



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FIRST
FINANCIAL QUARTER ENDED 31 MARCH 2011

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Individual quarter		Cumulative quarter	
	Current year quarter 31.03.2011 RM'000	Preceding year corresponding quarter 31.03.2010 RM'000	Current year todate 31.03.2011 RM'000	Preceding year corresponding period 31.03.2010 RM'000
Revenue	108,994	99,573	108,994	99,573
Other (expense)/income	5	(276)	5	(276)
Operating expenses	(96,732)	(85,852)	(96,732)	(85,852)
Finance costs	(218)	(135)	(218)	(135)
Profit before taxation	<u>12,049</u>	<u>13,310</u>	<u>12,049</u>	<u>13,310</u>
Tax expense	<u>(2,613)</u>	<u>(2,485)</u>	<u>(2,613)</u>	<u>(2,485)</u>
Profit for the period	<u><u>9,436</u></u>	<u><u>10,825</u></u>	<u><u>9,436</u></u>	<u><u>10,825</u></u>
Total comprehensive income for the period	<u><u>9,436</u></u>	<u><u>10,825</u></u>	<u><u>9,436</u></u>	<u><u>10,825</u></u>
Profit attributable to: Owners of the parent	<u><u>9,436</u></u>	<u><u>10,825</u></u>	<u><u>9,436</u></u>	<u><u>10,825</u></u>
Total comprehensive income attributable to: Owners of the parent	<u><u>9,436</u></u>	<u><u>10,825</u></u>	<u><u>9,436</u></u>	<u><u>10,825</u></u>
Earnings per share attributable to owners of the Company:				
a) Basic (sen)	8.64	10.30	8.64	10.30
b) Diluted (sen)	N/A	N/A	N/A	N/A

(The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	As at 31 Mar 2011 (Unaudited) RM'000	As at 31 Dec 2010 (Audited) RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	119,693	120,201
Land use rights	3,394	3,439
Investment properties	2,280	2,280
Goodwill on consolidation	87	87
	<u>125,454</u>	<u>126,007</u>
Current Assets		
Inventories	203,153	187,874
Trade and other receivables	131,622	114,617
Current tax assets	1,557	1,926
Other assets	904	280
Cash and cash equivalents	8,523	5,172
	<u>345,759</u>	<u>309,869</u>
TOTAL ASSETS	<u>471,213</u>	<u>435,876</u>
Current Liabilities		
Trade and other payables	14,762	17,280
Borrowings	49,170	21,550
Current tax liabilities	360	77
Derivative	30	47
	<u>64,322</u>	<u>38,954</u>
Non-current Liabilities		
Deferred tax liabilities	13,099	12,564
	<u>13,099</u>	<u>12,564</u>
TOTAL LIABILITIES	<u>77,421</u>	<u>51,518</u>
Equity attributable to owners of the parent		
Share capital	109,903	109,903
Reserves attributable to capital	17,828	17,830
Retained earnings	266,061	256,625
	<u>393,792</u>	<u>384,358</u>
TOTAL EQUITY AND LIABILITIES	<u>471,213</u>	<u>435,876</u>
Net Tangible Assets Per Share (RM)	3.56	3.47
Net Assets Per Share (RM)	3.56	3.47

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

	31 Mar 2011	31 Mar 2010
	RM'000	RM'000
Profit before taxation	12,048	13,310
Adjustments for non-cash flow:-		
Non-cash items	608	(4,168)
Non-operating items	218	135
Interest income from operating activities	231	(132)
Operating Profit Before Changes In Working Capital	<u>13,105</u>	<u>9,145</u>
Changes In Working Capital :		
Net Change in Current Assets	(32,692)	(16,605)
Net Change in Current Liabilities	(2,519)	2,116
Income tax paid	(1,889)	(782)
Income tax refund	462	-
Interest income	(231)	132
Net Cash (Used In) Operating Activities	<u>(23,764)</u>	<u>(5,994)</u>
Investing Activities :		
Purchase of property, plant and equipment	(991)	(4,104)
Rental received	289	18
Interest received from fixed deposits	307	6
Proceeds from disposal of land use rights	40	-
Proceeds from disposal of unquoted investment	-	2,006
Proceeds from disposal of property, plant and equipment	70	10
Net Cash (Used In) Investing Activities	<u>(285)</u>	<u>(2,064)</u>
Financing Activities :		
Proceeds from/ (repayment of) bank borrowings	27,620	5,759
Finance cost paid	(218)	(135)
Dividends paid	-	-
Repurchase of own shares	(2)	(298)
Net Cash Generated From Financing Activities	<u>27,400</u>	<u>5,326</u>
Net Change in Cash and Cash Equivalents	3,351	(2,732)
Cash and Cash Equivalents at beginning of year	5,172	7,258
Cash and Cash Equivalents at end of year	<u>8,523</u>	<u>4,526</u>

(The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to Owners of the Parent ----- >					
	Share Capital		Non-distributable		Distributable	
	Share Capital RM '000	Treasury Shares RM '000	Share Premium RM '000	General Reserve RM '000	Retained Earnings RM '000	Total Equity RM '000
Balance as at 1 January 2011	109,903	(1,121)	17,765	1,186	256,625	384,358
Total comprehensive income for the period	-	-	-	-	9,436	9,436
Transactions with owners						
Purchase of treasury shares	-	(2)	-	-	-	(2)
Total transactions with owners	-	(2)	-	-	-	(2)
Balance as at 31 March 2011	109,903	(1,123)	17,765	1,186	266,061	393,792
Balance as at 1 January 2010	109,903	(7,148)	24,115	1,186	245,547	373,603
Effects of applying FRS 139	-	-	-	-	5	5
Restated balance	109,903	(7,148)	24,115	1,186	245,552	373,608
Total comprehensive income for the period	-	-	-	-	10,825	10,825
Transactions with owners						
Purchase of treasury shares	-	(298)	-	-	-	(298)
Total transactions with owners	-	(298)	-	-	-	(298)
Balance as at 31 March 2010	109,903	(7,446)	24,115	1,186	256,377	384,135

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim statements).



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EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”)
134: INTERIM FINANCIAL REPORTING

A1 Accounting Policies and Methods of Computation

The interim financial report has been prepared in accordance with FRS 134, “Interim Financial Reporting” and Chapter 9 part K of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia). The figures for the current quarter to 31 March 2011 have not been audited.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 of the Group and the accompanying notes attached to the interim financial statements. The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2010 except for the following:

(i) Adoption of New and Revised FRSs, IC Interpretations and Amendments

In the current quarter 31 March 2011, the Group adopted the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements and are relevant to its operations:

FRSs/IC Interpretations	Effective date
Amendments to FRS 132: <i>Classification of Rights Issues</i>	1 March 2010
FRS 1 <i>First-time Adoption of Financial Reporting Standards</i>	1 July 2010
FRS 3 <i>Business Combinations (revised)</i>	1 July 2010
Amendments to FRS 2 <i>Share-based Payment</i>	1 July 2010
Amendments to FRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 July 2010
Amendments to FRS 127 <i>Consolidated and Separate Financial Statements</i>	1 July 2010
Amendments to FRS 138 <i>Intangible Assets</i>	1 July 2010
Amendments to IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 July 2010
IC Interpretation 12 <i>Service Concession Arrangements</i>	1 July 2010
IC Interpretation 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	1 July 2010
IC Interpretation 17 <i>Distributions of Non-cash Assets to Owners</i>	1 July 2010
Amendments to FRS 1: <i>Additional Exemptions for First-time Adopters</i>	1 January 2011
Amendments to FRS 1: <i>Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters</i>	1 January 2011
Amendments to FRS 7: <i>Improving Disclosures about Financial Instruments</i>	1 January 2011
Amendments to FRS 2: <i>Group Cash-settled Share-based Payment Transactions</i>	1 January 2011
Amendments to FRS contained in the document entitled <i>“Improvements to FRSs (2010)”</i>	1 January 2011
IC Interpretation 4: <i>Determining whether an Arrangement contains a Lease</i>	1 January 2011
IC Interpretation 18 <i>Transfer of Assets from Customers</i>	1 January 2011



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TRI – 3 <i>Guidance on Disclosure of Translation to IFRSs</i>	1 January 2011
TRI – 4 <i>Shariah Compliant sale Contracts</i>	1 January 2011

The adoption of the above FRSs, IC interpretation and Amendment do not have any material impact on the Financial Statements of the Group.

(ii) The following FRSs were issued but not yet effective and have not been applied by the Group

At the date of issuance of this quarterly report, the revised FRS, new IC Int. and amendment to IC Int. which were in issue but not yet effective are as listed below:

FRSs/IC Interpretations	Effective date
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 2011
FRS 124: Related Party Disclosures (Revised)	1 January 2012
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
Amendment to IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012

The above revised FRS, new IC Interpretation and amendments to IC Interpretation will be adopted in the financial statements of the Group and the Company when they become effective and the adoption of these FRSs and Interpretation will have no significant impact on the financial statements of the Group and the Company in the period of initial application.

A2 Auditor's report on preceding annual financial statements

The preceding year's audit report for the year ended 31 December 2010 was unqualified.

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

There were no material items of an unusual nature and amount for the current quarter and financial year to date.

A5 Material Changes in Estimates of Amounts Reported

There were no material changes in the estimates used in the current quarter compared to the estimates used in the previous financial year, which have a material effect in the current quarter or the financial year to date.



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A6 Capital Management, Issuances, Repurchases, and Repayments of Debts and Equity Instruments

During the current quarter, the Company had repurchased a total of 1,100 ordinary shares of RM1.00 each of its issued share capital from the open market at an average cost of RM1.7269 per share. The total consideration paid for the share buy-back was RM1,899.56 and was financed by internally generated funds. As at 31 March 2011, a total of 742,625 treasury shares were held by the Company. The repurchased shares are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act, 1965.

There were no issues of debt or equity securities for the current financial 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. The ratio is calculated as the total liabilities to total equity. Total equity is the sum of total equity attributable to shareholders and non-controlling interests. The Group's strategy is to maintain a low gearing ratio.

The gearing ratios as at 31 March 2011 and 31 March 2010, which are within the Group's objectives for capital management, are as follows:

	31 March 2011 (RM'000)	31 March 2010 (RM'000)
Borrowings	49,170	29,339
Trade and other payables	14,762	15,068
Less : Cash and bank balances	(8,523)	(4,526)
Net debts	55,409	39,881
Equity attributable to the owners of the parent	393,792	384,135
Capital and net debts	449,201	424,016
Gearing ratio (%)	12	9

A7 Dividends Paid

No dividend has been paid for the current financial year to date.

Please see B12 for proposed dividend.



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A8 Operating Segment Information

Segment information is presented in respect of the Group's operating segments.

The Group comprises the following main operating segments:

- (i) Manufacturing Processing of steel coils into steel products and fabrication of steel products
- (ii) Trading Dealing in hardware and construction materials

Segment information for the current financial period ended 31 March 2011 is as follows:-

	Trading RM'000	Manufacturing RM'000	Total RM'000
Revenue - external customers	64,533	44,461	108,994
Intersegment revenue	3,874	9,860	13,734
Reportable segment profit	5,465	7,125	12,590
Unallocated corporate expenses			(323)
Finance costs			(218)
Profit before taxation			12,049

Segment information for the previous financial period ended 31 March 2010 is as follows:-

	Trading RM'000	Manufacturing RM'000	Total RM'000
Revenue - external customers	60,200	39,373	99,573
Intersegment revenue	1,930	9,261	11,191
Reportable segment profit	5,092	8,436	13,528
Unallocated corporate expenses			(83)
Finance costs			(135)
Profit before taxation			13,310

A9 Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment in the financial year to date and the value of property, plant and equipment has been brought forward, without amendment from the previous annual financial statements.

A10 Material Events Subsequent to the End of the Interim Period

There were no material subsequent events that have not been reflected in the financial statements for the year at the date of issue of the quarterly report.



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A11 Effects of Changes in Composition of the Group

There were no changes in composition of the Group for the current financial year to date.

A12 Changes in Contingent Liabilities or Contingent Assets since the last annual statement of financial position date

There were no contingent liabilities or contingent assets at the date of issue of the quarterly report.

A13 Capital Commitments

Authorised capital commitments not recognized in the interim financial statements as at 31 March 2011 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	3,428
Approved but not contracted for	12,500
	<u>15,928</u>

A14 Write back of Inventories to Net Realizable Values

Total net inventories write back to either net realizable value or replacement cost for the year ended 31 March 2011 was RM473,208.



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EXPLANATORY NOTES : (AS PER LISTING REQUIREMENTS OF BURSA MALAYSIA – PART A OF APPENDIX 9B)

B1 Review of the Performance of the Company and its Principal Subsidiaries

During the quarter under review, the Group recorded revenue of RM109.0 million as compared to RM99.6 million for the corresponding period in the previous year, representing an increase of RM9.4 million or 9.4%, on the back of increased metric tonne sales.

Profit before taxation for the period ended 31 March 2011 meanwhile decreased by RM1.3 million to RM12.0 million as compared with 1Q 2010 RM13.3 million mainly due to decreasing profit margin resulting from lower steel price and higher cost of sales.

B2 Comparison with preceding quarter's results

While the Group's revenue for 1Q 2011 of RM109.0 million was an increase of RM13.3 million or 14% as compared to 4Q 2010 of RM95.7 million, profit before taxation of RM12.0 million was recorded for 1Q 2011 (4Q 2010 : RM4.4 million). The increase in profit before taxation is mainly due to RM5.0 million inventory write down in 4Q 2010.

B3 Prospects for the remaining period of the current financial year

Prices are unlikely to pick up in the short term amidst the lackluster demand characterizing the current market. The steel industry is expected to continue to face tough market conditions in the remaining year as economic activities are expected to remain subdued. We expect domestic demand would drive our revenue growth instead of export sales as the roll out of the cornerstone projects under the Tenth Malaysian Plan gather momentum. The group intends to maintain competitiveness and boost investment in high-end manufacturing and product specialization in order to sustain growth. Barring unforeseen circumstances, the Group expects moderate performance results for the remaining year of 2011.

B4 Variance of Actual Profit from Forecast Profit or Profit Guarantee

The Group did not issue any profit forecast or profit guarantee in the current quarter or in the prior financial year.

B5 Taxation

Tax charges comprise:

	Current Quarter RM'000	Financial Year todate RM'000
Income tax		
- current year	2,077	2,077
Deferred tax		
- current year	535	535
Net provision for taxation	<u>2,612</u>	<u>2,612</u>

The effective tax rate for the year todate under review lower than statutory tax rate due to the utilization of unabsorbed reinvestment allowances offset against non-deductible expenses.



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B6 Profits/(Losses) On Sale of Unquoted Investments and/or Properties

The were no sale of unquoted investments during the current financial quarter and the financial year to date. The sale of properties (leasehold land) for the current quarter resulted in a gain on sale of RM12,709 which was recognized in other income.

B7 Purchase or Disposals of Quoted Securities

There were no purchases or disposals of quoted securities by the Group.

B8 (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.

B9 Group Borrowings and Debt Securities

Details of Group's borrowings as at 31 March 2011 are as follows:-

Short-term borrowings

	RM'000	
Bankers' acceptances	49,170	Unsecured
	<u>49,170</u>	

The Group has no debt securities as at 31 March 2011.

B10 Financial Instruments

With the adoption of FRS 139, financial instruments are recognized on their respective contract dates. The related accounting policies are disclosed in Note 1 in the section on Notes to the Interim Report. There are no off-balance sheet financial instruments.

Details of forward contracts which have not matured for the Group as at 31 March 2011 are as follows:

Type of instruments	Contract/Notional amount RM'000	Fair value RM'000	Fair value loss RM'000	Purpose
Foreign currency forward purchase contract (USD)				For hedging
- Less than 1 year	3,465	3,443	22	currency risk
Foreign currency forward sale contract (SGD)				For hedging
- Less than 1 year	1,300	1,308	8	currency risk



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B10 Financial Instruments (contd.)

The Group's trade suppliers denominated in foreign currencies are exposed to currency risks with respect to USD Dollar. The Group enters into forward purchase contracts as a hedge against fluctuation in its foreign currency payment transactions.

The Group's trade receivables denominated in foreign currencies are exposed to currency risk. The Group's strategy for minimizing this risk is to hedge each foreign trade receivable by a forward sale contract.

The foreign currency forward contracts are transacted with the Group's bankers. Credit risk for non-performance by the financial institutions in these instruments is minimal.

B11 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.

B12 Dividends Proposed

The Board of Directors has proposed a final dividend of 6% less 25% taxation (2009: 6% less 25% taxation) amounting to RM4.9 million in respect of financial year ended 31 December 2010. The proposed final dividend will be presented for shareholders' approval at the forthcoming Annual General Meeting. Subject to shareholders' approval, the proposed final dividend will be paid on 18 August 2011 to shareholders registered at the close of business on 22 July 2011.

B13 Earnings per share (EPS)

(a) Basic earnings per share

		3 months ended	
		31.03.2011	31.03.2010
Profit for the quarter attributable to owners of the parent	(RM'000)	9,436	10,825
Weighted average number of ordinary shares in issue	('000)	109,161	105,084
Basic earnings per share	(sen)	8.64	10.30

(b) Diluted earnings per share

Not applicable.



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B14 Realised and Unrealised Profit or (Losses) Disclosure

Total retained profits/(accumulated losses) of the Company and its subsidiary companies:-

	As at 31-03-11 RM'000	As at 31-12-10 RM'000
- Realised	282,692	273,307
- Unrealised	3,604	3,220
	<u>286,296</u>	<u>276,527</u>
Less : Consolidation adjustments	(20,235)	(19,902)
Total group retained earnings	<u>266,061</u>	<u>256,625</u>