



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE FIRST
FINANCIAL QUARTER ENDED 31 MARCH 2021

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

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 31.03.2021 (Unaudited) RM'000	Preceding year corresponding quarter ended 31.03.2020 (Unaudited) RM'000	Current year-to-date 31.03.2021 (Unaudited) RM'000	Preceding year-to-date 31.03.2020 (Unaudited) RM'000
Revenue		135,874	75,370	135,874	75,370
Cost of sales:					
Factory and production cost		(91,011)	(66,133)	(91,011)	(66,133)
Factory depreciation		(1,364)	(1,320)	(1,364)	(1,320)
Gross profit		43,499	7,917	43,499	7,917
Other income	B12	495	2,189	495	2,189
Depreciation and amortisation		(685)	(665)	(685)	(665)
Administrative expenses		(4,387)	(2,549)	(4,387)	(2,549)
Selling and distribution expenses		(2,865)	(2,863)	(2,865)	(2,863)
Finance costs		(5)	-	(5)	-
Profit before taxation		36,052	4,029	36,052	4,029
Taxation	B6	(8,692)	(405)	(8,692)	(405)
Profit after taxation		27,360	3,624	27,360	3,624
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		27,360	3,624	27,360	3,624
Profit attributable to:					
Owners of the parent		27,360	3,624	27,360	3,624
Total comprehensive income attributable to:					
Owners of the parent		27,360	3,624	27,360	3,624
Earnings per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	20.93	2.77	20.93	2.77
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 2020 and the accompanying explanatory notes attached to the interim financial statements).



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	As at 31.03.2021 (Unaudited) RM'000	As at 31.12.2020 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		139,584	140,390
Investment properties		1,698	1,698
Right-of-use assets		20,830	21,159
Deferred tax assets		105	71
		<u>162,217</u>	<u>163,318</u>
Current Assets			
Inventories		179,870	164,229
Trade and other receivables		141,099	118,552
Derivative assets		58	60
Other investments		40,735	40,796
Current tax assets		-	1,606
Cash and bank balances		62,126	62,544
		<u>423,888</u>	<u>387,787</u>
TOTAL ASSETS		<u><u>586,105</u></u>	<u><u>551,105</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		417,258	389,898
TOTAL EQUITY		<u>547,487</u>	<u>520,127</u>
LIABILITIES			
Non-current Liabilities			
Lease liabilities		2,298	2,533
Deferred tax liabilities		9,482	9,858
		<u>11,780</u>	<u>12,391</u>
Current Liabilities			
Trade and other payables		18,132	12,304
Borrowings	B8	-	5,000
Lease liabilities		947	955
Derivative liabilities		106	-
Current tax liabilities		7,653	328
		<u>26,838</u>	<u>18,587</u>
TOTAL LIABILITIES		<u>38,618</u>	<u>30,978</u>
TOTAL EQUITY AND LIABILITIES		<u><u>586,105</u></u>	<u><u>551,105</u></u>
		RM	RM
Net Assets per Share Attributable to Owners of the Company	A16	<u>4.19</u>	<u>3.98</u>

(The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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
31 MARCH 2021 (UNAUDITED)

	31.03.2021 (Unaudited)	31.03.2020 (Unaudited)
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	36,052	4,029
Adjustments for :-		
Depreciation of property, plant and equipment	1,722	1,682
Depreciation of right-of-use assets	327	303
Dividend income received from other investments	(78)	(174)
Fair value adjustments on derivative financial instruments	107	(449)
Fair value adjustments on other investments	139	(5)
Loss/(Gain) on disposal of property, plant and equipment	105	(33)
Impairment losses on trade receivables	172	7
Interest expense	5	-
Interest on lease liabilities	4	27
Interest income on overdue accounts	(22)	(83)
Interest income	(166)	(343)
Inventories written down/(back)	8	(1,517)
Reversal of impairment losses on trade receivables	-	(208)
Unrealised loss/(gain) on foreign exchange transactions, net	30	(820)
Operating profit before changes in working capital	<u>38,405</u>	<u>2,416</u>
Changes in working capital		
Inventories	(15,649)	(10,184)
Trade and other receivables	(22,793)	13,133
Trade and other payables	5,834	(5,066)
Cash flows generated from operations	<u>5,797</u>	<u>299</u>
Interest received	22	83
Tax paid	(171)	(667)
Net cash flows from/(used in) operating activities	<u>5,648</u>	<u>(285)</u>
Cash Flows From Investing Activities		
Interest received	166	343
Purchase of property, plant and equipment	(1,090)	(165)
Purchase of right-of-use assets	-	(20)
Proceeds from disposal of property, plant and equipment	69	33
Net cash flows (used in)/from investing activities	<u>(855)</u>	<u>191</u>



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 31 MARCH 2021 (UNAUDITED) (CONT'D)

	31.03.2021 (Unaudited) <u>RM'000</u>	31.03.2020 (Unaudited) <u>RM'000</u>
Cash Flows From Financing Activities		
Interest paid	(5)	-
Short term borrowings		
- Repayments	(5,000)	-
Repayment of lease interest	(4)	(27)
Repayment of lease liability	(243)	(219)
Net cash flows used in financing activities	<u>(5,252)</u>	<u>(246)</u>
Net decrease in cash and cash equivalents	(459)	(340)
Effect of exchange rate changes on cash and cash equivalents	41	448
Cash and cash equivalents at beginning of the period	62,328	62,299
Cash and cash equivalents at end of the period	<u><u>61,910</u></u>	<u><u>62,407</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	42,989	37,828
Repo	-	-
Deposits with licensed banks	18,921	24,579
Deposits pledged to licensed banks	216	210
As per balance sheet	<u>62,126</u>	<u>62,617</u>
Less : Deposits pledged to licensed banks	(216)	(210)
Cash and cash equivalents at end of the period	<u><u>61,910</u></u>	<u><u>62,407</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 2020 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	Retained Earnings RM '000	
Balance as at 1 January 2021	131,691	(1,462)	1,186	388,712	520,127
Profit for the year	-	-	-	27,360	27,360
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	27,360	27,360
Transactions with owners					
Dividends paid (Note A7)	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 31 March 2021	131,691	(1,462)	1,186	416,072	547,487
Balance as at 1 January 2020	131,691	(1,462)	1,186	369,229	500,644
Profit for the year	-	-	-	3,624	3,624
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	3,624	3,624
Transactions with owners					
Dividends paid	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 31 March 2020	131,691	(1,462)	1,186	372,853	504,268

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 2020 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 2020, except for the adoption of the MFRSs, Amendments and Annual Improvements to Standards effective as of 1 January 2021.

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

MFRSs, Amendments and Annual Improvements to MFRSs and IC Interpretations	Effective for annual periods beginning on or after
Amendments to MFRS 16 : Leases – Covid 19 Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 : Interest Rate Benchmark Reform-Phase 2	1 January 2021

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 16 : Covid-19-Related rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 3 : Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116 : Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137 : Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018-2020 Cycle : Amendment to MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards : Amendment to MFRS 9 – Financial Instrument : Amendment to MFRS 141 - Agriculture	1 January 2022
MFRS 17 : Insurance Contracts	1 January 2023
Amendments to MFRS 17 : Insurance Contracts	1 January 2023
Amendments to MFRS 101 : Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 108 : Accounting policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
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 2020 was not qualified.

A3 Seasonality or cyclicity of operations

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

A4 Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group in the first (1st) quarter and financial year-to-date ended 31 March 2021.

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 first (1st) quarter and financial year-to-date ended 31 March 2021.



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

For the current quarter and financial year-to-date ended 31 March 2021, the Company did not repurchase any ordinary shares from the open market.

As at 31 March 2021, a total of 961,925 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 financial year-to-date ended 31 March 2021.

The Group's objectives of managing capital is to ensure that entities of the Group would be able to continue as going concerns in order to maximise returns to shareholders and to maintain the optimal capital structure, the Group may, in response to changes in economic conditions, adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

For capital management purposes, the Group considers shareholders' equity, non-controlling interests and long-term liabilities to be the key components in the Group's capital structure. The Group monitors capital on the basis of gearing ratio, which is net debt divided by total capital plus net debts.

The Group includes within net debt, loan and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the equity holders of the Group. The Group's strategy is to maintain a low gearing ratio.

The gearing ratios as at 31 March 2021 and 31 March 2020, which are within the Group's objectives for capital management, are as follows:

	As at 31.03.2021 RM'000	As at 31.03.2020 RM'000
Borrowings	-	-
Trade and other payables	18,132	4,604
Less : Cash and bank balances	(62,126)	(62,617)
Net cash	<u>(43,994)</u>	<u>(58,013)</u>
Total capital	547,487	504,268
Net cash	<u>(43,994)</u>	<u>(58,013)</u>
	<u>503,493</u>	<u>446,255</u>
Gearing ratio (%)	N/A	N/A

A7 Dividends paid

There were no dividends paid in the current financial quarter or financial year-to-date ended 31 March 2021.



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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 first (1st) quarter ended 31 March 2021 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	81,475	80,001	161,476
Inter-segment revenue	(1,798)	(23,804)	(25,602)
Revenue from external customers	<u>79,677</u>	<u>56,197</u>	<u>135,874</u>
Profit for the quarter			
Total expenses	(70,641)	(29,176)	(99,817)
Finance costs	-	(5)	(5)
Profit before tax	<u>9,036</u>	<u>27,016</u>	<u>36,052</u>
Taxation	(2,178)	(6,514)	(8,692)
Profit after tax for the quarter	<u><u>6,858</u></u>	<u><u>20,502</u></u>	<u><u>27,360</u></u>

Segment performance for the first (1st) quarter ended 31 March 2020 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	50,188	42,457	92,645
Inter-segment revenue	(964)	(16,311)	(17,275)
Revenue from external customers	<u>49,224</u>	<u>26,146</u>	<u>75,370</u>
Profit for the quarter			
Total expenses	(49,259)	(22,082)	(71,341)
Finance costs	-	-	-
(Loss)/profit before tax	<u>(35)</u>	<u>4,064</u>	<u>4,029</u>
Taxation	4	(409)	(405)
(Loss)/profit after tax for the quarter	<u><u>(31)</u></u>	<u><u>3,655</u></u>	<u><u>3,624</u></u>



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A8 Operating segment information (Cont'd)

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

	<u>Trading</u> RM'000	<u>Manufacturing</u> RM'000	<u>Total</u> RM'000
Assets			
Segment assets	225,714	298,102	523,816
<u>Unallocated assets:</u>			
Deferred tax assets			105
Derivative assets			58
Cash and bank balances			62,126
Total assets			<u>586,105</u>
Liabilities			
Segment liabilities	14,393	14,637	29,030
<u>Unallocated liabilities:</u>			
Derivative liabilities			106
Deferred tax liabilities			9,482
Total liabilities			<u>38,618</u>

Segment assets and liabilities as at 31 March 2020 are as follows:-

	<u>Trading</u> RM'000	<u>Manufacturing</u> RM'000	<u>Total</u> RM'000
Assets			
Segment assets	177,824	279,631	457,455
<u>Unallocated assets:</u>			
Deferred tax assets			228
Cash and bank balances			62,617
Total assets			<u>520,300</u>
Liabilities			
Segment liabilities	4,059	1,693	5,752
<u>Unallocated liabilities:</u>			
Deferred tax liabilities			10,280
Total liabilities			<u>16,032</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.



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A10 Effects of changes in composition of the group

There were no changes in the composition of the Group during the first (1st) quarter and year-to-date ended 31 March 2021.

A11 Contingent assets and contingent liabilities

Apart from the corporate guarantees given to financial institution for banking facilities and corporate guarantee given to a third party in respect to sales of good to a subsidiary, there were no other contingent liabilities or contingent assets at the date of issue of the quarterly report. The fair value of such financial corporate guarantees are negligible as the likelihood of the Group defaulting on the financial facilities and repayment to third party suppliers are not possible.

A12 Capital commitments

Authorised capital commitments not recognised in the interim financial statements as at 31 March 2021 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	37,937
Approved but not contracted for	<u>33,260</u>
	<u><u>71,197</u></u>

A13 Related party transactions

Related party transactions for the quarter ended 31 March 2021 under review in which certain directors have direct/indirect interest are as follows:

	Group	
	Current year quarter	Current financial year-to-date
	<u>RM'000</u>	<u>RM'000</u>
Sales of steel products	<u>1,430</u>	<u>1,430</u>
Rental expense	(246)	(246)
Piling works services	<u>(172)</u>	<u>(172)</u>
	<u><u>(418)</u></u>	<u><u>(418)</u></u>

These transactions have been entered into in the normal course of business and are at arm's length basis and on terms no more favourable to the related party than those generally available to the public.

A14 Write down of inventories to net realisable values

Total net inventories written down to either net realisable value or replacement cost for the financial year-to-date ended 31 March 2021 was RM8,240.



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A15 Financial instruments

Group	As at 31 March 2021		
	Fair value		
	Amortised cost	through profit	Total
	or loss	RM'000	RM'000
	RM'000	RM'000	RM'000
Financial assets			
Trade and other receivables, net of prepayments	136,765	-	136,765
Derivative assets	-	58	58
Other investments	-	40,735	40,735
Cash and bank balances	62,126	-	62,126
	<u>198,891</u>	<u>40,793</u>	<u>239,684</u>
Financial liabilities			
Trade and other payables	18,132	-	18,132
Derivative liabilities	-	106	106
	<u>18,132</u>	<u>106</u>	<u>18,238</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 fair value.

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value due to their short-term nature.

- ii. Derivatives

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of the reporting period applied to a contract of similar amount and maturity profile.

- iii. Quoted investments

The fair value of quoted investments in Malaysia is determined by reference to the exchange quoted market bid prices at the close of the business on the end of the reporting period.



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A15 Financial instruments (Cont'd)

(b) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price of the residual maturity of the contract using a risk-free interest rate (based on Government bonds).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables set-out the financial instruments carried at fair value is disclosed, together with their fair values and carrying amounts showed in the statement of financial position.

Group	Level 1	Level 2	Level 3	Total	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets measured at fair value					
Investment properties	-	-	1,698	1,698	1,698
Derivative assets					
- Forward contracts	-	58	-	58	58
Other investments	40,735	-	-	40,735	40,735
Liabilities measured at fair value					
Derivative liabilities					
- Forward contracts	-	106	-	106	106

here were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial year-to-date ended 31 March 2021.

(c) Derivative assets/liabilities

Group	As at 31 March 2021		
	Contract / Notional amount	Assets	Liabilities
	RM'000	RM'000	RM'000
Forward currency contracts (USD)	14,478	58	-
Forward currency contracts (SGD)	15,647	-	106



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A15 Financial instruments (Cont'd)

(c) Derivative assets (Cont'd)

- i. The Group use forward currency contracts to manage some of the transaction exposure. These contracts are not designate as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.
- ii. Forward currency contracts are used to hedge the Group's purchases denominated in USD and sales denominated in SGD for which firm commitments existed at the reporting date, extending to December 2021.
- iii. For the financial year-to-date ended 31 March 2021, the Group recognised a loss of RM107,000 arising from fair value changes of derivatives. The fair value changes are attributable to changes in foreign exchange spot and forward rates.

A16 Net assets per share attributable to owners of the Company

Net assets per share ("NAPS") as at 31 March 2021 stood at RM4.19, an increase of 5.3% compared to RM3.98 as at 31 December 2020 mainly due to higher profit earned for the financial period ended 31 March 2021.



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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 RM135.9 million for the quarter ended 31.03.2021 (“1Q 2021”), which grew by RM60.5 million (80%) compared to revenue of RM75.4 million for the quarter ended 31.03.2020 (“1Q 2020”). The stronger performance was contributed by both the trading and manufacturing segments.

The Group’s profit before taxation soared to RM36.0 million for 1Q 2021 as compared to RM4.0 million recorded in 1Q 2020, largely due to heightened average selling prices boosting margins.

The performance of the respective operating business segments of the Group for 1Q 2021 as compared to 1Q 2020 are analysed as follows:

Manufacturing

The manufacturing operations’ revenue swelled 115% to RM56.2 million in 1Q 2021 from RM26.2 million in 1Q 2020. This was attributed to the surge in average selling prices brought about by the global shortage of steel making raw materials in the market as a result of the ongoing Covid-19 pandemic.

Trading

The trading operations’ revenue rose 62% to RM79.7 million in 1Q 2021 from RM49.2 million recorded in 1Q 2020. The stronger performance was mainly due to the recovery in construction activities supporting steel demand and stronger average selling prices.

B2 Comparison with preceding quarter’s results

The Group’s revenue for 1Q 2021 climbed to RM135.9 million as compared with RM113.4 million achieved in 4Q 2020. The improvement in performance was mainly due to heightened average selling prices strengthening margins.

In tandem with the upward revenue trend and stronger margins, the Group recorded a profit before taxation of RM36.0 million for 1Q 2021 as compared to RM14.6 million for 4Q 2020.



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

a) Prospects for 2021

Global steel prices have soared upwards tremendously as iron ore continues to record protracted highs. Further impetus driving steel prices were attributed to stronger demand led by China, yet steel supply remains inadequate due to logistics delays (global container shortage) and mill capacity issues attributed to the Covid-19 pandemic. Steel prices are expected to continue riding this tailwind until the situation normalises.

On the domestic front, steel prices mirrored the international price uptrend on the back of supply shortage and higher raw materials cost. Despite lower construction activities impacting demand, profit margins have expanded in tandem with the heightened prices by all manufacturers. With the recent spike in the number of Covid-19 cases and reimposition of the Movement Control Order (“MCO”) for several states/districts, this may put a damper further to construction activities. The revival of the construction sector and governmental infrastructure spending (Mass Rapid Transit Line 3 (“MRT 3”), Klang Valley First Phase Double Tracking Project, etc) remains crucial to drive demand growth for the local steel industry.

The Group will remain focused on its strategies to strengthen its position and improve on competitiveness and performance via higher productivity, operational efficiency and market share expansion. Barring any further adverse economic circumstances, the Group is optimistic of the prospects and will strive to achieve a commendable performance for financial year 2021.

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.

B6 Taxation

Tax charges comprise:

	Current year quarter RM'000	Current year-to-date RM'000
Income tax		
- current quarter/year-to-date	9,106	9,106
- over provision in prior quarter/year	(3)	(3)
Deferred tax		
- current quarter/year-to-date	(411)	(411)
Tax expense	<u>8,692</u>	<u>8,692</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 financial year-to-date ended 31 March 2021 is slightly higher than the statutory tax rate mainly due to the effect of expenses non-deductible for tax purposes.



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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 utilization of proceeds raised from any corporate proposal
Not applicable.

B8 Group borrowings and debt securities
The Group has no borrowings nor debt securities as at 31 March 2021.

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 proposed
There were no dividend proposed in the current quarter.

B11 Earnings per share
(a) Basic earnings per ordinary share

		3 months ended	
		31.03.2021	31.03.2020
Profit attributable to the equity holders of the parent	(RM'000)	27,360	3,624
Weighted average number of ordinary shares in issue	('000)	130,729	130,729
Basic earnings per ordinary share	(sen)	20.93	2.77

(b) Diluted earnings per ordinary share
There are no potential dilutive ordinary shares during the quarter. Accordingly, the diluted earnings per ordinary share is not presented.



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B12 Other income

	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Dividend income received from other investments	78	174
Fair value adjustments on derivative financial instruments	-	449
Fair value adjustments on other investments	-	5
Gain on disposal of property, plant and equipment	-	33
Impairment losses on trade receivables	-	(7)
Interest on :		
Customer overdue account	22	83
Short term deposits	166	343
Trade compensation	1	17
Rental income	125	147
Realised gain/(loss) on foreign exchange transactions	102	(82)
Reversal of impairment losses on trade receivables	-	208
Unrealised gain on foreign exchange transactions, net	-	820
Others	1	(1)
	<u>495</u>	<u>2,189</u>
Other Losses:		
Fair value adjustments on derivative financial instruments	(107)	-
Fair value adjustments on other investments	(139)	-
Loss on disposal of property, plant and equipment	(105)	-
Impairment losses on trade receivables	(172)	-
Unrealised loss on foreign exchange transactions, net	(30)	-

B13 Authorisation for issue

The interim financial statements were authorised on 21 May 2021 for issue by the Board of Directors.