

## EXPLANATORY NOTES AS PER MFRS 134

### A1. Basis of preparation

These condensed consolidated interim financial statements (Condensed Reports) are unaudited and have been prepared in accordance with MFRS 134: *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. This Condensed Report also complies with IAS34: *Interim Financial Reporting* issued by the International Accounting Standards Board (IASB) and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017.

The significant accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 31 December 2017 except for the adoption of the following new/revised MFRSs:-

MFRS (issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 15 <i>Clarifications to MFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018

The adoption of the above new/revised MFRSs and IC Interpretations have not resulted in any material impact on the financial statements of the Group.

### A2. Qualification of Financial Statements

The auditors' report dated 16 April 2018 in respect of the audited financial statements for the year ended 31 December 2017 was not subject to any qualification.

### A3. Seasonal or cyclical factors

The Group performance for the financial period under review was not materially affected by any major seasonal and cyclical factors.

### A4. Extraordinary and exceptional items

There were no extraordinary and exceptional items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial period under review.

### A5. Changes in estimates

There were no material changes in the nature and amount of estimates during the financial period under review.

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**A6. Issuance and repayment of debts and equity securities etc**

There were no issuances, cancellation, resale and repayment of debts and equity securities during the financial period under review, except for the following:

- (i) Repurchased a total of 186,700 ordinary shares of its issued share capital from the open market during the period, at an average cost of RM3.17 per share. The total repurchases consideration, including transaction costs and GST during the period amounted to RM591,000 and were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016.

As at 30 June 2018, the number of treasury shares held was 2,976,900 ordinary shares.

**A7. Dividend paid**

A final single tier dividend of 18 sen per share, amounting to RM27,801,558 in respect of the financial year ended 31 December 2017, was paid on 13 June 2018.

**A8. Segment reporting**

**a. Operating segment**

30 June 2018	Manufacture and sale of stainless steel fasteners RM'000	Manufacture and sale of aluminium and its related products RM'000	Unallocated non-operating segments RM'000	Total RM'000
Segment assets	480,770	123,422	266	604,458
Segment liabilities	92,778	32,784	15	125,577
External revenue	302,833	93,499	0	396,332
Segment profit/(loss)	32,046	7,585	(58)	39,573

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**A8. Segment reporting (Cont'd)**

**a. Operating segment (Cont'd)**

30 June 2017	Manufacture and sale of stainless steel fasteners RM'000	Manufacture and sale of aluminium and its related products RM'000	Unallocated non-operating segments RM'000	Total RM'000
Segment assets	456,787	116,033	32,237	605,057
Segment liabilities	96,256	33,646	3	129,905
External revenue	231,788	91,184	0	322,972
Segment profit	27,900	8,948	(1,757)	35,091

**b. Geographical information**

In RM'000	External revenue		Non-current assets	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Malaysia	90,572	87,920	56,471	62,754
Thailand	8,955	7,969	77,241	83,854
Germany	58,420	49,257	0	0
United States of America	61,021	54,489	0	0
Other countries	177,364	123,337	0	0
	<u>396,332</u>	<u>322,972</u>	<u>133,712</u>	<u>146,608</u>

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**A9. Changes in the composition of the Group**

There were no changes in the composition of the Group during the current period.

**A10. Property, plant and equipment**

The valuations of land and buildings have been brought forward, with no amendment from the previous annual report in the current period under review.

In the opinion of the directors, the fair value of property, plant and equipment is not significantly different from the carrying value.

**A11. Capital commitment**

Authorised capital expenditure not provided for in the interim financial report is as follows:

	<b>30/06/2018</b> <b>RM'000</b>
<u>Property, plant and equipment</u>	
Contracted but not provided for	9,704

**A12. Material events subsequent to the reported period**

There was no item, transaction or event of a material or unusual in nature during the period from the end of the financial period under review to 20 August 2018.

**A13. Contingent liabilities**

	<b>30/06/2018</b> <b>RM'000</b>	<b>30/06/2017</b> <b>RM'000</b>
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	206,513	212,252

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**B. ADDITIONAL INFORMATION REQUIRED UNDER BURSA MALAYSIA LISTING REQUIREMENTS**

**1. Review of the performance of the Company and its principal subsidiaries**

	Individual Period (2 <sup>nd</sup> quarter)		Changes		Cumulative Period		Changes	
	30/06/18	30/06/17			30/06/18	30/06/17		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	196,272	166,133	30,139	18.14	396,332	322,972	73,360	22.71
Gross Profit	31,337	24,613	6,724	27.32	57,848	55,525	2,323	4.18
Profit Before Interest and Tax	27,285	17,344	9,941	57.32	49,622	45,225	4,397	9.72
Profit Before Tax	26,607	16,911	9,696	57.34	48,509	44,516	3,993	8.97
Profit After Tax	21,596	12,841	8,755	68.18	39,573	35,091	4,482	12.77
Profit attributable to owners of the Company	19,315	11,219	8,096	72.16	35,846	30,675	5,171	16.86

The Group had recorded revenue of RM396.33million for current period ended 30 June 2018, which had increased by RM73.36million or 22.71% as compared with the corresponding period in previous financial year. Higher revenue was mainly contributed from higher overall sales volume for Fasteners segment than the preceding year corresponding period.

Profit before tax for the current period ended 30 June 2018 increased by RM3.99million or 8.97% to RM48.51million as compared to the preceding year corresponding period profit before tax of RM44.52million. Apart from the improvement of gross profit generated from higher sales volume, the increased of profit before tax was also contributed from the gain on financial instruments at fair value through profit or loss of RM1.15million.

**2. Material changes in the quarterly results compared to the results of the immediate preceding quarter**

	Current Quarter	Immediate Preceding Quarter	Changes	
	30/06/18	31/03/18		
	RM'000	RM'000	RM'000	%
Revenue	196,272	200,060	(3,788)	(1.89)
Gross Profit	31,337	26,511	4,826	18.20
Profit Before Interest and Tax	27,285	22,337	4,948	22.15
Profit Before Tax	26,607	21,902	4,705	21.48
Profit After Tax	21,596	17,977	3,619	20.13
Profit attributable to owners of the Company	19,315	16,531	2,784	16.84

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**2. Material changes in the quarterly results compared to the results of the immediate preceding quarter (cont'd)**

The Group reported revenue of RM196.27million and profit before tax of RM26.61million for the current quarter as compared to revenue of RM200.06million and profit before tax of RM21.90million in the immediate preceding quarter. The revenue was slightly lower as compared with immediate preceding quarter which mainly due to slightly lower sale volume for both Aluminium and Fasteners segment. However, the higher selling price for both segments had led to the improvement of the gross profit from RM26.51million to RM31.34million. Thus, the profit before tax had also increased by RM4.71million or 21.48% to RM26.61million from RM21.90million.

**3. Prospects for the current financial year**

The global economy outlook remains robust, but has softened in the recent months. Despite the growth momentum still positive, there are uncertainties factor which could derail the economy recovery. The uncertainties factors includes the volatility of the commodity price, foreign currency exchange, geopolitical tensions as well as the development of the advanced countries' policy, such as the recent announced and anticipated tariff increases by United States and retaliatory measures by trading partners.

In this challenging market environment, the Group will continue to focus on the product developments to elevate the product quality and continue to seek for opportunities in order to broaden our customer base and capture more market share.

Barring any unforeseen circumstances, the Group is optimistic to attain a satisfactory level of performance for the current financial year ending 31 December 2018.

**4. Variance of actual profit from forecast profit**

Not applicable.

**5. Taxation**

The taxation for continuing operations comprises:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended</b>		<b>ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current taxation	4,964	4,110	8,985	9,515
Deferred taxation	47	(40)	(49)	(90)
	5,011	4,070	8,936	9,425

The effective tax rate was lower than the statutory tax rate due to free tax benefits available to one of the plant owned by the foreign subsidiary.

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**6. Group borrowings and debt securities**

The Group's loans and borrowings are as follows:

	<b>30/06/2018</b>	<b>30/06/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Secured</u></b>		
Hire purchase payables	27	83
<b><u>Unsecured</u></b>		
Short term borrowings		
Bankers' acceptance	3,051	1,010
Onshore foreign currency loans	36,424	34,745
Foreign currency trust receipts	55,967	54,938
Total	95,469	90,776
Disclosed as:-		
- Current liabilities	95,469	90,749
- Non-current liabilities	0	27
	95,469	90,776

The Group loans and borrowings in RM equivalent analysed by currencies in which the loans and borrowings were denominated are as follows:

	<b>30/06/2018</b>	<b>30/06/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank loans and borrowings</u></b>		
US Dollars	92,391	89,683
Malaysian Ringgit	3,078	1,093
	95,469	90,776

**7. Material pending litigation**

The Group is not engaged in any material litigation as at 20 August 2018 (the latest practicable date which is not earlier than 7 days from the date of this quarterly report).

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**8. Financial instruments**

As at 30 June 2018, the outstanding forward exchange contracts are as follows:

	<b>30/06/2018</b>		<b>30/06/2017</b>	
	<b>To sell '000</b>	<b>To buy '000</b>	<b>To sell '000</b>	<b>To buy '000</b>
Contract I	EUR 6,202	USD 7,466	EUR 14,723	USD 16,134
Contract II	EUR 2,400	RM 11,391	EUR 600	RM 2,882
Contract III	NIL	NIL	USD 600	RM 2,619
Contract VI	EUR 100	THB 3,921	NIL	NIL

The maturity of the abovementioned foreign exchange contracts are less than 1 year.

Forward exchange contracts were entered into by subsidiaries in currencies other than the functional currency to manage the exposure to the foreign exchange rates fluctuation.

All exchange gains/losses arising on the hedge instruments are recognised in the Statement of Comprehensive Income on settlement of the forward exchange contract.

**9. Dividend**

During the financial period ended 30 June 2018, the Company paid a final single tier dividend of 18 sen per share, amounting to RM27,801,558 in respect of the financial year ended 31 December 2017.

**10. Earnings per share**

	<b>Individual Quarter 3 months ended</b>		<b>Cumulative Quarter ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Profit for the period attributable to owners of the Company (RM'000)	19,315	11,219	35,846	30,675
Number of shares in issue at 1 January ('000)	154,640	154,640	154,640	154,640
Effect of shares issued ('000)	(146)	0	(146)	0
Weighted average number of shares in issue ('000)	154,494	154,640	154,494	154,640
Basic earnings per share (sen)	12.50	7.25	23.20	19.84
Diluted earnings per share (sen)	12.50	7.25	23.20	19.84



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**11. Notes to the Condensed Consolidated Statement of Comprehensive Income**

	<b>Current Quarter</b>	<b>Current Year To Date</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest income	745	1,419
Interest expense	678	1,113
Expected credit loss	(3)	123
Bad debts written off	190	190
Depreciation and amortization	3,996	8,037
Gain on financial instruments at fair value through profit or loss	1,346	1,147
Foreign exchange gain	239	1,782

BY ORDER OF THE BOARD

Tsai Yi Ting  
Managing Director  
Dated this 27 August 2018