



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FIRST
FINANCIAL QUARTER ENDED 31 MARCH 2022

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

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 31.03.2022 (Unaudited) RM'000	Preceding year corresponding quarter ended 31.03.2021 (Unaudited) RM'000	Current year-to-date 31.03.2022 (Unaudited) RM'000	Preceding year-to-date 31.03.2021 (Unaudited) RM'000
Revenue		162,043	135,874	162,043	135,874
Cost of sales:					
Factory and production cost		(131,201)	(91,011)	(131,201)	(91,011)
Factory depreciation		(1,340)	(1,364)	(1,340)	(1,364)
Gross profit		<u>29,502</u>	<u>43,499</u>	<u>29,502</u>	<u>43,499</u>
Other income	B12	1,387	495	1,387	495
Depreciation and amortisation		(710)	(685)	(710)	(685)
Administrative expenses		(3,426)	(4,387)	(3,426)	(4,387)
Selling and distribution expenses		(3,398)	(2,865)	(3,398)	(2,865)
Finance costs		(32)	(5)	(32)	(5)
Profit before tax		<u>23,323</u>	<u>36,052</u>	<u>23,323</u>	<u>36,052</u>
Tax expense	B6	(5,195)	(8,692)	(5,195)	(8,692)
Profit after tax		<u>18,128</u>	<u>27,360</u>	<u>18,128</u>	<u>27,360</u>
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		<u><u>18,128</u></u>	<u><u>27,360</u></u>	<u><u>18,128</u></u>	<u><u>27,360</u></u>
Profit attributable to:					
Owners of the parent		<u><u>18,128</u></u>	<u><u>27,360</u></u>	<u><u>18,128</u></u>	<u><u>27,360</u></u>
Total comprehensive income attributable to:					
Owners of the parent		<u><u>18,128</u></u>	<u><u>27,360</u></u>	<u><u>18,128</u></u>	<u><u>27,360</u></u>
Earnings per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	13.87	20.93	13.87	20.93
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 2021 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	As at 31.03.2022 (Unaudited) RM'000	As at 31.12.2021 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		169,881	161,298
Investment properties		1,710	1,710
Right-of-use assets		19,518	19,846
Deferred tax assets		27	-
		<u>191,136</u>	<u>182,854</u>
Current Assets			
Inventories		225,746	274,780
Trade and other receivables		199,419	169,774
Derivative assets		17	3
Current tax assets		458	-
Cash and bank balances		53,135	29,880
		<u>478,775</u>	<u>474,437</u>
		<u>669,911</u>	<u>657,291</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital		131,691	131,691
Treasury shares		(1,462)	(1,462)
Reserves		507,321	489,193
		<u>637,550</u>	<u>619,422</u>
TOTAL EQUITY			
LIABILITIES			
Non-current Liabilities			
Lease liabilities		1,337	1,581
Deferred tax liabilities		7,311	7,732
		<u>8,648</u>	<u>9,313</u>
Current Liabilities			
Trade and other payables		17,424	13,810
Borrowings	B8	3,500	6,000
Lease liabilities		961	952
Derivative liabilities		-	51
Current tax liabilities		1,828	7,743
		<u>23,713</u>	<u>28,556</u>
		<u>32,361</u>	<u>37,869</u>
		<u>669,911</u>	<u>657,291</u>
		RM	RM
Net Assets per Share Attributable to Owners of the Company	A16	<u>4.88</u>	<u>4.74</u>

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
31 MARCH 2022 (UNAUDITED)

	31.03.2022 (Unaudited)	31.03.2021 (Unaudited)
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	23,323	36,052
Adjustments for:		
Bad debts recovered	(84)	-
Depreciation of property, plant and equipment	1,722	1,722
Depreciation of right-of-use assets	328	327
Dividend income received from other investments	-	(78)
Fair value adjustments on derivative financial instruments	(65)	107
Fair value adjustments on other investments	-	139
Loss on disposal of property, plant and equipment	-	105
Impairment losses on trade receivables	-	172
Interest expense	32	5
Interest on lease liabilities	22	4
Interest income on overdue accounts	(26)	(22)
Interest income	(87)	(166)
Inventories written (back)/down	(136)	8
Reversal of impairment losses on trade receivables	(746)	-
Unrealised (gain)/loss on foreign exchange transactions, net	(240)	30
Operating profit before changes in working capital	24,043	38,405
Changes in working capital		
Inventories	49,170	(15,649)
Trade and other receivables	(28,908)	(22,793)
Trade and other payables	3,895	5,834
Cash flows from operations	48,200	5,797
Interest received	26	22
Tax paid	(12,016)	(171)
Net cash flows from operating activities	36,210	5,648
Cash Flows From Investing Activities		
Interest received	87	166
Purchase of property, plant and equipment	(10,305)	(1,090)
Proceeds from disposal of property, plant and equipment	-	69
Net cash flows used in investing activities	(10,218)	(855)



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 31 MARCH 2022 (UNAUDITED) (CONT'D)

	31.03.2022 (Unaudited) RM'000	31.03.2021 (Unaudited) RM'000
Cash Flows From Financing Activities		
Interest paid	(32)	(5)
Short term borrowings		
- Repayments	(28,250)	(5,000)
- Drawdowns	25,750	-
Repayment of lease interests	(22)	(4)
Repayment of lease liabilities	(235)	(243)
Net cash flows used in financing activities	<u>(2,789)</u>	<u>(5,252)</u>
Net increase/(decrease) in cash and cash equivalents	23,203	(459)
Effect of exchange rate changes on cash and cash equivalents	52	41
Cash and cash equivalents at beginning of the period	<u>29,661</u>	<u>62,328</u>
Cash and cash equivalents at end of the period	<u><u>52,916</u></u>	<u><u>61,910</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	27,809	42,989
Repo	4,100	-
Deposits with licensed banks	21,007	18,921
Deposits pledged to licensed banks	219	216
As per Statement of Financial Position	<u>53,135</u>	<u>62,126</u>
Less : Deposits pledged to licensed banks	<u>(219)</u>	<u>(216)</u>
Cash and cash equivalents at end of the period	<u><u>52,916</u></u>	<u><u>61,910</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 2021 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	<u>< ----- Non-distributable ----- ></u>	<u>Distributable</u>			
	Share Capital	Treasury Shares	General Reserve	Retained Earnings	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000
Balance as at 1 January 2022	131,691	(1,462)	1,186	488,007	619,422
Profit for the period	-	-	-	18,128	18,128
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	18,128	18,128
Transactions with owners					
Dividends paid (Note A7)	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 31 March 2022	131,691	(1,462)	1,186	506,135	637,550
Balance as at 1 January 2021	131,691	(1,462)	1,186	388,712	520,127
Profit for the period	-	-	-	27,360	27,360
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	27,360	27,360
Transactions with owners					
Dividends paid	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 31 March 2021	131,691	(1,462)	1,186	416,072	547,487

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2021 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 2021 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 2021, except for the adoption of the MFRSs, Amendments and Annual Improvements to Standards effective as of 1 January 2022.

(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 – 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 Instruments : Amendment to MFRS 141 - Agriculture	1 January 2022

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 2023
Amendments to MFRS 17 : Insurance Contracts	1 January 2023
Amendment to MFRS 17 : Initial Application of MFRS 17 and MFRS 9 – Comparative Information	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 101 : Presentation of Financial Statements – Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108 : Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112 : Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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

A2 Auditor's report on preceding annual financial statements

The preceding year's audit report for the year ended 31 December 2021 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 financial year-to-date ended 31 March 2022.

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 financial year-to-date ended 31 March 2022.



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

For the current quarter and financial year-to-date ended 31 March 2022, the Company did not repurchase any ordinary shares from the open market.

As at 31 March 2022, 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 financial year-to-date ended 31 March 2022.

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 2022 and 31 March 2021, which are within the Group's objectives for capital management, are as follows:

	As at 31.03.2022 RM'000	As at 31.03.2021 RM'000
Borrowings	3,500	-
Trade and other payables	17,424	18,132
Less : Cash and bank balances	<u>(53,135)</u>	<u>(62,126)</u>
Net cash	<u>(32,211)</u>	<u>(43,994)</u>
Total capital	637,550	547,487
Net cash	<u>(32,211)</u>	<u>(43,994)</u>
	<u>605,339</u>	<u>503,493</u>
Gearing ratio (%)	N/A	N/A

A7 Dividends paid

There were no dividends paid in the current financial quarter or financial year-to-date ended 31 March 2022.



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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 2022 are as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	105,740	91,937	197,677
Inter-segment revenue	(4,632)	(31,002)	(35,634)
Revenue from external customers	101,108	60,935	162,043
Profit for the quarter			
Total expenses	(89,734)	(48,954)	(138,688)
Finance costs	-	(32)	(32)
Profit before tax	11,374	11,949	23,323
Tax expense	(2,533)	(2,662)	(5,195)
Profit after tax for the quarter	8,841	9,287	18,128

Segment performance for the first (1st) quarter ended 31 March 2021 are as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	81,475	80,001	161,476
Inter-segment revenue	(1,798)	(23,804)	(25,602)
Revenue from external customers	79,677	56,197	135,874
Profit for the quarter			
Total expenses	(70,641)	(29,176)	(99,817)
Finance costs	-	(5)	(5)
Profit before tax	9,036	27,016	36,052
Tax expense	(2,178)	(6,514)	(8,692)
Profit after tax for the quarter	6,858	20,502	27,360



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A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 31 March 2022 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	236,579	380,153	616,732
<u>Unallocated assets:</u>			
Deferred tax assets			27
Derivative assets			17
Cash and bank balances			53,135
Total assets			<u><u>669,911</u></u>
Liabilities			
Segment liabilities	10,970	14,080	25,050
<u>Unallocated liabilities:</u>			
Deferred tax liabilities			7,311
Total liabilities			<u><u>32,361</u></u>

Segment assets and liabilities as at 31 March 2021 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	225,714	298,102	523,816
<u>Unallocated assets:</u>			
Deferred tax assets			105
Derivative assets			58
Cash and bank balances			62,126
Total assets			<u><u>586,105</u></u>
Liabilities			
Segment liabilities	14,393	14,637	29,030
<u>Unallocated liabilities:</u>			
Derivative liabilities			106
Deferred tax liabilities			9,482
Total liabilities			<u><u>38,618</u></u>

A9 Material events subsequent to the end of the reporting period

There were 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 2022.



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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 2022 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	27,328
Approved but not contracted for	8,256
	<u>35,584</u>

A13 Related party transactions

Related party transactions for the quarter and financial year-to-date ended 31 March 2022 under review in which certain directors have direct/indirect interest are as follows:

	Current year quarter <u>RM'000</u>	Current financial year-to-date <u>RM'000</u>
Sales of steel products	<u>1,971</u>	<u>1,971</u>
Purchase of hardware products	(1)	(1)
Rental expense	(256)	(256)
Piling works services	<u>(70)</u>	<u>(70)</u>
	<u>(327)</u>	<u>(327)</u>

These transactions have been entered into in the normal course of business and are 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 year-to-date ended 31 March 2022 was RM135,765.



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A15 Financial instruments

Group	As at 31 March 2022		
	Amortised cost	Fair value through profit or loss	Total
	RM'000	RM'000	RM'000
Financial assets			
Trade and other receivables, net of prepayments	164,733	-	164,733
Derivative assets	-	17	17
Cash and bank balances	53,135	-	53,135
	217,868	17	217,885
Financial liabilities			
Trade and other payables	17,424	-	17,424
Borrowings	3,500	-	3,500
	20,924	-	20,924

(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 the 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 amount
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets measured at fair value					
Investment properties	-	-	1,710	1,710	1,710
Derivative assets					
- Forward contracts	-	17	-	17	17

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial year-to-date ended 31 March 2022.

(c) Derivative assets

Group	As at 31 March 2022		
	Contract /		
	Notional amount	Assets	Liabilities
	RM'000	RM'000	RM'000
Forward currency contracts (SGD)	3,745	17	-



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A15 Financial instruments (Cont'd)

(c) Derivative assets (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 2022.
- iii. For the financial year-to-date ended 31 March 2022, the Group recognised a gain of RM65,000 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 2022 stood at RM4.88, an increase of 3.0% compared to RM4.74 as at 31 December 2021 mainly due to higher profit earned for the financial year-to-date ended 31 March 2022.



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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 RM162.0 million for the quarter ended 31.03.2022 (“1Q 2022”), which grew by RM26.1 million (19%) compared to revenue of RM135.9 million for the quarter ended 31.03.2021 (“1Q 2021”). The stronger revenue growth was supported by both the trading and manufacturing segments.

However, the Group recorded a lower profit before tax of RM23.3 million for 1Q 2022 as compared to RM36.1 million for 1Q 2021. This was mainly due to lower profit margins achieved as a result of higher raw material prices offsetting the increase in average selling prices.

The performance of the respective operating business segments of the Group for 1Q 2022 as compared to 1Q 2021 are analysed as follows:

Manufacturing

The manufacturing operations' revenue climbed 8% to RM60.9 million in 1Q 2022, from RM56.2 million in 1Q 2021. This was attributed to higher average selling prices which eclipsed the impact of lower sales volume.

Trading

The trading operations' revenue increased at a stronger pace of 27% to RM101.1 million in 1Q 2022 from RM79.7 million recorded in 1Q 2021. The stronger performance was mainly due to higher average selling prices offsetting weaker sales volume.

B2 Comparison with preceding quarter's results

The Group's revenue for 1Q 2022 expanded to RM162.0 million as compared with RM149.8 million achieved in 4Q 2021. The upward revenue trend was mainly attributed to stronger market demand as customers stocked up inventories in anticipation of higher steel prices as a result of the Russia-Ukraine war and lockdowns in China.

Nevertheless, the Group recorded a lower profit before tax of RM23.3 million for 1Q 2022 as compared to RM31.6 million for 4Q 2021. This was mainly due to lower profit margins achieved as a result of higher raw material prices and softer average selling prices.



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

a) Prospects for 2022

In reaction to the Russian-Ukraine conflict which started late February 2022, international steel prices experienced an upward bias resulting in higher steel prices. This was primarily due to steel suppliers taking advantage of the international sanctions on Russia (a key supplier of raw materials for making steel products) and higher energy prices impacting the steel supply chain. However, steel prices are expected to normalise in the near term once a peace resolution can be reached between both countries.

On the domestic front, local selling prices have risen in tandem with the international upward price trend. However, the local market remains cautious in stocking up steel inventory due to the higher prices, resulting in smaller steel players reducing prices to gain sales. Impetus for steel demand in the nation's endemic transition phase hinges on the resumption of private sector construction activities and the acceleration of existing mega infrastructure projects such as the Light Rail Transit Line 3 (LRT3), Mass Rail Transit Line 3 (MRT3) and Johore-Singapore Rapid Transit System (RTS).

The Group remains vigilant of the steel prices trend and will continue to focus on prudent procurement strategies and inventory management, as well as improving operational efficiency and optimising costs to mitigate any potential adverse impact on performance.

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 Tax expense

Tax charges comprise:

	Current year quarter <u>RM'000</u>	Current financial year-to-date <u>RM'000</u>
Income tax		
- current quarter/financial year-to-date	5,643	5,643
Deferred tax		
- current quarter/financial year-to-date	(448)	(448)
Tax expense	<u>5,195</u>	<u>5,195</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated taxable profits for the year. The effective tax rate of the Group for the current quarter and financial year-to-date ended 31 March 2022 was lower than the statutory tax rate, mainly due to the effect of non-taxable income for tax purposes and the reversal of deferred tax no longer required.



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B7 (a) Status of corporate proposals announced but not completed

On 28 April 2022, the Company announced a proposed Bonus Issue of up to 65,845,464 new ordinary shares on the basis of one (1) bonus share for every two (2) existing shares of the Company held on an entitlement date that will be determined and announced later (“Proposed Bonus Issue”). Subsequently, Bursa Securities had vide their letter dated 11 May 2022 approved the listing and quotation of up to 65,845,464 Bonus Shares to be issued pursuant to the Proposed Bonus Issue as announced by the Company on 11 May 2022. The completion of the Proposed Bonus Issue is subject to the approval of the shareholders at the forthcoming Extra General Meeting.

(b) Status of utilization of proceeds raised from any corporate proposal

Not applicable.

B8 Group borrowings and debt securities

Details of Group’s borrowings as at 31 March 2022 are as follows:

Short-term borrowings

	RM'000	
Trust receipts	3,500	Unsecured
	3,500	

Borrowings are denominated in the following currencies:

	RM'000	
- Ringgit Malaysia	3,500	Unsecured
	3,500	

The Group has no debt securities as at 31 March 2022.

B9 Changes in material litigation (including status of any pending material litigation)

There were no material litigation against the Group as at the date of this report.

B10 Dividends payable

The Board of Director has recommended a final single tier dividend of 5 sen per ordinary share (2020: final single tier dividend of 3 sen per ordinary share) and a special single tier dividend of 2.5 sen per ordinary share amounting to RM6,536,000 and RM3,268,000 respectively in respect of the financial year ended 31 December 2021 for shareholders’ approval at the Annual General Meeting to be on 10 June 2022.

B11 Earnings per share

(a) Basic earnings per ordinary share

		3 months ended	
		31.03.2022	31.03.2021
Profit attributable to the equity holders of the parent	(RM'000)	18,128	27,360
Weighted average number of ordinary shares in issue	('000)	130,729	130,729
Basic earnings per ordinary share	(sen)	13.87	20.93



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B11 Earnings per share (Cont'd)

(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	
	31.03.2022	31.03.2021
	RM'000	RM'000
Bad debts recovered	84	-
Dividend income received from other investments	-	78
Fair value adjustments on derivative financial instruments	65	-
Interest on:		
Customer overdue account	26	22
Short term deposits	87	166
Trade compensation	-	1
Rental income	137	125
Realised gain on foreign exchange transactions	-	102
Reversal of impairment losses on trade receivables	746	-
Unrealised gain on foreign exchange transactions	240	-
Others	2	1
	<u>1,387</u>	<u>495</u>
Other Losses:		
Fair value adjustments on derivative financial instruments	-	(107)
Fair value adjustments on other investments	-	(139)
Loss on disposal of property, plant and equipment	-	(105)
Impairment losses on trade receivables	-	(172)
Realised loss on foreign exchange transactions	(167)	-
Unrealised loss on foreign exchange transactions	-	(30)

B13 Authorisation for issue

The interim financial statements were authorised on 20 May 2022 for issue by the Board of Directors.