

NOTES TO THE UNAUDITED  
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 30 June 2020, the number of treasury shares held was 3,912,300 ordinary shares.

**A7. Dividend paid**

No dividend has been paid in the current quarter under review.

A final single tier dividend of 10 sen per share, amounting to RM15,357,710 in respect of the financial year ended 31 December 2019, was approved in the AGM held on 25 Jun 2020, which had been paid on 10 July 2020 subsequently.

**A8. Segment reporting**

**a. Operating segment**

| <b>30 June 2020</b>   | <b>Manufacture and<br/>sale of stainless<br/>steel fasteners<br/>RM'000</b> | <b>Manufacture and sale<br/>of aluminium and its<br/>related products<br/>RM'000</b> | <b>Unallocated<br/>non-operating<br/>segments<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-----------------------|---|--|--|-------------------------|
| Segment assets        | 521,459   | 119,721  | 20,281   | 661,461                 |
| Segment liabilities   | 97,422  | 24,849   | 20   | 122,291                 |
| External revenue      | 230,578   | 62,587   | 0  | 293,165                 |
| Segment profit/(loss) | 18,036  | 3,203  | (82)   | 21,157                  |

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

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

| <b>30 June 2019</b>   | <b>Manufacture and<br/>sale of stainless<br/>steel fasteners<br/>RM'000</b> | <b>Manufacture and sale<br/>of aluminium and its<br/>related products<br/>RM'000</b> | <b>Unallocated<br/>non-operating<br/>segments<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-----------------------|---|--|--|-------------------------|
| Segment assets        | 520,857   | 127,489  | 173  | 648,519                 |
| Segment liabilities   | 107,271   | 36,313   | 13   | 143,597                 |
| External revenue      | 252,458   | 76,052   | 0  | 328,510                 |
| Segment profit/(loss) | 9,767   | 3,021  | (101)  | 12,687                  |

**b. Geographical information**

| In RM'000                | <b>External revenue</b> |                   | <b>Non-current assets</b> |                   |
|--------------------------|-------------------------|-------------------|---------------------------|-------------------|
|                          | <b>30/06/2020</b>       | <b>30/06/2019</b> | <b>30/06/2020</b>         | <b>30/06/2019</b> |
| Malaysia                 | 54,277                  | 71,538            | 62,464                    | 59,210            |
| Thailand                 | 10,929                  | 9,946             | 118,407                   | 117,607           |
| Germany                  | 41,351                  | 42,873            | 0                         | 0                 |
| United States of America | 61,074                  | 55,888            | 0                         | 0                 |
| Other countries          | 125,534                 | 148,265           | 0                         | 0                 |
|                          | <u>293,165</u>          | <u>328,510</u>    | <u>180,871</u>            | <u>176,817</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:

|                                      | <b>30/06/2020</b><br><b>RM'000</b> |
|--------------------------------------|------------------------------------|
| <u>Property, plant and equipment</u> |                                    |
| Contracted but not provided for      | 3,863                              |

**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 August 2020.

**A13. Contingent liabilities**

|  | <b>30/06/2020</b><br><b>RM'000</b> | <b>30/06/2019</b><br><b>RM'000</b> |
|--|------------------------------------|------------------------------------|
| Financial guarantees given to financial institutions for credit facilities granted to subsidiaries | 250,439                            | 245,601                            |

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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<br>(2 <sup>nd</sup> quarter) |          |          |         | Cumulative Period |          |          |         |
|--|--|----------|----------|---------|-------------------|----------|----------|---------|
|  | 30/06/20                                       | 30/06/19 | Changes  |         | 30/06/20          | 30/06/19 | Changes  |         |
|  | RM'000   | RM'000   | RM'000   | %       | RM'000            | RM'000   | RM'000   | %       |
| Revenue                                      | 121,736  | 157,950  | (36,214) | (22.93) | 293,165           | 328,510  | (35,345) | (10.76) |
| Gross Profit                                 | 11,523   | 12,072   | (549)    | (4.55)  | 32,601            | 24,363   | 8,238    | 33.81   |
| Profit Before Interest and Tax               | 10,106   | 9,545    | 561      | 5.88    | 25,966            | 17,018   | 8,948    | 52.58   |
| Profit Before Tax                            | 9,769  | 8,971    | 798      | 8.90    | 25,189            | 15,764   | 9,425    | 59.79   |
| Profit After Tax                             | 8,151  | 7,438    | 713      | 9.59    | 21,157            | 12,687   | 8,470    | 66.76   |
| Profit attributable to owners of the Company | 7,760  | 6,596    | 1,164    | 17.65   | 19,567            | 11,181   | 8,386    | 75.00   |

The Group recorded revenue of RM293.17million for current period as compared to RM328.51million in previous year corresponding period. The decrease of 10.76% in revenue was mainly due to lower sales volume from both Fasteners and Aluminium segments as a result of the overall slow down in the world economies, caused by the Covid-19 pandemic.

However, the gross profit had increased by RM8.24million or 33.81% to RM32.60million which was mainly resulted from lower raw material cost purchased. The Group has benefited from the lower stainless steel wire rod and billet prices. In tandem with the increase of gross profit, the Group profit before tax had increased by RM9.43million or 59.79% as compared to 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 |          |         |
|--|-----------------|-----------------------------|----------|---------|
|  | 30/06/20        | 31/03/20                    | Changes  |         |
|  | RM'000          | RM'000                      | RM'000   | %       |
| Revenue                                      | 121,736         | 171,429                     | (49,693) | (28.99) |
| Gross Profit                                 | 11,523          | 21,078                      | (9,555)  | (45.33) |
| Profit Before Interest and Tax               | 10,106          | 15,860                      | (5,754)  | (36.28) |
| Profit Before Tax                            | 9,769           | 15,420                      | (5,651)  | (36.65) |
| Profit After Tax                             | 8,151           | 13,006                      | (4,855)  | (37.33) |
| Profit attributable to owners of the Company | 7,760           | 11,807                      | (4,047)  | (34.28) |

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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 RM121.74million and profit before tax of RM9.77million for the current quarter as compared to the revenue of RM171.43million and profit before tax of RM15.42million in the immediate preceding quarter. Decrease of the revenue and profit before tax were mainly resulted from the lower sales volume generated for both Fasteners and Aluminium segments.

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

The global economy remains uncertain as the world has yet to recover from Covid-19 crisis. Both the fasteners and aluminium plants in Malaysia had obtained conditional approval from MITI to resume operation in the mid of April. However, due to the overall disruption of the world economy, the global demand for fasteners and aluminium products would be adversely affected as well.

In view of the challenging market environment, the Group will continue to focus on its core business and also continue to seek for more opportunities to broaden customer base and capture more market shares. The Board expects the prospects of the Group's financial performance for the financial year ending 31 December 2020 to remain challenging.

**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>2020</b>               | <b>2019</b>   | <b>2020</b>               | <b>2019</b>   |
|                                     | <b>RM'000</b>             | <b>RM'000</b> | <b>RM'000</b>             | <b>RM'000</b> |
| Tax based on results for the year:- |                           |               |                           |               |
| Current tax                         | 1,662                     | 1,546         | 4,129                     | 3,119         |
| Deferred tax                        | (44)                      | (13)          | (97)                      | (42)          |
|                                     | 1,618                     | 1,533         | 4,032                     | 3,077         |

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>30/06/2020</b> | <b>30/06/2019</b> |
|---------------------------------|-------------------|-------------------|
|                                 | <b>RM'000</b>     | <b>RM'000</b>     |
| <b><u>Unsecured</u></b>         |                   |                   |
| Short term borrowings           |                   |                   |
| Bankers' acceptance             | 2,897             | 1,000             |
| Onshore foreign currency loans  | 36,388            | 28,404            |
| Foreign currency trust receipts | 33,934            | 61,163            |
| Term loan                       | 24,261            | 26,023            |
| Total                           | 97,480            | 116,590           |
| Disclosed as:-                  |                   |                   |
| - Current liabilities           | 79,659            | 93,096            |
| - Non-current liabilities       | 17,821            | 23,494            |
|                                 | 97,480            | 116,590           |

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

|   | <b>30/06/2020</b> | <b>30/06/2019</b> |
|---|-------------------|-------------------|
|   | <b>RM'000</b>     | <b>RM'000</b>     |
| <b><u>Bank loans and borrowings</u></b> |                   |                   |
| US Dollars                              | 86,432            | 106,115           |
| Thai Baht                               | 8,151             | 9,475             |
| Malaysian Ringgit                       | 2,897             | 1,000             |
|   | 97,480            | 116,590           |

**7. Material pending litigation**

The Group is not engaged in any material litigation as at 21 August 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 30 June 2020, the outstanding forward exchange contracts are as follows:

|             | 30/06/2020      |                | 30/06/2019      |                |
|-------------|-----------------|----------------|-----------------|----------------|
|             | To sell<br>'000 | To buy<br>'000 | To sell<br>'000 | To buy<br>'000 |
| Contract I  | EUR 3,750       | USD 4,172      | EUR 2,938       | USD 3,351      |
| Contract II | EUR 2,000       | RM 9,581       | EUR 1,000       | RM 4,659       |

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**

No dividend has been paid in the current quarter under review.

A final single tier dividend of 10 sen per share, amounting to RM15,357,710 in respect of the financial year ended 31 December 2019, was approved in the AGM held on 25 Jun 2020, which had been paid on 10 July 2020 subsequently.

**10. Earnings per share**

|  | Individual Quarter<br>3 months ended<br>30 June |             | Cumulative Quarter<br>ended<br>30 June |             |
|--|---|-------------|--|-------------|
|  | <u>2020</u>                                     | <u>2019</u> | <u>2020</u>                            | <u>2019</u> |
| Profit for the period attributable to owners of the Company (RM'000) | 7,760   | 6,596       | 19,567                                 | 11,181      |
| 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)                                       | 5.05  | 4.27        | 12.74                                  | 7.24        |
| Diluted earnings per share (sen)                                     | 5.05  | 4.27        | 12.74                                  | 7.24        |



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

|   | <b>Current<br/>Quarter</b> | <b>Current Year<br/>To Date</b> |
|---|----------------------------|---------------------------------|
|   | <b>RM'000</b>              | <b>RM'000</b>                   |
| Interest income   | 774                        | 1,465                           |
| Interest expense  | 337                        | 777                             |
| Depreciation and amortization   | 3,715                      | 7,514                           |
| Loss on financial instruments at fair value through<br>profit or loss | 272                        | 111                             |
| Foreign exchange gain   | 2,717                      | 2,642                           |

BY ORDER OF THE BOARD

Tsai Yi Ting  
Managing Director  
Dated this 28 August 2020