



CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE SECOND
FINANCIAL QUARTER ENDED 30 JUNE 2021

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

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 30.06.2021 (Unaudited) RM'000	Preceding year corresponding quarter ended 30.06.2020 (Unaudited) RM'000	Current year-to-date 30.06.2021 (Unaudited) RM'000	Preceding year-to-date 30.06.2020 (Unaudited) RM'000
Revenue		97,638	46,072	233,512	121,442
Cost of sales:					
Factory and production cost		(60,614)	(40,299)	(151,625)	(106,432)
Factory depreciation		(1,372)	(1,338)	(2,736)	(2,658)
Gross profit		35,652	4,435	79,151	12,352
Other income	B12	842	807	1,066	2,996
Depreciation and amortisation		(673)	(648)	(1,358)	(1,313)
Administrative expenses		(3,580)	(2,627)	(7,696)	(5,176)
Selling and distribution expenses		(2,607)	(2,678)	(5,472)	(5,541)
Finance costs		(2)	(1)	(7)	(1)
Profit/(Loss) before taxation		29,632	(712)	65,684	3,317
Taxation	B6	(7,217)	1,074	(15,909)	669
Profit after taxation		22,415	362	49,775	3,986
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		22,415	362	49,775	3,986
Profit attributable to:					
Owners of the parent		22,415	362	49,775	3,986
Total comprehensive income attributable to:					
Owners of the parent		22,415	362	49,775	3,986
Earnings per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	17.15	0.28	38.08	3.05
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 30.06.2021 (Unaudited) RM'000	As at 31.12.2020 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		138,987	140,390
Investment properties		1,698	1,698
Right-of-use assets		20,502	21,159
Deferred tax assets		88	71
		<u>161,275</u>	<u>163,318</u>
Current Assets			
Inventories		238,400	164,229
Trade and other receivables		145,796	118,552
Derivative assets		4	60
Other investments		41,140	40,796
Current tax assets		-	1,606
Cash and bank balances		26,622	62,544
		<u>451,962</u>	<u>387,787</u>
		<u>613,237</u>	<u>551,105</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital		131,691	131,691
Treasury shares		(1,462)	(1,462)
Reserves		435,751	389,898
		<u>565,980</u>	<u>520,127</u>
LIABILITIES			
Non-current Liabilities			
Lease liabilities		2,061	2,533
Deferred tax liabilities		9,104	9,858
		<u>11,165</u>	<u>12,391</u>
Current Liabilities			
Trade and other payables		12,540	12,304
Borrowings	B8	7,500	5,000
Lease liabilities		940	955
Derivative liabilities		64	-
Current tax liabilities		15,048	328
		<u>36,092</u>	<u>18,587</u>
		<u>47,257</u>	<u>30,978</u>
TOTAL LIABILITIES		<u>613,237</u>	<u>551,105</u>
TOTAL EQUITY AND LIABILITIES		<u>613,237</u>	<u>551,105</u>
		RM	RM
Net Assets per Share Attributable to Owners of the Company	A16	<u>4.33</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
30 JUNE 2021 (UNAUDITED)

	30.06.2021 (Unaudited) <u>RM'000</u>	30.06.2020 (Unaudited) <u>RM'000</u>
Cash Flows From Operating Activities		
Profit before taxation	65,684	3,317
Adjustments for :-		
Bad debts recovered	-	(1)
Depreciation of property, plant and equipment	3,439	3,365
Depreciation of right-of-use assets	655	606
Dividend income received from other investments	(159)	(340)
Fair value adjustments on derivative financial instruments	120	(154)
Fair value adjustments on other investments	(185)	13
Loss/(Gain) on disposal of property, plant and equipment	139	(33)
Impairment losses on trade receivables	201	7
Interest expense	7	1
Interest on lease liabilities	5	54
Interest income on overdue accounts	(57)	(243)
Interest income	(250)	(561)
Inventories written down/(back)	34	(400)
Property, plant and equipment written off	1	-
Reversal of impairment losses on trade receivables	(127)	(428)
Unrealised gain on foreign exchange transactions, net	(23)	(463)
Operating profit before changes in working capital	<u>69,484</u>	<u>4,740</u>
Changes in working capital		
Inventories	(74,205)	(22,978)
Trade and other receivables	(27,325)	34,264
Trade and other payables	(3,685)	(813)
Cash flows (used in)/from operations	<u>(35,731)</u>	<u>15,213</u>
Interest received	57	243
Tax paid	(354)	(667)
Net cash flows (used in)/from operating activities	<u>(36,028)</u>	<u>14,789</u>
Cash Flows From Investing Activities		
Increase in deposits pledged to licensed banks	-	(12)
Interest received	250	561
Purchase of property, plant and equipment	(2,351)	(3,465)
Purchase of right-of-use assets	-	(20)
Proceeds from disposal of property, plant and equipment	175	33
Net cash flows used in investing activities	<u>(1,926)</u>	<u>(2,903)</u>



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 30 JUNE 2021 (UNAUDITED) (CONT'D)

	30.06.2021 (Unaudited) RM'000	30.06.2020 (Unaudited) RM'000
Cash Flows From Financing Activities		
Interest paid	(7)	(1)
Short term borrowings		
- Repayments	(5,000)	-
- Drawdowns	7,500	11,100
Repayment of lease interest	(5)	(54)
Repayment of lease liability	(486)	(438)
Net cash flows from financing activities	<u>2,002</u>	<u>10,607</u>
Net (decrease)/increase in cash and cash equivalents	(35,952)	22,493
Effect of exchange rate changes on cash and cash equivalents	36	486
Cash and cash equivalents at beginning of the period	<u>62,328</u>	<u>62,235</u>
Cash and cash equivalents at end of the period	<u><u>26,412</u></u>	<u><u>85,214</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	26,412	39,093
Deposits with licensed banks	-	46,121
Deposits pledged to licensed banks	210	222
As per balance sheet	<u>26,622</u>	<u>85,436</u>
Less : Deposits pledged to licensed banks	<u>(210)</u>	<u>(222)</u>
Cash and cash equivalents at end of the period	<u><u>26,412</u></u>	<u><u>85,214</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 ----- >			<u>Distributable</u>	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	-	-	-	49,775	49,775
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	49,775	49,775
Transactions with owners					
Dividends payable (Note B10)	-	-	-	(3,922)	(3,922)
Total transactions with owners	-	-	-	(3,922)	(3,922)
Balance as at 30 June 2021	131,691	(1,462)	1,186	434,565	565,980
Balance as at 1 January 2020	131,691	(1,462)	1,186	369,229	500,644
Profit for the year	-	-	-	3,986	3,986
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	3,986	3,986
Transactions with owners					
Dividends paid	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 30 June 2020	131,691	(1,462)	1,186	373,215	504,630

(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 : Leases - 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 and Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108 : Accounting policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112 : Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 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 second (2nd) quarter and financial year-to-date ended 30 June 2021.



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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 financial year-to-date ended 30 June 2021.

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

For the current quarter and financial year-to-date ended 30 June 2021, the Company did not repurchase any ordinary shares from the open market.

As at 30 June 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 30 June 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 30 June 2021 and 30 June 2020, which are within the Group's objectives for capital management, are as follows:

	As at 30.06.2021 RM'000	As at 30.06.2020 RM'000
Borrowings	7,500	11,100
Trade and other payables	12,540	9,233
Less : Cash and bank balances	<u>(26,622)</u>	<u>(85,436)</u>
Net cash	<u>(6,582)</u>	<u>(65,103)</u>
Total capital	565,980	504,630
Net cash	<u>(6,582)</u>	<u>(65,103)</u>
	<u>559,398</u>	<u>439,527</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 30 June 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 second (2nd) quarter ended 30 June 2021 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	63,611	45,145	108,756
Inter-segment revenue	(2,458)	(8,660)	(11,118)
Revenue from external customers	61,153	36,485	97,638
Profit for the quarter			
Total expenses	(48,339)	(19,665)	(68,004)
Finance costs	(2)	-	(2)
Profit before tax	12,812	16,820	29,632
Taxation	(3,114)	(4,103)	(7,217)
Profit after tax for the quarter	9,698	12,717	22,415

Segment performance for the second (2nd) quarter ended 30 June 2020 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	30,745	25,316	56,061
Inter-segment revenue	(1,200)	(8,789)	(9,989)
Revenue from external customers	29,545	16,527	46,072
Profit for the quarter			
Total expenses	(30,669)	(16,114)	(46,783)
Finance costs	-	(1)	(1)
(Loss)/Profit before tax	(1,124)	412	(712)
Taxation	(237)	1,311	1,074
(Loss)/Profit after tax for the quarter	(1,361)	1,723	362



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A8 Operating segment information (Cont'd)

Segment performance for the financial year-to-date ended 30 June 2021 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	145,086	125,146	270,232
Inter-segment revenue	(4,256)	(32,464)	(36,720)
Revenue from external customers	140,830	92,682	233,512
Profit for the period			
Total expenses	(118,980)	(48,841)	(167,821)
Finance costs	(2)	(5)	(7)
Profit before tax	21,848	43,836	65,684
Taxation	(5,292)	(10,617)	(15,909)
Profit after tax for the period	16,556	33,219	49,775

Segment performance for the financial year-to-date ended 30 June 2020 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	80,933	67,773	148,706
Inter-segment revenue	(2,164)	(25,100)	(27,264)
Revenue from external customers	78,769	42,673	121,442
Profit for the period			
Total expenses	(79,927)	(38,197)	(118,124)
Finance costs	-	(1)	(1)
(Loss)/Profit before tax	(1,158)	4,475	3,317
Taxation	(233)	902	669
(Loss)/Profit after tax for the period	(1,391)	5,377	3,986



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A8 Operating segment information (Cont'd)

Segment assets and liabilities as at 30 June 2021 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	241,474	345,049	586,523
<u>Unallocated assets:</u>			
Deferred tax assets			88
Derivative assets			4
Cash and bank balances			26,622
Total assets			<u>613,237</u>
Liabilities			
Segment liabilities	17,399	20,690	38,089
<u>Unallocated liabilities:</u>			
Derivative liabilities			64
Deferred tax liabilities			9,104
Total liabilities			<u>47,257</u>

Segment assets and liabilities as at 30 June 2020 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Assets			
Segment assets	161,319	288,566	449,885
<u>Unallocated assets:</u>			
Deferred tax assets			7
Derivative assets			19
Cash and bank balances			85,436
Total assets			<u>535,347</u>
Liabilities			
Segment liabilities	8,245	13,017	21,262
<u>Unallocated liabilities:</u>			
Derivative liabilities			86
Deferred tax liabilities			9,369
Total liabilities			<u>30,717</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 second (2nd) quarter and financial year-to-date ended 30 June 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 30 June 2021 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	37,838
Approved but not contracted for	<u>27,378</u>
	<u><u>65,216</u></u>

A13 Related party transactions

Related party transactions for the second (2nd) quarter and financial year-to-date 30 June 2021 under review in which certain directors have direct/indirect interest are as follows:

	Group	
	Current year	Current
	quarter	financial year-
	<u>RM'000</u>	<u>to-date</u>
	RM'000	RM'000
Sales of steel products	<u>1,195</u>	<u>2,667</u>
Rental expense	(246)	(491)
Piling works services	(131)	(303)
Sawn timber and hardware trading	<u>(1)</u>	<u>(2)</u>
	<u><u>(378)</u></u>	<u><u>(796)</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 30 June 2021 was RM34,347.



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A15 Financial instruments

Group	As at 30 June 2021		
	Fair value		
	Amortised cost	through profit	Total
	RM'000	or loss	RM'000
	RM'000	RM'000	RM'000
Financial assets			
Trade and other receivables, net of prepayments	137,175	-	137,175
Derivative assets	-	4	4
Other investments	-	41,140	41,140
Cash and bank balances	26,622	-	26,622
	163,797	41,144	204,941
	163,797	41,144	204,941
	Amortised cost	through profit	Total
	RM'000	or loss	RM'000
	RM'000	RM'000	RM'000
Financial liabilities			
Trade and other payables	12,540	-	12,540
Derivative liabilities	-	7,500	7,500
	12,540	7,500	20,040
	12,540	7,500	20,040

(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	-	4	-	4	4
Other investments	41,140	-	-	41,140	41,140
Liabilities measured at fair value					
Derivative liabilities					
- Forward contracts	-	64	-	64	64

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial year-to-date ended 30 June 2021.

(c) Derivative assets/liabilities

Group	As at 30 June 2021		
	Contract /		
	Notional	Assets	Liabilities
	amount	RM'000	RM'000
	RM'000	RM'000	RM'000
Forward currency contracts (USD)	10,270	4	9
Forward currency contracts (SGD)	9,219	-	55



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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 30 June 2021, the Group recognised a loss of RM120,000 arising from fair value changes of derivatives. The fair value changes are attributable to changes in foreign exchange spot and forward rates.

A16 Net assets per share attributable to owners of the Company

Net assets per share ("NAPS") as at 30 June 2021 stood at RM4.33, an increase of 8.8% compared to RM3.98 as at 31 December 2020 mainly due to higher profit earned for the financial year-to-date ended 30 June 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 RM97.6 million for the quarter ended 30.06.2021 (“2Q 2021”), which grew by RM51.5 million (112%) compared to revenue of RM46.1 million for the quarter ended 30.06.2020 (“2Q 2020”). The robust performance was contributed by both the trading and manufacturing segments, which cushioned the impact from the standstill of business operations in June 2021 as a result of the Full Movement Control Order (“FMCO”).

With the stronger revenue trajectory, the Group's profit before taxation soared to RM29.6 million for 2Q 2021 as compared to a loss before taxation of RM0.7 million recorded in 2Q 2020, catalysed by heightened average selling prices boosting margins.

The performance of the respective operating business segments of the Group for 2Q 2021 as compared to 2Q 2020 are analysed as follows:

Manufacturing

The manufacturing operations' revenue swelled 121% to RM36.5 million in 2Q 2021, from RM16.5 million in 2Q 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 106% to RM61.1 million in 2Q 2021 from RM29.6 million recorded in 2Q 2020. The stronger performance was mainly due to stronger average selling prices and the recovery in construction activities for the months of April and May 2021, supporting steel demand.

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

For the financial year-to-date ended 30.06.2021 (“YTD 2Q 2021”), the Group recorded revenue of RM233.5 million, which increased by RM112.1 million (92%) as compared to revenue of RM121.4 million recorded for the financial year-to-date ended 30.06.2020 (“YTD 2Q 2020”). The stronger performance was supported by both the trading and manufacturing segments on the back of higher sales demand.

Despite the full lockdown for the month of June 2021 affecting business activities, the Group managed to record a commendable profit before taxation of RM65.7 million for YTD 2Q 2021 as compared to RM3.3 million for YTD 2Q 2020, largely due to heightened average selling prices boosting margins for the months of April and May 2021.



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B1 Operating segments review (Cont'd)

b) Current year-to-date vs. Previous year-to-date (Cont'd)

The performance of the respective operating business segments of the Group for YTD 2Q 2021 as compared to YTD 2Q 2020 are analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM92.7 million for YTD 2Q 2021, which expanded by 118% as compared to RM42.6 million in YTD 2Q 2020. The stronger performance was underpinned by elevated average selling prices brought about by the global shortage of steel making raw materials and stronger steel demand.

Trading

The trading operations recorded revenue of RM140.8 million for YTD 2Q 2021, which grew by 79% as compared to RM78.8 million in YTD 2Q 2020. The improved performance was mainly supported by the recovery in construction activities lifting steel demand and stronger average selling prices.

B2 Comparison with preceding quarter's results

The Group's revenue for 2Q 2021 retreated to RM97.6 million as compared with RM135.9 million achieved in 1Q 2021. The weaker performance was mainly attributed to the Group taking in the full brunt of the FMCO in June 2021 impacting sales demand.

In tandem with the downward revenue trend, the Group recorded a lower profit before taxation of RM29.6 million for 2Q 2021 as compared to RM36.1 million for 1Q 2021.

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

a) Prospects for 2021

After months of international steel price rally, then peaking at record levels in the first half of 2021, prices have retreated recently amidst softening demand and market sentiment due to the resurgence of Covid-19 outbreaks in regional economies. Despite the fluctuations, steel prices remain historically high as China moves to curb exports which will impact global steel supply. Additionally, supply stands affected due to the pandemic induced global shipping capacity shortage.

On the domestic front, local average selling prices have increased in tandem with the higher raw material prices. However, operations and business activities were severely hampered in the month of June because of the resurgence of Covid-19 infections resulting in a full lockdown, which was effective from 1 June till 28 June 2021, followed by Phase 1 of the National Recovery Plan ("NRP") till 4 July 2021. The Group's central operations and factory in Perak managed to resume operations on 5 July under Phase 2 of the NRP. Nonetheless, sales and demand remain subdued as majority of our customers in the Klang Valley region are still unable to operate amid the prolonged lockdown under Phase 1 of the NRP. Steel demand post lockdown will depend on the speedy resumption of construction activities and mega infrastructure projects, effectiveness of the Government's economic stimulus measures and completion of the national vaccination plan.

To remain resilient, the Group will continue focusing on prudent cost containment measures and inventory management policies, optimise operational efficiency and employ market share expansion strategies.

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.



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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	7,578	16,683
- over provision in prior quarter/year	-	(3)
Deferred tax		
- current quarter/year-to-date	(361)	(771)
Taxation	7,217	15,909

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 30 June 2021 is slightly higher than the statutory tax rate mainly due to the effect of expenses non-deductible for tax purposes.

B7 (a) Status of corporate proposals announced but not completed
 There were no corporate proposals at the date of issue of the quarterly report.

(b) Status of utilization of proceeds raised from any corporate proposal
 Not applicable.

B8 Group borrowings and debt securities
 Details of Group's borrowings as at 30 June 2021 are as follows:

Short-term borrowings

	RM'000	
Bankers' acceptances	7,500	Unsecured
Borrowings are denominated in the following currencies:		
	RM'000	
- Ringgit Malaysia	7,500	Unsecured
	7,500	

The Group has no debt securities as at 30 June 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.



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B10 Dividends payable

The Board of Director has proposed a final single tier dividend of 3 sen per ordinary share (2019: Nil) amounting to approximately RM3,922,000 in respect of the financial year ended 31 December 2020. The proposed final dividend was approved by the shareholders at the Annual General Meeting on 3 June 2021 and will be paid on 23 July 2021 to shareholders registered at the close of business on 9 July 2021.

B11 Earnings per share

(a) Basic earnings per ordinary share

		3 months ended		6 months ended	
		30.06.2021	30.06.2020	30.06.2021	30.06.2020
Profit attributable to the equity holders of the parent	(RM'000)	22,415	362	49,775	3,986
Weighted average number of ordinary shares in issue	('000)	130,729	130,729	130,729	130,729
Basic earnings per ordinary share	(sen)	17.15	0.28	38.08	3.05

(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		6 months ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Bad debts recovered	-	1	-	1
Dividend income received from other investments	81	166	159	340
Fair value adjustments on derivative financial instruments	-	(295)	-	154
Fair value adjustments on other investments	324	(18)	185	(13)
Gain on disposal of property, plant and equipment	-	-	-	33
Impairment losses on trade receivables	-	-	-	(7)
Interest on :				
Customer overdue account	35	160	57	243
Short term deposits	84	218	250	561
Trade compensation	13	-	14	17
Rental income	125	143	250	290
Realised gain on foreign exchange transactions	-	569	-	487
Reversal of impairment losses on trade receivables	127	220	127	428
Unrealised gain/(loss) on foreign exchange transactions, net	53	(357)	23	463
Others	-	-	1	(1)
	<u>842</u>	<u>807</u>	<u>1,066</u>	<u>2,996</u>
Other Losses:				
Fair value adjustments on derivative financial instruments	(13)	-	(120)	-
Loss on disposal of property, plant and equipment	(34)	-	(139)	-
Impairment losses on trade receivables	(29)	-	(201)	-
Realised loss on foreign exchange transactions	(261)	-	(159)	-

B13 Authorisation for issue

The interim financial statements were authorised on 27 August 2021 for issue by the Board of Directors.