



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

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

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended	Preceding year corresponding quarter ended	Current year ended	Preceding year ended
		31.12.2022 (Unaudited)	31.12.2021 (Unaudited)	31.12.2022 (Unaudited)	31.12.2021 (Audited)
		RM'000	RM'000	RM'000	RM'000
Revenue		98,161	149,775	493,112	507,874
Cost of sales:					
Factory and production cost		(98,403)	(108,169)	(450,152)	(337,101)
Factory depreciation		(1,448)	(1,364)	(5,587)	(5,465)
Gross (loss)/profit		(1,690)	40,242	37,373	165,308
Other income	B12	618	1,861	3,391	2,503
Depreciation and amortisation		(770)	(680)	(2,902)	(2,729)
Administrative expenses		(4,342)	(6,534)	(13,031)	(17,388)
Selling and distribution expenses		(3,059)	(3,326)	(13,074)	(11,120)
Finance costs		(12)	(4)	(57)	(25)
(Loss)/Profit before tax		(9,255)	31,559	11,700	136,549
Tax income/(expense)	B6	1,807	(8,085)	(3,565)	(33,332)
(Loss)/Profit after tax		(7,448)	23,474	8,135	103,217
Other comprehensive income, net of tax:					
Revaluation of land and building		845	-	5,436	-
Total comprehensive (loss)/income		(6,603)	23,474	13,571	103,217
(Loss)/Profit attributable to:					
Owners of the parent		(7,448)	23,474	8,135	103,217
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(6,603)	23,474	13,571	103,217
(Loss)/Earnings per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	(3.80)	11.97 *	4.15	52.64 *
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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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	As at 31.12.2022 (Unaudited) RM'000	As at 31.12.2021 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		185,642	161,298
Investment properties		8,480	1,710
Right-of-use assets		20,224	19,846
		<u>214,346</u>	<u>182,854</u>
Current Assets			
Inventories		209,260	274,780
Trade and other receivables		153,691	169,774
Derivative assets		-	3
Current tax assets		11,706	-
Cash and bank balances		69,665	29,880
		<u>444,322</u>	<u>474,437</u>
		<u>658,668</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		492,959	489,193
		<u>623,188</u>	<u>619,422</u>
LIABILITIES			
Non-current Liabilities			
Lease liabilities		1,437	1,581
Deferred tax liabilities		6,824	7,732
		<u>8,261</u>	<u>9,313</u>
Current Liabilities			
Trade and other payables		14,408	13,810
Borrowings	B8	10,000	6,000
Lease liabilities		1,527	952
Derivative liabilities		1,061	51
Current tax liabilities		223	7,743
		<u>27,219</u>	<u>28,556</u>
		<u>35,480</u>	<u>37,869</u>
TOTAL LIABILITIES		<u>658,668</u>	<u>657,291</u>
TOTAL EQUITY AND LIABILITIES		<u>658,668</u>	<u>657,291</u>
		RM	RM
Net Assets per Share Attributable to Owners of the Company	A16	<u>3.18</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 YEAR ENDED
31 DECEMBER 2022 (UNAUDITED)

	31.12.2022 (Unaudited)	31.12.2021 (Audited)
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	11,700	136,549
Adjustments for:		
Bad debts written off	-	256
Bad debts recovered	(514)	(37)
Depreciation of property, plant and equipment	6,925	6,881
Depreciation of right-of-use assets	1,564	1,313
Dividend income received from other investments	-	(1,551)
Fair value adjustments on investment properties	(182)	(12)
Fair value adjustments on derivative financial instruments	1,013	108
Loss on disposal of other investments	-	861
(Gain)/Loss on disposal of property, plant and equipment	(521)	44
Impairment losses on trade receivables	-	502
Impairment losses on property, plant and equipment	-	7
Interest expense	57	25
Interest on lease liabilities	99	46
Interest income on overdue accounts	(93)	(138)
Interest income	(685)	(422)
Inventories written down/(back)	12,646	(547)
Property, plant and equipment written off	27	336
Reversal of impairment losses on trade receivables	(883)	(474)
Net unrealised (gain)/loss on foreign exchange transactions	(146)	272
Operating profit before changes in working capital	<u>31,007</u>	<u>144,019</u>
Changes in working capital		
Inventories	52,874	(110,004)
Trade and other receivables	17,518	(51,487)
Trade and other payables	461	1,225
Cash flows from/(used in) operations	<u>101,860</u>	<u>(16,247)</u>
Interest received	93	138
Tax paid	(24,303)	(26,366)
Net cash flows from/(used in) operating activities	<u>77,650</u>	<u>(42,475)</u>
Cash Flows From Investing Activities		
Increase in deposits pledged to licensed banks	(4)	(3)
Interest received	685	422
Purchase of property, plant and equipment	(32,723)	(28,494)
Proceeds from disposal of property, plant and equipment	1,105	318
Proceeds from disposal of other investments	-	41,486
Net cash flows (used in)//from investing activities	<u>(30,937)</u>	<u>13,729</u>



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

	31.12.2022 (Unaudited) <u>RM'000</u>	31.12.2021 (Unaudited) <u>RM'000</u>
Cash Flows From Financing Activities		
Dividends paid	(9,805)	(3,922)
Interest paid	(57)	(25)
Short term borrowings		
- Repayments	(51,750)	(27,500)
- Drawdowns	55,750	28,500
Repayment of lease interests	(99)	(46)
Repayment of lease liabilities	(1,215)	(955)
Net cash flows used in financing activities	<u>(7,176)</u>	<u>(3,948)</u>
Net increase/(decrease) in cash and cash equivalents	39,537	(32,694)
Effect of exchange rate changes on cash and cash equivalents	244	27
Cash and cash equivalents at beginning of the year	<u>29,661</u>	<u>62,328</u>
Cash and cash equivalents at end of the year	<u><u>69,442</u></u>	<u><u>29,661</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	23,715	29,661
Repo	16,644	-
Deposits with licensed banks	29,083	-
Deposits pledged to licensed banks	223	219
As per Statement of Financial Position	<u>69,665</u>	<u>29,880</u>
Less : Deposits pledged to licensed banks	<u>(223)</u>	<u>(219)</u>
Cash and cash equivalents at end of the year	<u><u>69,442</u></u>	<u><u>29,661</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 year	-	-	-	-	8,135	8,135	
Other comprehensive income, net of tax	-	-	5,436	-	-	5,436	
Total comprehensive income	-	-	5,436	-	8,135	13,571	
Transactions with owners							
Dividends paid (Note A7)	-	-	-	-	(9,805)	(9,805)	
Total transactions with owners	-	-	-	-	(9,805)	(9,805)	
Balance as at 31 December 2022	131,691	(1,462)	5,436	1,186	486,337	623,188	
Balance as at 1 January 2021	131,691	(1,462)	-	1,186	388,712	520,127	
Profit for the year	-	-	-	-	103,217	103,217	
Other comprehensive income, net of tax	-	-	-	-	-	-	
Total comprehensive income	-	-	-	-	103,217	103,217	
Transactions with owners							
Dividends paid	-	-	-	-	(3,922)	(3,922)	
Total transactions with owners	-	-	-	-	(3,922)	(3,922)	
Balance as at 31 December 2021	131,691	(1,462)	-	1,186	488,007	619,422	

(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 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 101 : Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101 : Presentation of Financial Statements – Disclosure of Accounting Policies	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 cyclical nature of operations

The level of business activities usually varies with the festivals at the end and beginning of each year subject to the level of underlying demand and prevailing prices.

A4 Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group in the fourth (4th) quarter and financial year ended 31 December 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 fourth (4th) quarter and financial year ended 31 December 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 financial year ended 31 December 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 December 2022 and 31 December 2021, which are within the Group's objectives for capital management, are as follows:

	As at 31.12.2022 RM'000	As at 31.12.2021 RM'000
Borrowings	10,000	6,000
Trade and other payables	14,408	13,810
Less : Cash and bank balances	(69,665)	(29,880)
Net cash	<u>(45,257)</u>	<u>(10,070)</u>
Total capital	623,188	619,422
Net cash	<u>(45,257)</u>	<u>(10,070)</u>
	<u>577,931</u>	<u>609,352</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 fourth (4th) quarter ended 31 December 2022 are as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	78,454	46,187	124,641
Inter-segment revenue	(8,109)	(18,371)	(26,480)
Revenue from external customers	70,345	27,816	98,161
Profit/(Loss) for the quarter			
Total expenses	(69,450)	(37,954)	(107,404)
Finance costs	(9)	(3)	(12)
Profit/(Loss) before tax	886	(10,141)	(9,255)
Tax (expense)/income	(1,354)	3,161	1,807
Loss after tax for the quarter	(468)	(6,980)	(7,448)
Other comprehensive income for the quarter, net of tax	845	-	845
Total comprehensive income/(loss) for the quarter	377	(6,980)	(6,603)

Segment performance for the fourth (4th) quarter ended 31 December 2021 are as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	101,721	69,787	171,508
Inter-segment revenue	(2,189)	(19,544)	(21,733)
Revenue from external customers	99,532	50,243	149,775
Profit for the quarter			
Total expenses	(83,828)	(34,384)	(118,212)
Finance costs	-	(4)	(4)
Profit before tax	15,704	15,855	31,559
Tax expense	(3,962)	(4,123)	(8,085)
Profit after tax for the quarter	11,742	11,732	23,474
Other comprehensive income for the quarter, net of tax	-	-	-
Total comprehensive income for the quarter	11,742	11,732	23,474



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A8 Operating segment information (Cont'd)

Segment performance for the financial year ended 31 December 2022 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	354,612	248,614	603,226
Inter-segment revenue	(22,743)	(87,371)	(110,114)
Revenue from external customers	331,869	161,243	493,112
Profit/(Loss) for the year			
Total expenses	(308,537)	(172,818)	(481,355)
Finance costs	(14)	(43)	(57)
Profit/(Loss) before tax	23,318	(11,618)	11,700
Tax (expense)/income	(7,104)	3,539	(3,565)
Profit/(Loss) after tax for the year	16,214	(8,079)	8,135
Other comprehensive income for the year, net of tax	5,436	-	5,436
Total comprehensive income/(loss) for the year	21,650	(8,079)	13,571

Segment performance for the financial year ended 31 December 2021 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	322,789	265,071	587,860
Inter-segment revenue	(9,002)	(70,984)	(79,986)
Revenue from external customers	313,787	194,087	507,874
Profit for the year			
Total expenses	(262,718)	(108,582)	(371,300)
Finance costs	(4)	(21)	(25)
Profit before tax	51,065	85,484	136,549
Tax expense	(12,466)	(20,866)	(33,332)
Profit after tax for the year	38,599	64,618	103,217
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	38,599	64,618	103,217



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A8 Operating segment information (Cont'd)

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	212,441	376,562	589,003
<u>Unallocated assets:</u>			
Derivative assets			-
Cash and bank balances			69,665
Total assets			<u>658,668</u>
Liabilities			
Segment liabilities	10,198	17,397	27,595
<u>Unallocated liabilities:</u>			
Derivative liabilities			1,061
Deferred tax liabilities			6,824
Total liabilities			<u>35,480</u>

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	233,671	393,736	627,407
<u>Unallocated assets:</u>			
Derivative assets			3
Cash and bank balances			29,881
Total assets			<u>657,291</u>
Liabilities			
Segment liabilities	11,755	18,331	30,086
<u>Unallocated liabilities:</u>			
Derivative liabilities			51
Deferred tax liabilities			7,732
Total liabilities			<u>37,869</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 fourth (4th) quarter and financial year ended 31 December 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 December 2022 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	19,764
Approved but not contracted for	<u>2,850</u>
	<u><u>22,614</u></u>

A13 Related party transactions

Related party transactions for the financial ended 31 December 2022 under review in which certain directors have direct/indirect interest are as follows:

	Current year quarter <u>RM'000</u>	Current financial year <u>RM'000</u>
Sales of steel products	<u>905</u>	<u>5,673</u>
Purchase of hardware products	(1)	(4)
Purchase of forklift	(221)	(221)
Rental expense	(400)	(1,314)
Piling works services and mobile crane rental	<u>(69)</u>	<u>(318)</u>
	<u><u>(691)</u></u>	<u><u>(1,857)</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 financial year ended 31 December 2022 was RM12,646,433.



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A15 Financial instruments

Group	As at 31 December 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	117,276	-	117,276
Cash and bank balances	69,665	-	69,665
	<u>186,941</u>	<u>-</u>	<u>186,941</u>
Financial liabilities			
Trade and other payables	14,408	-	14,408
Borrowings	10,000	-	10,000
Derivative liabilities	-	1,061	1,061
	<u>24,408</u>	<u>1,061</u>	<u>25,469</u>

(a) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

- i. Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of 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	-	-	8,480	8,480	8,480
Derivative assets					
- Forward contracts	-	-	-	-	-
Liabilities measured at fair value					
Derivative liabilities					
- Forward contracts	-	1,061	-	1,061	1,061

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

(c) Derivative assets / liabilities

Group	As at 31 December 2022		
	Contract /		
	Notional amount	Assets	Liabilities
	RM'000	RM'000	RM'000
Forward currency contracts (USD)	25,083	-	1,061
Forward currency contracts (SGD)	-	-	-



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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 March 2023.
- iii. For the financial year ended 31 December 2022, the Group recognised a loss of RM1,013,000 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 December 2022 stood at RM3.18, a marginal increase of 0.63% compared to RM3.16 as at 31 December 2021 mainly due to profit earned for the financial year ended 31 December 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 RM98.2 million for the quarter ended 31.12.2022 (“4Q 2022”), which contracted by RM51.6 million (-34%) as compared with revenue of RM149.8 million recorded in the previous year quarter ended 31.12.2021 (“4Q 2021”). The weaker revenue trend was attributed to lower contribution from both the manufacturing and trading segments.

The Group recorded a loss before tax of RM9.3 million for 4Q 2022 as compared with a profit before tax of RM31.6 million recorded in 4Q 2021. This was mainly due to declining average selling prices, higher inventories cost and input costs denting profitability.

The performance of the respective operating business segments of the Group for 4Q 2022 as compared with 4Q 2021 are analysed as follows:

Manufacturing

The manufacturing operations' revenue declined by 45% to RM27.8 million in 4Q 2022, from RM50.3 million recorded in 4Q 2021. This was attributed to the slowdown in market demand coupled with weaker average selling prices.

Trading

The trading operations' revenue reduced by 29% to RM70.4 million in 4Q 2022 as compared with RM99.5 million recorded in 4Q 2021. The weaker performance was mainly due to lower sales volume and weaker average selling prices.

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

For the financial year ended 31.12.2022 (“FY 2022”), the Group recorded revenue of RM493.1 million, which declined by 3% as compared with revenue of RM507.9 million recorded in the previous financial year ended 31.12.2021 (“FY 2021”). The weaker performance was mainly weighed down by the manufacturing segment.

In line with the weaker revenue trend, the Group's profit before tax deteriorated sharply to RM11.7 million for FY 2022 as compared with RM136.5 million recorded in FY 2021, pressured further by higher inventories cost as well as the write down of inventories amounting to RM12.6 million and fair valuation losses on trade forward contracts totaling RM1.0 million.

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

Manufacturing

The manufacturing operations recorded revenue of RM161.2 million for FY 2022, which fell by 17% as compared with RM194.1 million recorded in FY 2021. The weaker performance was attributed to lower sales volume on the back of weaker market demand and lackluster average selling prices.



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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 RM331.9 million for FY 2022, which grew by 6% as compared with RM313.8 million recorded in FY 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 4Q 2022 eased to RM98.2 million as compared with RM116.4 million achieved in 3Q 2022 due to lower sales volume and weaker average selling prices.

In tandem with the weaker revenue trend and compresses margins, the Group recorded a loss before tax of RM9.3 million for 4Q 2022 as compared with a loss before tax of RM17.1 million for 3Q 2022.

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

a) Prospects for 2023

With the start of the new year 2023, lacklustre international steel prices of the past year have been firming up, mainly attributed to the relaxation of China's Covid-19 lockdown policies and softening of US monetary policies. However, international steel demand remains rather weak reflecting the repercussions of inflationary pressures, raising interest rates globally and ongoing geopolitical tensions.

On the domestic front, steel demand and average selling prices have yet to pick up much on the back of the Chinese New Year festivities while pending news for existing/new infrastructure projects to roll out. The external environment's uncertainties remain a downside risk for Malaysia's open economy. Apart from major infrastructure projects roll out, steel demand growth also hinges on healthy private consumption and construction activities which will very much depend on the new Government's economic policies and direction.

The Group remains vigilant of the challenges and volatility in steel prices, where we will continue to focus on prudent procurement strategies and inventory management, improving operational efficiency as well as optimising costs to mitigate any adverse impact on our financial 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 financial year
	RM'000	RM'000
Income tax		
- current quarter/financial year	31	5,061
Deferred tax		
- current quarter/financial year	(1,838)	(1,496)
Tax (income) / expense	(1,807)	3,565

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 31 December 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 financial year ended 30 December 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 31 December 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 31 December 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	
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
(Loss)/Profit attributable to the equity holders of the parent	(RM'000)	(7,448)	23,474	8,135	103,217
Weighted average number of ordinary shares in issue	('000)	196,093	196,093 *	196,093	196,093 *
Basic (loss)/earnings per ordinary	(sen)	(3.80)	11.97	4.15	52.64

*** 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 financial year ended 31 December 2022. Accordingly, the diluted earnings per ordinary share is not presented.

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B12 Other income

	Quarter ended		Year-to-date ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Bad debts recovered	-	37	514	37
Dividend income received from other investments	-	1,392	-	1,551
Fair value adjustments on investment properties	182	12	182	12
Gain on disposal of property, plant and equipment	-	48	521	111
Interest on:				
Customer overdue account	-	-	93	138
Short term deposits	277	73	685	422
Trade compensation	28	10	43	26
Rental income	131	135	278	130
Realised gain on foreign exchange transactions	-	124	43	15
Reversal of impairment losses on				
trade receivables	-	-	883	-
Net unrealised gain on foreign	-	-	146	30
exchange transactions				
Others	-	30	3	31
	<u>618</u>	<u>1,861</u>	<u>3,391</u>	<u>2,503</u>
Other Losses:				
Bad debt written off	-	-	-	(256)
Reversal of bad debt recovered	(2)	-	-	-
Fair value adjustments on derivative				
financial instruments	(1,442)	(56)	(1,013)	(108)
Fair value adjustments on other investments	-	(550)	-	-
Loss on disposal of other investment	-	(826)	-	(861)
Loss on disposal of property, plant and equipment	(5)	-	-	(155)
Reversal of impairment loss on trade receivables	-	-	-	474
Impairment losses on trade receivables	(5)	(360)	-	(502)
Interest on:				
Customer overdue account	(29)	(43)	-	-
Realised loss on foreign exchange transactions	(177)	-	-	(450)
Net unrealised loss on foreign				
exchange transactions	(249)	(410)	-	(302)

B13 Authorisation for issue

The interim financial statements were authorised on 21 February 2023 for issue by the Board of Directors.