



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

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

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 30.09.2022 (Unaudited) RM'000	Preceding year corresponding quarter ended 30.09.2021 (Unaudited) RM'000	Current year-to-date 30.09.2022 (Unaudited) RM'000	Preceding year-to-date 30.09.2021 (Unaudited) RM'000
Revenue		116,421	124,587	394,951	358,099
Cost of sales:					
Factory and production cost		(127,780)	(77,302)	(351,749)	(228,927)
Factory depreciation		(1,461)	(1,372)	(4,139)	(4,108)
Gross (loss)/profit		<u>(12,820)</u>	<u>45,913</u>	<u>39,063</u>	<u>125,064</u>
Other income	B12	2,181	1,354	3,961	2,305
Depreciation and amortisation		(710)	(691)	(2,132)	(2,049)
Administrative expenses		(2,320)	(4,470)	(9,642)	(12,051)
Selling and distribution expenses		(3,380)	(2,786)	(10,250)	(8,258)
Finance costs		(8)	(14)	(45)	(21)
(Loss)/Profit before tax		<u>(17,057)</u>	<u>39,306</u>	<u>20,955</u>	<u>104,990</u>
Tax income/(expense)	B6	3,497	(9,338)	(5,372)	(25,247)
(Loss)/Profit after tax		<u>(13,560)</u>	<u>29,968</u>	<u>15,583</u>	<u>79,743</u>
Other comprehensive income, net of tax:					
Revaluation of land and building		4,591	-	4,591	-
Total comprehensive (loss)/income		<u>(8,969)</u>	<u>29,968</u>	<u>20,174</u>	<u>79,743</u>
(Loss)/Profit attributable to:					
Owners of the parent		<u>(13,560)</u>	<u>29,968</u>	<u>15,583</u>	<u>79,743</u>
Total comprehensive (loss)/income attributable to:					
Owners of the parent		<u>(8,969)</u>	<u>29,968</u>	<u>20,174</u>	<u>79,743</u>
(Loss)/Earnings per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	(6.92)	15.28 *	7.95	40.67 *
b) Diluted	B11(b)	N/A	N/A	N/A	N/A

*** Note:**

For comparative purposes, adjusted retrospectively to reflect the Bonus Issue of ordinary shares which was completed on 5 August 2022.

(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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QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	As at 30.09.2022 (Unaudited) RM'000	As at 31.12.2021 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		180,434	161,298
Investment properties		8,301	1,710
Right-of-use assets		20,672	19,846
		<u>209,407</u>	<u>182,854</u>
Current Assets			
Inventories		215,494	274,780
Trade and other receivables		160,684	169,774
Derivative assets		492	3
Current tax assets		10,920	-
Cash and bank balances		68,239	29,880
		<u>455,829</u>	<u>474,437</u>
		<u>665,236</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		499,562	489,193
		<u>629,791</u>	<u>619,422</u>
TOTAL EQUITY			
LIABILITIES			
Non-current Liabilities			
Lease liabilities		1,824	1,581
Deferred tax liabilities		9,523	7,732
		<u>11,347</u>	<u>9,313</u>
Current Liabilities			
Trade and other payables		12,028	13,810
Borrowings	B8	10,000	6,000
Lease liabilities		1,514	952
Derivative liabilities		111	51
Current tax liabilities		445	7,743
		<u>24,098</u>	<u>28,556</u>
		<u>35,445</u>	<u>37,869</u>
TOTAL LIABILITIES			
TOTAL EQUITY AND LIABILITIES			
		<u>665,236</u>	<u>657,291</u>
		RM	RM
Net Assets per Share Attributable to Owners of the Company	A16	<u>3.21</u>	<u>3.16</u> *

*** Note:**

The number of ordinary shares outstanding as at 31 December 2021 have been adjusted retrospectively to reflect the Bonus Issue of ordinary shares which was completed on 5 August 2022.

(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 SEPTEMBER 2022 (UNAUDITED)

	30.09.2022 (Unaudited)	30.09.2021 (Unaudited)
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	20,955	104,990
Adjustments for:		
Bad debts recovered	(516)	-
Depreciation of property, plant and equipment	5,159	5,172
Depreciation of right-of-use assets	1,112	985
Dividend income received from other investments	-	(159)
Fair value adjustments on derivative financial instruments	(429)	52
Fair value adjustments on other investments	-	(550)
Loss on disposal of other investments	-	35
(Gain)/Loss on disposal of property, plant and equipment	(526)	92
Impairment losses on trade receivables	-	201
Interest expense	45	21
Interest on lease liabilities	71	22
Interest income on overdue accounts	(122)	(181)
Interest income	(408)	(349)
Inventories written down/(back)	14,827	(644)
Property, plant and equipment written off	5	-
Reversal of impairment losses on trade receivables	(888)	(533)
Net unrealised gain on foreign exchange transactions	(395)	(138)
Operating profit before changes in working capital	38,890	109,016
Changes in working capital		
Inventories	44,459	(99,270)
Trade and other receivables	10,381	(25,507)
Trade and other payables	(1,510)	1,674
Cash flows from/(used in) operations	92,220	(14,087)
Interest received	122	181
Tax paid	(23,248)	(355)
Net cash flows from/(used in) operating activities	69,094	(14,261)
Cash Flows From Investing Activities		
Increase in deposits pledged to licensed banks	(2)	6
Interest received	408	349
Purchase of property, plant and equipment	(25,671)	(9,896)
Proceeds from disposal of property, plant and equipment	1,054	223
Proceeds from disposal of other investments	-	15,930
Net cash flows (used in)//from investing activities	(24,211)	6,612



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

	30.09.2022 (Unaudited) RM'000	30.09.2021 (Unaudited) RM'000
Cash Flows From Financing Activities		
Dividends paid	(9,805)	(3,922)
Interest paid	(45)	(21)
Short term borrowings		
- Repayments	(41,750)	(22,500)
- Drawdowns	45,750	17,500
Repayment of lease interests	(71)	(22)
Repayment of lease liabilities	(841)	(722)
Net cash flows used in financing activities	<u>(6,762)</u>	<u>(9,687)</u>
Net increase/(decrease) in cash and cash equivalents	38,121	(17,336)
Effect of exchange rate changes on cash and cash equivalents	236	27
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>68,018</u></u>	<u><u>45,019</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	22,807	33,319
Repo	3,190	-
Deposits with licensed banks	42,021	11,700
Deposits pledged to licensed banks	221	210
As per Statement of Financial Position	<u>68,239</u>	<u>45,229</u>
Less : Deposits pledged to licensed banks	<u>(221)</u>	<u>(210)</u>
Cash and cash equivalents at end of the period	<u><u>68,018</u></u>	<u><u>45,019</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	
	Share Capital	Treasury Shares	Revaluation Reserve	General Reserve	Retained Earnings	Total Equity	
	RM '000	RM '000	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	-	-	-	-	15,583	15,583	
Other comprehensive income, net of tax	-	-	4,591	-	-	4,591	
Total comprehensive income	-	-	4,591	-	15,583	20,174	
Transactions with owners							
Dividends paid (Note A7)	-	-	-	-	(9,805)	(9,805)	
Total transactions with owners	-	-	-	-	(9,805)	(9,805)	
Balance as at 30 September 2022	131,691	(1,462)	4,591	1,186	493,785	629,791	
Balance as at 1 January 2021	131,691	(1,462)	-	1,186	388,712	520,127	
Profit for the period	-	-	-	-	79,743	79,743	
Other comprehensive income, net of tax	-	-	-	-	-	-	
Total comprehensive income	-	-	-	-	79,743	79,743	
Transactions with owners							
Dividends paid	-	-	-	-	(3,922)	(3,922)	
Total transactions with owners	-	-	-	-	(3,922)	(3,922)	
Balance as at 30 September 2021	131,691	(1,462)	-	1,186	464,533	595,948	

(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
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 16 : Leases – Lease Liability in a Sale and Leaseback	1 January 2024
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 third (3rd) quarter and year-to-date ended 30 September 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 third (3rd) quarter and year-to-date ended 30 September 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 September 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 September 2022 and 30 September 2021, which are within the Group's objectives for capital management, are as follows:

	As at 30.09.2022 RM'000	As at 30.09.2021 RM'000
Borrowings	10,000	-
Trade and other payables	12,028	13,970
Less : Cash and bank balances	(68,239)	(45,229)
Net cash	<u>(46,211)</u>	<u>(31,259)</u>
Total capital	629,791	595,948
Net cash	<u>(46,211)</u>	<u>(31,259)</u>
	<u>583,580</u>	<u>564,689</u>
Gearing ratio (%)	N/A	N/A

A7 Dividends paid

A final single-tier dividend of 5 sen per ordinary share and a special single-tier dividend of 2.5 sen per ordinary share (2021: final single-tier dividend of 3 sen per ordinary share) amounting to RM9,804,676.14 in respect of financial year ended 31 December 2021 was paid on 3 August 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 third (3rd) quarter ended 30 September 2022 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	84,090	55,220	139,310
Inter-segment revenue	(4,565)	(18,324)	(22,889)
Revenue from external customers	<u>79,525</u>	<u>36,896</u>	<u>116,421</u>
Profit/(Loss) for the quarter			
Total expenses	(77,595)	(55,875)	(133,470)
Finance costs	(3)	(5)	(8)
Profit/(Loss) before tax	<u>1,927</u>	<u>(18,984)</u>	<u>(17,057)</u>
Tax (expense)/income	(966)	4,463	3,497
Profit/(Loss) after tax for the quarter	<u>961</u>	<u>(14,521)</u>	<u>(13,560)</u>
Other comprehensive income for the quarter, net of tax	4,591	-	4,591
Total comprehensive income/(loss) for the quarter	<u><u>5,552</u></u>	<u><u>(14,521)</u></u>	<u><u>(8,969)</u></u>

Segment performance for the third (3rd) quarter ended 30 September 2021 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	75,982	70,138	146,120
Inter-segment revenue	(2,557)	(18,976)	(21,533)
Revenue from external customers	<u>73,425</u>	<u>51,162</u>	<u>124,587</u>
Profit for the quarter			
Total expenses	(59,910)	(25,357)	(85,267)
Finance costs	(2)	(12)	(14)
Profit before tax	<u>13,513</u>	<u>25,793</u>	<u>39,306</u>
Tax expense	(3,212)	(6,126)	(9,338)
Profit after tax for the quarter	<u>10,301</u>	<u>19,667</u>	<u>29,968</u>
Other comprehensive income for the quarter, net of tax	-	-	-
Total comprehensive income for the quarter	<u><u>10,301</u></u>	<u><u>19,667</u></u>	<u><u>29,968</u></u>



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A8 Operating segment information (Cont'd)

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	276,158	202,427	478,585
Inter-segment revenue	(14,634)	(69,000)	(83,634)
Revenue from external customers	261,524	133,427	394,951
Profit/(Loss) for the period			
Total expenses	(239,087)	(134,864)	(373,951)
Finance costs	(5)	(40)	(45)
Profit/(Loss) before tax	22,432	(1,477)	20,955
Tax (expense)/income	(5,750)	378	(5,372)
Profit/(Loss) after tax for the period	16,682	(1,099)	15,583
Other comprehensive income for the period, net of tax	4,591	-	4,591
Total comprehensive income/(loss) for the period	21,273	(1,099)	20,174

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	221,068	195,284	416,352
Inter-segment revenue	(6,813)	(51,440)	(58,253)
Revenue from external customers	214,255	143,844	358,099
Profit for the period			
Total expenses	(178,890)	(74,198)	(253,088)
Finance costs	(4)	(17)	(21)
Profit before tax	35,361	69,629	104,990
Tax expense	(8,504)	(16,743)	(25,247)
Profit after tax for the period	26,857	52,886	79,743
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	26,857	52,886	79,743



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A8 Operating segment information (Cont'd)

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	225,806	370,699	596,505
<u>Unallocated assets:</u>			
Derivative assets			492
Cash and bank balances			68,239
Total assets			<u><u>665,236</u></u>
Liabilities			
Segment liabilities	16,908	8,903	25,811
<u>Unallocated liabilities:</u>			
Derivative liabilities			111
Deferred tax liabilities			9,523
Total liabilities			<u><u>35,445</u></u>

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	246,655	354,193	600,848
<u>Unallocated assets:</u>			
Derivative assets			8
Cash and bank balances			45,229
Total assets			<u><u>646,085</u></u>
Liabilities			
Segment liabilities	16,930	24,807	41,737
<u>Unallocated liabilities:</u>			
Deferred tax liabilities			8,400
Total liabilities			<u><u>50,137</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 third (3rd) quarter and year-to-date ended 30 September 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 September 2022 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	20,322
Approved but not contracted for	<u>6,268</u>
	<u><u>26,590</u></u>

A13 Related party transactions

Related party transactions for the quarter and year-to-date ended 30 September 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>1,514</u>	<u>4,767</u>
Purchase of hardware products	(1)	(3)
Rental expense	(400)	(913)
Piling works services and mobile crane rental	<u>(30)</u>	<u>(249)</u>
	<u><u>(431)</u></u>	<u><u>(1,165)</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 September 2022 was RM14,827,264.



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A15 Financial instruments

Group	As at 30 September 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	125,397	-	125,397
Derivative assets	-	492	492
Cash and bank balances	68,239	-	68,239
	193,636	492	194,128
Financial liabilities			
Trade and other payables	12,028	-	12,028
Borrowings	10,000	-	10,000
Derivative liabilities	-	111	111
	22,028	111	22,139

(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	-	-	8,301	8,301	8,301
Derivative assets					
- Forward contracts	-	492	-	492	492
Liabilities measured at fair value					
Derivative liabilities					
- Forward contracts	-	111	-	111	111

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

(c) Derivative assets / liabilities

Group	As at 30 September 2022		
	Contract /		
	Notional amount	Assets	Liabilities
	RM'000	RM'000	RM'000
Forward currency contracts (USD)	21,298	492	
Forward currency contracts (SGD)	3,775	-	111



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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 December 2022.
- iii. For the year-to-date ended 30 September 2022, the Group recognised a gain of RM429,000 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 2022 stood at RM3.21, a marginal increase of 1.55% compared to RM3.16 as at 31 December 2021 mainly due to higher profit earned for the year-to-date ended 30 September 2022.

Note:

The number of ordinary shares outstanding as at 31 December 2021 have been adjusted retrospectively to reflect the Bonus Issue of ordinary shares which was completed on 5 August 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 RM116.4 million for the quarter ended 30.09.2022 (“3Q 2022”), which contracted by RM8.2 million (-7%) compared with revenue of RM124.6 million recorded in the previous year quarter ended 30.09.2021 (“3Q 2021”). The weaker revenue trend was predominantly attributed to lower contribution from the manufacturing segment.

The Group recorded a loss before tax of RM17.1 million for 3Q 2022 as compared with a profit before tax of RM39.3 million recorded in 3Q 2021. This was primarily attributed to the write down of inventories amounting to RM14.6 million due to declining average selling prices, higher inventories cost and input cost denting profitability.

The performance of the respective operating business segments of the Group for 3Q 2022 as compared with 3Q 2021 are analysed as follows:

Manufacturing

The manufacturing operations' revenue declined by 28% to RM36.9 million in 3Q 2022, from RM51.2 million recorded in 3Q 2021. This was attributed to the slowdown in market demand coupled with weaker average selling prices.

Trading

The trading operations' revenue grew by 8% to RM79.5 million in 3Q 2022 as compared with RM73.4 million recorded in 3Q 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 30.09.2022 (“YTD 3Q 2022”), the Group recorded revenue of RM395.0 million, which grew by 10% as compared with revenue of RM358.1 million recorded in the previous year-to-date ended 30.09.2021 (“YTD 3Q 2021”). The stronger performance was mainly supported by the trading segment.

Despite the stronger revenue trend, the Group's profit before tax deteriorated sharply to RM21.0 million for YTD 3Q 2022 as compared with RM105.0 million recorded in YTD 3Q 2021. This was chiefly due to margin compression on the back of higher inventories cost, input costs as well as the write down of inventories amounting to RM14.8 million.

The performance of the respective operating business segments of the Group for YTD 3Q 2022 as compared with YTD 3Q 2021 are analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM133.5 million for YTD 3Q 2022, which decreased by 7% as compared with RM143.8 million recorded in YTD 3Q 2021. The weaker performance was attributed to lower 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 RM261.5 million for YTD 3Q 2022, which expanded by 22% as compared with RM214.3 million recorded in YTD 2Q 2021. The stronger performance was mainly supported by higher market demand and the pickup in average selling prices.

B2 Comparison with preceding quarter's results

The Group's revenue for 3Q 2022 remained relatively flattish at RM116.4 million as compared with RM116.5 million achieved in 2Q 2022. Despite higher sales volume, average selling prices weakened offsetting the higher sales volume recorded.

The Group recorded a loss before tax of RM17.1 million for 3Q 2022 as compared with a profit before tax of RM14.7 million for 2Q 2022, mainly due to the write down of inventories amounting to RM14.6 million.

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

a) Prospects for 2022

International steel demand has waned as the global economy faces headwinds from geopolitical tensions, US monetary tightening policies, inflationary pressures and weakened growth in China.

On the domestic front, due to Malaysia's open and globally connected economy, it is also impacted by the external environment's uncertainties. Compounded by higher cost of inventories, labour shortages affecting constructions activities as well as political uncertainty affecting economic policies, demand and average selling prices have weakened significantly impacting profitability. The recently announced budget 2023 also did not appear to provide significant impetus to stimulate economic activities, especially for the construction industry. The speedy rollout and implementation of major infrastructure projects remains the crucial catalyst to bolster steel demand.

The Group remains vigilant of the headwinds and heightened volatility in steel prices, and will continue to focus on prudent procurement strategies and inventory management, improving operational efficiency as well as optimising costs to mitigate any further 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 (income) / expense

Tax charges comprise:

	Current year quarter	Current year-to-date
	RM'000	RM'000
Income tax		
- current quarter/current year-to-date	(3,639)	5,030
Deferred tax		
- current quarter/current year-to-date	142	342
Tax (income) / expense	(3,497)	5,372

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 September 2022 was lower than the statutory tax rate, mainly due to the business loss position and corresponding reversal of tax overprovided for. The effective tax rate of the Group for the year-to-date ended 30 September 2022 was higher than the statutory tax rate, mainly due to the effect of expenses non-deductible for tax purposes.

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

There were no corporate proposals at the date of issue of the quarterly report.

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

Not applicable.

B8 Group borrowings and debt securities

Details of Group's borrowings as at 30 September 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 September 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

There were no dividends proposed in the current quarter.



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B11 (Loss)/Earnings per share

(a) Basic (loss)/earnings per ordinary share

		Quarter ended		Year-to-date ended	
		30.09.2022	30.09.2021	30.09.2022	30.09.2021
(Loss)/Profit attributable to the equity holders of the parent	(RM'000)	(13,560)	29,968	15,583	79,743
Weighted average number of ordinary shares in issue	('000)	196,093	196,093 *	196,093	196,093 *
Basic (loss)/earnings per ordinary	(sen)	(6.92)	15.28	7.95	40.67

*** Note:**

For comparative purposes, adjusted retrospectively to reflect the Bonus Issue of ordinary shares which was completed on 5 August 2022.

(b) Diluted earnings per ordinary share

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

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B12 Other income

	Quarter ended		Year-to-date ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Bad debts recovered	432	-	516	-
Dividend income received from other investments	-	-	-	159
Fair value adjustments on derivative financial instruments	430	68	429	-
Fair value adjustments on other investments	-	365	-	550
Gain on disposal of property, plant and equipment	281	47	526	-
Interest on:				
Customer overdue account	31	124	122	181
Short term deposits	191	99	408	349
Trade compensation	15	2	15	16
Rental income	170	128	441	378
Realised gain on foreign exchange transactions	593	-	220	-
Reversal of impairment losses on trade receivables	38	406	888	533
Net unrealised gain on foreign exchange transactions	-	115	395	138
Others	-	-	1	1
	<u>2,181</u>	<u>1,354</u>	<u>3,961</u>	<u>2,305</u>
Other Losses:				
Fair value adjustments on derivative financial instruments	-	-	(1)	(52)
Loss on disposal of other investment	-	(35)	-	(35)
Loss on disposal of property, plant and equipment	-	-	-	(92)
Impairment losses on trade receivables	-	-	-	(201)
Realised loss on foreign exchange transactions	-	(399)	-	(558)
Net unrealised loss on foreign exchange transactions	(40)	-	-	-

B13 Authorisation for issue

The interim financial statements were authorised on 28 November 2022 for issue by the Board of Directors.