



CHOO BEE METAL INDUSTRIES BERHAD

Registration No. 197101000234 (10587-A)

INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 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
		30.09.2023 (Unaudited)	30.09.2022 (Unaudited)	30.09.2023 (Unaudited)	30.09.2022 (Unaudited)
		RM'000	RM'000	RM'000	RM'000
Revenue		105,767	116,421	298,556	394,951
Cost of sales:					
Factory and production cost		(100,736)	(127,780)	(272,555)	(351,749)
Factory depreciation		(1,444)	(1,461)	(4,311)	(4,139)
Gross profit/(loss)		3,587	(12,820)	21,690	39,063
Other income	B12	657	2,181	3,064	3,961
Depreciation and amortisation		(892)	(710)	(2,657)	(2,132)
Administrative expenses		(3,430)	(2,320)	(9,288)	(9,642)
Selling and distribution expenses		(3,331)	(3,380)	(9,908)	(10,250)
Finance costs		(54)	(8)	(146)	(45)
(Loss)/Profit before tax		(3,463)	(17,057)	2,755	20,955
Tax income/(expense)	B6	704	3,497	(350)	(5,372)
(Loss)/Profit after tax		(2,759)	(13,560)	2,405	15,583
Other comprehensive income, net of tax:					
Revaluation land and building		-	4,591	-	4,591
Total comprehensive (loss)/profit		(2,759)	(8,969)	2,405	20,174
(Loss)/Profit attributable to:					
Owners of the parent		(2,759)	(13,560)	2,405	15,583
Total comprehensive (loss)/profit attributable to:					
Owners of the parent		(2,759)	(8,969)	2,405	20,174
(Loss)/Earnings per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	(1.41)	(6.92)	1.23	7.95
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 30.09.2023 (Unaudited) RM'000	As at 31.12.2022 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		249,033	185,642
Investment properties		9,892	9,892
Right-of-use assets		19,047	20,224
		<u>277,972</u>	<u>215,758</u>
Current Assets			
Inventories		218,662	209,260
Trade and other receivables		106,435	153,745
Current tax assets		15,642	11,706
Cash and bank balances		29,267	69,665
		<u>370,006</u>	<u>444,376</u>
TOTAL ASSETS		<u>647,978</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		491,733	494,230
TOTAL EQUITY		<u>621,962</u>	<u>624,459</u>
LIABILITIES			
Non-current Liabilities			
Lease liabilities		538	1,437
Deferred tax liabilities		6,386	6,965
		<u>6,924</u>	<u>8,402</u>
Current Liabilities			
Trade and other payables		9,654	14,462
Borrowings	B8	7,500	10,000
Lease liabilities		1,451	1,527
Derivative liabilities		7	1,061
Current tax liabilities		480	223
		<u>19,092</u>	<u>27,273</u>
TOTAL LIABILITIES		<u>26,016</u>	<u>35,675</u>
TOTAL EQUITY AND LIABILITIES		<u>647,978</u>	<u>660,134</u>
		RM	RM
Net Assets per Share Attributable to Owners of the Company	A16	<u>3.17</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 SEPTEMBER 2023 (UNAUDITED)

	30.09.2023 (Unaudited) RM'000	30.09.2022 (Unaudited) RM'000
Cash Flows From Operating Activities		
Profit before tax	2,755	20,955
Adjustments for:		
Bad debts recovered	-	(516)
Depreciation of property, plant and equipment	5,620	5,159
Depreciation of right-of-use assets	1,348	1,112
Fair value adjustments on derivative financial instruments	(1,054)	(429)
Loss/(Gain) on disposal of property, plant and equipment	321	(526)
Gain on disposal of other investment	(50)	-
Interest expense	146	45
Interest on lease liabilities	62	71
Interest income on overdue accounts	(67)	(122)
Interest income	(750)	(408)
Inventories written (back) / down	(7,550)	14,827
Net unrealised gain on foreign exchange transactions	(527)	(395)
Property, plant and equipment written off	2	5
Reversal of impairment losses on trade receivables	(220)	(888)
Operating profit before changes in working capital	36	38,890
Changes in working capital		
Inventories	(1,852)	44,459
Trade and other receivables	47,489	10,381
Trade and other payables	(4,526)	(1,510)
Cash flows from operations	41,147	92,220
Interest received	67	122
Tax refunded	262	-
Tax paid	(4,870)	(23,248)
Net cash flows from operating activities	36,606	69,094
Cash Flows From Investing Activities		
Increase in deposits pledged to licensed banks	(3)	(2)
Interest received	750	408
Purchase of property, plant and equipment	(69,943)	(25,671)
Purchase of other investment	(5,100)	-
Proceeds from disposal of property, plant and equipment	609	1,054
Proceeds from disposal of other investment	5,150	-
Net cash flows used in investing activities	(68,537)	(24,211)



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

	30.09.2023 (Unaudited) RM'000	30.09.2022 (Unaudited) RM'000
Cash Flows From Financing Activities		
Dividends paid	(4,902)	(9,805)
Interest paid	(146)	(45)
Short term borrowings		
- Repayments	(56,900)	(41,750)
- Drawdowns	54,400	45,750
Repayment of lease interests	(62)	(71)
Repayment of lease liabilities	(1,146)	(841)
Net cash flows used in financing activities	<u>(8,756)</u>	<u>(6,762)</u>
Net (decrease)/increase in cash and cash equivalents	(40,687)	38,121
Effect of exchange rate changes on cash and cash equivalents	286	236
Cash and cash equivalents at beginning of the period	69,442	29,661
Cash and cash equivalents at end of the period	<u>29,041</u>	<u>68,018</u>
Cash and cash equivalents comprise:		
Cash and bank balances	27,177	22,807
Repo	1,864	3,190
Deposits with licensed banks	-	42,021
Deposits pledged to licensed banks	226	221
As per Statement of Financial Position	<u>29,267</u>	<u>68,239</u>
Less : Deposits pledged to licensed banks	<u>(226)</u>	<u>(221)</u>
Cash and cash equivalents at end of the period	<u>29,041</u>	<u>68,018</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)

	Non-distributable			Distributable		
	Share Capital	Treasury Shares	General Reserve	Revaluation Reserve	Retained Earnings	Total Equity
	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	-	-	-	-	2,405	2,405
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	2,405	2,405
Transactions with owners						
Dividends paid (Note A7)	-	-	-	-	(4,902)	(4,902)
Total transactions with owners	-	-	-	-	(4,902)	(4,902)
Balance as at 30 September 2023	131,691	(1,462)	1,186	6,707	483,840	621,962
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	-	-	-	-	(9,805)	(9,805)
Total transactions with owners	-	-	-	-	(9,805)	(9,805)
Balance as at 30 September 2022	131,691	(1,462)	1,186	4,591	493,785	629,791

(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 121 : The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability	1 January 2025
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 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 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 third (3rd) quarter and year-to-date ended 30 September 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 September 2023, the Company did not repurchase any ordinary shares from the open market.

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

	As at 30.09.2023 RM'000	As at 30.09.2022 RM'000
Borrowings	7,500	10,000
Trade and other payables	9,654	12,028
Less : Cash and bank balances	<u>(29,267)</u>	<u>(68,239)</u>
Net cash	<u>(12,113)</u>	<u>(46,211)</u>
Total capital	621,962	629,791
Net cash	<u>(12,113)</u>	<u>(46,211)</u>
	<u>609,849</u>	<u>583,580</u>
Gearing ratio (%)	N/A	N/A

A7 Dividends paid

A final single-tier dividend of 2.5 sen per ordinary share (2022: final single-tier dividend of 5 sen per ordinary share and a special single-tier dividend of 2.5 sen per ordinary share) amounting to RM4,902,337.39 in respect of the financial year ended 31 December 2022 was paid on 3 August 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 (3rd) quarter ended 30 September 2023 are as follows:-

	Trading	Manufacturing	Total
	RM'000	RM'000	RM'000
Revenue			
Total revenue	71,946	56,933	128,879
Inter-segment revenue	(4,623)	(18,489)	(23,112)
Revenue from external customers	67,323	38,444	105,767
Loss for the quarter			
Total expenses	(67,578)	(41,598)	(109,176)
Finance costs	(6)	(48)	(54)
Loss before tax	(261)	(3,202)	(3,463)
Tax income	80	624	704
Loss after tax for the quarter	(181)	(2,578)	(2,759)

Segment performance for the third (3rd) quarter ended 30 September 2022 are as follows:-

	Trading	Manufacturing	Total
	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	79,525	36,896	116,421
Profit/(Loss) for the quarter			
Total expenses	(77,595)	(55,875)	(133,470)
Finance costs	(3)	(5)	(8)
Profit/(Loss) before tax	1,927	(18,984)	(17,057)
Tax (expense)/income	(966)	4,463	3,497
Profit/(Loss) after tax for the quarter	961	(14,521)	(13,560)
Other comprehensive income for the quarter, net of tax	4,591	-	4,591
Total comprehensive income/(loss) for the quarter	5,552	(14,521)	(8,969)



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A8 Operating segment information

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	211,025	163,298	374,323
Inter-segment revenue	(14,905)	(60,862)	(75,767)
Revenue from external customers	196,120	102,436	298,556
Profit for the period			
Total expenses	(195,239)	(100,416)	(295,655)
Finance costs	(45)	(101)	(146)
Profit before tax	836	1,919	2,755
Tax expense	(106)	(244)	(350)
Profit after tax for the period	730	1,675	2,405

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



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A8 Operating segment information (Cont'd)

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	239,818	378,893	618,711
<u>Unallocated assets:</u>			
Cash and bank balances			29,267
Total assets			<u>647,978</u>
Liabilities			
Segment liabilities	7,846	11,777	19,623
<u>Unallocated liabilities:</u>			
Derivative liabilities			7
Deferred tax liabilities			6,386
Total liabilities			<u>26,016</u>

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>665,236</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>35,445</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 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 September 2023 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	8,175
Approved but not contracted for	2,564
	<u>10,739</u>

A13 Related party transactions

Related party transactions for the quarter and year-to-date ended 30 September 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	25	259
Purchase of hardware products	1	3
Purchase of forklift	212	212
Rental expense	405	1,206
Piling works services and mobile crane rental	-	165
	<u>618</u>	<u>1,586</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 September 2023 was RM7,550,202.



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A15 Financial instruments

Group	As at 30 September 2023		
	Fair value through profit		
	Amortised cost	or loss	Total
	RM'000	RM'000	RM'000
Financial assets			
Trade and other receivables, net of prepayments	102,517	-	102,517
Cash and bank balances	29,267	-	29,267
	131,784	-	131,784
Financial liabilities			
Trade and other payables	9,654	-	9,654
Borrowings	7,500	-	7,500
Derivative liabilities	-	7	7
	17,154	7	17,161

(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	-	7	-	7	7

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

(c) Derivative liabilities

Group	As at 30 September 2023		
	Contract / Notional amount	Assets	Liabilities
	RM'000	RM'000	RM'000
Forward currency contracts (USD)	2,686	-	7
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 September 2023, the Group recognised a gain of RM1,054,000 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 2023 stood at RM3.17, a marginal decline of 0.3% compared to RM3.18 as at 31 December 2022 mainly due to distribution of dividends and lower profit earned for the year-to-date ended 30 September 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 RM105.8 million for the quarter ended 30.09.2023 (“3Q 2023”), which contracted by RM10.6 million (-9%) as compared with revenue of RM116.4 million recorded in the previous year quarter ended 30.09.2022 (“3Q 2022”). The lower revenue performance was attributed to weaker contribution from the trading segment on the back of sluggish construction activities and weaker economic sentiments.

However, the Group recorded a lower loss before tax of RM3.5 million for 3Q 2023 as compared with a loss before tax of RM17.1 million recorded in 3Q 2022. This was mainly due to improved profit margins on the back of lower average raw material prices cushioning softer average selling prices and lower write down of inventories of RM0.8 million as compared with write down of inventories of RM14.6 million in 3Q 2022.

The performance of the respective operating business segments of the Group for 3Q 2023 as compared with 3Q 2022 are analysed as follows:

Manufacturing

The manufacturing operations' revenue increased by 4% to RM38.5 million in 3Q 2023, from RM36.9 million recorded in 3Q 2022. This was attributed to the stronger market demand.

Trading

The trading operations' revenue fell by 15% to RM67.3 million in 3Q 2023 as compared with RM79.5 million recorded in 3Q 2022. The weaker performance was mainly due to lower sales volume.

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

For the year-to-date ended 30.09.2023 (“YTD 3Q 2023”), the Group recorded revenue of RM298.6 million, which declined by 24% as compared with revenue of RM395.0 million recorded in the previous year-to-date ended 30.09.2022 (“YTD 3Q 2022”). The weaker performance was mainly due to lower revenue contribution from both the manufacturing and trading segments amid a challenging operating environment.

In line with the weaker revenue trend, the Group's profit before tax deteriorated sharply to RM2.8 million for YTD 3Q 2023 as compared with RM21.0 million recorded in YTD 3Q 2022. This was pressured further by weaker profit margins as a result of declining average selling prices, cushioned by the write back of inventories amounting to RM7.6 million.

The performance of the respective operating business segments of the Group for YTD 3Q 2023 as compared with YTD 3Q 2022 are analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM102.5 million for YTD 3Q 2023, which retreated by 23% as compared with RM133.5 million recorded in YTD 3Q 2022. The weaker performance was attributed to lower sales volume on the back of softer 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 RM196.1 million for YTD 3Q 2023, which shrunk by 25% as compared with RM261.5 million recorded in YTD 3Q 2022. The decrease was mainly due to softer market demand and weaker average selling prices.

B2 Comparison with preceding quarter's results

The Group's revenue for 3Q 2023 improved to RM105.8 million from RM88.0 million achieved in 2Q 2023 due to the pickup in sales volume.

Despite the stronger revenue trend, the Group recorded a loss before tax of RM3.5 million for 3Q 2023 as compared with a profit before tax of RM2.2 million recorded in 2Q 2023, mainly due to pressured profit margins and higher operating expenses.

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

a) Prospects for 2023

International steel demand and prices continues to be dampened by the slowing global economy, high inflation and interest rate environment as well as geopolitical tensions. China's uncertain economic recovery and challenging property market situation also played a part weighing down steel demand.

Malaysia being a trading nation, is not spared from the impact of the global economic slowdown, inflationary cost pressures, geo-political tensions and heightened steel price volatility. However, the local economy is expected to cushion the external headwinds while gaining stability with the timely implementation of the Madani Economic Framework and the increase in development expenditure under the 12th Malaysia Plan ("12MP") Mid-Term Review ("MTR"). Major infrastructure projects under the 12MP MTR such as the MRT 3, ECRL, Penang LRT and Sabah Pan Borneo highway are catalysts which are expected to spur construction activities and steel demand.

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 (income)/expense

Tax charges comprise:

	Current year quarter	Current year-to-date
	RM'000	RM'000
Income tax		
- current quarter/year-to-date	120	987
- under provision in prior quarter/financial year	(46)	(59)
Deferred tax		
- current quarter/year-to-date	(778)	(578)
Tax expense	<u>(704)</u>	<u>350</u>

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 and year-to-date ended 30 September 2023 was lower than the statutory tax rate, mainly due to the utilisation of current/brought forward business losses and recognition of deferred tax assets on unrealised foreign exchange gains.

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 September 2023 are as follows:

Short-term borrowings

	RM'000	
Bankers' acceptances	5,000	Unsecured
Trust receipts	2,500	Unsecured
	<u>7,500</u>	

Borrowings are denominated in the following currencies:

	RM'000	
- Ringgit Malaysia	7,500	Unsecured
	<u>7,500</u>	

The Group has no debt securities as at 30 September 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

There were no dividends proposed in the current quarter.

B11 (Loss)/Earnings per share

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

		Quarter ended		Year-to-date ended	
		30.09.2023	30.09.2022	30.09.2023	30.09.2022
(Loss)/Profit attributable to the equity holders of the parent	(RM'000)	(2,759)	(13,560)	2,405	15,583
Weighted average number of ordinary shares in issue	('000)	196,093	196,093	196,093	196,093
Basic (loss)/earnings per ordinary	(sen)	(1.41)	(6.92)	1.23	7.95

(b) Diluted (loss)/earnings per ordinary share

There are no potential dilutive ordinary shares during the quarter and year-to-date ended 30 September 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	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Bad debts recovered	-	432	-	516
Fair value adjustments on derivative financial instruments	7	430	1,054	429
Gain on disposal of other investment	-	-	50	-
Gain on disposal of property, plant and equipment	-	281	-	526
Interest on:				
Customer overdue account	50	31	67	122
Short term deposits	123	191	750	408
Trade compensation	3	15	3	15
Rental income	129	170	392	441
Realised gain on foreign exchange transactions	-	593	-	220
Reversal of impairment losses on trade receivables	-	38	220	888
Net unrealised gain on foreign exchange transactions	345	-	527	395
Others	-	-	1	1
	<u>657</u>	<u>2,181</u>	<u>3,064</u>	<u>3,961</u>
Other Losses:				
Fair value adjustments on derivative financial instruments	-	-	-	(1)
Loss on disposal of property, plant and equipment	(147)	-	(321)	-
Property, plant and equipment written off	-	-	(2)	-
Impairment losses on trade receivables	(24)	-	-	-
Realised loss on foreign exchange transactions	(387)	-	(413)	-
Net unrealised loss on foreign exchange transactions	-	(40)	-	-

B13 Authorisation for issue

The interim financial statements were authorised on 28 November 2023 for issue by the Board of Directors.