



**CHOO BEE METAL INDUSTRIES BERHAD (10587-A)**  
**INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE THIRD**  
**FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020**

**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-to-date	Preceding year-to-date
		30.09.2020 (Unaudited)	30.09.2019 (Unaudited)	30.09.2020 (Unaudited)	30.09.2019 (Unaudited)
		RM'000	RM'000	RM'000	RM'000
Revenue		109,957	113,335	231,399	340,332
Cost of sales:					
Factory and production cost		(96,855)	(107,224)	(203,287)	(317,100)
Factory depreciation		(1,372)	(1,331)	(4,030)	(3,992)
Gross profit		11,730	4,780	24,082	19,240
Other (losses)/income	B12	(533)	512	2,463	1,450
Depreciation and amortisation		(649)	(669)	(1,962)	(2,006)
Administrative expenses		(2,317)	(2,543)	(7,493)	(7,428)
Selling and distribution expenses		(3,103)	(3,735)	(8,644)	(10,432)
Finance costs		(7)	(11)	(8)	(229)
Profit/(Loss) before taxation		5,121	(1,666)	8,438	595
Tax expense	B6	(1,143)	(28)	(474)	(565)
Profit/(Loss) after taxation		3,978	(1,694)	7,964	30
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income/(loss)		3,978	(1,694)	7,964	30
Profit/(Loss) attributable to:					
Owners of the parent		3,978	(1,694)	7,964	30
Total comprehensive income/(loss) attributable to:					
Owners of the parent		3,978	(1,694)	7,964	30
Earnings/(Loss) per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	3.04	(1.30)	6.09	0.02
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).



**CHOO BEE METAL INDUSTRIES BERHAD (10587-A)**  
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**FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

	Note	30.09.2020 (Unaudited)	31.12.2019 (Audited)
		RM'000	RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		141,111	142,687
Investment properties		1,849	1,849
Right-of-use assets		18,466	19,356
Deferred tax assets		-	27
		<u>161,426</u>	<u>163,919</u>
<b>Current Assets</b>			
Inventories		164,883	166,693
Trade and other receivables		114,692	101,646
Derivative assets		54	31
Other investment		23,717	23,270
Current tax assets		4,557	4,548
Cash and bank balances		59,417	62,509
		<u>367,320</u>	<u>358,697</u>
<b>TOTAL ASSETS</b>		<u><u>528,746</u></u>	<u><u>522,616</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		378,379	370,415
<b>TOTAL EQUITY</b>		<u>508,608</u>	<u>500,644</u>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Lease liabilities		-	491
Deferred tax liabilities		10,108	10,320
		<u>10,108</u>	<u>10,811</u>
<b>Current Liabilities</b>			
Trade and other payables		9,311	10,034
Lease liabilities		710	875
Derivative liabilities		9	252
		<u>10,030</u>	<u>11,161</u>
<b>TOTAL LIABILITIES</b>		<u>20,138</u>	<u>21,972</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>528,746</u></u>	<u><u>522,616</u></u>
		RM	RM
<b>Net Assets per Share Attributable to Owners of the Company</b>	A16	<u>3.89</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 30 SEPTEMBER 2020 (UNAUDITED)**

	30.09.2020 (Unaudited) RM'000	30.09.2019 (Unaudited) RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	8,438	595
Adjustments for :-		
Bad debts written off	-	521
Bad debts recovered	(5)	-
Depreciation of property, plant and equipment	5,083	5,215
Depreciation of right-of-use assets	909	783
Dividend income received from short term fund	(517)	(108)
Fair value adjustments on derivative financial instruments	(266)	(209)
Fair value adjustments on other investment	70	5
(Gain)/Loss on disposal of property, plant and equipment	(33)	125
Impairment losses on trade and other receivables	508	119
Interest expense	8	229
Interest on lease liabilities	81	54
Interest income on overdue accounts	(259)	(232)
Interest income	(792)	(361)
Inventories written (back)/down	(2,225)	1,361
Property, plant and equipment written off	-	8
Reversal of impairment losses on trade receivables	(428)	(762)
Unrealised (gain)/loss on foreign exchange transactions	(125)	23
Operating profit before changes in working capital	<u>10,447</u>	<u>7,366</u>
Changes in working capital		
Inventories	4,035	54,451
Trade and other receivables	(12,993)	4,919
Trade and other payables	(785)	(2,844)
Cash flows generated from operations	<u>704</u>	<u>63,892</u>
Interest received	259	232
Tax refunded	-	13
Tax paid	(668)	(6,331)
Net cash flows generated from operating activities	<u>295</u>	<u>57,806</u>
<b>Cash Flows From Investing Activities</b>		
Increase in deposits pledged to licensed banks	(3)	(3)
Interest received	792	361
Purchase of property, plant and equipment	(3,507)	(28,806)
Purchase of right-of-use assets	(20)	-
Purchase of other investment	-	(13,000)
Proceeds from disposal of property, plant and equipment	33	81
Net cash flows used in investing activities	<u>(2,705)</u>	<u>(41,367)</u>



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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD**  
**ENDED 30 SEPTEMBER 2020 (UNAUDITED) (CONT'D)**

	30.09.2020 (Unaudited) RM'000	30.09.2019 (Unaudited) RM'000
<b>Cash Flows From Financing Activities</b>		
Dividends paid	-	(6,536)
Interest paid	(8)	(229)
Short term borrowings		
- Repayments	(16,100)	(62,100)
- Drawdowns	16,100	56,100
Repayment of lease interest	(81)	(54)
Repayment of lease liability	(657)	(681)
Net cash flows used in financing activities	<u>(746)</u>	<u>(13,500)</u>
Net (decrease)/increase in cash and cash equivalents	(3,156)	2,939
Effect of exchange rate changes on cash and cash equivalents	61	5
Cash and cash equivalents at beginning of the period	<u>62,299</u>	<u>35,866</u>
Cash and cash equivalents at end of the period	<u><u>59,204</u></u>	<u><u>38,810</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	23,954	26,530
Deposits with licensed banks	35,250	12,280
Deposits pledged to licensed banks	213	206
As per balance sheet	<u>59,417</u>	<u>39,016</u>
Less : Deposits pledged to licensed banks	<u>(213)</u>	<u>(206)</u>
Cash and cash equivalents at end of the period	<u><u>59,204</u></u>	<u><u>38,810</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 2019 and the accompanying explanatory notes attached to the interim financial statements).



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

	<u>&lt; ----- Non-distributable ----- &gt;</u>	<u>Distributable</u>			
	Share Capital	Treasury Shares	General Reserve	Retained Earnings	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Balance as at 1 January 2020</b>	131,691	(1,462)	1,186	369,229	500,644
Profit for the period	-	-	-	7,964	7,964
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	7,964	7,964
<b>Transactions with owners</b>					
Dividends paid (Note A7)	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
<b>Balance as at 30 September 2020</b>	131,691	(1,462)	1,186	377,193	508,608
<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 profit	-	-	-	30	30
<b>Transactions with owners</b>					
Dividends paid	-	-	-	(6,536)	(6,536)
Total transactions with owners	-	-	-	(6,536)	(6,536)
<b>Balance as at 30 September 2019</b>	131,691	(1,462)	1,186	370,376	501,791

(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*

<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 : Business Combinations - Definition of a Business	1 January 2020
Amendments to MFRS 4 : Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9 Financial Instruments	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 101 : Presentation of Financial Statements – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	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**

Amendments to MFRS 16	: Leases – Covid 19 Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	: Interest Rate Benchmark Reform-Phase 2	1 January 2021
Amendments to MFRS 3	: Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	: Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018-2020 Cycle	: Amendment to MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards : Amendment to MFRS 9 – Financial Instrument : Amendment to MFRS 141 - Agriculture	1 January 2022
MFRS 17	: Insurance Contracts	1 January 2023
Amendments to MFRS 101	: Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1 January 2023
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 16 Leases – Covid 19 Related Rent Concessions***

Due to the impact of the COVID-19 pandemic on business conditions, many lessees are seeking rent concessions from lessors. Rent concessions may take the form of a one-off reduction in rent, a deferral of rent or a change in the nature of rent – e.g. fixed payments becoming variable.

In view of this, the amendments were made to introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

The adoption of Amendments to MFRS 16 is not expected to have any material financial impact on the financial statements of the Group unless the Group as a lessee receives rent concession in the future.



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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)*

***Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16***

The amendments provides a practical expedient whereby a company would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

***Amendments to MFRS 3 Business Combinations – Reference to the Conceptual Framework***

The amendments made is to update paragraph 11 of MFRS 3 Business Combinations in alignment with the 2018 Conceptual Framework.

The adoption of Amendments to MFRS 3 will not have any material financial impact on the financial statements of the Group.

***Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use***

The amendments prohibit a company from deducting from the cost of property, plant and equipment the proceeds received from selling items produced while the asset is being prepared for its intended use. Instead, a company will need to recognise such sales proceeds and related cost in profit or loss.

The adoption of Amendments to MFRS 116 is not expected to have any material impact on the financial statements of the Group.

***Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of fulfilling a Contract***

The amendments clarify that costs to fulfil a contract are costs that relate directly to the contract, which include both of the following:

- a) the incremental costs of fulfilling the contract (for example, direct labour and materials); and
- b) an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of Property, Plant and Equipment used in fulfilling that contract).

The amendments also clarify that an entity first recognises any impairment loss on assets used in fulfilling the contract before a separate provision for onerous is considered. The previous requirement was to assess impairment losses only on assets dedicated to the contract. With the amendment, all assets whose cost would be considered in assessing whether the contract is onerous are assessed for impairment losses first.

***Annual Improvements to MFRS Standards 2018 – 2020 Cycle***

***a. Amendment to MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards***

The proposed amendment would require a subsidiary that applies paragraph D16(a) of MFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition of MFRSs.





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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)*

**b. Amendment to MFRS 9 – Financial Instruments**

The proposed amendment clarifies which fees an entity includes when it applies the “10 per cent” test in assessing whether to derecognise a financial liability. Applying the proposed amendment, an entity would include only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

**c. Amendment to MFRS 141 - Agriculture**

The proposed amendment would remove the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. The proposed amendment would ensure consistency with the requirements in MFRS 13.

The adoption of Annual Improvements to MFRS Standards 2018 – 2020 Cycle is not expected to have any financial impact on the financial statements of the Group.

***MFRS 17 Insurance Contracts***

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

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

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

***Amendments to MFRS 101 Presentation of Financial Statements - 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 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 year-to-date ended 30 September 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 third (3<sup>rd</sup>) quarter and year-to-date ended 30 September 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 30 September 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 30 September 2020 and 30 September 2019, which are within the Group's objectives for capital management, are as follows:

	<u>30.09.2020</u>	<u>30.09.2019</u>
	RM'000	RM'000
Borrowings	-	10,000
Trade and other payables	9,311	10,153
Less : Cash and bank balances	<u>(59,417)</u>	<u>(39,016)</u>
Net cash	<u>(50,106)</u>	<u>(18,863)</u>
Total capital	508,608	501,791
Net cash	<u>(50,106)</u>	<u>(18,863)</u>
	<u>458,502</u>	<u>482,928</u>
Gearing ratio (%)	NA	NA

**A7 Dividends paid**

There were no dividends paid in the current financial quarter or year-to-date ended 30 September 2020.



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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 third (3<sup>rd</sup>) quarter ended 30 September 2020 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<b>Revenue</b>			
Total revenue	68,601	64,543	133,144
Inter-segment revenue	(2,498)	(20,689)	(23,187)
Revenue from external customers	<u>66,103</u>	<u>43,854</u>	<u>109,957</u>
<b>Profit for the quarter</b>			
Total profit	1,600	3,648	5,248
Unallocated expenses			(120)
Finance costs			<u>(7)</u>
Profit before tax			5,121
Tax expense			<u>(1,143)</u>
Profit after tax for the quarter			<u><u>3,978</u></u>

Segment performance for the third (3<sup>rd</sup>) quarter ended 30 September 2019 are 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><u>(1,694)</u></u>



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

Segment performance for the financial period ended 30 September 2020 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<b>Revenue</b>			
Total revenue	149,534	132,316	281,850
Inter-segment revenue	(4,662)	(45,789)	(50,451)
Revenue from external customers	<u>144,872</u>	<u>86,527</u>	<u>231,399</u>
<b>Profit for the quarter</b>			
Total profit	515	8,281	8,796
Unallocated expenses			(350)
Finance costs			(8)
Profit before tax			<u>8,438</u>
Tax expense			(474)
Profit after tax for the period			<u><u>7,964</u></u>

Segment performance for the financial period ended 30 September 2019 are 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 quarter</b>			
Total profit/(loss)	2,441	(1,006)	1,435
Unallocated expenses			(611)
Finance costs			(229)
Profit before tax			<u>595</u>
Tax expense			(565)
Profit after tax for the period			<u><u>30</u></u>



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

Segment assets and liabilities as at 30 September 2020 are as follows:-

	<u>Trading</u> RM'000	<u>Manufacturing</u> RM'000	<u>Total</u> RM'000
<b>Assets</b>			
Segment assets	179,463	289,812	469,275
<u>Unallocated assets:</u>			
Derivative assets			54
Cash and bank balances			59,417
Total assets			<u>528,746</u>
<b>Liabilities</b>			
Segment liabilities	6,260	3,761	10,021
<u>Unallocated liabilities:</u>			
Derivative liabilities			9
Deferred tax liabilities			10,108
Total liabilities			<u>20,138</u>

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

	<u>Trading</u> RM'000	<u>Manufacturing</u> RM'000	<u>Total</u> 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>534,359</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>32,568</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.



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**A10 Effects of changes in composition of the group**

The Company had on 29 June 2020 disposed its entire equity interest of Choo Bee Hardware (Sel) Sdn Bhd ("CBHS") via its subsidiary company, Choo Bee Hardwares Sdn. Berhad to Choo Bee Holdings Sdn. Bhd., a major shareholder of the Company. Hence, CBHS has ceased to be a subsidiary of the Company.

As CBHS was a dormant company, there were no material financial effects on the financial position of the Group arising from the disposal.

**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 30 September 2020 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	32,651
Approved but not contracted for	<u>43,437</u>
	<u><u>76,088</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	Current year- to-date
	RM'000	RM'000
Rental expense	<u>(246)</u>	<u>(737)</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 year-to-date ended 30 September 2020 was RM2,224,997.



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**A15 Financial instruments**

<b>Group</b>	<b>As at 30 September 2020</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	112,909	-	112,909
Derivative assets	-	54	54
Other investment	-	23,717	23,717
Cash and bank balances	59,417	-	59,417
	<u>172,326</u>	<u>23,771</u>	<u>196,097</u>
<b>Financial liabilities</b>			
Trade and other payables	9,311	-	9,311
Derivative liabilities	-	9	9
	<u>9,311</u>	<u>9</u>	<u>9,320</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.

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Carrying amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets measured at fair value</b>					
Investment properties	-	-	1,849	1,849	1,849
Derivative assets					
- Forward contracts	-	54	-	54	54
Other investment	23,717	-	-	23,717	23,717
<b>Liabilities measured at fair value</b>					
Derivative liabilities					
- Forward contracts	-	9	-	9	9

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the year-to-date ended 30 September 2020.

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

**As at 30 September 2020**

<b>Group</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 (USD)	4,400	1	(9)
Forward currency contracts (SGD)	14,669	53	-





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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 September 2021.
- iii. For the year-to-date ended 30 September 2020, the Group recognised a gain of RM266,000 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 2020 stood at RM3.89, a marginal increase of 1.6% compared to RM3.83 as at 31 December 2019 mainly due to higher profit earned for the year-to-date ended 30 September 2020.



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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 RM110.0 million for the quarter ended 30.09.2020 (“3Q 2020”), which tumbled by RM3.3 million (-3%) compared to revenue of RM113.3 million for the quarter ended 30.09.2019 (“3Q 2019”). The softer performance was due to lower contribution from the trading segment amid the recovery of business activities post Movement Control Order (“MCO”).

However, the Group recorded a profit before taxation of RM5.1 million for 3Q 2020 as compared to a loss before taxation of RM1.7 million achieved in 3Q 2019, mainly due to lower materials cost improving margins.

The performance of the respective operating business segments of the Group for 3Q 2020 as compared to 3Q 2019 are analysed as follows:

Manufacturing

The manufacturing operations contributed revenue of RM43.9 million in 3Q 2020, which grew by RM12.7 million (41%) compared to RM31.2 million in 3Q 2019. This was attributed to a strong rise in metric tonne sales due to pent-up demand and healthy recovery of business activities post MCO.

Trading

The trading operations contributed revenue of RM66.1 million in 3Q 2020, which slumped by RM16.0 million (-19%) compared to RM82.1 million recorded in 3Q 2019. The waning performance was mainly due to the slow movement in construction activities.

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

For the period ended 30.09.2020 (“YTD 3Q 2020”), the Group recorded revenue of RM231.4 million, which fell by RM108.9 million (-32%) as compared to revenue of RM340.3 million recorded for the period ended 30.09.2019 (“YTD 3Q 2019”). This was mainly due to the adverse impact of the Covid-19 pandemic and MCO measures in 2Q 2020 taking their toll on the economy and business activities.

Despite of MCO impact, the Group recorded a profit before taxation of RM8.4 million for YTD 3Q 2020 as compared to RM0.6 million for YTD 3Q 2019, where 2Q 2020 MCO losses were offset by the strong 3Q 2020 recovery and 1Q 2020 performance. The Group’s profit before taxation was further supported by interest income of RM1.1 million, dividend income from short term fund placements RM0.5 million and gain on realised/unrealised foreign exchange transactions of RM0.3 million.



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### **B1 Operating segments review (Cont'd)**

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

The performance of the respective operating business segments of the Group for YTD 3Q 2020 as compared to YTD 3Q 2019 are analysed as follows:

#### Manufacturing

The manufacturing operations recorded revenue of RM86.5 million for YTD 3Q 2020, which shrank by 14% as compared to RM100.7 million in YTD 3Q 2019. The lower performance was mainly due to weaker average selling prices and metric tonne sales as a result of the MCO in 2Q 2020.

#### Trading

The trading operations recorded revenue of RM144.9 million for YTD 3Q 2020, which decreased by 40% as compared to RM239.6 million in YTD 3Q 2019. The decline in performance was mainly attributed to lower average selling prices and metric tonne sales as a result of the MCO in 2Q 2020.

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

The Group's revenue for 3Q 2020 soared to RM110.0 million as compared to RM46.1 million achieved in 2Q 2020. This was attributed to a strong recovery in metric tonne sales as a result of pent up demand and recovery of business activities post MCO.

In tandem with the strong recovery, the Group recorded a profit before taxation of RM5.1 million for 3Q 2020 as compared to a loss before taxation of RM0.7 million for 2Q 2020.

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

#### **a) Prospects for 2020**

After a price rally over the past 3 months, international steel prices experienced some softening. This is due to regional markets other than China, being quite badly affected by the resurgence of Covid-19 infections and renewed lockdowns. However, this temporary decline was arrested and returned to positive levels due to strong demand from some sectors aided by the good domestic demand in India, amid reducing supply. With the approaching winter months in China, it is believed that steel consumption would be curtailed as infrastructural projects slowed down, yet recent prices have remained rather stable due to firm future prices.

On the local front, prices of steel products have gone up in tandem with the escalating import prices while steel demand followed suit accordingly. However, of late, demand has begun softening in wait for prices to retreat from its current levels as well as the re-implementation of the Conditional Movement Control Order ("CMCO") for the whole of Malaysia (except Perlis, Pahang and Kelantan) to contain the third wave Covid-19 outbreak. Although Budget 2021 allocated encouraging infrastructure expenditure for existing key projects such as the Klang Valley and Gemas-Johor Bharu double track projects, market sentiment remains cautious pending further developments on the rollout of mega infrastructure projects, other than those that have been approved. The revival of the construction sector, especially infrastructure projects remains crucial to support growth for the local steel industry. With the recent resurgence of a third wave Covid-19 outbreak, the Government's policies to successfully break the spread of the virus as well as stimulus measures plays a pivotal role in supporting momentum of the nation's economy.



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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)**

To weather the challenging pandemic environment, the Group will focus on adhering to stringent Covid-19 Standard Operating Procedures (“SOPs”) to ensure sustainable operations, optimise efficiency through automation, reduce dependency on foreign labour, employ prudent cost containment measures and preserve cashflow to remain competitive and resilient.

**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	396	659
Deferred tax		
- current quarter/year-to-date	747	(185)
Tax expense	<u>1,143</u>	<u>474</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 quarter and year-to-date is lower than the statutory tax rate mainly due to the Investment Tax Allowance Claim (Solar System), recognition of deferred tax asset on unutilised Investment Tax Allowance and reversal of deferred tax liability on Capital Allowance utilised.

**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 30 September 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.

**B10 Dividends proposed**

There was no dividend proposed in the current quarter.



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**B11 Earnings per share**

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

		3 months ended		9 months ended	
		30.09.2020	30.09.2019	30.09.2020	30.09.2019
Profit attributable to the equity holders of the parent	(RM'000)	3,978	(1,694)	7,964	30
Weighted average number of ordinary shares in issue	('000)	130,729	130,729	130,729	130,729
Basic earnings per ordinary share	(sen)	3.04	(1.30)	6.09	0.02

**(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 (losses)/income**

		3 months ended		9 months ended	
		30.09.2020	30.09.2019	30.09.2020	30.09.2019
		RM'000	RM'000	RM'000	RM'000
Interest on :					
Customer overdue account		16	93	259	232
Short term deposits		231	125	792	361
Impairment losses on trade and other receivables		(501)	-	(508)	(119)
Reversal of impairment losses on trade receivables		-	603	428	762
Bad debt written off		-	(521)	-	(521)
Bad debts recovered		4	-	5	-
Dividend income received from short term fund		177	100	517	108
Fair value adjustments on derivative financial instruments		112	226	266	209
Fair value adjustments on other investment		(57)	(5)	(70)	(5)
(Loss)/Gain on disposal of property, plant and equipment		-	(24)	33	(125)
Trade compensation		-	-	17	52
Rental income		126	141	416	521
Realised (loss)/gain on foreign exchange transactions		(305)	(114)	182	(8)
Unrealised (loss)/gain on foreign exchange transactions		(338)	(113)	125	(23)
Others		2	1	1	6
		<u>(533)</u>	<u>512</u>	<u>2,463</u>	<u>1,450</u>

**B13 Authorisation for issue**

The interim financial statements were authorised on 20 November 2020 for issue by the Board of Directors.