

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2019

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 2018.

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 2018 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 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3 <i>Previously Held Interest in a Joint Operation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 11 <i>Previously Held Interest in a Joint Operation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 112 <i>Income Tax Consequences of Payments on Financial Instruments Classified as Equity</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123 <i>Borrowing Costs Eligible for Capitalisation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019

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 2019 in respect of the audited financial statements for the year ended 31 December 2018 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.

A7. Dividend paid

No dividend was paid by the Company during the financial period ended 31 March 2019.

A8. Segment reporting

a. Operating segment

31 March 2019	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	514,338	114,321	314	628,973
Segment liabilities	97,840	24,805	175	122,820
External revenue	131,792	38,768	0	170,560
Segment profit/(loss)	3,942	1,339	(32)	5,249

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A8. Segment reporting (Cont'd)

a. Operating segment (Cont'd)

31 March 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	490,252	125,403	3,831	619,486
Segment liabilities	94,173	34,407	141	128,721
External revenue	152,967	47,093	0	200,060
Segment profit/(loss)	15,173	2,944	(140)	17,977

b. Geographical information

In RM'000	External revenue		Non-current assets	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
Malaysia	37,144	45,830	60,094	57,992
Thailand	5,143	4,515	101,883	77,084
Germany	22,763	29,878	0	0
United States of America	27,801	31,760	0	0
Other countries	77,709	88,077	0	0
	<u>170,560</u>	<u>200,060</u>	<u>161,977</u>	<u>135,076</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 year.

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 year 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:

	31/03/2019 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	15,803

A12. Material events subsequent to the reported period

There was no item, transaction or event of a material or unusual in nature during the year from the end of the financial year under review to 21 May 2019.

A13. Contingent liabilities

	31/03/2019 RM'000	31/03/2018 RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	243,849	204,011

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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 (1 st quarter)		Changes	
	31/03/19	31/03/18		
	RM'000	RM'000	RM'000	%
Revenue	170,560	200,060	(29,500)	(14.75)
Gross Profit	12,291	26,511	(14,220)	(53.64)
Profit Before Interest and Tax	7,473	22,337	(14,864)	(66.54)
Profit Before Tax	6,793	21,902	(15,109)	(68.98)
Profit After Tax	5,249	17,977	(12,728)	(70.80)
Profit attributable to owners of the Company	4,585	16,531	(11,946)	(72.26)

The Group had recorded the revenue of RM170.56million and profit before tax of RM6.79million in current quarter which represents a decrease of RM29.50million or 14.75% in revenue and decrease of RM15.11million or 68.98% in profit before tax as compared with previous corresponding quarter.

Lower revenue and margin generated for current quarter was mainly due to the overall decrease in sales volume and selling price for both Fasteners and Aluminium segment as a result of the weakening market sentiment.

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

	Current Quarter	Immediate Preceding Quarter	Changes	
	31/03/19	31/12/18		
	RM'000	RM'000	RM'000	%
Revenue	170,560	186,622	(16,062)	(8.61)
Gross Profit	12,291	14,058	(1,767)	(12.57)
Profit Before Interest and Tax	7,473	8,104	(631)	(7.79)
Profit Before Tax	6,793	7,224	(431)	(5.97)
Profit After Tax	5,249	5,480	(231)	(4.22)
Profit attributable to owners of the Company	4,585	5,101	(516)	(10.12)

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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 RM170.56million and profit before tax of RM6.79million for the current quarter as compared to revenue of RM186.62million and profit before tax of RM7.22million in the immediate preceding quarter. Decrease of the revenue and margin were mainly resulted from the lower sales volume and selling price for both segments.

3. Prospects for the current financial year

The market is expected to remain soft and competitive, while the volatility of material's cost, geopolitical conflicts and policy uncertainties in developing countries remain as the major challenges faced by the Group. The trade restrictive policies between United States and China may weaken the confidence of consumers in the export market and record slower growth of the global economy.

In view of the challenging environment, the Group will continue to focus on the core business and remain cautious. The Board also expects the prospects of the Group's financial performance for the financial year ending 31 December 2019 to be challenging.

4. Variance of actual profit from forecast profit

Not applicable.

5. Taxation

The taxation for continuing operations comprises:

	Individual Quarter		Cumulative Quarter	
	3 months ended		ended	
	31 March		31 March	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Tax based on results for the year:-				
Current tax	1,573	4,021	1,573	4,021
Deferred tax	(29)	(96)	(29)	(96)
	1,544	3,925	1,544	3,925

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:

	31/03/2019	31/03/2018
	RM'000	RM'000
<u>Secured</u>		
Hire purchase payables	0	35
<u>Unsecured</u>		
Short term borrowings		
Bankers' acceptance	1,520	1,144
Onshore foreign currency loans	21,045	53,971
Foreign currency trust receipts	48,419	45,516
Term loan	7,411	0
Total	<u>78,395</u>	<u>100,666</u>
Disclosed as:-		
- Current liabilities	72,432	100,663
- Non-current liabilities	5,963	3
	<u>78,395</u>	<u>100,666</u>

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

	31/03/2019	31/03/2018
	RM'000	RM'000
<u>Bank loans and borrowings</u>		
US Dollars	69,464	99,487
Thai Baht	7,411	0
Malaysian Ringgit	1,520	1,179
	<u>78,395</u>	<u>100,666</u>

7. Material pending litigation

The Group is not engaged in any material litigation as at 21 May 2019 (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 31 March 2019, the outstanding forward exchange contracts are as follows:

	31/03/2019		31/03/2018	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 1,900	USD 2,206	EUR 6,543	USD 7,962
Contract II	EUR 1,200	RM 5,632	EUR 2,400	RM 11,731
Contract III	NIL	NIL	EUR 100	THB 3,921
Contract IV	NIL	NIL	USD 1,000	MYR3,907

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

A final single tier dividend of 12 sen per share. in respect of the financial year ended 31 December 2018, will be proposed for the shareholders' approval at the 22nd Annual General Meeting.

10. Earnings per share

	Individual Quarter 3 months ended		Cumulative Quarter ended	
	31 March		31 March	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Profit for the period attributable to owners of the Company (RM'000)	4,585	16,531	4,585	16,531
Number of shares in issue at 1 January ('000)	154,453	154,640	154,453	154,640
Effect of shares issued ('000)	0	(99)	0	(99)
Weighted average number of shares in issue ('000)	154,453	154,541	154,453	154,541
Basic earnings per share (sen)	2.97	10.70	2.97	10.70
Diluted earnings per share (sen)	2.97	10.70	2.97	10.70

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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	670	670
Interest expense	680	680
Depreciation and amortization	4,067	4,067
Gain on financial instruments at fair value through profit or loss	587	587
Foreign exchange gain	1,153	1,153

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 27 May 2019