



CHOO BEE METAL INDUSTRIES BERHAD

Registration No. 197101000234 (10587-A)

INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2023

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-to-date	Preceding year-to-date
		30.06.2023 (Unaudited)	30.06.2022 (Unaudited)	30.06.2023 (Unaudited)	30.06.2022 (Unaudited)
		RM'000	RM'000	RM'000	RM'000
Revenue		88,016	116,487	192,789	278,530
Cost of sales:					
Factory and production cost		(79,004)	(92,768)	(171,819)	(223,969)
Factory depreciation		(1,437)	(1,338)	(2,867)	(2,678)
Gross profit		7,575	22,381	18,103	51,883
Other income	B12	1,917	873	2,431	2,194
Depreciation and amortisation		(898)	(712)	(1,765)	(1,422)
Administrative expenses		(3,194)	(4,376)	(5,998)	(7,736)
Selling and distribution expenses		(3,078)	(3,472)	(6,461)	(6,870)
Finance costs		(78)	(5)	(92)	(37)
Profit before tax		2,244	14,689	6,218	38,012
Tax expense	B6	(695)	(3,674)	(1,054)	(8,869)
Profit after tax		1,549	11,015	5,164	29,143
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive income		1,549	11,015	5,164	29,143
Profit attributable to:					
Owners of the parent		1,549	11,015	5,164	29,143
Total comprehensive income attributable to:					
Owners of the parent		1,549	11,015	5,164	29,143
Earnings per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	0.79	8.43	2.63	22.29
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 2022 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 30.06.2023 (Unaudited) RM'000	As at 31.12.2022 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		246,580	185,642
Investment properties		9,892	9,892
Right-of-use assets		19,329	20,224
		<u>275,801</u>	<u>215,758</u>
Current Assets			
Inventories		235,726	209,260
Trade and other receivables		99,707	153,745
Current tax assets		15,594	11,706
Cash and bank balances		42,067	69,665
		<u>393,094</u>	<u>444,376</u>
TOTAL ASSETS		<u>668,895</u>	<u>660,134</u>
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital		131,691	131,691
Treasury shares		(1,462)	(1,462)
Reserves		494,492	494,230
TOTAL EQUITY		<u>624,721</u>	<u>624,459</u>
LIABILITIES			
Non-current Liabilities			
Lease liabilities		653	1,437
Deferred tax liabilities		7,164	6,965
		<u>7,817</u>	<u>8,402</u>
Current Liabilities			
Trade and other payables		15,371	14,462
Borrowings	B8	18,900	10,000
Lease liabilities		1,554	1,527
Derivative liabilities		14	1,061
Current tax liabilities		518	223
		<u>36,357</u>	<u>27,273</u>
TOTAL LIABILITIES		<u>44,174</u>	<u>35,675</u>
TOTAL EQUITY AND LIABILITIES		<u>668,895</u>	<u>660,134</u>
		RM	RM
Net Assets per Share Attributable to Owners of the Company	A16	<u>3.19</u>	<u>3.18</u>

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2022 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 2023 (UNAUDITED)

	30.06.2023 (Unaudited) RM'000	30.06.2022 (Unaudited) RM'000
Cash Flows From Operating Activities		
Profit before tax	6,218	38,012
Adjustments for:		
Bad debts recovered	-	(84)
Depreciation of property, plant and equipment	3,737	3,443
Depreciation of right-of-use assets	895	657
Fair value adjustments on derivative financial instruments	(1,047)	1
Loss/(Gain) on disposal of property, plant and equipment	174	(245)
Gain on disposal of other investment	(50)	-
Interest expense	92	37
Interest on lease liabilities	44	41
Interest income on overdue accounts	(17)	(91)
Interest income	(627)	(217)
Inventories written (back) / down	(8,348)	206
Net unrealised gain on foreign exchange transactions	(182)	(435)
Property, plant and equipment written off	2	-
Reversal of impairment losses on trade receivables	(244)	(850)
Operating profit before changes in working capital	647	40,475
Changes in working capital		
Inventories	(18,118)	16,709
Trade and other receivables	53,984	(3,584)
Trade and other payables	(3,769)	358
Cash flows from operations	32,744	53,958
Interest received	17	91
Tax refunded	254	-
Tax paid	(4,702)	(18,542)
Net cash flows from operating activities	28,313	35,507
Cash Flows From Investing Activities		
Increase in deposits pledged to licensed banks	(3)	(2)
Interest received	627	217
Purchase of property, plant and equipment	(65,081)	(18,959)
Purchase of other investment	(5,100)	-
Proceeds from disposal of property, plant and equipment	230	308
Proceeds from disposal of other investment	5,150	-
Net cash flows used in investing activities	(64,177)	(18,436)



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2023 (UNAUDITED) (CONT'D)

	30.06.2023 (Unaudited) RM'000	30.06.2022 (Unaudited) RM'000
Cash Flows From Financing Activities		
Interest paid	(92)	(37)
Short term borrowings		
- Repayments	(26,000)	(31,750)
- Drawdowns	34,900	35,750
Repayment of lease interests	(44)	(41)
Repayment of lease liabilities	(757)	(472)
Net cash flows from financing activities	<u>8,007</u>	<u>3,450</u>
Net (decrease)/increase in cash and cash equivalents	(27,857)	20,521
Effect of exchange rate changes on cash and cash equivalents	256	178
Cash and cash equivalents at beginning of the period	<u>69,442</u>	<u>29,661</u>
Cash and cash equivalents at end of the period	<u><u>41,841</u></u>	<u><u>50,360</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	38,904	32,873
Repo	2,937	17,487
Deposits pledged to licensed banks	226	221
As per Statement of Financial Position	<u>42,067</u>	<u>50,581</u>
Less : Deposits pledged to licensed banks	(226)	(221)
Cash and cash equivalents at end of the period	<u><u>41,841</u></u>	<u><u>50,360</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 2022 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	<u>Non-distributable</u>			<u>Distributable</u>		
	<u>Share Capital</u>	<u>Treasury Shares</u>	<u>General Reserve</u>	<u>Revaluation Reserve</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Balance as at 1 January 2023	131,691	(1,462)	1,186	6,707	486,337	624,459
Profit for the period	-	-	-	-	5,164	5,164
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	5,164	5,164
Transactions with owners						
Dividends payable (Note B10)	-	-	-	-	(4,902)	(4,902)
Total transactions with owners	-	-	-	-	(4,902)	(4,902)
Balance as at 30 June 2023	131,691	(1,462)	1,186	6,707	486,599	624,721
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	-	-	-	-	(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

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2022 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 2022 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 2022, except for the adoption of the MFRSs, Amendments and Annual Improvements to Standards effective as of 1 January 2023.

(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
MFRS 17 : Insurance Contracts	1 January 2023
Amendments 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 and International Tax Reform – Pillar Two Model Rules	1 January 2023

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
Amendments to MFRS 7 : Financial Instruments: Disclosures – Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 16 : Leases – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101 : Presentation of Financial Statements – Non-Current Liabilities with Covenants and Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 107 : Statement of Cash Flows – Supplier Finance Arrangements	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 2022 was unmodified.

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 second (2nd) quarter and year-to-date ended 30 June 2023.

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 2023.



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

For the current quarter and year-to-date ended 30 June 2023, the Company did not repurchase any ordinary shares from the open market.

As at 30 June 2023, a total of 1,442,887 treasury shares were held by the Company. The repurchased shares are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016.

There were no issues of debt or equity securities for the current year-to-date ended 30 June 2023.

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 2023 and 30 June 2022, which are within the Group's objectives for capital management, are as follows:

	As at 30.06.2023 RM'000	As at 30.06.2022 RM'000
Borrowings	18,900	10,000
Trade and other payables	15,371	23,690
Less : Cash and bank balances	<u>(42,067)</u>	<u>(50,581)</u>
Net cash	<u>(7,796)</u>	<u>(16,891)</u>
Total capital	624,721	638,760
Net cash	<u>(7,796)</u>	<u>(16,891)</u>
	<u>616,925</u>	<u>621,869</u>
Gearing ratio (%)	N/A	N/A

A7 Dividends paid

There were no dividends paid in the current quarter and year-to-date ended 30 June 2023.



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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 2023 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	66,877	46,386	113,263
Inter-segment revenue	(6,937)	(18,310)	(25,247)
Revenue from external customers	59,940	28,076	88,016
Profit for the quarter			
Total expenses	(58,542)	(27,152)	(85,694)
Finance costs	(38)	(40)	(78)
Profit before tax	1,360	884	2,244
Tax expense	(210)	(485)	(695)
Profit after tax for the quarter	1,150	399	1,549

Segment performance for the second (2nd) quarter 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	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



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A8 Operating segment information

Segment performance for the year-to-date ended 30 June 2023 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	139,079	106,365	245,444
Inter-segment revenue	(10,282)	(42,373)	(52,655)
Revenue from external customers	128,797	63,992	192,789
Profit for the period			
Total expenses	(127,661)	(58,818)	(186,479)
Finance costs	(39)	(53)	(92)
Profit before tax	1,097	5,121	6,218
Tax expense	(186)	(868)	(1,054)
Profit after tax for the period	911	4,253	5,164

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



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A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 30 June 2023 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	253,129	373,699	626,828
<u>Unallocated assets:</u>			
Cash and bank balances			42,067
Total assets			<u>668,895</u>
Liabilities			
Segment liabilities	17,801	19,195	36,996
<u>Unallocated liabilities:</u>			
Derivative liabilities			14
Deferred tax liabilities			7,164
Total liabilities			<u>44,174</u>

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>

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 2023.



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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 2023 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	10,469
Approved but not contracted for	<u>2,562</u>
	<u><u>13,031</u></u>

A13 Related party transactions

Related party transactions for the quarter and year-to-date ended 30 June 2023 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>39</u>	<u>234</u>
Purchase of hardware products	1	2
Rental expense	400	801
Piling works services and mobile crane rental	-	165
	<u><u>401</u></u>	<u><u>968</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 back of inventories to net realisable values

Total net inventories written back to either net realisable value or replacement cost for the year-to-date ended 30 June 2023 was RM8,347,531.



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A15 Financial instruments

Group	As at 30 June 2023		
	Amortised cost	Fair value through profit or loss	Total
	RM'000	RM'000	RM'000
Financial assets			
Trade and other receivables, net of prepayments	98,006	-	98,006
Cash and bank balances	42,067	-	42,067
	<u>140,073</u>	<u>-</u>	<u>140,073</u>
Financial liabilities			
Trade and other payables	15,371	-	15,371
Borrowings	18,900	-	18,900
Derivative liabilities	-	14	14
	<u>34,271</u>	<u>14</u>	<u>34,285</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, cash and bank balances, trade and other payables and borrowings, are reasonable approximation of fair value due to their short-term nature.

The fair values of the fixed rate lease liabilities are estimated by discounting expected future cash flows at market incremental/lending rate for similar types of lending, borrowings or leasing arrangements at the end of each reporting period.

- 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).

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).

Derivatives

The fair value of forward exchange contracts are estimated by using mark-to-market values at the end of the reporting date and changes in the fair value are recognised in profit or loss.

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	-	-	9,892	9,892	9,892
Derivative assets					
- Forward contracts	-	-	-	-	-
Liabilities measured at fair value					
Derivative liabilities					
- Forward contracts	-	14	-	14	14

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the year-to-date ended 30 June 2023.

(c) Derivative liabilities

Group	As at 30 June 2023		
	Contract / Notional amount	Assets	Liabilities
	RM'000	RM'000	RM'000
Forward currency contracts (USD)	5,349	-	14
Forward currency contracts (SGD)	-	-	-



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A15 Financial instruments (Cont'd)

(c) Derivative assets / liabilities (Cont'd)

- i. The Group enter into forward currency contracts to manage exposures to currency risk of its trade receivables and trade payables which are denominated in currencies other than the functional currency of the Group.

- ii. For the year-to-date ended 30 June 2023, the Group recognised a gain of RM1,047,000 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 2023 stood at RM3.19, a marginal increase of 0.3% compared to RM3.18 as at 31 December 2022 mainly due to profit earned for the year-to-date ended 30 June 2023.



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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 RM88.0 million for the quarter ended 30.06.2023 (“2Q 2023”), which contracted by RM28.5 million (-24%) as compared with revenue of RM116.5 million recorded in the previous year quarter ended 30.06.2022 (“2Q 2022”). The lower revenue performance was attributed to weaker contribution from both the manufacturing and trading segments on the back of sluggish construction activities and weaker economic sentiments.

As a result, the Group recorded a lower profit before tax of RM2.2 million for 2Q 2023 as compared with RM14.7 million recorded in 2Q 2022. This was mainly due to lower average selling prices and weaker market demand, impacted further by the write down of inventories amounting to RM1.2 million.

The performance of the respective operating business segments of the Group for 2Q 2023 as compared with 2Q 2022 are analysed as follows:

Manufacturing

The manufacturing operations' revenue declined by 21% to RM28.1 million in 2Q 2023, from RM35.6 million recorded in 2Q 2022. This was attributed to the slowdown in market demand coupled with weaker average selling prices.

Trading

The trading operations' revenue fell by 26% to RM59.9 million in 2Q 2023 as compared with RM80.9 million recorded in 2Q 2022. 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 year-to-date ended 30.06.2023 (“YTD 2Q 2023”), the Group recorded revenue of RM192.8 million, which declined by 31% as compared with revenue of RM278.5 million recorded in the previous year-to-date ended 30.06.2022 (“YTD 2Q 2022”). The weaker performance was mainly due to lower revenue from both the manufacturing and trading segments.

In line with the weaker revenue trend, the Group's profit before tax deteriorated sharply to RM6.2 million for YTD 2Q 2023 as compared with RM38.0 million recorded in YTD 2Q 2022 due to lower profit margins, cushioned by the write back of inventories of RM8.3 million.

The performance of the respective operating business segments of the Group for YTD 2Q 2023 as compared with YTD 2Q 2022 are analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM64.0 million for YTD 2Q 2023, which fell by 34% as compared with RM96.5 million recorded in YTD 2Q 2022. 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 RM128.8 million for YTD 2Q 2023, which contracted by 29% as compared with RM182.0 million recorded in YTD 2Q 2022. The decrease was mainly due to softer market demand and lower average selling prices.

B2 Comparison with preceding quarter's results

The Group's revenue for 2Q 2023 contracted to RM88.0 million from RM104.8 million achieved in 1Q 2023 due to the reduction in sales volume and weaker average selling prices.

In tandem with the weaker revenue trend and write down of inventories amounting to RM1.2 million, the Group recorded a profit before tax of RM2.2 million for 2Q 2023 as compared with RM4.0 million recorded in 1Q 2023.

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

a) Prospects for 2023

After a lacklustre 2Q'23, international steel prices are experiencing some improvement, though the demand for steel remains soft on the back of persistent inflation, high interest rate in most economies and uncertain market conditions.

On the domestic front, the current uncertain economic environment and weak Ringgit poses a big challenge for the steel industry. These factors are expected to linger for the remaining of the year, while steel demand and prices remain very much dependent on the timely rollout of mega infrastructure projects and healthy rebound in the construction industry.

The Group remains vigilant of the challenging business environment 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 the adverse impact to 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 expense

Tax charges comprise:

	Current year quarter	Current year-to-date
	RM'000	RM'000
Income tax		
- current quarter/year-to-date	422	868
- under provision in prior quarter/financial year	-	(13)
Deferred tax		
- current quarter/year-to-date	273	199
Tax expense	695	1,054

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated taxable profits for the current period. The effective tax rate of the Group for the current quarter ended 30 June 2023 was higher than the statutory tax rate, mainly due to the reversal of deferred tax asset and the effect of expenses not-deductible for tax purposes. The effective tax rate of the Group for the year-to-date ended 30 June 2023 was lower than the statutory tax rate, mainly due to the utilisation of brought forward business losses.

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 the Group's borrowings as at 30 June 2023 are as follows:

Short-term borrowings

	RM'000	
Bankers' acceptances	11,900	Unsecured
Trust receipts	7,000	Unsecured
	18,900	

Borrowings are denominated in the following currencies:

	RM'000	
- Ringgit Malaysia	18,900	Unsecured
	18,900	

The Group has no debt securities as at 30 June 2023.

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 Directors have recommended a final single tier dividend of 2.5 sen per ordinary share (2021: final single tier dividend of 5 sen per ordinary share and special single tier dividend of 2.5 sen per ordinary share) amounting to RM4,902,000 in respect of the financial year ended 31 December 2022. The proposed final dividend was approved by the shareholders at the Annual General Meeting held on 21 June 2023 and was paid on 3 August 2023 to shareholders registered at the close of business on 20 July 2023.

B11 Earnings per share

(a) Basic earnings per ordinary share

		Quarter ended		Year-to-date ended	
		30.06.2023	30.06.2022	30.06.2023	30.06.2022
Profit attributable to the equity holders of the parent	(RM'000)	1,549	11,015	5,164	29,143
Weighted average number of ordinary shares in issue	('000)	196,093	130,729	196,093	130,729
Basic earnings per ordinary share	(sen)	0.79	8.43	2.63	22.29

(b) Diluted earnings per ordinary share

There are no potential dilutive ordinary shares during the quarter and year-to-date ended 30 June 2023. Accordingly, the diluted earnings per ordinary share is not presented.



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B12 Other income

	3 months ended		Year-to-date ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Bad debts recovered	-	-	-	84
Fair value adjustments on derivative financial instruments	-	-	1,047	-
Gain on disposal of other investment	50	-	50	-
Gain on disposal of property, plant and equipment	-	245	-	245
Interest on:				
Customer overdue account	26	65	17	91
Short term deposits	250	130	627	217
Trade compensation	-	-	-	-
Rental income	129	134	263	271
Realised gain on foreign exchange transactions	1,271	-	-	-
Reversal of impairment losses on trade receivables	19	104	244	850
Net unrealised gain on foreign exchange transactions	171	195	182	435
Others	1	-	1	1
	<u>1,917</u>	<u>873</u>	<u>2,431</u>	<u>2,194</u>
Other Losses:				
Fair value adjustments on derivative financial instruments	(14)	(66)	-	(1)
Loss on disposal of property, plant and equipment	(172)	-	(174)	-
Property, plant and equipment written off	-	-	(2)	-
Realised loss on foreign exchange transactions	-	(206)	(26)	(373)

B13 Authorisation for issue

The interim financial statements were authorised on 23 August 2023 for issue by the Board of Directors.