

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

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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

31 December 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	557,054	143,294	573	700,921
Segment liabilities	49,225	34,449	148	83,822
External revenue	755,267	233,318	0	988,585
Segment profit/(loss)	78,084	9,522	(199)	87,407

31 December 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	651,426	166,073	7,574	825,073
Segment liabilities	213,365	61,511	148	275,024
External revenue	550,430	201,849	0	752,279
Segment profit	55,374	18,556	(547)	73,383

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b. Geographical information

In RM'000	External revenue		Non-current assets	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Malaysia	201,300	167,205	52,684	55,421
Thailand	31,989	23,077	89,349	95,860
Germany	92,297	107,146	0	0
Taiwan	222,586	140,253	0	0
United States of America	263,638	130,783	0	0
Other countries	176,775	183,815	0	0
	<u>988,585</u>	<u>752,279</u>	<u>142,033</u>	<u>151,281</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:

	31/12/2022 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>3,239</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 February 2023.

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A13. Contingent liabilities

	31/12/2022	31/12/2021
	RM'000	RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	267,594	275,495

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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 (4 th quarter)		Changes		Cumulative Period		Changes	
	31/12/22	31/12/21			31/12/22	31/12/21		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	184,524	217,271	(32,747)	(15.07)	988,585	752,279	236,306	31.41
Gross Profit	24,019	39,284	(15,265)	(38.86)	160,279	129,452	30,827	23.81
Profit Before Interest and Tax	11,515	26,138	(14,623)	(55.95)	115,447	96,532	18,915	19.59
Profit Before Tax	10,713	25,792	(15,079)	(58.46)	112,387	95,196	17,191	18.06
Profit After Tax	9,207	19,531	(10,324)	(52.86)	87,407	73,383	14,024	19.11
Profit attributable to owners of the Company	9,310	17,933	(8,623)	(48.08)	82,537	64,133	18,404	28.70

The Group recorded revenue of RM184.52 million for current quarter as compared to RM217.27 million in previous year corresponding quarter. Lower revenue was mainly due to lower sales volume contributed from Fasteners and Aluminium segment.

The gross profit for cumulative period increased by RM30.83 million or 23.81% to RM160.28 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 RM17.19 million or 18.06% 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	
	31/12/22	30/09/22		
	RM'000	RM'000	RM'000	%
Revenue	184,524	274,974	(90,450)	(32.89)
Gross Profit	24,019	35,469	(11,450)	(32.28)
Profit Before Interest and Tax	11,515	25,493	(13,978)	(54.83)
Profit Before Tax	10,713	24,231	(13,518)	(55.79)
Profit After Tax	9,207	18,011	(8,804)	(48.88)
Profit attributable to owners of the Company	9,310	20,599	(11,289)	(54.80)

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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 RM184.52 million and profit before tax of RM10.71 million for the current quarter as compared to the revenue of RM274.97 million and profit before tax of RM24.23 million in the immediate preceding quarter. Decrease of the revenue were mainly resulted from the lower sales volume generated for both Fasteners and Aluminium segments. The decrease in revenue was also resulted in the decrease in gross profit by RM11.45 million from RM35.47 million to RM24.02 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. The high inflationary costs situation is not easing from the prolonged Russia's invasion of Ukraine that has disrupted the energy and commodities market worldwide.

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. Tax expense

The tax expense for continuing operations comprises:

	Individual Quarter 3 months ended 31 December		Cumulative Quarter ended 31 December	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Tax based on results for the year:-				
Current tax	1,487	5,732	25,232	21,402
Deferred tax	38	95	(233)	0
	<u>1,525</u>	<u>5,827</u>	<u>24,999</u>	<u>21,402</u>
Tax (over)/under provided in prior year:-				
Current tax	(153)	387	(153)	320
Deferred tax	134	47	134	91
	<u>1,506</u>	<u>6,261</u>	<u>24,980</u>	<u>21,813</u>

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6. Group borrowings and debt securities

The Group's loans and borrowings are as follows:

	31/12/2022	31/12/2021
	RM'000	RM'000
<u>Unsecured</u>		
Short term borrowings		
Bankers' acceptance	18,153	0
Onshore foreign currency loans	3,966	59,197
Foreign currency trust receipts	17,625	146,788
Term loan	0	9,785
Total	<u>39,744</u>	<u>215,770</u>
Disclosed as:-		
- Current liabilities	39,744	209,899
- Non-current liabilities	0	5,871
	<u>39,744</u>	<u>215,770</u>

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

	31/12/2022	31/12/2021
	RM'000	RM'000
<u>Bank loans and borrowings</u>		
US Dollars	7,361	215,770
Thai Baht	14,230	
Malaysian Ringgit	18,153	0
	<u>39,744</u>	<u>215,770</u>

7. Material pending litigation

The Group is not engaged in any material litigation as at 20 February 2023 (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 31 December 2022, the outstanding forward exchange contracts are as follows:

	31/12/2022		31/12/2021	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	NIL	NIL	EUR 4,700	USD 5,399
Contract II	EUR 1,300	MYR 6,061	EUR 1,000	MYR 4,782
Contract III	NIL	NIL	EUR 550	THB 21,144
Contract IV	USD 1,000	THB 36,168	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 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		Cumulative Quarter Ended	
	31 December		31 December	
	<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>9,310</u>	<u>17,933</u>	<u>82,537</u>	<u>64,133</u>
Number of shares in issue at 1 January /31 December ('000)	<u>153,518</u>	<u>153,518</u>	<u>153,518</u>	<u>153,518</u>
Basic earnings per share (sen)	<u>6.06</u>	<u>11.68</u>	<u>53.76</u>	<u>41.78</u>
Diluted earnings per share (sen)	<u>6.06</u>	<u>11.68</u>	<u>53.77</u>	<u>41.78</u>

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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	(733)	183
Interest expense	802	3,060
Depreciation and amortization	4,176	16,566
Foreign exchange loss	2,415	5,470
Fair value gain on financial instruments mandatorily measured at fair value through profit or loss	(181)	2,382

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 27 February 2023