



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE SECOND
QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2022

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

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 30.06.2022 (Unaudited) RM'000	Preceding year corresponding quarter ended 30.06.2021 (Unaudited) RM'000	Current year-to-date 30.06.2022 (Unaudited) RM'000	Preceding year-to-date 30.06.2021 (Unaudited) RM'000
Revenue		116,487	97,638	278,530	233,512
Cost of sales:					
Factory and production cost		(92,768)	(60,614)	(223,969)	(151,625)
Factory depreciation		(1,338)	(1,372)	(2,678)	(2,736)
Gross profit		<u>22,381</u>	<u>35,652</u>	<u>51,883</u>	<u>79,151</u>
Other income	B12	873	842	2,194	1,066
Depreciation and amortisation		(712)	(673)	(1,422)	(1,358)
Administrative expenses		(4,376)	(3,580)	(7,736)	(7,696)
Selling and distribution expenses		(3,472)	(2,607)	(6,870)	(5,472)
Finance costs		(5)	(2)	(37)	(7)
Profit before tax		<u>14,689</u>	<u>29,632</u>	<u>38,012</u>	<u>65,684</u>
Tax expense	B6	(3,674)	(7,217)	(8,869)	(15,909)
Profit after tax		<u>11,015</u>	<u>22,415</u>	<u>29,143</u>	<u>49,775</u>
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		<u><u>11,015</u></u>	<u><u>22,415</u></u>	<u><u>29,143</u></u>	<u><u>49,775</u></u>
Profit attributable to:					
Owners of the parent		<u><u>11,015</u></u>	<u><u>22,415</u></u>	<u><u>29,143</u></u>	<u><u>49,775</u></u>
Total comprehensive income attributable to:					
Owners of the parent		<u><u>11,015</u></u>	<u><u>22,415</u></u>	<u><u>29,143</u></u>	<u><u>49,775</u></u>
Earnings per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	8.43	17.15	22.29	38.08
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 30.06.2022 (Unaudited) RM'000	As at 31.12.2021 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		176,751	161,298
Investment properties		1,710	1,710
Right-of-use assets		19,189	19,846
		<u>197,650</u>	<u>182,854</u>
Current Assets			
Inventories		257,865	274,780
Trade and other receivables		174,266	169,774
Derivative assets		6	3
Current tax assets		3,456	-
Cash and bank balances		50,581	29,880
		<u>486,174</u>	<u>474,437</u>
		<u>683,824</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		508,531	489,193
		<u>638,760</u>	<u>619,422</u>
LIABILITIES			
Non-current Liabilities			
Lease liabilities		1,091	1,581
Deferred tax liabilities		7,932	7,732
		<u>9,023</u>	<u>9,313</u>
Current Liabilities			
Trade and other payables		23,690	13,810
Borrowings	B8	10,000	6,000
Lease liabilities		970	952
Derivative liabilities		55	51
Current tax liabilities		1,326	7,743
		<u>36,041</u>	<u>28,556</u>
		<u>45,064</u>	<u>37,869</u>
TOTAL LIABILITIES		<u>683,824</u>	<u>657,291</u>
TOTAL EQUITY AND LIABILITIES		<u>683,824</u>	<u>657,291</u>
		RM	RM
Net Assets per Share Attributable to Owners of the Company	A16	<u>4.89</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
30 JUNE 2022 (UNAUDITED)

	30.06.2022 (Unaudited)	30.06.2021 (Unaudited)
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	38,012	65,684
Adjustments for:		
Bad debts recovered	(84)	-
Depreciation of property, plant and equipment	3,443	3,439
Depreciation of right-of-use assets	657	655
Dividend income received from other investments	-	(159)
Fair value adjustments on derivative financial instruments	1	120
Fair value adjustments on other investments	-	(185)
(Gain)/Loss on disposal of property, plant and equipment	(245)	139
Impairment losses on trade receivables	-	201
Interest expense	37	7
Interest on lease liabilities	41	5
Interest income on overdue accounts	(91)	(57)
Interest income	(217)	(250)
Inventories written down	206	34
Property, plant and equipment written off	-	1
Reversal of impairment losses on trade receivables	(850)	(127)
Net unrealised gain on foreign exchange transactions	(435)	(23)
Operating profit before changes in working capital	<u>40,475</u>	<u>69,484</u>
Changes in working capital		
Inventories	16,709	(74,205)
Trade and other receivables	(3,584)	(27,325)
Trade and other payables	358	(3,685)
Cash flows from/(used in) operations	<u>53,958</u>	<u>(35,731)</u>
Interest received	91	57
Tax paid	(18,542)	(354)
Net cash flows from/(used in) operating activities	<u>35,507</u>	<u>(36,028)</u>
Cash Flows From Investing Activities		
Increase in deposits pledged to licensed banks	(2)	-
Interest received	217	250
Purchase of property, plant and equipment	(18,959)	(2,351)
Proceeds from disposal of property, plant and equipment	308	175
Net cash flows used in investing activities	<u>(18,436)</u>	<u>(1,926)</u>



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 30 JUNE 2022 (UNAUDITED) (CONT'D)

	30.06.2022 (Unaudited) RM'000	30.06.2021 (Unaudited) RM'000
Cash Flows From Financing Activities		
Interest paid	(37)	(7)
Short term borrowings		
- Repayments	(31,750)	(5,000)
- Drawdowns	35,750	7,500
Repayment of lease interests	(41)	(5)
Repayment of lease liabilities	(472)	(486)
Net cash flows from financing activities	<u>3,450</u>	<u>2,002</u>
Net increase/(decrease) in cash and cash equivalents	20,521	(35,952)
Effect of exchange rate changes on cash and cash equivalents	178	36
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>50,360</u></u>	<u><u>26,412</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	32,873	26,412
Repo	17,487	-
Deposits pledged to licensed banks	221	210
As per Statement of Financial Position	<u>50,581</u>	<u>26,622</u>
Less : Deposits pledged to licensed banks	(221)	(210)
Cash and cash equivalents at end of the period	<u><u>50,360</u></u>	<u><u>26,412</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)

	< ----- Non-distributable ----- >			Distributable	Total Equity RM '000
	Share Capital RM '000	Treasury Shares RM '000	General Reserve RM '000	Retained Earnings RM '000	
Balance as at 1 January 2022	131,691	(1,462)	1,186	488,007	619,422
Profit for the period	-	-	-	29,143	29,143
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	29,143	29,143
Transactions with owners					
Dividends payable (Note B10)	-	-	-	(9,805)	(9,805)
Total transactions with owners	-	-	-	(9,805)	(9,805)
Balance as at 30 June 2022	131,691	(1,462)	1,186	507,345	638,760
Balance as at 1 January 2021	131,691	(1,462)	1,186	388,712	520,127
Profit for the period	-	-	-	49,775	49,775
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	49,775	49,775
Transactions with owners					
Dividends payable	-	-	-	(3,922)	(3,922)
Total transactions with owners	-	-	-	(3,922)	(3,922)
Balance as at 30 June 2021	131,691	(1,462)	1,186	434,565	565,980

(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).



CHOO BEE METAL INDUSTRIES BERHAD (10587-A) INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2022

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
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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 second (2nd) quarter and year-to-date ended 30 June 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 second (2nd) quarter and year-to-date ended 30 June 2022.



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

On 5 August 2022, the number of ordinary shares of the Company were increased from 131,690,928 to 197,536,300 by way of a bonus issue of 65,845,372 new ordinary shares, credited as fully paid-up share capital on the basis of one (1) new ordinary share for every two (2) existing ordinary shares at no consideration and without capitalisation.

Other than the above, there were no issues of debt or equity securities for the current year-to-date ended 30 June 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 30 June 2022 and 30 June 2021, which are within the Group's objectives for capital management, are as follows:

	As at 30.06.2022 RM'000	As at 30.06.2021 RM'000
Borrowings	10,000	7,500
Trade and other payables	23,690	12,540
Less : Cash and bank balances	<u>(50,581)</u>	<u>(26,622)</u>
Net cash	<u>(16,891)</u>	<u>(6,582)</u>
Total capital	638,760	565,980
Net cash	<u>(16,891)</u>	<u>(6,582)</u>
	<u>621,869</u>	<u>559,398</u>
Gearing ratio (%)	N/A	N/A

A7 Dividends paid

There were no dividends paid in the current quarter or year-to-date ended 30 June 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 second (2nd) quarter ended 30 June 2022 are as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	86,328	55,270	141,598
Inter-segment revenue	(5,437)	(19,674)	(25,111)
Revenue from external customers	80,891	35,596	116,487
Profit for the quarter			
Total expenses	(71,758)	(30,035)	(101,793)
Finance costs	(2)	(3)	(5)
Profit before tax	9,131	5,558	14,689
Tax expense	(2,251)	(1,423)	(3,674)
Profit after tax for the quarter	6,880	4,135	11,015

Segment performance for the second (2nd) quarter ended 30 June 2021 are as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	63,611	45,145	108,756
Inter-segment revenue	(2,458)	(8,660)	(11,118)
Revenue from external customers	61,153	36,485	97,638
Profit for the quarter			
Total expenses	(48,339)	(19,665)	(68,004)
Finance costs	(2)	-	(2)
Profit before tax	12,812	16,820	29,632
Tax expense	(3,114)	(4,103)	(7,217)
Profit after tax for the quarter	9,698	12,717	22,415



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A8 Operating segment information (Cont'd)

Segment performance for the year-to-date ended 30 June 2022 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	192,068	147,207	339,275
Inter-segment revenue	(10,069)	(50,676)	(60,745)
Revenue from external customers	181,999	96,531	278,530
Profit for the period			
Total expenses	(161,492)	(78,989)	(240,481)
Finance costs	(2)	(35)	(37)
Profit before tax	20,505	17,507	38,012
Tax expense	(4,784)	(4,085)	(8,869)
Profit after tax for the period	15,721	13,422	29,143

Segment performance for the year-to-date ended 30 June 2021 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	145,086	125,146	270,232
Inter-segment revenue	(4,256)	(32,464)	(36,720)
Revenue from external customers	140,830	92,682	233,512
Profit for the period			
Total expenses	(118,980)	(48,841)	(167,821)
Finance costs	(2)	(5)	(7)
Profit before tax	21,848	43,836	65,684
Tax expense	(5,292)	(10,617)	(15,909)
Profit after tax for the period	16,556	33,219	49,775



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A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 30 June 2022 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	246,305	386,932	633,237
<u>Unallocated assets:</u>			
Derivative assets			6
Cash and bank balances			50,581
Total assets			<u>683,824</u>
Liabilities			
Segment liabilities	13,980	23,097	37,077
<u>Unallocated liabilities:</u>			
Derivative liabilities			55
Deferred tax liabilities			7,932
Total liabilities			<u>45,064</u>

Segment assets and liabilities as at 30 June 2021 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	241,474	345,049	586,523
<u>Unallocated assets:</u>			
Deferred tax assets			88
Derivative assets			4
Cash and bank balances			26,622
Total assets			<u>613,237</u>
Liabilities			
Segment liabilities	17,399	20,690	38,089
<u>Unallocated liabilities:</u>			
Derivative liabilities			64
Deferred tax liabilities			9,104
Total liabilities			<u>47,257</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 second (2nd) quarter and year-to-date ended 30 June 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 30 June 2022 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	20,804
Approved but not contracted for	<u>6,052</u>
	<u><u>26,856</u></u>

A13 Related party transactions

Related party transactions for the quarter and year-to-date ended 30 June 2022 under review in which certain directors have direct/indirect interest are as follows:

	Current year quarter <u>RM'000</u>	Current year-to-date <u>RM'000</u>
Sales of steel products	<u>1,283</u>	<u>3,253</u>
Purchase of hardware products	(1)	(2)
Rental expense	(256)	(513)
Piling works services and mobile crane rental	<u>(149)</u>	<u>(219)</u>
	<u><u>(406)</u></u>	<u><u>(734)</u></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 down of inventories to net realisable values

Total net inventories written down to either net realisable value or replacement cost for the year-to-date ended 30 June 2022 was RM206,293.



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A15 Financial instruments

Group	As at 30 June 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	138,198	-	138,198
Derivative assets	-	6	6
Cash and bank balances	50,581	-	50,581
	188,779	6	188,785
Financial liabilities			
Trade and other payables	23,690	-	23,690
Borrowings	10,000	-	10,000
Derivative liabilities	-	55	55
	33,690	55	33,745

(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	-	6	-	6	6
Liabilities measured at fair value					
Derivative liabilities					
- Forward contracts	-	55	-	55	55

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the year-to-date ended 30 June 2022.

(c) Derivative assets / liabilities

Group	As at 30 June 2022		
	Contract /		
	Notional	Assets	Liabilities
	amount	RM'000	RM'000
	RM'000	RM'000	RM'000
Forward currency contracts (USD)	4,400	6	
Forward currency contracts (SGD)	7,546	-	55



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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 December 2022.
- iii. For the year-to-date ended 30 June 2022, the Group recognised a loss of RM1,000 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 June 2022 stood at RM4.89, an increase of 3.2% compared to RM4.74 as at 31 December 2021 mainly due to higher profit earned for the year-to-date ended 30 June 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 RM116.5 million for the quarter ended 30.06.2022 (“2Q 2022”), which grew by RM18.9 million (19%) compared with revenue of RM97.6 million recorded in the previous year quarter ended 30.06.2021 (“2Q 2021”). The stronger revenue growth was mainly driven by the trading segment offsetting weaker manufacturing segment revenue.

However, the Group recorded a lower profit before tax of RM14.7 million for 2Q 2022 as compared with RM29.6 million recorded in 2Q 2021. This was attributed to lower profit margins achieved as a result of higher raw material prices outweighing the increase in average selling prices.

The performance of the respective operating business segments of the Group for 2Q 2022 as compared with 2Q 2021 are analysed as follows:

Manufacturing

The manufacturing operations' revenue declined by 2% to RM35.6 million in 2Q 2022, from RM36.5 million recorded in 2Q 2021. This was attributed to the slowdown in market demand.

Trading

The trading operations' revenue increased at a stronger pace of 32% to RM80.9 million in 2Q 2022 from RM61.1 million recorded in 2Q 2021. The stronger performance was mainly due to higher sales volume.

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

For the year-to-date ended 30.06.2022 (“YTD 2Q 2022”), the Group recorded revenue of RM278.5 million, which grew by 19% as compared with revenue of RM233.5 million recorded in the previous year-to-date ended 30.06.2021 (“YTD 2Q 2021”). The stronger performance was supported by both the trading and manufacturing segments as well as higher average selling prices.

Despite the robust revenue trend, the Group's profit before tax contracted to RM38.0 million for YTD 2Q 2022 as compared with RM65.7 million recorded in YTD 2Q 2021. This was due to margin compression as higher raw material prices negated the increase in average selling prices.

The performance of the respective operating business segments of the Group for YTD 2Q 2022 as compared with YTD 2Q 2021 are analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM96.5 million for YTD 2Q 2022, which grew by 4% as compared with RM92.7 million recorded in YTD 2Q 2021. The better performance was supported by higher average selling prices offsetting the impact of weaker sales volume.



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B1 Operating segments review (Cont'd)

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

Trading

The trading operations recorded revenue of RM182.0 million for YTD 2Q 2022, which expanded by 29% as compared with RM140.8 million recorded in YTD 2Q 2021. The stronger performance was mainly supported by higher market demand and pickup in average selling prices.

B2 Comparison with preceding quarter's results

The Group's revenue for 2Q 2022 retreated to RM116.5 million as compared with RM162.0 million achieved in 1Q 2022. The downward revenue trend was mainly attributed to weaker market demand as a result of the slowdown in construction activities during the fasting month and Hari Raya festivities as well as volatile steel prices.

As a result, the Group recorded a lower profit before tax of RM14.7 million for 2Q 2022 as compared with RM23.3 million for 1Q 2022.

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

a) Prospects for 2022

With the global weakening of steel demand weighed down by the ongoing Russian and Ukraine war, coupled with China's strict zero Covid policy, steel prices have declined in tandem accordingly. Despite China's attempt to curb steel production in hopes of supporting steel prices as well as stimulus focus on infrastructure projects, steel demand and prices remained lacklustre. There is a need for firm positive developments before the current situation can improve.

On the domestic front, local selling prices have weakened in tandem with the downward international price trend. The lack of infrastructure spending by the government, sluggish construction activities and volatile steel prices have also resulted in weak market demand. Impetus for steel demand hinges on the pickup in 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 headwinds and challenges faced and will continue to focus on prudent procurement strategies and inventory management, improving operational efficiency as well as 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.



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B6 Tax expense

Tax charges comprise:

	Current year quarter	Current year-to-date
	RM'000	RM'000
Income tax		
- current quarter/current year-to-date	3,026	8,669
Deferred tax		
- current quarter/current year-to-date	648	200
Tax expense	3,674	8,869

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 ended 30 June 2022 was higher than the statutory tax rate, mainly due to the effect of expenses not-deductible for tax purposes. The effective tax rate of the Group for the year-to-date ended 30 June 2022 was lower than the statutory tax rate mainly due to the tax adjustments for provisions recognised in prior year versus actual payments made.

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

The Company had on 28 April 2022 announced to undertake the Bonus Issue of 65,845,372 new ordinary shares in Choo Bee ("Choo Bee Shares" or "Shares") ("Bonus Shares") on the basis of one (1) Bonus share for every two (2) existing Choo Bee shares held on 5 August 2022 ("Bonus Issue"). The Bonus Issue proposed by the Company was approved by the shareholders at the Extraordinary General Meeting held on 10 June 2022.

The Bonus Shares were listed and quoted on the Main Market of Bursa Securities on 8 August 2022 and details are disclosed in Note A6 under Capital management, issuances, repurchases and repayments of debts and equity securities.

Other than the above, there were no other significant events during the period.

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

Not applicable.

B8 Group borrowings and debt securities

Details of Group's borrowings as at 30 June 2022 are as follows:

Short-term borrowings

	RM'000	
Bankers' acceptances	5,000	Unsecured
Trust receipts	5,000	Unsecured
	10,000	

Borrowings are denominated in the following currencies:

	RM'000	
- Ringgit Malaysia	10,000	Unsecured
	10,000	

The Group has no debt securities as at 30 June 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.



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B10 Dividends payable

The Board of Director has proposed 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 approximately RM6,536,000 and RM3,268,000 respectively in respect of the financial year ended 31 December 2021. The proposed final dividend and special dividend was approved by the shareholders at the Annual General Meeting on 10 June 2022 and was paid on 03 August 2022 to shareholders registered at the close of business on 20 July 2022.

B11 Earnings per share

(a) Basic earnings per ordinary share

		Quarter ended		Year-to-date ended	
		30.06.2022	30.06.2021	30.06.2022	30.06.2021
Profit attributable to the equity holders of the parent	(RM'000)	11,015	22,415	29,143	49,775
Weighted average number of ordinary shares in issue	('000)	130,729	130,729	130,729	130,729
Basic earnings per ordinary share	(sen)	8.43	17.15	22.29	38.08

(b) Diluted earnings per ordinary share

There are no potential dilutive ordinary shares during the quarter and year-to-date ended 30 June 2022. Accordingly, the diluted earnings per ordinary share is not presented.

B12 Other income

	Quarter ended		Year-to-date ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Bad debts recovered	-	-	84	-
Dividend income received from other investments	-	81	-	159
Fair value adjustments on derivative financial instruments	-	-	-	185
Fair value adjustments on other investments	-	324	-	-
Gain on disposal of property, plant and equipment	245	-	245	-
Interest on:				
Customer overdue account	65	35	91	57
Short term deposits	130	84	217	250
Trade compensation	-	13	-	14
Rental income	134	125	271	250
Reversal of impairment losses on trade receivables	104	127	850	127
Net unrealised gain on foreign exchange transactions	195	53	435	23
Others	-	-	1	1
	<u>873</u>	<u>842</u>	<u>2,194</u>	<u>1,066</u>
Other Losses:				
Fair value adjustments on derivative financial instruments	(66)	(13)	(1)	(120)
Loss on disposal of property, plant and equipment	-	(34)	-	(139)
Impairment losses on trade receivables	-	(29)	-	(201)
Realised loss on foreign exchange transactions	(206)	(261)	(373)	(159)



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B13 Authorisation for issue

The interim financial statements were authorised on 23 August 2022 for issue by the Board of Directors.