

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

EXPLANATORY NOTES AS PER MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements (Condensed Rreports) 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.

For the financial period ended 30 September 2021, the Group has applied the Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 Interest Rate Benchmark Reform - Phase 2 which are effective for annual periods beginning on or after 1 January 2021. They have also early applied the Amendment to MFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 which is effective for annual periods beginning on or after 1 April 2021

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

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

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 paid on 10 June 2021.

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, was paid on 10 June 2021.

A8. Segment reporting

a. Operating segment

30 September 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	576,491	149,364	834	726,689
Segment liabilities	152,604	42,837	7	195,448
External revenue	385,870	149,138	0	535,008
Segment profit	38,358	15,419	75	53,852

30 September 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	494,506	122,070	4,919	621,495
Segment liabilities	78,752	22,541	9	101,302
External revenue	322,173	101,081	0	423,254
Segment profit/(loss)	21,968	7,860	(81)	29,747

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b. Geographical information

In RM'000	External revenue		Non-current assets	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
Malaysia	125,263	85,661	64,085	62,651
Thailand	13,721	16,586	97,289	110,585
Germany	78,055	64,413	0	0
United States of America	89,030	78,250	0	0
Other countries	228,939	178,344	0	0
	<u>535,008</u>	<u>423,254</u>	<u>161,374</u>	<u>173,236</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.

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:

	30/09/2021 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>2,525</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 19 November 2021.

A13. Contingent liabilities

	30/09/2021 RM'000	30/09/2020 RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	<u>242,630</u>	<u>244,759</u>

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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 (3 rd quarter)				Cumulative Period			
	30/09/21	30/09/20	Changes		30/09/21	30/09/20	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	183,830	130,089	53,741	41.31	535,008	423,254	111,754	26.40
Gross Profit	32,913	15,482	17,431	112.59	90,168	48,083	42,085	87.53
Profit Before Interest and Tax	24,971	11,344	13,627	120.13	70,394	37,310	33,084	88.67
Profit Before Tax	24,742	11,121	13,612	122.48	69,404	36,310	33,094	91.14
Profit After Tax	18,850	8,590	10,260	119.44	53,852	29,747	24,105	81.03
Profit attributable to owners of the Company	17,320	6,288	11,032	175.45	46,201	25,855	20,346	78.69

The Group recorded revenue of RM535.01 million for current quarter as compared to RM423.25 million in previous year corresponding quarter. The increase of 26.40% 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 RM42.09 million or 87.53% to RM90.17 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 RM33.09 million or 91.14% 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		
	30/09/21	30/06/21	Changes	
	RM'000	RM'000	RM'000	%
Revenue	183,830	184,407	(577)	(0.31)
Gross Profit	32,913	30,678	2235	7.29
Profit Before Interest and Tax	24,971	26,143	(1172)	(4.48)
Profit Before Tax	24,742	25,746	(1004)	(3.90)
Profit After Tax	18,850	20,496	(1646)	(8.03)
Profit attributable to owners of the Company	17,320	17,609	(289)	(1.64)

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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 RM183.83 million and profit before tax of RM24.74 million for the current quarter as compared to the revenue of RM184.41 million and profit before tax of RM25.75 million in the immediate preceding quarter. Decrease of the revenue was mainly resulted from the decrease in sales volume generated from Fasteners segments and Aluminium segments.

3. Prospects for the current financial year

The Group expects demand to gradually improve in the coming months but continues to be concerned with price volatility of both raw materials and finished products. Beside that, recent turn of events such as higher freight costs which could impact our profitability going forward.

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		Cumulative Quarter	
	3 months ended		ended	
	30 September		30 September	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Tax based on results for the year:-				
Current tax	5,844	2,473	15,360	6,602
Deferred tax	48	58	192	(39)
	5,892	2,531	15,552	6,563

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:

	30/09/2021	30/09/2020
	RM'000	RM'000
<u>Unsecured</u>		
Short term borrowings		
Bankers' acceptance	0	1,120
Onshore foreign currency loans	37,958	19,463
Foreign currency trust receipts	102,101	33,330
Term loan	10,834	21,774
Total	150,893	75,687
Disclosed as:-		
- Current liabilities	143,999	60,098
- Non-current liabilities	6,894	15,589
	150,893	75,687

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

	30/09/2021	30/09/2020
	RM'000	RM'000
<u>Bank loans and borrowings</u>		
US Dollars	150,893	67,428
Thai Baht	0	7,139
Malaysian Ringgit	0	1,120
	150,893	75,687

7. Material pending litigation

The Group is not engaged in any material litigation as at 19 November 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 September 2021, the outstanding forward exchange contracts are as follows:

	30/09/2021		30/09/2020	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 2,700	USD 3,253	EUR 2,050	USD 2,379
Contract II	EUR 950	MYR 4,814	EUR 3,000	MYR 14,862
Contract III	EUR 980	THB 37,458	EUR 700	THB 25,775
Contract IV	NIL	NIL	USD 550	THB 17,247
Contract V	USD 200	MYR 838	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

On 10 June 2021, the Company had paid a single tier dividend of 15 sen per share, amounting to RM23,027,655 in respect of the financial year ended 31 December 2020.

On 10 June 2021, the Company had paid 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.

10. Earnings per share

	Individual Quarter 3 months ended		Cumulative Quarter Ended	
	30 September		30 September	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Profit for the year attributable to owners of the Company (RM'000)	17,320	6,288	46,201	25,855
Number of shares in issue at 1 January ('000)	153,518	153,577	153,518	153,577
Effect of shares purchased ('000)	0	(49)	0	(49)
Weighted average number of shares in issue ('000)	153,518	153,528	153,518	153,528
Basic earnings per share (sen)	11.28	4.10	30.09	16.84
Diluted earnings per share (sen)	11.28	4.10	30.09	16.84

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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	407	1,538
Interest expense	229	990
Depreciation and amortization	4,218	11,973
Foreign exchange loss	278	47
Gain on financial instruments at fair value through profit or loss	350	1,371

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 26 November 2021