

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

<b>MFRS (issued as at the end of the reporting period)</b>	<b>Effective for annual periods beginning on or after</b>
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.

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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 sen per share, amounting to RM23,027,655 in respect of the financial year ended 31 December 2021, was paid on 14 June 2022.

**A8. Segment reporting**

**a. Operating segment**

<b>30 September 2022</b>	<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>
Segment assets	627,892	152,097	579	780,568
Segment liabilities	139,393	42,864	1	182,258
External revenue	614,492	189,569	0	804,061
Segment profit/(loss)	68,458	9,788	(46)	78,200

<b>30 September 2021</b>	<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>
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

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**b. Geographical information**

In RM'000	External revenue		Non-current assets	
	30/09/2022	30/09/2021	30/09/2022	30/09/2021
Malaysia	164,519	125,263	58,894	64,085
Thailand	25,004	13,721	87,920	97,289
Germany	83,431	78,055	0	0
Taiwan	172,736	96,387	0	0
United States of America	217,463	89,030	0	0
Other countries	140,908	132,552	0	0
	<u>804,061</u>	<u>535,008</u>	<u>146,814</u>	<u>161,374</u>

**A9. Changes in the composition of the Group**

There were no changes in the composition of the Group during the current financial period to-date other than the following:-

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 was completed on 1st July 2022.

**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>30/09/2022</b> <b>RM'000</b>
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>1,212</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 21 November 2022.

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**A13. Contingent liabilities**

	<b>30/09/2022</b>	<b>30/09/2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	278,583	242,630

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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	
	30/09/22	30/09/21			30/09/22	30/09/21		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	274,974	183,830	91,144	49.58	804,061	535,008	269,053	50.29
Gross Profit	35,469	32,913	2,556	7.77	136,260	90,168	46,092	51.12
Profit Before Interest and Tax	25,493	24,971	522	2.09	103,932	70,394	33,538	47.64
Profit Before Tax	24,231	24,742	(511)	(2.07)	101,674	69,404	32,270	46.50
Profit After Tax	18,011	18,850	(839)	(4.45)	78,200	53,852	24,348	45.21
Profit attributable to owners of the Company	20,599	17,320	3,279	18.93	73,227	46,201	27,026	58.50

The Group recorded revenue of RM274.97 million for current quarter as compared to RM183.83 million in previous year corresponding quarter. Higher revenue was mainly contributed from higher overall sales volume and higher average selling price for Fasteners and Aluminium segment than the preceding year corresponding period.

The gross profit increased by RM46.10 million or 51.12% to RM136.26 million caused by lower raw material cost of the stainless steel wire rod and billet prices. In tandem with the increase of gross profit, the Group profit before tax had increased by RM32.27 million or 46.50% as compared to previous year corresponding period.

**2. Material changes in the quarterly results compared to the results of the immediate preceding quarter**

	Current Quarter	Immediate Preceding Quarter	Changes	
	30/09/22	30/06/22		
	RM'000	RM'000	RM'000	%
Revenue	274,974	261,784	13,190	5.04
Gross Profit	35,469	49,689	(14,220)	(28.62)
Profit Before Interest and Tax	25,493	36,762	(11,269)	(30.65)
Profit Before Tax	24,231	36,091	(11,860)	(32.86)
Profit After Tax	18,011	27,970	(9,959)	(35.61)
Profit attributable to owners of the Company	20,599	23,228	(2,629)	(11.32)

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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 RM274.97 million and profit before tax of RM24.23 million for the current quarter as compared to the revenue of RM261.78 million and profit before tax of RM36.09 million in the immediate preceding quarter. Increase of the revenue were mainly resulted from the higher sales volume generated for both Fasteners and Aluminium segments.

However, due to the purchasing price of stainless steel wire rod and billet has increased in the last quarter, this resulted in decrease in gross profit by RM14.22 million from RM49.69 million to RM35.47 million.

**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 and rising of inflation. Further escalation of Russia-Ukraine geopolitical conflicts would also affect the price and demand of fasteners in the coming months.

The Group has taken continuous effort to sustain its operations and seize business opportunities in this dynamic yet challenging market. 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 September		Cumulative Quarter ended 30 September	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Tax based on results for the year:-				
Current tax	6,455	5,844	23,745	15,360
Deferred tax	(235)	48	(271)	192
	<u>6,220</u>	<u>5,892</u>	<u>23,474</u>	<u>15,552</u>

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**6. Group borrowings and debt securities**

The Group's loans and borrowings are as follows:

	<b>30/09/2022</b>	<b>30/09/2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Unsecured</u></b>		
Short term borrowings		
Bankers' acceptance	6,543	0
Onshore foreign currency loans	51,550	37,958
Foreign currency trust receipts	69,752	102,101
Term loan	7,641	10,834
Total	<u>135,486</u>	<u>150,893</u>
Disclosed as:-		
- Current liabilities	132,211	143,999
- Non-current liabilities	3,275	6,894
	<u>135,486</u>	<u>150,893</u>

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

	<b>30/09/2022</b>	<b>30/09/2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank loans and borrowings</u></b>		
US Dollars	128,943	150,893
Malaysian Ringgit	6,543	0
	<u>135,486</u>	<u>150,893</u>

**7. Material pending litigation**

The Group is not engaged in any material litigation as at 21 November 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 2022, the outstanding forward exchange contracts are as follows:

	30/09/2022		30/09/2021	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 1,500	USD 1,585	EUR 2,700	USD 3,253
Contract II	EUR 1,100	MYR 5,067	EUR 950	MYR 4,814
Contract III	NIL	NIL	EUR 980	THB 37,458
Contract IV	USD 250	MYR 1,103	NIL	NIL
Contract V	USD 2,000	THB 71,464	USD 200	MYR 838

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 14 June 2022, the Company had paid a final single-tier dividend of 15 sen per ordinary share, amounting to RM23,027,655 in respect of the financial year ending 31 December 2021.

**10. Earnings per share**

	Individual Quarter 3 months ended 30 September		Cumulative Quarter Ended 30 September	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Profit for the year attributable to owners of the Company (RM'000)	<u>20,599</u>	<u>17,320</u>	<u>73,227</u>	<u>46,201</u>
Number of shares in issue at 1 January /30 September ('000)	<u>153,518</u>	<u>153,518</u>	<u>153,518</u>	<u>153,518</u>
Basic earnings per share (sen)	<u>13.42</u>	<u>11.28</u>	<u>47.70</u>	<u>30.09</u>
Diluted earnings per share (sen)	<u>13.42</u>	<u>11.28</u>	<u>47.70</u>	<u>30.09</u>



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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	594	916
Interest expense	1,262	2,258
Depreciation and amortization	4,044	12,390
Foreign exchange loss	1,953	3,055
Gain on financial instruments at fair value through profit or loss	990	2,563

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BY ORDER OF THE BOARD

Tsai Yi Ting  
Managing Director  
Dated this 28 November 2022