 2019 was RM2,525,943.



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A15 Financial instruments

Group	As at 31 December 2019		
	Amortised cost	Fair value through profit or loss	Total
	RM'000	RM'000	RM'000
Financial assets			
Trade and other receivables, net of prepayments	100,862	-	100,862
Other investment	-	23,270	23,270
Cash and bank balances	62,509	-	62,509
Derivative assets	-	31	31
	<u>163,371</u>	<u>23,301</u>	<u>186,672</u>
Financial liabilities			
Trade and other payables	10,034	-	10,034
Derivative liabilities	-	252	252
	<u>10,034</u>	<u>252</u>	<u>10,286</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	Level 2	Level 3	Total	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets measured at fair value					
Derivative assets					
- Forward contracts	-	31	-	31	31
Investment properties	-	-	1,849	1,849	1,849
Other investment	23,270	-	-	23,270	23,270
	<u>23,270</u>	<u>-</u>	<u>-</u>	<u>23,270</u>	<u>23,270</u>
Liabilities measured at fair value					
Derivative liabilities					
- Forward contracts	-	252	-	252	252
	<u>-</u>	<u>252</u>	<u>-</u>	<u>252</u>	<u>252</u>

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial year ended 31 December 2019.

(c) Derivative assets/(liabilities)

As at 31 December 2019			
	Contract / Notional amount	Assets	Liabilities
Group	RM'000	RM'000	RM'000
Forward currency contracts (USD)	<u>23,455</u>	<u>-</u>	<u>(252)</u>
Forward currency contracts (SGD)	<u>14,633</u>	<u>31</u>	<u>-</u>



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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 year ended 31 December 2019, the Group recognised a loss of RM108,000 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 31 December 2019 stood at RM3.83, a decline of 1.5% 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 Operating segments review

a) Current quarter vs. Previous year corresponding quarter

The Group recorded revenue of RM102.8 million for the quarter ended 31.12.2019 (“4Q 2019”), which tumbled by RM15.3 million (-13%) compared to revenue of RM118.1 million for the quarter ended 31.12.2018 (“4Q 2018”). The decline in performance was due to lower contribution from both the manufacturing & trading segments.

In line with the downward revenue trend, the Group recorded a loss before taxation of RM1.5 million for 4Q 2019 as compared to profit before taxation of RM3.4 million achieved in 4Q 2018, weighed down by tepid average selling prices eroding profit margins.

The performance of the respective operating business segments of the Group for 4Q 2019 as compared to 4Q 2018 are analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM32.0 million in 4Q 2019, which decreased by RM4.0 million (-11%) compared to RM36.0 million in 4Q 2018. The decline in performance was mainly due to depressed average selling prices from intense competition offsetting the increase in metric tonne sales.

Trading

The trading operations contributed revenue of RM70.8 million in 4Q 2019, which contracted by RM11.3 million (-14%) compared to RM82.1 million recorded in 4Q 2018. The waning performance was due to lacklustre average selling prices negating the pickup in metric tonne sales.

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

For the year ended 31.12.2019 (“YTD 4Q 2019”), the Group recorded revenue of RM443.1 million, which fell by RM57.2 million (-11%) as compared to revenue of RM500.3 million recorded for the year ended 31.12.2018 (“YTD 4Q 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 recorded a loss before taxation of RM0.95 million for YTD 4Q 2019 as compared to RM43.1 million for YTD 4Q 2018, amid a challenging operating environment with lower average selling prices negatively impacting margins. As the current YTD 4Q 2019 loss before taxation includes an exceptional capital gain of RM4.9 million from the disposal of an idle factory (including land), the actual business loss before taxation comes to RM5.9 million.

The performance of the respective operating business segments of the Group for YTD 4Q 2019 as compared to YTD 4Q 2018 are analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM132.7 million for YTD 4Q 2019, which shrank by 14% as compared to RM154.7 million in YTD 4Q 2018. The lower performance was mainly due to anaemic average selling prices and lower metric tonne sales.



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B1 Operating segments review (Cont'd)

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

Trading

The trading operations recorded revenue of RM310.4 million for YTD 4Q 2019, which decreased by 10% as compared to RM345.6 million in YTD 4Q 2018. The decline in performance was mainly attributed to lower average selling prices negating higher metric tonne sales.

B2 Comparison with preceding quarter's results

The Group's revenue for 4Q 2019 decreased by 9% to RM102.8 million as compared to RM113.3 million achieved in 3Q 2019. This was on the back of relatively flattish metric tonne sales offset by weaker average selling prices.

However, the Group recorded a lower loss before taxation of RM1.5 million for 4Q 2019 as compared to RM1.7 million for 3Q 2019. This was due to a gain on disposal from one of its idle factory (including land) amounting to RM4.9 million narrowing the Group's losses for 4Q 2019. The actual business performance excluding the extraordinary capital gain was a loss before taxation of RM6.4 million.

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

a) Prospects for 2020

Global steel prices witnessed improvements and began to rise at the beginning of the year 2020. This was mainly attributed to a tight global market supply outweighing demand rather than being driven by economic fundamentals. However, with the recent Coronavirus outbreak, this uptrend was short lived as demand reduced on the back of muted trading from travel restrictions. As a result, prices of steel have slumped again. Though demand growth is expected to be driven primarily by China, this outlook will result in a temporary setback until a rebound takes place as the virus is contained and tapers off post winter period.

On the domestic front, the outlook remains challenging, pending the outcome of the current political impasse. The materialisation of the planned mega infrastructure projects such as the East Coast Rail Link ("ECRL"), Bandar Malaysia, LRT 3 and Penang Transport Master Plan are also crucial to boost steel demand and spur economic growth. Due to weak economic sentiments and political uncertainty, the market is currently adopting a wait and see approach which is impacting steel demand and prices.

To weather the challenging environment, the Group will focus on strategies to optimise efficiency through automation, reduce dependency on foreign labour, lower production costs and expand market share through the deepening our business network in key areas.

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	Current year todate
	RM'000	RM'000
Income tax		
- current quarter/year to date	(453)	(589)
Deferred tax		
- current quarter/year to date	849	420
Tax credit/(expense)	<u>396</u>	<u>(169)</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated taxable profits for the period. The effective tax rate of the Group for the current financial year is lower than the statutory tax rate mainly due to the business loss position and certain other income which are not taxable 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

The Group has no borrowings and debt securities as at 31 December 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 proposed

There was no dividend proposed in the current quarter.



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B11 (Loss)/Earnings per share

(a) Basic earnings per ordinary share

		3 months ended		12 months ended	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
(Loss)/Profit attributable to the equity holders of the Parent	(RM'000)	(1,147)	2,328	(1,117)	32,363
Weighted average number of ordinary shares in issue	('000)	130,729	130,729	130,729	130,729
Basic (loss)/earnings per ordinary share	(sen)	(0.88)	1.78	(0.85)	24.76

(b) Diluted earnings per ordinary share

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

B12 Other income

	3 months ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Interest on :				
Customer overdue account	74	32	306	389
Short term deposits	248	118	609	866
Impairment losses on trade and other receivables	(599)	(73)	(718)	(72)
Reversal of impairment losses on trade receivables	176	1,007	938	1,292
Bad debt written off	-	(813)	(521)	(813)
Dividend income received from short term fund	165	-	273	131
Fair value adjustments on derivative financial instruments	(316)	114	(108)	(429)
Fair value adjustments on investment properties	(21)	(306)	(21)	(306)
Fair value adjustments on other investment	1	-	(3)	-
Gain/(loss) on disposal of property, plant and equipment	4,864	-	4,740	(129)
Trade compensation	134	9	186	16
Rental income	158	100	303	315
Realised gain on foreign exchange transactions	27	1,368	19	1,462
Unrealised (loss)/gain on foreign exchange transactions	(91)	(1,158)	(115)	119
Others	15	(15)	23	4
	<u>4,835</u>	<u>383</u>	<u>5,911</u>	<u>2,845</u>

B13 Authorisation for issue

The interim financial statements were authorised on 28 February 2020 for issue by the Board of Directors.