

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</i> (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	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</i> (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	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 September 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

	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
30 September 2018				
Segment assets	525,230	130,947	242	656,419
Segment liabilities	108,808	38,558	4	147,370
External revenue	469,338	142,475	0	611,813
Segment profit/(loss)	51,106	9,337	(71)	60,372

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A8. Segment reporting (Cont'd)

a. Operating segment (Cont'd)

30 September 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	502,086	135,433	31,744	669,263
Segment liabilities	127,178	48,593	3	175,774
External revenue	370,702	137,791	0	508,493
Segment profit/(loss)	42,065	13,503	(2,249)	53,319

b. Geographical information

In RM'000	External revenue		Non-current assets	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
Malaysia	137,335	133,264	55,842	60,956
Thailand	14,147	12,624	83,927	82,382
Germany	94,596	83,688	0	0
United States of America	95,401	83,348	0	0
Other countries	270,334	195,569	0	0
	<u>611,813</u>	<u>508,493</u>	<u>139,769</u>	<u>143,338</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:

	30/09/2018 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	12,525

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 19 November 2018.

A13. Contingent liabilities

	30/09/2018 RM'000	30/09/2017 RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	218,921	211,050

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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 (3 rd quarter)		Changes		Cumulative Period		Changes	
	30/09/18	30/09/17			30/09/18	30/09/17		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	215,481	185,521	29,960	16.15	611,813	508,493	103,320	20.32
Gross Profit	29,412	27,290	2,122	7.78	87,260	82,815	4,445	5.37
Profit Before Interest and Tax	25,642	23,188	2,454	10.58	75,264	68,413	6,851	10.01
Profit Before Tax	24,865	22,741	2,124	9.34	73,374	67,257	6,117	9.09
Profit After Tax	20,799	18,228	2,571	14.10	60,372	53,319	7,053	13.23
Profit attributable to owners of the Company	19,933	15,988	3,945	24.67	55,779	46,663	9,116	19.54

The Group revenue had increased by RM103.32million or 20.32% to RM611.81million for current period ended 30 September 2018 as compared with the corresponding period in previous financial year. Increase of revenue was mainly contributed by overall increase of sales volume and average selling price for both Fasteners and Aluminium segment.

Higher revenue has led to higher profit generated for current period as compared with previous year corresponding period. Profit before tax for current period had recorded at RM73.37million, which had increased by RM6.12million or 9.09%. Besides, the increased of profit before tax was also partly contributed from the gain on financial instruments at fair value through profit or loss of RM753,000 generated for current period, whilst there was loss on financial instruments at fair value through profit or loss of RM4.23million for previous year corresponding period.

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

	Current Quarter	Immediate Preceding Quarter	Changes	
	30/09/18	30/06/18	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	215,481	196,272	19,209	9.79
Gross Profit	29,412	31,337	(1,925)	(6.14)
Profit Before Interest and Tax	25,642	27,285	(1,643)	(6.02)
Profit Before Tax	24,865	26,607	(1,742)	(6.55)
Profit After Tax	20,799	21,596	(797)	(3.69)
Profit attributable to owners of the Company	19,933	19,315	618	3.20

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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 RM215.48million and profit before tax of RM24.86million for the current quarter as compared to revenue of RM196.27million and profit before tax of RM26.61million in the immediate preceding quarter. Though revenue had increased but lower gross profit reported, which mainly due to the impact of increase in raw material costs, which had resulted higher production cost incurred.

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 captured more market shares.

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:

	Individual Quarter 3 months ended 30 September		Cumulative Quarter ended 30 September	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current taxation	4,080	4,443	13,065	13,958
Deferred taxation	(39)	39	(88)	(51)
	<u>4,041</u>	<u>4,482</u>	<u>12,977</u>	<u>13,907</u>
Taxation over provided in prior years	25	31	25	31
	<u><u>4,066</u></u>	<u><u>4,513</u></u>	<u><u>13,002</u></u>	<u><u>13,938</u></u>

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:

	30/09/2018	30/09/2017
	RM'000	RM'000
<u>Secured</u>		
Hire purchase payables	19	66
<u>Unsecured</u>		
Short term borrowings		
Bankers' acceptance	2,690	1,585
Onshore foreign currency loans	40,013	55,500
Foreign currency trust receipts	65,419	79,572
Term loan	4,170	0
Total	<u>112,311</u>	<u>136,723</u>
Disclosed as:-		
- Current liabilities	108,141	136,704
- Non-current liabilities	4,170	19
	<u>112,311</u>	<u>136,723</u>

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

	30/09/2018	30/09/2017
	RM'000	RM'000
<u>Bank loans and borrowings</u>		
US Dollars	105,432	135,072
Thai Baht	4,170	0
Malaysian Ringgit	2,709	1,651
	<u>112,311</u>	<u>136,723</u>

7. Material pending litigation

The Group is not engaged in any material litigation as at 19 November 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 September 2018, the outstanding forward exchange contracts are as follows:

	30/09/2018		30/09/2017	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 4,200	USD 4,952	EUR 10,353	USD 11,788
Contract II	EUR 2,900	RM 13,976	EUR 1,000	RM 5,052
Contract III	EUR 300	THB 11,640	EUR 214	THB 8,345

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

The Company had 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

	Individual Quarter 3 months ended		Cumulative Quarter ended	
	30 September		30 September	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Profit for the period attributable to owners of the Company (RM'000)	19,933	15,988	55,779	46,663
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)	12.90	10.34	36.10	30.18
Diluted earnings per share (sen)	12.90	10.34	36.10	30.18

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11. Notes to the Condensed Consolidated Statement of Comprehensive Income

	Current Quarter	Current Year To Date
	RM'000	RM'000
Interest income	716	2,135
Interest expense	777	1,890
Expected credit loss	(10)	113
Bad debts written off	0	190
Depreciation and amortization	4,031	12,068
(Loss)/Gain on financial instruments at fair value through profit or loss	(394)	753
Foreign exchange gain	2,444	4,226

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 26 November 2018