

NOTES TO THE UNAUDITED  
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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**

	<b>Manufacture and sale of stainless steel fasteners RM'000</b>	<b>Manufacture and sale of aluminium and its related products RM'000</b>	<b>Unallocated non-operating segments RM'000</b>	<b>Total RM'000</b>
<b>31 December 2021</b>				
Segment assets	651,425	166,075	7,573	825,073
Segment liabilities	213,364	61,511	149	275,024
External revenue	550,430	201,849	0	752,279
Segment profit/(loss)	55,374	18,556	(547)	73,383

	<b>Manufacture and sale of stainless steel fasteners RM'000</b>	<b>Manufacture and sale of aluminium and its related products RM'000</b>	<b>Unallocated non-operating segments RM'000</b>	<b>Total RM'000</b>
<b>31 December 2020</b>				
Segment assets	523,674	122,319	8,757	654,750
Segment liabilities	100,267	26,151	173	126,591
External revenue	409,214	145,787	0	555,001
Segment profit/(loss)	24,865	11,998	(232)	36,631

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**b. Geographical information**

In RM'000	External revenue		Non-current assets	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Malaysia	167,206	124,714	55,421	60,709
Thailand	22,898	20,017	95,860	111,500
Germany	107,146	85,548	0	0
Taiwan	140,253	78,378	0	0
United States of America	130,783	93,593	0	0
Other countries	183,993	152,751	0	0
	<u>752,279</u>	<u>555,001</u>	<u>151,281</u>	<u>172,209</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:

	<b>31/12/2021</b> <b>RM'000</b>
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>1,976</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 18 February 2022.

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**A13. Contingent liabilities**

	<b>31/12/2021</b> <b>RM'000</b>	<b>31/12/2020</b> <b>RM'000</b>
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	273,773	242,737

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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 <sup>rd</sup> quarter)		Changes		Cumulative Period		Changes	
	31/12/21	31/12/20			31/12/21	31/12/20		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	217,271	131,746	85,525	64.92	752,279	555,001	197,278	35.55
Gross Profit	39,284	15,013	24,271	161.67	129,452	63,096	66,356	105.17
Profit Before Interest and Tax	26,138	8,953	17,185	191.95	96,532	45,778	50,754	110.87
Profit Before Tax	25,792	8,634	17,158	198.73	95,196	44,459	50,737	114.12
Profit After Tax	19,531	7,369	12,162	165.04	73,383	36,631	36,752	100.33
Profit attributable to owners of the Company	17,933	5,076	12,857	253.29	64,133	30,684	33,449	109.01

The Group recorded revenue of RM752.28 million for current quarter as compared to RM555.00 million in previous year corresponding quarter. The increase of 35.55% 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 RM66.36 million or 105.17% to RM129.45 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 RM50.74 million or 114.12% 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	
	31/12/21	30/09/21	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	217,271	183,830	33,441	18.19
Gross Profit	39,284	32,913	6,371	19.36
Profit Before Interest and Tax	26,138	24,971	1,167	4.67
Profit Before Tax	25,792	24,742	1,050	4.24
Profit After Tax	19,531	18,850	681	3.61
Profit attributable to owners of the Company	17,933	17,320	613	3.54

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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 RM217.27 million and profit before tax of RM25.79 million for the current quarter as compared to the revenue of RM183.83 million and profit before tax of RM24.74 million in the immediate preceding quarter. Increase of the revenue was mainly resulted from the increase in sales volume and higher average selling price generated from Fasteners segments and Aluminium segments.

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

The Group jumped into a high record in the fourth quarter of 2021, expect the demand to gradually slow down in the coming months but continues to be concerned with price volatility of both raw materials and finished products. Beside that, our profitability is expected to remain challenging due to the surge of Omicron variant cases globally.

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:

	<b>Individual Quarter 3 months ended 31 December</b>		<b>Cumulative Quarter ended 31 December</b>	
	<b>2021 RM'000</b>	<b>2020 RM'000</b>	<b>2021 RM'000</b>	<b>2020 RM'000</b>
Tax based on results for the year:-				
Current tax	5,732	1,134	21,092	7,799
Deferred tax	95	104	287	33
	<u>5,827</u>	<u>1,238</u>	<u>21,379</u>	<u>7,832</u>
Taxation under/(over) provided in prior years				
Current tax	387	13	387	3
Deferred tax	47	14	47	(7)
	<u>6261</u>	<u>1,265</u>	<u>21,813</u>	<u>7,828</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:

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Unsecured</u></b>		
Short term borrowings		
Bankers' acceptance	0	210
Onshore foreign currency loans	40,936	16,394
Foreign currency trust receipts	165,049	46,605
Term loan	9,785	19,966
Total	<u>215,770</u>	<u>83,175</u>
Disclosed as:-		
- Current liabilities	209,899	69,327
- Non-current liabilities	5,871	13,848
	<u>215,770</u>	<u>83,175</u>

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

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank loans and borrowings</u></b>		
US Dollars	215,770	76,251
Thai Baht	0	6,714
Malaysian Ringgit	0	210
	<u>215,770</u>	<u>83,175</u>

**7. Material pending litigation**

The Group is not engaged in any material litigation as at 18 February 2022 (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:

	31/12/2021		31/12/2020	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 4,700	USD 5,399	EUR 3,800	USD 4,551
Contract II	EUR 1,000	MYR 4,782	EUR 1,750	MYR 8,691
Contract III	EUR 550	THB 21,144	EUR 250	THB 9,259
Contract IV	NIL	NIL	USD 450	THB 13,511

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	
	31 December		31 December	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Profit for the year attributable to owners of the Company (RM'000)	17,933	4,829	64,133	30,684
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)	11.68	3.15	41.77	19.99
Diluted earnings per share (sen)	11.68	3.15	41.77	19.99



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

	<b>Current Quarter</b>	<b>Current Year To Date</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest income	444	1,982
Interest expense	346	1,336
Depreciation and amortization	4,292	16,265
Foreign exchange gain	2,438	2,391
Gain on financial instruments at fair value through profit or loss	550	1,921

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BY ORDER OF THE BOARD

Tsai Yi Ting  
Managing Director  
Dated this 25 February 2022