



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FIRST
FINANCIAL QUARTER ENDED 31 MARCH 2020

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

	Note	Individual quarter		Cumulative quarter	
		Current year quarter 31.03.2020 (Unaudited) RM'000	Preceding year corresponding quarter 31.03.2019 (Unaudited) RM'000	Current year-to-date 31.03.2020 (Unaudited) RM'000	Preceding year-to-date 31.03.2019 (Unaudited) RM'000
Revenue		75,370	121,423	75,370	121,423
Cost of sales:					
Factory and production cost		(66,133)	(114,127)	(66,133)	(114,127)
Factory depreciation		(1,320)	(1,330)	(1,320)	(1,330)
Gross profit		7,917	5,966	7,917	5,966
Other income	B12	2,189	116	2,189	116
Depreciation and amortisation		(665)	(668)	(665)	(668)
Administrative expenses		(2,549)	(2,352)	(2,549)	(2,352)
Selling and distribution expenses		(2,863)	(3,244)	(2,863)	(3,244)
Finance costs		-	(157)	-	(157)
Profit/(Loss) before taxation		4,029	(339)	4,029	(339)
Tax expense	B6	(405)	(151)	(405)	(151)
Profit/(Loss) after taxation		3,624	(490)	3,624	(490)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income/(loss)		3,624	(490)	3,624	(490)
Profit/(Loss) attributable to:					
Owners of the parent		3,624	(490)	3,624	(490)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		3,624	(490)	3,624	(490)
Earnings/(Loss) per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	2.77	(0.37)	2.77	(0.37)
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 2019 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	Note	31.03.2020 (Unaudited)	31.12.2019 (Audited)
		RM'000	RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		141,170	142,687
Investment properties		1,849	1,849
Right-of-use assets		19,073	19,356
Deferred tax assets		-	27
		<u>162,092</u>	<u>163,919</u>
Current Assets			
Inventories		178,394	166,693
Trade and other receivables		88,723	101,646
Derivative assets		228	31
Other investment		23,449	23,270
Current tax assets		4,797	4,548
Cash and bank balances		62,617	62,509
		<u>358,208</u>	<u>358,697</u>
TOTAL ASSETS		<u><u>520,300</u></u>	<u><u>522,616</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		374,039	370,415
TOTAL EQUITY		<u>504,268</u>	<u>500,644</u>
LIABILITIES			
Non-current Liabilities			
Lease liabilities		281	491
Deferred tax liabilities		10,280	10,320
		<u>10,561</u>	<u>10,811</u>
Current Liabilities			
Trade and other payables		4,604	10,034
Lease liabilities		867	875
Derivative liabilities		-	252
		<u>5,471</u>	<u>11,161</u>
TOTAL LIABILITIES		<u>16,032</u>	<u>21,972</u>
TOTAL EQUITY AND LIABILITIES		<u><u>520,300</u></u>	<u><u>522,616</u></u>
		RM	RM
Net Assets per Share Attributable to Owners of the Company A16		<u>3.86</u>	<u>3.83</u>

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 31 MARCH 2020 (UNAUDITED)

	31.03.2020 (Unaudited) RM'000	31.03.2019 (Unaudited) RM'000
Cash Flows From Operating Activities		
Profit/(Loss) before taxation	4,029	(339)
Adjustments for :-		
Depreciation of property, plant and equipment	1,682	1,737
Depreciation of right-of-use assets	303	261
Dividend income received from short term fund	(174)	-
Fair value adjustments on derivative financial instruments	(449)	(226)
Fair value adjustments on other investment	(5)	-
(Gain)/Loss on disposal of property, plant and equipment	(33)	101
Impairment losses on trade and other receivables	7	119
Interest expense	-	157
Interest on lease liabilities	27	18
Interest income on overdue accounts	(83)	(91)
Interest income	(343)	(112)
Inventories written (back)/down	(1,517)	491
Property, plant and equipment written off	-	15
Reversal of impairment losses on property, plant and equipment	-	(8)
Reversal of impairment losses on trade receivables	(208)	(20)
Unrealised (gain)/loss on foreign exchange transactions	(820)	115
Operating profit before changes in working capital	<u>2,416</u>	<u>2,218</u>
Changes in working capital		
Inventories	(10,184)	23,578
Trade and other receivables	13,133	(2,803)
Trade and other payables	(5,066)	(3,368)
Cash flows generated from operations	<u>299</u>	<u>19,625</u>
Interest received	83	91
Tax refunded	-	13
Tax paid	(667)	(3,430)
Net cash flows (used in)/generated from operating activities	<u>(285)</u>	<u>16,299</u>
Cash Flows From Investing Activities		
Increase in deposits pledged to licensed banks	-	(3)
Interest received	343	112
Purchase of property, plant and equipment	(165)	(26,363)
Purchase of right-of-use assets	(20)	-
Proceeds from disposal of property, plant and equipment	33	53
Net cash flows generated from/(used in) investing activities	<u>191</u>	<u>(26,201)</u>



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 31 MARCH 2020 (UNAUDITED) (CONT'D)

	31.03.2020 (Unaudited)	31.03.2019 (Unaudited)
	RM'000	RM'000
Cash Flows From Financing Activities		
Interest paid	-	(157)
Short term borrowings		
- Repayments	-	(21,400)
- Drawdowns	-	25,900
Repayment of lease interest	(27)	-
Repayment of lease liability	(219)	-
Net cash flows (used in)/generated from financing activities	<u>(246)</u>	<u>4,343</u>
Net decrease in cash and cash equivalents	(340)	(5,804)
Effect of exchange rate changes on cash and cash equivalents	448	(18)
Cash and cash equivalents at beginning of the period	62,299	35,866
Cash and cash equivalents at end of the period	<u>62,407</u>	<u>30,044</u>
Cash and cash equivalents comprise:		
Cash and bank balances	37,828	26,544
Deposits with licensed banks	24,579	3,500
Deposits pledged to licensed banks	210	206
As per balance sheet	<u>62,617</u>	<u>30,250</u>
Less : Deposits pledged to licensed banks	(210)	(206)
Cash and cash equivalents at end of the period	<u>62,407</u>	<u>30,044</u>

(The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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	
Balance as at 1 January 2020	131,691	(1,462)	1,186	369,229	500,644
Profit for the period	-	-	-	3,624	3,624
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	3,624	3,624
Transactions with owners					
Dividends paid (Note A7)	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 31 March 2020	131,691	(1,462)	1,186	372,853	504,268
Balance as at 1 January 2019	131,691	(1,462)	1,186	376,882	508,297
Loss for the period	-	-	-	(490)	(490)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive loss	-	-	-	(490)	(490)
Transactions with owners					
Dividends paid	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 31 March 2019	131,691	(1,462)	1,186	376,392	507,807

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 2019 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 2019, except for the adoption of the MFRSs, Amendments and Annual improvements to Standards effective as of 1 January 2020.

(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 3 : Business Combinations - Definition of a Business	1 January 2020
Amendments to MFRS 7 : Financial Instruments - Disclosures	1 January 2020
Amendments to MFRS 9 : Recognition and Measurement – Interest and MFRS 139 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

The adoption of the above Amendments to MFRSs 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
MFRS 17 : Insurance Contracts	1 January 2021
Amendments to MFRS 101 : Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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 101 Classification of Liabilities as Current or Non-Current

These amendments clarify the criteria for determining whether to classify a liability as current or non-current, including situations that are considered settlement of a liability. In order to determine if there is a right to defer a settlement of a liability, the conditions which exist at the end of the reporting period will be used.

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 2019 was not qualified.

A3 Seasonality or cyclicity of operations

The level of business activities usually varies with the festivals at the end and beginning of each year subject to the level of underlying demand and prevailing prices.

A4 Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group in the first (1st) quarter and year-to-date 31 March 2020.



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A5 Material changes in estimates of amounts reported

There were no material changes in estimates of amounts reported in the previous financial year which have a material effect in the first (1st) quarter and year-to-date ended 31 March 2020.

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 March 2020, 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 is to ensure that entities of the Group would be able to continue as going concerns in order to maximise returns to shareholders and to maintain the optimal capital structure, the Group may, in response to changes in economic conditions, adjust the dividend payment 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. The Group's strategy is to maintain a low gearing ratio.

The gearing ratios as at 31 March 2020 and 31 March 2019, which are within the Group's objectives for capital management, are as follows:

	<u>31.03.2020</u>	<u>31.03.2019</u>
	RM'000	RM'000
Borrowings	-	20,500
Trade and other payables	4,604	9,650
Less : Cash and bank balances	<u>(62,617)</u>	<u>(30,250)</u>
Net cash	<u>(58,013)</u>	<u>(100)</u>
Total capital	504,268	507,807
Net cash	<u>(58,013)</u>	<u>(100)</u>
	<u>446,255</u>	<u>507,707</u>
Gearing ratio (%)	NA	NA

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 performance for the first (1st) quarter ended 31 March 2020 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	50,188	42,457	92,645
Inter-segment revenue	(964)	(16,311)	(17,275)
Revenue from external customers	<u>49,224</u>	<u>26,146</u>	<u>75,370</u>
Profit for the quarter			
Total (loss)/profit	(4)	4,118	4,114
Unallocated expenses			(85)
Finance costs			-
Profit before tax			<u>4,029</u>
Tax expense			(405)
Profit after tax for the quarter			<u><u>3,624</u></u>

Segment performance for the first (1st) quarter ended 31 March 2019 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	85,421	63,243	148,664
Inter-segment revenue	(3,030)	(24,211)	(27,241)
Revenue from external customers	<u>82,391</u>	<u>39,032</u>	<u>121,423</u>
Profit for the quarter			
Total profit/(loss)	878	(962)	(84)
Unallocated expenses			(98)
Finance costs			(157)
Loss before tax			<u>(339)</u>
Tax expense			(151)
Loss after tax for the quarter			<u><u>(490)</u></u>



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A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 31 March 2020 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	177,824	279,631	457,455
<u>Unallocated assets:</u>			
Derivative assets			228
Cash and bank balances			62,617
Total assets			<u>520,300</u>
Liabilities			
Segment liabilities	4,059	1,693	5,752
<u>Unallocated liabilities:</u>			
Deferred tax liabilities			10,280
Total liabilities			<u>16,032</u>

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	222,637	297,789	520,426
<u>Unallocated assets:</u>			
Deferred tax assets			14
Derivative assets			113
Cash and bank balances			30,250
Total assets			<u>550,803</u>
Liabilities			
Segment liabilities	7,233	24,994	32,227
<u>Unallocated liabilities:</u>			
Deferred tax liabilities			10,769
Total liabilities			<u>42,996</u>

A9 Material events subsequent to the end of the reporting period

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 first (1st) quarter and year-to-date ended 31 March 2020.



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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. The fair value of such financial corporate guarantees are negligible as the likelihood of the Group defaulting on the financial facilities and repayment to third party suppliers are not possible.

A12 Capital commitments

Authorised capital commitments not recognised in the interim financial statements as at 31 March 2020 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	3,475
Approved but not contracted for	<u>84,372</u>
	<u>87,847</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- to-date
	<u>RM'000</u>	<u>RM'000</u>
Rental expense	<u>(246)</u>	<u>(246)</u>
	<u>(246)</u>	<u>(246)</u>

These transactions have been entered into in the normal course of business and at arm's length basis and on terms no more favourable to the related party than those generally available to the public.

A14 Write back of inventories to net realisable values

Total net inventories written back to either net realisable value or replacement cost for the financial period ended 31 March 2020 was RM1,516,832.



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A15 Financial instruments

Group	As at 31 March 2020		
	Amortised cost	Fair value through profit or loss	Total
	RM'000	RM'000	RM'000
Financial assets			
Trade and other receivables, net of prepayments	87,899	-	87,899
Derivative assets	-	228	228
Other investment	-	23,449	23,449
Cash and bank balances	62,617	-	62,617
	<u>150,516</u>	<u>23,677</u>	<u>174,193</u>
Financial liabilities			
Trade and other payables	4,604	-	4,604
Lease liabilities	1,148	-	1,148
	<u>5,752</u>	<u>-</u>	<u>5,752</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 on the end of the 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).

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).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables set-out the financial instruments carried at fair value is disclosed, together with their fair values and carrying amounts showed in the statement of financial position.

Group	Level 1	Level 2	Level 3	Total	Carrying
	RM'000	RM'000	RM'000	RM'000	amount
					RM'000
Assets measured at fair value					
Investment properties	-	-	1,849	1,849	1,849
Derivative assets					
- Forward contracts	-	228	-	228	228
Other investment	23,449	-	-	23,449	23,449

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial period ended 31 March 2020.

(c) Derivative assets/(liabilities)

As at 31 March 2020

Group	Contract / Notional amount	Assets	Liabilities
	RM'000	RM'000	RM'000
Forward currency contracts (USD)	32,212	186	-
Forward currency contracts (SGD)	10,013	42	-



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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-to-date ended 31 March 2020, the Group recognised a gain of RM449,000 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 March 2020 stood at RM3.86, an increase of 0.8% compared to RM3.83 as at 31 December 2019 mainly due to higher retained earnings contributed by the current quarter's (1Q 2020) performance.



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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 RM75.4 million for the quarter ended 31.03.2020 (“1Q 2020”), which tumbled by RM46.0 million (-38%) compared to revenue of RM121.4 million for the quarter ended 31.03.2019 (“1Q 2019”). The decline in performance was due to lower contribution from both the manufacturing and trading segments.

However, the Group recorded a profit before taxation of RM4.0 million for 1Q 2020 as compared to a loss before taxation of RM0.3 million achieved in 1Q 2019, due to improved profit margins from lower raw materials cost. The Group’s profit before taxation was further supported by inventory write back of RM1.5 million as well as unrealised foreign exchange gains and fair valuation on trade forward contracts amounting to RM1.3 million.

The performance of the respective operating business segments of the Group for 1Q 2020 as compared to 1Q 2019 are analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM26.2 million in 1Q 2020, which decreased by RM12.8 million (-33%) compared to RM39.0 million in 1Q 2019. The decline in performance was mainly due to a significant drop in metric tonne sales from slower market demand and the Government’s Movement Control Order (“MCO”) which started from 18 March 2020 ensuing in a standstill of business activities.

Trading

The trading operations contributed revenue of RM49.2 million in 1Q 2020, which contracted by RM33.2 million (-40%) compared to RM82.4 million recorded in 1Q 2019. The waning performance was mainly due to a plummet in metric tonne sales due to weak market demand and the MCO which disrupted business activities.

B2 Comparison with preceding quarter’s results

The Group’s revenue for 1Q 2020 decreased by 27% to RM75.4 million as compared to RM102.8 million achieved in 4Q 2019. This was attributed to a drastic drop in metric tonne sales due to weak market demand and MCO ensuing in standstill of business activities.

However, the Group recorded a profit before taxation of RM4.0 million for 1Q 2020 as compared to a loss before taxation of RM1.5 million for 4Q 2019. This was attributed to higher margins on the back of lower raw materials acquired over in prior periods. The Group’s profit before taxation was further supported by inventory write back of RM1.5 million as well as unrealised foreign exchange gains and fair valuation on trade forward contracts amounting to RM1.3 million.

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

a) Prospects for 2020

With the global outbreak of the Covid-19 pandemic resulting in most countries being in a lockdown with travel restrictions, there have not been much market activities internationally. As such, steel prices have plummeted on the back of lacklustre demand and cessation of operations leading to excess steel inventory.



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B3 Current year prospects and progress on previously announced revenue or profit forecast (Cont'd)

a) Prospects for 2020 (Cont'd)

On the domestic front, the Government's MCO which started on 18 March and subsequently extended several times to 12 May, resulted in a standstill of business activities. However, most local steel manufacturers managed to resume operations earlier, i.e. end April after obtaining approval from the Ministry of International Trade and Industry ("MITI") to operate during the MCO period. The full impact has yet to be gauged and will depend on how fast the market returns to normalcy as well as the Government's further economic recovery policies.

To weather the challenging environment, the Group will focus on strategies to optimise efficiency through automation, reduce dependency on foreign labour, lower production costs by employing cost containment measures and expand market share through the deepening of 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.

B6 Taxation

Tax charges comprise:

	Current year quarter	Current year-to-date
	RM'000	RM'000
Income tax		
- current quarter/year-to-date	419	419
Deferred tax		
- current quarter/year-to-date	(14)	(14)
Tax expense	405	405

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 quarter and year-to-date is lower than the statutory tax rate mainly due to non-taxable 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 March 2020.

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.



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B10 Dividends proposed

There was no dividend proposed in the current quarter.

B11 Earnings/(Loss) per share

(a) Basic earnings per ordinary share

		3 months ended	
		31.03.2020	31.03.2019
Profit/(Loss) attributable to the equity holders of the parent	(RM'000)	3,624	(490)
Weighted average number of ordinary shares in issue	('000)	130,729	130,729
Basic earnings/(loss) per ordinary share	(sen)	2.77	(0.37)

(b) Diluted earnings per ordinary share

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

B12 Other income

	3 months ended	
	31.03.2020	31.03.2019
	RM'000	RM'000
Interest on :		
Customer overdue account	83	91
Short term deposits	343	112
Impairment losses on trade and other receivables	(7)	(119)
Dividend income received from short term fund	174	-
Fair value adjustments on derivative financial instruments	449	226
Fair value adjustments on other investment	5	-
Gain/(Loss) on disposal of property, plant and equipment	33	(101)
Trade compensation	17	4
Rental income	147	189
Reversal of impairment losses on trade receivables	208	20
Realised loss on foreign exchange transactions	(82)	(192)
Unrealised gain/(loss) on foreign exchange transactions	820	(115)
Others	(1)	1
	<u>2,189</u>	<u>116</u>

B13 Authorisation for issue

The interim financial statements were authorised on 11 June 2020 for issue by the Board of Directors.