

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 December 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 RM15,351,770 in respect of the financial year ended 31 December 2019, was paid on 10 July 2020.

A8. Segment reporting

a. Operating segment

| 31 December 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 | 521,945 | 122,802 | 8,757 | 653,504 |
| Segment liabilities | 98,537 | 26,150 | 173 | 124,860 |
| External revenue | 409,213 | 145,787 | 0 | 555,000 |
| Segment profit/(loss) | 24,866 | 12,483 | (233) | 37,116 |

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A8. Segment reporting (Cont'd)

a. Operating segment (Cont'd)

| 31 December 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 | 530,839 | 131,647 | 3,390 | 665,876 |
| Segment liabilities | 112,229 | 37,477 | 171 | 149,877 |
| External revenue | 492,378 | 154,347 | 0 | 646,725 |
| Segment profit/(loss) | 15,690 | 8,614 | (256) | 24,048 |

b. Geographical information

| In RM'000 | External revenue | | Non-current assets | |
|--------------------------|-------------------------|-------------------|---------------------------|-------------------|
| | 31/12/2020 | 31/12/2019 | 31/12/2020 | 31/12/2019 |
| Malaysia | 124,713 | 139,155 | 53,808 | 56,968 |
| Thailand | 20,093 | 17,050 | 111,500 | 119,708 |
| Germany | 85,548 | 93,137 | 0 | 0 |
| United States of America | 93,593 | 111,868 | 0 | 0 |
| Other countries | 231,053 | 285,515 | 0 | 0 |
| | <u>555,000</u> | <u>646,725</u> | <u>165,308</u> | <u>176,676</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:

| | 31/12/2020 RM'000 |
|--------------------------------------|------------------------------------|
| <u>Property, plant and equipment</u> | |
| Contracted but not provided for | 2,308 |

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 15 February 2021.

A13. Contingent liabilities

| | 31/12/2020 RM'000 | 31/12/2019 RM'000 |
|--|------------------------------------|------------------------------------|
| Financial guarantees given to financial institutions for credit facilities granted to subsidiaries | 242,736 | 245,468 |

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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 (4 th quarter) | | | | Cumulative Period | | | |
|--|--|----------|----------|---------|-------------------|----------|----------|---------|
| | 31/12/20 | 31/12/19 | Changes | | 31/12/20 | 31/12/19 | Changes | |
| | RM'000 | RM'000 | RM'000 | % | RM'000 | RM'000 | RM'000 | % |
| Revenue | 131,746 | 161,971 | (30,225) | (18.66) | 555,000 | 646,725 | (91,725) | (14.18) |
| Gross Profit | 15,013 | 11,643 | 3,370 | 28.94 | 63,096 | 48,101 | 14,995 | 31.17 |
| Profit Before Interest and Tax | 8,953 | 6,815 | 2,138 | 31.37 | 46,263 | 31,465 | 14,798 | 47.03 |
| Profit Before Tax | 8,634 | 6,249 | 2,385 | 38.17 | 44,944 | 29,018 | 15,926 | 54.88 |
| Profit After Tax | 7,369 | 5,871 | 1,498 | 25.52 | 37,116 | 24,048 | 13,068 | 54.34 |
| Profit attributable to owners of the Company | 5,076 | 4,186 | 890 | 21.26 | 30,931 | 19,766 | 11,165 | 56.49 |

The Group recorded revenue of RM555.0million for current year as compared to RM646.73million in previous financial year. The decrease of 14.18% in revenue was mainly due to lower sales volume from Fasteners segment as world economy has been disrupted due to Covid-19 pandemic.

However, the gross profit had increased by RM15.0million or 31.17% to RM63.10million which was mainly resulted from lower raw material cost purchased as compared with previous financial year. 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 RM15.93million or 54.88% as compared to previous financial year.

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

| | Current Quarter | Immediate Preceding Quarter | | |
|--|-----------------|-----------------------------|---------|---------|
| | 31/12/20 | 30/09/20 | Changes | |
| | RM'000 | RM'000 | RM'000 | % |
| Revenue | 131,746 | 130,089 | 1,657 | 1.27 |
| Gross Profit | 15,013 | 15,482 | (469) | (3.03) |
| Profit Before Interest and Tax | 8,953 | 11,344 | (2,391) | (21.08) |
| Profit Before Tax | 8,634 | 11,121 | (2,487) | (22.36) |
| Profit After Tax | 7,369 | 8,590 | (1,221) | (14.21) |
| Profit attributable to owners of the Company | 5,076 | 6,288 | (1,212) | (19.27) |

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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 RM131.75million and profit before tax of RM8.63million for the current quarter as compared to the revenue of RM130.09million and profit before tax of RM11.12million in the immediate preceding quarter. Increase of the revenue was mainly due to higher sales volume for both segment. However, as a result of strengthening of Ringgit Malaysia, the gross profit generated is lower as compared with the immediate preceding quarter.

3. Prospects for the current financial year

The global economy outlook is expected will remain below pre-pandemic trends for a prolonged period, though there is some recovery sign in the recent months. Although recent vaccine approvals have raised hopes of a turnaround in the pandemic, new variants of the virus still pose concerns for the outlook and remain as a major challenge to the global economy.

Taking into consideration of the challenging circumstances, we will maintain cautious outlook for the next financial year.

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 December | | 31 December | |
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Tax based on results for the year:- | | | | |
| Current tax | 1,134 | 682 | 7,736 | 5,372 |
| Deferred tax | 104 | (316) | 65 | (340) |
| | 1,238 | 366 | 7,801 | 5,032 |
| Taxation under/(over) provided in prior years | | | | |
| Current tax | 13 | 26 | 13 | (48) |
| Deferred tax | 14 | (14) | 14 | (14) |
| | 1,265 | 378 | 7,828 | 4,970 |

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:

| | 31/12/2020 | 31/12/2019 |
|---------------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| <u>Unsecured</u> | | |
| Short term borrowings | | |
| Bankers' acceptance | 210 | 900 |
| Onshore foreign currency loans | 15,407 | 36,401 |
| Foreign currency trust receipts | 47,592 | 49,662 |
| Term loan | 19,966 | 25,614 |
| Total | <u>83,175</u> | <u>112,577</u> |
| Disclosed as:- | | |
| - Current liabilities | 69,327 | 92,150 |
| - Non-current liabilities | 13,848 | 20,427 |
| | <u>83,175</u> | <u>112,577</u> |

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

| | 31/12/2020 | 31/12/2019 |
|---|-------------------|-------------------|
| | RM'000 | RM'000 |
| <u>Bank loans and borrowings</u> | | |
| US Dollars | 76,251 | 100,374 |
| Thai Baht | 6,714 | 9,128 |
| EUR | 0 | 2,175 |
| Malaysian Ringgit | 210 | 900 |
| | <u>83,175</u> | <u>112,577</u> |

7. Material pending litigation

The Group is not engaged in any material litigation as at 15 February 2021 (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 December 2020, the outstanding forward exchange contracts are as follows:

| | 31/12/2020 | | 31/12/2019 | |
|--------------|-------------------------|------------------------|-------------------------|------------------------|
| | To sell '000 | To buy '000 | To sell '000 | To buy '000 |
| Contract I | EUR 3,800 | USD 4,551 | EUR 4,700 | USD 5,258 |
| Contract II | EUR 1,750 | MYR 8,691 | EUR 2,250 | MYR10,529 |
| Contract III | USD 450 | THB 13,511 | NIL | NIL |
| Contract IV | EUR 250 | THB 9,259 | NIL | NIL |
| Contract V | NIL | NIL | MYR3,909 | USD 950 |

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

On 10 July 2020, the Company had paid a final single tier dividend of 10 sen per share, amounting to RM15,351,770 in respect of the financial year ended 31 December 2019.

10. Earnings per share

| | Individual Quarter 3 months ended | | Cumulative Quarter Ended | |
|--|--|--------------------|-------------------------------------|--------------------|
| | 31 December | | 31 December | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Profit for the year attributable to owners of the Company (RM'000) | 5,076 | 4,186 | 30,931 | 19,766 |
| Number of shares in issue at 1 January ('000) | 153,577 | 154,453 | 153,577 | 154,453 |
| Effect of shares purchased ('000) | (49) | (171) | (49) | (171) |
| Weighted average number of shares in issue ('000) | 153,528 | 154,282 | 153,528 | 154,282 |
| Basic earnings per share (sen) | 3.31 | 2.71 | 20.15 | 12.81 |
| Diluted earnings per share (sen) | 3.31 | 2.71 | 20.15 | 12.81 |

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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 | 464 | 2,456 |
| Interest expense | 319 | 1,319 |
| Depreciation and amortization | 3,601 | 14,798 |
| Loss on financial instruments at fair value through profit or loss | 630 | 1,058 |
| Foreign exchange gain | 1,110 | 4,411 |

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 22 February 2021