

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2022

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 2021.

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 2021 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>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment – Proceed before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022

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 April 2022 in respect of the audited financial statements for the year ended 31 December 2021 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.

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2022

A7. Dividend paid

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

A8. Segment reporting

a. Operating segment

31 March 2022	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	626,212	150,397	7,535	784,144
Segment liabilities	158,700	40,235	122	199,057
External revenue	204,563	62,740	0	267,303
Segment profit/(loss)	26,632	5,598	(11)	32,219

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/(loss)	7,902	6,530	74	14,506

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2022

b. Geographical information

In RM'000	External revenue		Non-current assets	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021
Malaysia	52,972	41,199	54,451	52,370
Thailand	10,042	4,984	95,152	108,643
Germany	30,946	23,734	0	0
Taiwan	59,670	24,666	0	0
United States of America	63,982	31,389	0	0
Other countries	49,691	40,799	0	0
	<u>267,303</u>	<u>166,771</u>	<u>149,603</u>	<u>161,013</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:

	31/3/2022 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>1,559</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 May 2022.

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2022

A13. Contingent liabilities

	31/03/2022	31/03/2021
	RM'000	RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	270,048	245,014

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2022

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	
	31/03/22	31/03/21		
	RM'000	RM'000	RM'000	%
Revenue	267,303	166,771	100,532	60.28
Gross Profit	51,102	26,577	24,525	92.28
Profit Before Interest and Tax	41,677	19,280	22,397	116.17
Profit Before Tax	41,352	18,916	22,436	118.61
Profit After Tax	32,219	14,506	17,713	122.11
Profit attributable to owners of the Company	29,400	11,272	18,128	160.82

The Group recorded revenue of RM267.30 million for current quarter as compared to RM166.77 million in previous year corresponding quarter. The increase of 60.28% 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 RM24.53 million or 92.28% to RM51.10 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 RM22.44 million or 118.61% 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	
	31/3/22	31/12/21		
	RM'000	RM'000	RM'000	%
Revenue	267,303	217,271	50,032	23.03
Gross Profit	51,102	39,284	11,818	30.08
Profit Before Interest and Tax	41,677	26,138	15,539	59.45
Profit Before Tax	41,352	25,792	15,560	60.33
Profit After Tax	32,219	19,531	12,688	64.96
Profit attributable to owners of the Company	29,400	17,933	11,467	63.94

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2022

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

The Group reported revenue of RM267.30 million and profit before tax of RM41.35 million for the current quarter as compared to the revenue of RM217.27 million and profit before tax of RM25.79 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 increase in average selling price from Aluminium segments.

3. Prospects for the current financial year

The Group expects the future economic outlook in following quarters to remain challenging due to slowdown of the global economy. Partial lockdowns in China could potentially prolong the supply chain interruption of the Group, expect the export of finished goods to gradually slowdown in the coming months but continue to be concerned with the price volatility of both raw materials and finished products.

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 31 March		Cumulative Quarter ended 31 March	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Tax based on results for the year:-				
Current tax	9,355	4,340	9,355	4,340
Deferred tax	(222)	70	(222)	70
	<u>9,133</u>	<u>4,410</u>	<u>9,133</u>	<u>4,410</u>

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2022

6. Group borrowings and debt securities

The Group's loans and borrowings are as follows:

	31/03/2022	31/03/2021
	RM'000	RM'000
<u>Unsecured</u>		
Short term borrowings		
Bankers' acceptance	0	240
Onshore foreign currency loans	59,476	23,003
Foreign currency trust receipts	84,978	69,388
Term loan	8,884	18,730
Total	<u>153,338</u>	<u>111,361</u>
Disclosed as:-		
- Current liabilities	148,403	98,834
- Non-current liabilities	4,935	12,527
	<u>153,338</u>	<u>111,361</u>

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

	31/03/2022	31/03/2021
	RM'000	RM'000
<u>Bank loans and borrowings</u>		
US Dollars	153,338	105,065
Thai Baht	0	6,056
Malaysian Ringgit	0	240
	<u>153,338</u>	<u>111,361</u>

7. Material pending litigation

The Group is not engaged in any material litigation as at 20 May 2022 (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 2022

8. Financial instruments

As at 31 March 2022, the outstanding forward exchange contracts are as follows:

	31/03/2022		31/03/2021	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 3,000	USD 3,442	EUR 1,650	USD 1,989
Contract II	EUR 900	MYR 4,240	EUR 1,400	MYR 6,892
Contract III	USD 100	THB 3,346	USD 690	THB 20,894
Contract IV	EUR 500	THB 18,834	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 2021, will be proposed for the shareholders' approval at the 25th Annual General Meeting.

10. Earnings per share

	Individual Quarter 3 months ended		Cumulative Quarter Ended	
	31 March		31 March	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Profit for the year attributable to owners of the Company (RM'000)	29,401	11,272	29,401	11,272
Number of shares in issue at 1 January /31 December ('000)	153,518	153,518	153,518	153,518
Basic earnings per share (sen)	19.15	7.34	19.15	7.34
Diluted earnings per share (sen)	19.15	7.34	19.15	7.34

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2022

11. Notes to the Condensed Consolidated Statement of Comprehensive Income

	Current Quarter	Current Year To Date
	RM'000	RM'000
Interest income	160	160
Interest expense	325	325
Depreciation and amortization	4,163	4,170
Foreign exchange gain	1,792	1,792
Gain on financial instruments at fair value through profit or loss	632	632

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 27 May 2022