



CHOO BEE METAL INDUSTRIES BERHAD

Registration No. 197101000234 (10587-A)

INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2024

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

	Note	Quarter Ended		Cumulative quarter	
		Current year quarter ended	Preceding year corresponding quarter ended	Current year-to-date ended	Preceding year-to-date ended
		30.06.2024 (Unaudited)	30.06.2023 (Unaudited)	30.06.2024 (Unaudited)	30.06.2023 (Unaudited)
		RM'000	RM'000	RM'000	RM'000
Revenue		102,543	88,016	191,165	192,789
Cost of sales:					
Factory and production cost		(98,070)	(79,004)	(176,852)	(171,819)
Factory depreciation		(1,605)	(1,437)	(3,112)	(2,867)
Gross profit		2,868	7,575	11,201	18,103
Other income	B12	540	1,898	1,045	2,187
Depreciation and amortisation		(797)	(898)	(1,925)	(1,765)
Administrative expenses		(2,328)	(3,194)	(4,869)	(5,998)
Selling and distribution expenses		(3,358)	(3,078)	(6,100)	(6,461)
Finance costs		(154)	(78)	(230)	(92)
Net (loss)/gain on impairment of financial assets		(19)	19	145	244
(Loss)/Profit before taxation		(3,248)	2,244	(733)	6,218
Taxation	B6	722	(695)	62	(1,054)
(Loss)/Profit after taxation		(2,526)	1,549	(671)	5,164
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive (loss)/income		(2,526)	1,549	(671)	5,164
(Loss)/Profit attributable to:					
Owners of the parent		(2,526)	1,549	(671)	5,164
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(2,526)	1,549	(671)	5,164
(Loss)/Earnings per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	(1.29)	0.79	(0.34)	2.63
b) Diluted	B11(b)	N/A	N/A	N/A	N/A

(The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2023 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 30.06.2024 (Unaudited) RM'000	As at 31.12.2023 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		255,426	251,228
Investment properties		9,750	9,750
Right-of-use assets		20,858	21,758
		<u>286,034</u>	<u>282,736</u>
Current Assets			
Inventories		218,583	216,329
Trade and other receivables		108,786	108,126
Current tax assets		13,773	13,480
Cash and bank balances		27,577	30,660
		<u>368,719</u>	<u>368,595</u>
TOTAL ASSETS		<u><u>654,753</u></u>	<u><u>651,331</u></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		488,808	490,459
TOTAL EQUITY		<u>619,037</u>	<u>620,688</u>
LIABILITIES			
Non-current Liabilities			
Lease liabilities		2,220	3,056
Deferred tax liabilities		5,190	5,974
		<u>7,410</u>	<u>9,030</u>
Current Liabilities			
Trade and other payables		11,627	11,747
Borrowings	B8	15,000	8,000
Lease liabilities		1,679	1,708
Derivative liabilities		-	12
Current tax liabilities		-	146
		<u>28,306</u>	<u>21,613</u>
TOTAL LIABILITIES		<u>35,716</u>	<u>30,643</u>
TOTAL EQUITY AND LIABILITIES		<u><u>654,753</u></u>	<u><u>651,331</u></u>
		RM	RM
Net Assets per Share Attributable to Owners of the Company	A16	<u>3.16</u>	<u>3.17</u>

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2023 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 2024 (UNAUDITED)

	Year-to-date ended	
	30.06.2024 (Unaudited)	30.06.2023 (Unaudited)
	RM'000	RM'000
Cash Flows From Operating Activities		
(Loss)/Profit before taxation	(733)	6,218
Adjustments for:		
Bad debts recovered	(5)	-
Depreciation of property, plant and equipment	4,058	3,737
Depreciation of right-of-use assets	979	895
Fair value adjustments on derivative financial instruments	(12)	(1,047)
Loss on disposals of property, plant and equipment	55	174
Gain on disposal of other investment	-	(50)
Interest expense	230	92
Interest on lease liabilities	23	44
Interest income on overdue accounts	(239)	(17)
Interest income	(253)	(627)
Net inventories written back	(786)	(8,348)
Net unrealised gain on foreign exchange transactions	(143)	(182)
Property, plant and equipment written off	-	2
Reversal of impairment losses on trade receivables	(145)	(244)
Operating profit before changes in working capital	3,029	647
Changes in working capital		
Inventories	(1,468)	(18,118)
Trade and other receivables	(482)	53,984
Trade and other payables	(993)	(3,769)
Cash flows from operations	86	32,744
Interest received	239	17
Tax refunded	-	254
Tax paid	(1,161)	(4,702)
Net cash flows (used in)/from operating activities	(836)	28,313
Cash Flows From Investing Activities		
Increase in deposits pledged to licensed banks	(4)	(3)
Interest received	253	627
Purchase of property, plant and equipment	(8,663)	(65,081)
Purchase of right-of-use asset	(79)	-
Purchase of other investment	-	(5,100)
Proceeds from disposals of property, plant and equipment	352	230
Proceeds from disposals of other investment	-	5,150
Net cash flows used in investing activities	(8,141)	(64,177)



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2024 (UNAUDITED) (CONT'D)

	Year-to-date ended	
	30.06.2024 (Unaudited) RM'000	30.06.2023 (Unaudited) RM'000
Cash Flows From Financing Activities		
Interest paid	(230)	(92)
Short term borrowings		
- Repayments	(43,000)	(26,000)
- Drawdowns	50,000	34,900
Repayment of lease interests	(23)	(44)
Repayment of lease liabilities	(865)	(757)
Net cash flows from financing activities	<u>5,882</u>	<u>8,007</u>
Net decrease in cash and cash equivalents	(3,095)	(27,857)
Effect of exchange rate changes on cash and cash equivalents	8	256
Cash and cash equivalents at beginning of the period	<u>30,431</u>	<u>69,442</u>
Cash and cash equivalents at end of the period	<u><u>27,344</u></u>	<u><u>41,841</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	20,001	38,904
Repo	7,343	2,937
Deposits pledged to licensed banks	233	226
As per Statement of Financial Position	<u>27,577</u>	<u>42,067</u>
Less : Deposits pledged to licensed banks	(233)	(226)
Cash and cash equivalents at end of the period	<u><u>27,344</u></u>	<u><u>41,841</u></u>

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2023 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Non-distributable			Distributable		Total Equity RM '000
	Share Capital RM '000	Treasury Shares RM '000	General Reserve RM '000	Revaluation Reserve RM '000	Retained Earnings RM '000	
Balance as at 1 January 2024	131,691	(1,462)	1,186	6,707	482,566	620,688
Loss for the period	-	-	-	-	(671)	(671)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(671)	(671)
Transactions with owners						
Dividends payable (Note B10)	-	-	-	-	(980)	(980)
Total transactions with owners	-	-	-	-	(980)	(980)
Balance as at 30 June 2024	131,691	(1,462)	1,186	6,707	480,915	619,037
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	-	-	-	-	(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

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2023 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 2023 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 2023, except for the adoption of the MFRSs, Amendments and Annual Improvements to Standards effective as of 1 January 2024.

(i) *MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations adopted by the Group during the current financial year:*

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

The adoption of the above Amendments to MFRSs are either not relevant or 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 121 : The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability	1 January 2025
MFRS 18 : Presentation and Disclosure in Financial Statements	1 January 2027
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 2023 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 second (2nd) quarter and year-to-date ended 30 June 2024.

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 2024.

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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 2024, the Company did not repurchase any ordinary shares from the open market.

As at 30 June 2024, 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 2024.

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 2024 and 30 June 2023, which are within the Group's objectives for capital management, are as follows:

	As at 30.06.2024 RM'000	As at 30.06.2023 RM'000
Borrowings	15,000	18,900
Trade and other payables	11,627	15,371
Less : Cash and bank balances	<u>(27,577)</u>	<u>(42,067)</u>
Net cash	<u>(950)</u>	<u>(7,796)</u>
Total capital	619,037	624,721
Net cash	<u>(950)</u>	<u>(7,796)</u>
	<u>618,087</u>	<u>616,925</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 2024.



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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 2024 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	66,842	53,059	119,901
Inter-segment revenue	(2,021)	(15,337)	(17,358)
Revenue from external customers	<u>64,821</u>	<u>37,722</u>	<u>102,543</u>
Profit/(Loss) for the quarter			
Total expenses	(64,346)	(41,291)	(105,637)
Finance costs	(2)	(152)	(154)
Profit/(Loss) before taxation	<u>473</u>	<u>(3,721)</u>	<u>(3,248)</u>
Taxation	271	451	722
Profit/(Loss) after taxation for the quarter	<u>744</u>	<u>(3,270)</u>	<u>(2,526)</u>
Other comprehensive income for the quarter, net of tax	-	-	-
Total comprehensive income/(loss) for the quarter	<u><u>744</u></u>	<u><u>(3,270)</u></u>	<u><u>(2,526)</u></u>

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	<u>59,940</u>	<u>28,076</u>	<u>88,016</u>
Profit for the quarter			
Total expenses	(58,542)	(27,152)	(85,694)
Finance costs	(38)	(40)	(78)
Profit before taxation	<u>1,360</u>	<u>884</u>	<u>2,244</u>
Taxation	(210)	(485)	(695)
Profit after taxation for the quarter	<u>1,150</u>	<u>399</u>	<u>1,549</u>
Other comprehensive income for the quarter, net of tax	-	-	-
Total comprehensive income for the quarter	<u><u>1,150</u></u>	<u><u>399</u></u>	<u><u>1,549</u></u>



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A8 Operating segment information (Cont'd)

Segment performance for the year-to-date ended 30 June 2024 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	129,020	95,876	224,896
Inter-segment revenue	(4,077)	(29,654)	(33,731)
Revenue from external customers	124,943	66,222	191,165
Profit/(Loss) for the period			
Total expenses	(122,709)	(68,959)	(191,668)
Finance costs	(4)	(226)	(230)
Profit/(Loss) before taxation	2,230	(2,963)	(733)
Taxation	(190)	252	62
Profit/(Loss) after taxation for the period	2,040	(2,711)	(671)
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income/(loss) for the period	2,040	(2,711)	(671)

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 taxation	1,097	5,121	6,218
Taxation	(186)	(868)	(1,054)
Profit after taxation for the period	911	4,253	5,164
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	911	4,253	5,164



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A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 30 June 2024 are as follows:-

	<u>Trading</u> RM'000	<u>Manufacturing</u> RM'000	<u>Total</u> RM'000
Assets			
Segment assets	198,082	429,094	627,176
<u>Unallocated assets:</u>			
Cash and bank balances			<u>27,577</u>
Total assets			<u><u>654,753</u></u>
Liabilities			
Segment liabilities	13,368	17,158	30,526
<u>Unallocated liabilities:</u>			
Deferred tax liabilities			<u>5,190</u>
Total liabilities			<u><u>35,716</u></u>

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

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

A9 Material events subsequent to the end of the reporting period

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the interim condensed consolidated financial statements.

A10 Effects of changes in composition of the group

There were no changes in the composition of the Group during the second (2nd) quarter and year-to-date ended 30 June 2024.

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.



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A12 Capital commitments

Authorised capital commitments not recognised in the interim financial statements as at 30 June 2024 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	4,135
Approved but not contracted for	<u>2,526</u>
	<u><u>6,661</u></u>

A13 Related party transactions

Related party transactions for the quarter and year-to-date ended 30 June 2024 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>45</u>	<u>72</u>
Purchase of hardware products	1	1
Purchase of forklift	5	5
Rental expense	<u>415</u>	<u>831</u>
	<u><u>421</u></u>	<u><u>837</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 2024 was RM785,769.

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A15 Financial instruments

Group	As at 30 June 2024		
	Amortised cost	Fair value through profit or loss	Total
	RM'000	RM'000	RM'000
Financial assets			
Trade and other receivables, net of prepayments	103,002	-	103,002
Cash and bank balances	27,577	-	27,577
	<u>130,579</u>	<u>-</u>	<u>130,579</u>
Financial liabilities			
Trade and other payables	11,627	-	11,627
Borrowings	15,000	-	15,000
Lease liabilities	3,899	-	3,899
	<u>30,526</u>	<u>-</u>	<u>30,526</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.



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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	-	-	9,750	9,750	9,750
Derivative assets					
- Forward contracts	-	-	-	-	-
Liabilities measured at fair value					
Derivative liabilities					
- Forward contracts	-	-	-	-	-

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the year-to-date ended 30 June 2024.

(c) Derivative liabilities

Group	As at 30 June 2024		
	Contract / Notional amount	Assets	Liabilities
	RM'000	RM'000	RM'000
Forward currency contracts (USD)	-	-	-
Forward currency contracts (SGD)	-	-	-



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A15 Financial instruments (Cont'd)

(c) Derivative 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 2024, the Group recognised a gain of RM12,000 arising for 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 2024 stood at RM3.16, a marginal decrease of 0.3% compared to RM3.17 as at 31 December 2023 mainly due to the losses incurred for the year-to-date ended 30 June 2024.



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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 RM102.5 million for the quarter ended 30.06.2024 (“2Q 2024”), which strengthened by RM14.5 million (16%) as compared with revenue of RM88.0 million recorded in the previous year quarter ended 30.06.2023 (“2Q 2023”). The stronger revenue performance was attributed to higher contribution from both the manufacturing and trading segments.

Despite the stronger revenue trend, the Group recorded a loss before taxation of RM3.2 million for 2Q 2024 as compared with a profit before taxation of RM2.2 million recorded in 2Q 2023. This was mainly due to weaker average selling prices coupled with higher average raw material costs as well as higher factory overheads costs compressing margins. Profitability was further impacted by the absence of realised foreign exchange gains, where RM1.3 million was recorded for 2Q 2023.

The performance of the respective operating business segments of the Group for 2Q 2024 as compared with 2Q 2023 are analysed as follows:

Manufacturing

The manufacturing operations' revenue expanded by 34% to RM37.7 million in 2Q 2024, from RM28.1 million recorded in 2Q 2023. This was attributed to stronger sales volume.

Trading

The trading operations' revenue improved by 8% to RM64.8 million in 2Q 2024 as compared with RM59.9 million recorded in 2Q 2023. This was mainly due to higher sales volume.

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

For the year-to-date ended 30.06.2024 (“YTD 2Q 2024”), the Group recorded revenue of RM191.2 million, which declined marginally by 0.8% as compared with revenue of RM192.8 million recorded in the previous year-to-date ended 30.06.2023 (“YTD 2Q 2023”). The weaker performance was mainly due to lower revenue contribution from the trading segment amid a challenging operating environment.

In tandem with the softer revenue trend, compressed profit margins impacted by lackluster average selling prices and higher factory overheads costs, the Group recorded a loss before taxation of RM0.7 million for YTD 2Q 2024 as compared with a profit before taxation of RM6.2 million in YTD 2Q 2023. Additionally, YTD 2Q 2024 recorded a lower net inventory write back of RM0.8 million as compared with RM8.3 million for YTD 2Q 2023.

The performance of the respective operating business segments of the Group for YTD 2Q 2024 as compared with YTD 2Q 2023 are analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM66.2 million for YTD 2Q 2024, which improved by 3% as compared with RM64.0 million recorded in YTD 2Q 2023. This was attributed to higher sales volume offsetting weaker 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 RM125.0 million for YTD 2Q 2024, which eased by 3% as compared with RM128.8 million recorded in YTD 2Q 2023. The decrease was mainly due to lower market demand and weaker average selling prices.

B2 Comparison with preceding quarter's results

The Group's revenue for 2Q 2024 increased to RM102.5 million from RM88.6 million achieved in 1Q 2024 mainly due to the pickup in sales volume.

However, the Group recorded a loss before taxation of RM3.2 million for 2Q 2024 as compared with a profit before taxation of RM2.5 million recorded in 1Q 2024, mainly due to compressed profit margins on the back of weaker average selling prices, higher average raw material costs and higher factory overheads costs.

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

a) Prospects for 2024

The current downward trend of global steel demand is expected to improve with an upward trajectory in the remaining months of the year. Slower steel consumption from China, where decline in real estate investment is offset by growth from infrastructure investment and manufacturing sectors, is expected to be lifted by stronger demand from India and the US on the back of healthy investment activities.

The local steel industry on the other hand, continues to be affected by the challenging global steel industry dynamics, in addition to the country's own economic and steel industry challenges. With the two-year moratorium on steel investments still in place, key drivers for the steel industry's growth and resilience remains largely dependent on the revitalisation of the construction sector driven by steady rollout of major infrastructure projects and a vibrant private sector construction sector, backed by massive investment in new semiconductor foundries and data centres.

To be resilient amid the challenges, the Group remains focused on prudent procurement strategies, effective inventory management, improving operational efficiency, employing costs optimisation strategies as well as widening its business network nationwide.

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 Taxation

Tax charges comprise:

	Current year quarter	Current year-to-date
	RM'000	RM'000
Income tax		
- current quarter/year-to-date	337	741
- under provision in prior quarter/year-to-date	-	(19)
Deferred tax		
- current quarter/year-to-date	(1,059)	(784)
Taxation	<u>(722)</u>	<u>(62)</u>

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 and year-to-date ended 30 June 2024 is lower than the statutory tax rate mainly due to the recognition of deferred tax assets for unabsorbed capital allowances and current year 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 2024 are as follows:

Short-term borrowings

	RM'000	
Bankers' acceptances	10,000	Unsecured
Trust receipts	5,000	Unsecured
	<u>15,000</u>	

Borrowings are denominated in the following currencies:

	RM'000	
- Ringgit Malaysia	15,000	Unsecured
	<u>15,000</u>	

The Group has no debt securities as at 30 June 2024.

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

The Board of Directors have recommended a final single tier dividend of 0.5 sen per ordinary share (2022: final single tier dividend of 2.5 sen per ordinary share) amounting to RM980,000 in respect of the financial year ended 31 December 2023. The proposed final dividend was approved by shareholders at the Annual General Meeting held on 20 June 2024 and was paid on 2 August 2024 to shareholders registered at the close of business on 19 July 2024.



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B11 (Loss)/Earnings per share

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

		Quarter ended		Year-to-date ended	
		<u>30.06.2024</u>	<u>30.06.2023</u>	<u>30.06.2024</u>	<u>30.06.2023</u>
(Loss)/Profit attributable to the equity holders of the parent	(RM'000)	(2,526)	1,549	(671)	5,164
Weighted average number of ordinary shares in issue	('000)	196,093	196,093	196,093	196,093
Basic (loss)/earnings per ordinary share	(sen)	(1.29)	0.79	(0.34)	2.63

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

There are no potential dilutive ordinary shares during the quarter and year-to-date ended 30 June 2024. Accordingly, the diluted (loss)/earnings per ordinary share is not presented.

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B12 Other income

	Quarter ended		Year-to-date ended	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	RM'000	RM'000	RM'000	RM'000
Bad debts recovered	-	-	5	-
Fair value adjustments on derivative financial instruments	-	-	12	1,047
Gain on disposal of other investment	-	50	-	50
Interest on:				
Customer overdue accounts	123	26	239	17
Short term deposits	115	250	253	627
Trade compensation	16	-	16	-
Rental income	218	129	347	263
Realised gain on foreign exchange transactions	-	1,271	29	-
Net unrealised gain on foreign exchange transactions	68	171	143	182
Others	-	1	1	1
	<u>540</u>	<u>1,898</u>	<u>1,045</u>	<u>2,187</u>
Other Losses:				
Fair value adjustments on derivative financial instruments	-	(14)	-	-
Loss on disposals of property, plant and equipment	(16)	(172)	(55)	(174)
Property, plant and equipment written off	-	-	-	(2)
Realised loss on foreign exchange transactions	(164)	-	(169)	(26)

B13 Authorisation for issue

The interim financial statements were authorised on 22 August 2024 for issue by the Board of Directors.