

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2021

EXPLANATORY NOTES AS PER MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements (Condensed Rweports) 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.

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A7. Dividend paid

A final single tier dividend of 15 sens per share, amounting to RM23,027,655 in respect of the financial year ended 31 December 2020, was approved in the AGM held on 24 May 2021, which had been paid on 10 June 2021 subsequently.

An interim single-tier dividend of 5 sens per ordinary share, amounting to RM7,675,885 in respect of the financial year ending 31 December 2021, which had been paid on 10 June 2021.

A8. Segment reporting

a. Operating segment

30 June 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	512,639	141,470	867	654,976
Segment liabilities	94,520	38,001	36	132,557
External revenue	253,051	98,127	0	351,178
Segment profit	22,561	12,362	79	35,002

30 June 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	521,459	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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b. Geographical information

In RM'000	External revenue		Non-current assets	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Malaysia	84,127	54,277	64,099	62,464
Thailand	9,388	10,929	104,243	118,407
Germany	52,752	41,351	0	0
United States of America	56,402	61,074	0	0
Other countries	148,509	125,534	0	0
	<u>351,178</u>	<u>293,165</u>	<u>168,342</u>	<u>180,871</u>

A9. Changes in the composition of the Group

On 2 January 2021, the Group has commenced voluntary winding-up of a wholly-owned subsidiary, Kosmo Indah Sdn. Bhd. 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.

On 25 January 2021, Tong Heer Aluminium Industries Sdn Bhd, a 51% owned subsidiary of the Company, entered into a Share Sale and Purchase Agreement to acquire 945,000 Ordinary Shares representing 100% equity interest of Hwang Shin Industrial (M) Sdn. Bhd. for a total consideration of RM6,534,000.00.

The transaction was completed on 13 April 2021.

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:

	30/06/2021 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>2,542</u>

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 20 August 2021.

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A13. Contingent liabilities

	30/06/2021	30/06/2020
	RM'000	RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	252,320	250,439

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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 (2 nd quarter)		Changes		Cumulative Period		Changes	
	30/06/21	30/06/20			30/06/21	30/06/20		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	184,407	121,736	62,671	51.48	351,178	293,165	58,013	19.79
Gross Profit	30,678	11,523	19,155	166.23	57,255	32,601	24,654	75.62
Profit Before Interest and Tax	26,143	10,106	16,037	158.69	45,423	25,966	19,457	74.93
Profit Before Tax	25,746	9,769	15,977	163.55	44,662	25,189	19,473	77.31
Profit After Tax	20,496	8,151	12,345	151.45	35,002	21,157	13,845	65.44
Profit attributable to owners of the Company	17,609	7,760	9,849	126.92	28,881	19,567	9,314	47.60

The Group recorded revenue of RM184.41 million for current quarter as compared to RM121.74 million in previous year corresponding quarter. The increase of 51.48% in revenue was mainly due to increase in sales volume and higher average selling price from Fasteners segment and Aluminium segment.

The gross profit had increased by RM19.16 million or 166.23% to RM30.68 million which was mainly resulted from lower raw material cost purchased. The Group has benefited from the lower stainless steel wire rod, billet and ingot prices. In tandem with the increase of gross profit, the Group profit before tax had increased by RM15.98 million or 163.55% 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	
	30/06/21	31/03/21	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	184,407	166,771	17,636	10.57
Gross Profit	30,678	26,577	4,101	15.43
Profit Before Interest and Tax	26,143	19,280	6,863	35.60
Profit Before Tax	25,746	18,916	6,830	36.11
Profit After Tax	20,496	14,506	5,990	41.29
Profit attributable to owners of the Company	17,609	11,272	6,337	56.22

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

The Group reported revenue of RM184.41 million and profit before tax of RM25.75 million for the current quarter as compared to the revenue of RM166.77million and profit before tax of RM18.92 million in the immediate preceding quarter. Increase of the revenue was mainly resulted from the higher sales volume and margin generated for Fasteners segments and Aluminium segments.

3. Prospects for the current financial year

Covid-19 pandemic remains a threat despite availability of vaccines worldwide. Uncertainties persist about the future course of the pandemic and its further economic and social consequences arising thereafter. In response to the COVID-19 pandemic, the Group has implemented various precautionary measures at its factories and offices to minimise the risk of COVID-19 infections and to ensure compliance with the standard operating procedures imposed by the Government. We are hopeful that the Government's intensified vaccination programme will curtail the spread of COVID-19 infections thus giving the economy greater confidence for recovery in the near term.

The Group remains cautious, and will continue to focus on its operational efficiencies and improve on all areas of operations, technology, manpower and logistics.

4. Variance of actual profit from forecast profit

Not applicable.

5. Taxation

The taxation for continuing operations comprises:

	Individual Quarter 3 months ended 30 June		Cumulative Quarter ended 30 June	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Tax based on results for the year:-				
Current tax	5,176	1,662	9,516	4,129
Deferred tax	74	(44)	144	(97)
	<u>5,250</u>	<u>1,618</u>	<u>9,660</u>	<u>4,032</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:

	30/06/2021	30/06/2020
	RM'000	RM'000
<u>Unsecured</u>		
Short term borrowings		
Bankers' acceptance	200	2,897
Onshore foreign currency loans	15,695	36,388
Foreign currency trust receipts	64,139	33,934
Term loan	17,056	24,261
Total	<u>97,090</u>	<u>97,480</u>
Disclosed as:-		
- Current liabilities	86,185	79,659
- Non-current liabilities	10,905	17,821
	<u>97,090</u>	<u>97,480</u>

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

	30/06/2021	30/06/2020
	RM'000	RM'000
<u>Bank loans and borrowings</u>		
US Dollars	91,533	86,432
Thai Baht	5,357	8,151
Malaysian Ringgit	200	2,897
	<u>97,090</u>	<u>97,480</u>

7. Material pending litigation

The Group is not engaged in any material litigation as at 20 August 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 30 June 2021, the outstanding forward exchange contracts are as follows:

	30/06/2021		30/06/2020	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 4,900	USD 5,944	EUR 3,750	USD 4,172
Contract II	EUR 2,750	MYR 13,773	EUR 2,000	MYR 9,581
Contract III	EUR 1,930	THB 72,907	NIL	NIL
Contract IV	USD 400	THB 14,820	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 15 sen per share, amounting to RM23,027,655 in respect of the financial year ended 31 December 2020, was approved in the AGM held on 24 May 2021, which had been paid on 10 June 2021 subsequently.

An interim single-tier dividend of 5 sen per ordinary share, amounting to RM7,675,885 in respect of the financial year ending 31 December 2021, which had been paid on 10 June 2021.

10. Earnings per share

	Individual Quarter 3 months ended 30 June		Cumulative Quarter Ended 30 June	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Profit for the year attributable to owners of the Company (RM'000)	17,609	7,760	28,881	19,567
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)	11.47	5.05	18.81	12.74
Diluted earnings per share (sen)	11.47	5.05	18.81	12.74

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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	606	1,131
Interest expense	397	761
Depreciation and amortization	4,318	7,755
Foreign exchange gain	1,396	231
Gain on financial instruments at fair value through profit or loss	385	1,021

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 27 August 2021