



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

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

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 30.09.2021 (Unaudited) RM'000	Preceding year corresponding quarter ended 30.09.2020 (Unaudited) RM'000	Current year-to-date 30.09.2021 (Unaudited) RM'000	Preceding year-to-date 30.09.2020 (Unaudited) RM'000
Revenue		124,587	109,957	358,099	231,399
Cost of sales:					
Factory and production cost		(77,302)	(96,855)	(228,927)	(203,287)
Factory depreciation		(1,372)	(1,372)	(4,108)	(4,030)
Gross profit		<u>45,913</u>	<u>11,730</u>	<u>125,064</u>	<u>24,082</u>
Other income/(losses)	B12	1,354	(533)	2,305	2,463
Depreciation and amortisation		(691)	(649)	(2,049)	(1,962)
Administrative expenses		(4,470)	(2,317)	(12,051)	(7,493)
Selling and distribution expenses		(2,786)	(3,103)	(8,258)	(8,644)
Finance costs		(14)	(7)	(21)	(8)
Profit before taxation		<u>39,306</u>	<u>5,121</u>	<u>104,990</u>	<u>8,438</u>
Taxation	B6	(9,338)	(1,143)	(25,247)	(474)
Profit after taxation		<u>29,968</u>	<u>3,978</u>	<u>79,743</u>	<u>7,964</u>
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		<u><u>29,968</u></u>	<u><u>3,978</u></u>	<u><u>79,743</u></u>	<u><u>7,964</u></u>
Profit attributable to:					
Owners of the parent		<u><u>29,968</u></u>	<u><u>3,978</u></u>	<u><u>79,743</u></u>	<u><u>7,964</u></u>
Total comprehensive income attributable to:					
Owners of the parent		<u><u>29,968</u></u>	<u><u>3,978</u></u>	<u><u>79,743</u></u>	<u><u>7,964</u></u>
Earnings per share attributable to the equity holders of the Company (sen):					
a) Basic	B11(a)	22.92	3.04	61.00	6.09
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 30.09.2021 (Unaudited) RM'000	As at 31.12.2020 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		144,799	140,390
Investment properties		1,698	1,698
Right-of-use assets		20,174	21,159
Deferred tax assets		-	71
		<u>166,671</u>	<u>163,318</u>
Current Assets			
Inventories		264,143	164,229
Trade and other receivables		144,494	118,552
Derivative assets		8	60
Other investments		25,540	40,796
Current tax assets		-	1,606
Cash and bank balances		45,229	62,544
		<u>479,414</u>	<u>387,787</u>
		<u>646,085</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		465,719	389,898
		<u>595,948</u>	<u>520,127</u>
LIABILITIES			
Non-current Liabilities			
Lease liabilities		1,822	2,533
Deferred tax liabilities		8,400	9,858
		<u>10,222</u>	<u>12,391</u>
Current Liabilities			
Trade and other payables		13,970	12,304
Borrowings	B8	-	5,000
Lease liabilities		944	955
Current tax liabilities		25,001	328
		<u>39,915</u>	<u>18,587</u>
		<u>50,137</u>	<u>30,978</u>
TOTAL LIABILITIES		<u>50,137</u>	<u>30,978</u>
TOTAL EQUITY AND LIABILITIES		<u>646,085</u>	<u>551,105</u>
		RM	RM
Net Assets per Share Attributable to Owners of the Company	A16	<u>4.56</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 SEPTEMBER 2021 (UNAUDITED)

	30.09.2021 (Unaudited)	30.09.2020 (Unaudited)
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	104,990	8,438
Adjustments for :-		
Bad debts recovered	-	(5)
Depreciation of property, plant and equipment	5,172	5,083
Depreciation of right-of-use assets	985	909
Dividend income received from other investments	(159)	(517)
Fair value adjustments on derivative financial instruments	52	(266)
Fair value adjustments on other investments	(550)	70
Loss on disposal of other investment	35	-
Loss/(Gain) on disposal of property, plant and equipment	92	(33)
Impairment losses on trade receivables	201	508
Interest expense	21	8
Interest on lease liabilities	22	81
Interest income on overdue accounts	(181)	(259)
Interest income	(349)	(792)
Inventories written back	(644)	(2,225)
Reversal of impairment losses on trade receivables	(533)	(428)
Unrealised gain on foreign exchange transactions, net	(138)	(125)
Operating profit before changes in working capital	<u>109,016</u>	<u>10,447</u>
Changes in working capital		
Inventories	(99,270)	4,035
Trade and other receivables	(25,507)	(12,993)
Trade and other payables	1,674	(785)
Cash flows (used in)/from operations	<u>(14,087)</u>	<u>704</u>
Interest received	181	259
Tax paid	(355)	(668)
Net cash flows (used in)/from operating activities	<u>(14,261)</u>	<u>295</u>
Cash Flows From Investing Activities		
Increase in deposits pledged to licensed banks	6	(3)
Interest received	349	792
Purchase of property, plant and equipment	(9,896)	(3,507)
Purchase of right-of-use assets	-	(20)
Proceeds from disposal of property, plant and equipment	223	33
Proceeds from disposal of other investment	15,930	-
Net cash flows from/(used in) investing activities	<u>6,612</u>	<u>(2,705)</u>



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

	30.09.2021 (Unaudited) RM'000	30.09.2020 (Unaudited) RM'000
Cash Flows From Financing Activities		
Dividends paid	(3,922)	-
Interest paid	(21)	(8)
Short term borrowings		
- Repayments	(22,500)	(16,100)
- Drawdowns	17,500	16,100
Repayment of lease interest	(22)	(81)
Repayment of lease liability	(722)	(657)
Net cash flows used in financing activities	<u>(9,687)</u>	<u>(746)</u>
Net decrease in cash and cash equivalents	(17,336)	(3,156)
Effect of exchange rate changes on cash and cash equivalents	27	61
Cash and cash equivalents at beginning of the period	<u>62,328</u>	<u>62,299</u>
Cash and cash equivalents at end of the period	<u><u>45,019</u></u>	<u><u>59,204</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	33,319	23,954
Deposits with licensed banks	11,700	35,250
Deposits pledged to licensed banks	210	213
As per balance sheet	<u>45,229</u>	<u>59,417</u>
Less : Deposits pledged to licensed banks	(210)	(213)
Cash and cash equivalents at end of the period	<u><u>45,019</u></u>	<u><u>59,204</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)

	<u>< ----- Non-distributable ----- ></u>			<u>Distributable</u>	
	<u>Share</u>	<u>Treasury</u>	<u>General</u>	<u>Retained</u>	<u>Total</u>
	<u>Capital</u>	<u>Shares</u>	<u>Reserve</u>	<u>Earnings</u>	<u>Equity</u>
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>
Balance as at 1 January 2021	131,691	(1,462)	1,186	388,712	520,127
Profit for the year	-	-	-	79,743	79,743
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	79,743	79,743
Transactions with owners					
Dividends paid (Note A7)	-	-	-	(3,922)	(3,922)
Total transactions with owners	-	-	-	(3,922)	(3,922)
Balance as at 30 September 2021	131,691	(1,462)	1,186	464,533	595,948
Balance as at 1 January 2020	131,691	(1,462)	1,186	369,229	500,644
Profit for the year	-	-	-	7,964	7,964
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	7,964	7,964
Transactions with owners					
Dividends paid	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 30 September 2020	131,691	(1,462)	1,186	377,193	508,608

(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 Instruments : 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 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 third (3rd) quarter and financial year-to-date ended 30 September 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 third (3rd) quarter and financial year-to-date ended 30 September 2021.

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

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

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

	As at 30.09.2021 RM'000	As at 30.09.2020 RM'000
Borrowings	-	-
Trade and other payables	13,970	9,311
Less : Cash and bank balances	<u>(45,229)</u>	<u>(59,417)</u>
Net cash	<u>(31,259)</u>	<u>(50,106)</u>
Total capital	595,948	508,608
Net cash	<u>(31,259)</u>	<u>(50,106)</u>
	<u>564,689</u>	<u>458,502</u>
Gearing ratio (%)	N/A	N/A

A7 Dividends paid

A final single tier dividend of 3 sen per ordinary share (2020: Nil) amounting to RM3,921,870 in respect of financial year ended 31 December 2020 was paid on 23 July 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 third (3rd) quarter ended 30 September 2021 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	75,982	70,138	146,120
Inter-segment revenue	(2,557)	(18,976)	(21,533)
Revenue from external customers	<u>73,425</u>	<u>51,162</u>	<u>124,587</u>
Profit for the quarter			
Total expenses	(59,910)	(25,357)	(85,267)
Finance costs	(2)	(12)	(14)
Profit before tax	<u>13,513</u>	<u>25,793</u>	<u>39,306</u>
Taxation	(3,212)	(6,126)	(9,338)
Profit after tax for the quarter	<u><u>10,301</u></u>	<u><u>19,667</u></u>	<u><u>29,968</u></u>

Segment performance for the third (3rd) quarter ended 30 September 2020 are as follows:-

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	68,601	64,543	133,144
Inter-segment revenue	(2,498)	(20,689)	(23,187)
Revenue from external customers	<u>66,103</u>	<u>43,854</u>	<u>109,957</u>
Profit for the quarter			
Total expenses	(64,534)	(40,295)	(104,829)
Finance costs	-	(7)	(7)
Profit before tax	<u>1,569</u>	<u>3,552</u>	<u>5,121</u>
Taxation	210	(1,353)	(1,143)
Profit after tax for the quarter	<u><u>1,779</u></u>	<u><u>2,199</u></u>	<u><u>3,978</u></u>



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A8 Operating segment information (Cont'd)

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	221,068	195,284	416,352
Inter-segment revenue	(6,813)	(51,440)	(58,253)
Revenue from external customers	214,255	143,844	358,099
Profit for the period			
Total expenses	(178,890)	(74,198)	(253,088)
Finance costs	(4)	(17)	(21)
Profit before tax	35,361	69,629	104,990
Taxation	(8,504)	(16,743)	(25,247)
Profit after tax for the period	26,857	52,886	79,743

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

	<u>Trading</u>	<u>Manufacturing</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Revenue			
Total revenue	149,534	132,316	281,850
Inter-segment revenue	(4,662)	(45,789)	(50,451)
Revenue from external customers	144,872	86,527	231,399
Profit for the period			
Total expenses	(144,463)	(78,490)	(222,953)
Finance costs	-	(8)	(8)
Profit before tax	409	8,029	8,438
Taxation	(23)	(451)	(474)
Profit after tax for the period	386	7,578	7,964



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A8 Operating segment information (Cont'd)

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

	<u>Trading</u> RM'000	<u>Manufacturing</u> RM'000	<u>Total</u> RM'000
Assets			
Segment assets	246,655	354,193	600,848
<u>Unallocated assets:</u>			
Derivative assets			8
Cash and bank balances			45,229
Total assets			<u><u>646,085</u></u>
Liabilities			
Segment liabilities	16,930	24,807	41,737
<u>Unallocated liabilities:</u>			
Deferred tax liabilities			8,400
Total liabilities			<u><u>50,137</u></u>

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

	<u>Trading</u> RM'000	<u>Manufacturing</u> RM'000	<u>Total</u> RM'000
Assets			
Segment assets	179,463	289,812	469,275
<u>Unallocated assets:</u>			
Derivative assets			54
Cash and bank balances			59,417
Total assets			<u><u>528,746</u></u>
Liabilities			
Segment liabilities	6,260	3,761	10,021
<u>Unallocated liabilities:</u>			
Derivative liabilities			9
Deferred tax liabilities			10,108
Total liabilities			<u><u>20,138</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 third (3rd) quarter and year-to-date ended 30 September 2021.



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A11 Contingent assets and contingent liabilities

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

A12 Capital commitments

Authorised capital commitments not recognised in the interim financial statements as at 30 September 2021 are as follows:

	RM'000
Capital expenditure :	
Contracted but not provided for	51,989
Approved but not contracted for	<u>37,362</u>
	<u><u>89,351</u></u>

A13 Related party transactions

Related party transactions for the quarter ended 30 September 2021 under review in which certain directors have direct/indirect interest are as follows:

	Group	
	Current year quarter <u>RM'000</u>	Current financial year-to-date <u>RM'000</u>
Sales of steel products	<u>2,016</u>	<u>4,583</u>
Rental expense	(253)	(744)
Piling works services	<u>(344)</u>	<u>(647)</u>
	<u><u>(597)</u></u>	<u><u>(1,391)</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 back to either net realisable value or replacement cost for the financial year-to-date ended 30 September 2021 was RM643,858.



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A15 Financial instruments

Group	As at 30 September 2021		
	Amortised cost	Fair value through profit or loss	Total
	RM'000	RM'000	RM'000
Financial assets			
Trade and other receivables, net of prepayments	130,631	-	130,631
Derivative assets	-	8	8
Other investments	-	25,540	25,540
Cash and bank balances	45,229	-	45,229
	<u>175,860</u>	<u>25,548</u>	<u>201,408</u>
Financial liabilities			
Trade and other payables	13,970	-	13,970
	<u>13,970</u>	<u>-</u>	<u>13,970</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	-	8	-	8	8
Other investments	25,540	-	-	25,540	25,540

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

(c) Derivative assets/liabilities

Group	As at 30 September 2021		
	Contract / Notional amount	Assets	Liabilities
	RM'000	RM'000	RM'000
Forward currency contracts (SGD)	4,689	8	-



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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 January 2022.
- iii. For the financial year-to-date ended 30 September 2021, the Group recognised a loss of RM52,000 arising from fair value changes of derivatives. The fair value changes are attributable to changes in foreign exchange spot and forward rates.

A16 Net assets per share attributable to owners of the Company

Net assets per share ("NAPS") as at 30 September 2021 stood at RM4.56, an increase of 14.6% compared to RM3.98 as at 31 December 2020 mainly due to higher profit earned for the financial year-to-date ended 30 September 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 RM124.6 million for the quarter ended 30.09.2021 (“3Q 2021”), which grew by RM14.6 million (13%) compared to revenue of RM110.0 million for the quarter ended 30.09.2020 (“3Q 2020”). The improved performance was contributed by both the trading and manufacturing segments on the back of higher average selling prices offsetting weaker sales volume.

With the strong revenue trajectory and boosted margins, the Group's profit before taxation rose nearly eightfold to RM39.3 million for 3Q 2021 as compared to RM5.1 million recorded in 3Q 2020.

The performance of the respective operating business segments of the Group for 3Q 2021 as compared to 3Q 2020 are analysed as follows:

Manufacturing

The manufacturing operations' revenue climbed 17% to RM51.2 million in 3Q 2021, from RM43.9 million in 3Q 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 neutralising lower sales volume.

Trading

The trading operations' revenue was up 11% to RM73.4 million in 3Q 2021 from RM66.1 million recorded in 3Q 2020. The stronger performance was mainly due to higher average selling prices offsetting lower sales volume.

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

For the financial year-to-date ended 30.09.2021 (“YTD 3Q 2021”), the Group recorded revenue of RM358.1 million, which jumped by 55% as compared to revenue of RM231.4 million recorded for the financial year-to-date ended 30.09.2020 (“YTD 3Q 2020”). The stronger performance was driven by both the trading and manufacturing segments on the back of elevated average selling prices mitigating softer sales volume.

Compounded by boosted margins driven by heightened average selling prices, the Group's profit before taxation surged to a record RM105.0 million for YTD 3Q 2021 as compared to RM8.4 million for YTD 3Q 2020.



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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 3Q 2021 as compared to YTD 3Q 2020 are analysed as follows:

Manufacturing

The manufacturing operations recorded revenue of RM143.8 million for YTD 3Q 2021, which expanded by 66% as compared to RM86.5 million in YTD 3Q 2020. The stronger performance was catalysed by elevated average selling prices brought about by the global shortage of steel making raw materials and a rebound in market demand.

Trading

The trading operations recorded revenue of RM214.3 million for YTD 3Q 2021, which grew by 48% as compared to RM144.9 million in YTD 3Q 2020. The improved performance was mainly supported by the recovery in construction activities and stronger average selling prices.

B2 Comparison with preceding quarter's results

The Group's revenue for 3Q 2021 post lockdown, strengthened to RM124.6 million as compared with RM97.6 million achieved in 2Q 2021. The pickup in performance was mainly attributed to the recovery in sales volume as a result of pent-up demand and recovery of business activities post lockdown, supported further by stronger average selling prices.

In tandem with the upward revenue trend, the Group recorded a higher profit before taxation of RM39.3 million for 3Q 2021 as compared to RM29.6 million for 2Q 2021.

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

a) Prospects for 2021

Internationally, steel prices have moderated on the back of softer input costs (iron ore, coking coal, etc), albeit still hovering relatively higher than in prior years due to pent-up demand as the economy recovers from the pandemic restrictions. While the manufacturing sector's recovery remained more resilient to the new waves of infection than expected, supply-side constraints led to a levelling off of the recovery in the second half of the year and are preventing a stronger recovery in 2021.

On the domestic front, local average selling prices have moderated slightly in line with both the softer international prices and weaker local steel demand. Despite this, the Group was still able to record commendable profit margins. Steel demand in the post-pandemic era will depend largely on the speedy resumption of construction activities and roll out of mega infrastructure projects. However, the latest Budget 2022 announced does not seem to offer much to stimulate the property and construction industry. While a higher development expenditure was allocated in Budget 2022, there were no new mega infrastructure projects announced to pump-prime the construction industry.

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 <u>RM'000</u>	Current year-to-date <u>RM'000</u>
Income tax		
- current quarter/year-to-date	9,954	26,637
- over provision in prior quarter/year	-	(3)
Deferred tax		
- current quarter/year-to-date	<u>(616)</u>	<u>(1,387)</u>
Taxation	<u><u>9,338</u></u>	<u><u>25,247</u></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 was slightly lower than the statutory tax rate mainly due to the effect of non-taxable income for tax purposes and the reversal of deferred tax no longer required. The effective tax rate for the year-to-date was 24%.

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 and debt securities as at 30 September 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 payable
There were no dividends proposed in the current quarter.



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B11 Earnings per share

(a) Basic earnings per ordinary share

		3 months ended		9 months ended	
		<u>30.09.2021</u>	<u>30.09.2020</u>	<u>30.09.2021</u>	<u>30.09.2020</u>
Profit attributable to the equity holders of the parent	(RM'000)	29,968	3,978	79,743	7,964
Weighted average number of ordinary shares in issue	('000)	130,729	130,729	130,729	130,729
Basic earnings per ordinary share	(sen)	22.92	3.04	61.00	6.09

(b) Diluted earnings per ordinary share

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

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B12 Other income/(losses)

	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Bad debts recovered	-	4	-	5
Dividend income received from other investments	-	177	159	517
Fair value adjustments on derivative financial instruments	68	112	-	266
Fair value adjustments on other investments	365	(57)	550	(70)
Gain on disposal of property, plant and equipment	47	-	-	33
Impairment losses on trade receivables	-	(501)	-	(508)
Interest on :				
Customer overdue account	124	16	181	259
Short term deposits	99	231	349	792
Trade compensation	2	-	16	17
Rental income	128	126	378	416
Realised (loss)/gain on foreign exchange transactions	-	(305)	-	182
Reversal of impairment losses on trade receivables	406	-	533	428
Unrealised gain/(loss) on foreign exchange transactions, net	115	(338)	138	125
Others	-	2	1	1
	<u>1,354</u>	<u>(533)</u>	<u>2,305</u>	<u>2,463</u>
Other Losses:				
Fair value adjustments on derivative financial instruments	-	-	(52)	-
Loss on disposal of property, plant and equipment	-	-	(92)	-
Loss on disposal of other investment	(35)	-	(35)	-
Impairment losses on trade receivables	-	-	(201)	-
Realised loss on foreign exchange transactions	(399)	-	(558)	-

B13 Authorisation for issue

The interim financial statements were authorised on 30 November 2021 for issue by the Board of Directors.