

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021

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 2020.

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 2020 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 9, MFRS 139 and MFRS 7, MFRS 4 and MFRS 16 <i>Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021

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 2021 in respect of the audited financial statements for the year ended 31 December 2020 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.

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 2021.

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021

A8. Segment reporting

a. Operating segment

31 March 2021	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	530,863	134,505	16,061	681,429
Segment liabilities	121,107	20,228	176	141,511
External revenue	119,843	46,928	0	166,771
Segment profit	7,902	6,530	74	14,506

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	10,515	2,417	74	13,006

b. Geographical information

In RM'000	External revenue		Non-current assets	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
Malaysia	41,199	32,017	52,370	55,300
Thailand	4,984	4,530	108,643	113,268
Germany	23,734	21,507	0	0
United States of America	31,389	38,968	0	0
Other countries	65,465	74,407	0	0
	<u>166,771</u>	<u>171,429</u>	<u>161,013</u>	<u>168,568</u>

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021

A9. Changes in the composition of the Group

During the quarter, the Group has commenced voluntary winding-up of a wholly-owned subsidiary, KISB due to its inactivity since 31 December 2019 and there was no intention of carrying on business in the future. The winding up process currently is still on-going.

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:

	31/03/2021 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>2,779</u>

A12. Material events subsequent to the reported period

A 51% owned subsidiary of the Group, Tong Heer Aluminium Industries Sdn. Bhd. ("THA"), has on 25 January 2021 entered into a Share Sale Agreement ("SSA") to acquire 945,000 Ordinary Shares representing 100% equity interest of HSI for a total consideration of RM6,534,000.00.

The acquisition had been completed on 13 April 2021 and consequently the Group has an indirect interest to HSI.

A13. Contingent liabilities

	31/03/2021 RM'000	31/03/2020 RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	<u>245,014</u>	<u>248,371</u>

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021

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	
	31/03/21	31/03/20		
	RM'000	RM'000	RM'000	%
Revenue	166,771	171,429	(4,658)	(2.72)
Gross Profit	26,577	21,078	5,499	26.09
Profit Before Interest and Tax	19,280	15,860	3,420	21.56
Profit Before Tax	18,916	15,420	3,496	22.67
Profit After Tax	14,506	13,006	1,500	11.53
Profit attributable to owners of the Company	11,272	11,807	(535)	(4.53)

The Group recorded revenue of RM166.77 million for current quarter as compared to RM171.43 million in previous year corresponding period. The decrease of 2.72% 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 RM5.5 million or 26.09% to RM26.58 million 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 RM3.5 million or 22.67% as compared to 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	
	31/03/21	31/12/20		
	RM'000	RM'000	RM'000	%
Revenue	166,771	131,746	35,025	26.59
Gross Profit	26,577	15,013	11,564	77.03
Profit Before Interest and Tax	19,280	8,953	10,327	115.35
Profit Before Tax	18,916	8,634	10,282	119.09
Profit After Tax	14,506	7,369	7,137	96.85
Profit attributable to owners of the Company	11,272	5,076	6,196	122.06

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021

2. Material changes in the quarterly results compared to the results of the immediate preceding quarter (cont'd)

The Group reported revenue of RM166.77million and profit before tax of RM18.92 million for the current quarter as compared to the revenue of RM131.75million and profit before tax of RM8.63million in the immediate preceding quarter. Increase of the revenue was mainly resulted from the higher sales volume and margin generated for Fasteners segments.

3. Prospects for the current financial year

Most of the counties are experiencing a second wave of COVID-19 spread which affected the supply of raw materials and price. In Malaysia, MCO3.0, inter-district and interstate travel remained disallowed have been implemented by the government to reduce the spread of virus which severely affected the economic growth of the country. The economic for the next 12 months remain uncertain although vaccine approvals have raised hopes of a turnaround in the pandemic.

The directors are mindful of the challenges ahead and will maintain cautious outlook for the current 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 March		31 March	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Tax based on results for the year:-				
Current tax	4,340	2,467	4,340	2,467
Deferred tax	70	(53)	70	(53)
	4,410	2,414	4,410	2,414

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.

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021

6. Group borrowings and debt securities

The Group's loans and borrowings are as follows:

	31/03/2021	31/03/2020
	RM'000	RM'000
<u>Unsecured</u>		
Short term borrowings		
Bankers' acceptance	240	2,348
Onshore foreign currency loans	23,003	31,730
Foreign currency trust receipts	69,388	30,786
Term loan	18,730	25,424
Total	111,361	90,288
Disclosed as:-		
- Current liabilities	98,834	71,180
- Non-current liabilities	12,527	19,108
	111,361	90,288

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

	31/03/2021	31/03/2020
	RM'000	RM'000
<u>Bank loans and borrowings</u>		
US Dollars	105,065	79,649
Thai Baht	6,056	8,291
Malaysian Ringgit	240	2,348
	111,361	90,288

7. Material pending litigation

The Group is not engaged in any material litigation as at 17 May 2021 (the latest practicable date which is not earlier than 7 days from the date of this quarterly report).

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021

8. Financial instruments

As at 31 March 2021, the outstanding forward exchange contracts are as follows:

	31/03/2021		31/03/2020	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 1,450	USD 1,753	EUR 3,300	USD 3,693
Contract II	EUR 1,400	MYR 6,892	EUR 2,750	MYR12,873
Contract III	THB 350	USD 10,524	NIL	NIL
Contract IV	USD 200	EUR 237	NIL	NIL
Contract V	USD 340	THB 10,370	NIL	NIL

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 15sen per share, in respect of the financial year ended 31 December 2020, will be proposed for the shareholders' approval at the 24th Annual General Meeting.

On 10 May 2021, an interim single-tier dividend of 5 sen per ordinary share for the financial year ending 31 December 2021 had been declared by the Board of Directors, payable on 10 June 2021.

10. Earnings per share

	Individual Quarter 3 months ended		Cumulative Quarter Ended	
	31 March		31 March	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Profit for the year attributable to owners of the Company (RM'000)	11,272	11,807	11,272	11,807
Number of shares in issue at 1 January ('000)	153,528	153,577	153,528	153,577
Effect of shares purchased ('000)	0	(49)	0	(49)
Weighted average number of shares in issue ('000)	153,528	153,528	153,528	153,528
Basic earnings per share (sen)	7.34	7.69	7.34	7.69
Diluted earnings per share (sen)	7.34	7.69	7.34	7.69

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2021

11. Notes to the Condensed Consolidated Statement of Comprehensive Income

	Current Quarter RM'000	Current Year To Date RM'000
Interest income	525	525
Interest expense	364	364
Depreciation and amortization	3,437	3,437
Foreign exchange loss	1,165	1,165
Gain on financial instruments at fair value through profit or loss	636	636

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 24 May 2021