

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2020

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 2019.

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 2019 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
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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 15 May 2020 in respect of the audited financial statements for the year ended 31 December 2019 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 59,400 ordinary shares of its issued share capital from the open market during the period, at an average cost of RM2.03 per share. The total repurchases consideration, including transaction costs during the period amounted to RM120,000 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 31 March 2020, the number of treasury shares held was 3,912,300 ordinary shares.

A7. Dividend paid

No dividend was paid by the Company during the financial period ended 31 March 2020.

A8. Segment reporting

a. Operating segment

31 March 2020	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	503,965	124,908	4,620	633,493
Segment liabilities	90,875	23,546	172	114,593
External revenue	134,832	36,597	0	171,429
Segment profit/(loss)	10,515	2,417	74	13,006

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A8. Segment reporting (Cont'd)

a. Operating segment (Cont'd)

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

b. Geographical information

In RM'000	External revenue		Non-current assets	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
Malaysia	32,017	37,144	55,300	60,094
Thailand	4,530	5,143	113,268	101,883
Germany	21,507	22,763	0	0
United States of America	38,968	27,801	0	0
Other countries	74,407	77,709	0	0
	<u>171,429</u>	<u>170,560</u>	<u>168,568</u>	<u>161,977</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 quarter.

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 quarter 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:

	31/03/2020 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	4,499

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 22 May 2020.

A13. Contingent liabilities

	31/03/2020 RM'000	31/03/2019 RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	248,371	243,849

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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	
	31/03/20	31/03/19		
	RM'000	RM'000	RM'000	%
Revenue	171,429	170,560	869	0.51
Gross Profit	21,078	12,291	8,787	71.49
Profit Before Interest and Tax	15,860	7,473	8,387	112.23
Profit Before Tax	15,420	6,793	8,627	127.00
Profit After Tax	13,006	5,249	7,757	147.78
Profit attributable to owners of the Company	11,807	4,585	7,222	157.51

The Group recorded revenue of RM171.43million for current quarter as compared to RM170.56million in previous year corresponding quarter. The increase of 0.51% in revenue was mainly contributed by higher sales volume from Fasteners segment. There were more scheduled order received for shipments to United States in Q120, thus which had increased by RM11.17million to RM38.97million.

Profit before tax for current quarter had recorded at RM15.42million, which had increased by RM8.63million or 127%. Apart from higher sales volume from Fasteners segment, the margin generated were also higher as compared with previous year corresponding quarter.

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

	Current Quarter	Immediate Preceding Quarter	Changes	
	31/03/20	31/12/19		
	RM'000	RM'000	RM'000	%
Revenue	171,429	161,971	9,458	5.84
Gross Profit	21,078	11,643	9,435	81.04
Profit Before Interest and Tax	15,860	6,815	9,045	132.72
Profit Before Tax	15,420	6,249	9,171	146.76
Profit After Tax	13,006	5,871	7,135	121.53
Profit attributable to owners of the Company	11,807	4,186	7,621	182.06

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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 RM171.43million and profit before tax of RM15.42million for the current quarter as compared to revenue of RM161.97million and profit before tax of RM6.25million in the immediate preceding quarter. Increase of the revenue and profit before tax were mainly resulted from the higher sales volume and margin generated for Fasteners segments.

3. Prospects for the current financial year

The Covid-19 pandemic has harmed communities and disrupted economic activity globally and Malaysia has not been spared. The Malaysian government has made the announcement on 16 March 2020 to implement Movement Control Order for the entire country. Both the fasteners and aluminium factories in Malaysia had to stop their operations during this period until both have obtained the approval from MITI to resume their operations during end of April.

Besides, the global economy would also be expected on downward trend, where the global demand for fasteners and aluminium products would reflect the same.

In view of the challenging environment, the Group will continue to focus on the core business and cost efficiency in order to maintain our competitiveness. The Group expects the future economic outlook in year 2020 to remain challenging due to the global slowdown and uncertainty of the Covid-19 pandemic.

4. Variance of actual profit from forecast profit

Not applicable.

5. Taxation

The taxation for continuing operations comprises:

	Individual Quarter 3 months ended 31 March		Cumulative Quarter ended 31 March	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Tax based on results for the year:-				
Current tax	2,467	1,573	2,467	1,573
Deferred tax	(53)	(29)	(53)	(29)
	<u>2,414</u>	<u>1,544</u>	<u>2,414</u>	<u>1,544</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:

	31/03/2020	31/03/2019
	RM'000	RM'000
<u>Unsecured</u>		
Short term borrowings		
Bankers' acceptance	2,348	1,520
Onshore foreign currency loans	31,730	21,045
Foreign currency trust receipts	30,786	48,419
Term loan	25,424	7,411
Total	<u>90,288</u>	<u>78,395</u>
Disclosed as:-		
- Current liabilities	71,180	72,432
- Non-current liabilities	19,108	5,963
	<u>90,288</u>	<u>78,395</u>

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

	31/03/2020	31/03/2019
	RM'000	RM'000
<u>Bank loans and borrowings</u>		
US Dollars	79,649	69,464
Thai Baht	8,291	7,411
Malaysian Ringgit	2,348	1,520
	<u>90,288</u>	<u>78,395</u>

7. Material pending litigation

The Group is not engaged in any material litigation as at 22 May 2020 (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 2020, the outstanding forward exchange contracts are as follows:

	31/03/2020		31/03/2019	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 3,300	USD 3,693	EUR 1,900	USD 2,206
Contract II	EUR 2,750	RM 12,873	EUR 1,200	RM 5,632

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 10 sen per share, in respect of the financial year ended 31 December 2019, will be proposed for the shareholders' approval at the 23rd Annual General Meeting.

10. Earnings per share

	Individual Quarter 3 months ended		Cumulative Quarter ended	
	31 March		31 March	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Profit for the period attributable to owners of the Company (RM'000)	11,807	4,585	11,807	4,585
Number of shares in issue at 1 January ('000)	153,577	154,453	153,577	154,453
Effect of shares issued ('000)	(49)	0	(49)	0
Weighted average number of shares in issue ('000)	153,528	154,453	153,528	154,453
Basic earnings per share (sen)	7.69	2.97	7.69	2.97
Diluted earnings per share (sen)	7.69	2.97	7.69	2.97

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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	691	691
Interest expense	440	440
Depreciation and amortization	3,799	3,799
Gain on financial instruments at fair value through profit or loss	161	161
Foreign exchange loss	75	75

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 29 May 2020