

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2023

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 2022.

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 2022 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
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

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 14 April 2023 in respect of the audited financial statements for the year ended 31 December 2022 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.

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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.

A7. Dividend paid

No dividend was paid by the Company during the financial period ended 31 March 2023.

A8. Segment reporting

a. Operating segment

	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
31 March 2023				
Segment assets	543,405	131,191	9,397	683,993
Segment liabilities	36,002	20,430	119	56,551
External revenue	147,557	39,096	0	186,653
Segment profit/(loss)	4,980	1,916	(1,184)	5,712

	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
31 March 2022				
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	26,632	5,598	(11)	32,219

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b. Geographical information

In RM'000	External revenue		Non-current assets	
	31/03/2023	31/03/2022	31/03/2023	31/03/2022
Malaysia	32,531	52,972	55,014	54,451
Thailand	4,814	10,042	88,758	95,152
Germany	19,218	30,946	0	0
Taiwan	61,945	59,670	0	0
United States of America	32,804	63,982	0	0
Other countries	35,341	49,691	0	0
	<u>186,653</u>	<u>267,303</u>	<u>143,772</u>	<u>149,603</u>

A9. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter.

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:

	31/3/2023 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>3,467</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 15 February 2023.

A13. Contingent liabilities

	31/03/2023 RM'000	31/03/2022 RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	<u>269,441</u>	<u>270,048</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 (1 st quarter)		Changes	
	31/03/23	31/03/22		
	RM'000	RM'000	RM'000	%
Revenue	186,653	267,303	(80,650)	(30.17)
Gross Profit	14,949	51,102	(36,153)	(70.75)
Profit Before Interest and Tax	8,283	41,677	(33,394)	(80.13)
Profit Before Tax	7,911	41,352	(33,441)	(80.87)
Profit After Tax	5,712	32,219	(26,507)	(82.27)
Profit attributable to owners of the Company	4,743	29,400	(24,657)	(83.87)

The Group recorded revenue of RM186.65 million for current quarter as compared to RM267.30 million in previous year corresponding quarter. Lower revenue was mainly due to lower sales volume contributed and lower average selling price from Fasteners and Aluminium segment.

The gross profit for cumulative period decreased by RM36.15 million or 70.75% to RM14.95 million caused by higher raw material cost of the stainless steel wire rod and billet prices. In tandem with the decrease of gross profit, the Group profit before tax had decreased by RM33.44 million or 80.87% 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	
	31/03/23	31/12/22		
	RM'000	RM'000	RM'000	%
Revenue	186,653	184,524	2,129	1.15
Gross Profit	14,949	24,019	(9,070)	(37.76)
Profit Before Interest and Tax	8,283	11,515	(3,232)	(28.07)
Profit Before Tax	7,911	10,713	(2,802)	(26.16)
Profit After Tax	5,712	9,207	(3,495)	(37.96)
Profit attributable to owners of the Company	4,743	9,310	(4,567)	(49.06)

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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 RM186.65 million and profit before tax of RM7.91 million for the current quarter as compared to the revenue of RM184.52 million and profit before tax of RM10.71 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 also resulted in the decrease in gross profit by RM9.07 million from RM24.02 million to RM14.95 million.

3. Prospects for the current financial year

The Group expects the future economic outlook in following quarters to remain challenging due to the global economy is going through a low cycle and the market lacks catalyst to spur the demand growth. The Group anticipates the over-supply situation and weak external demand to continue.

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 March		Cumulative Quarter ended 31 March	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Tax based on results for the year:-				
Current tax	2,185	9,355	2,185	9,355
Deferred tax	14	(222)	14	(222)
	<u>2,199</u>	<u>9,133</u>	<u>2,199</u>	<u>9,133</u>

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6. Group borrowings and debt securities

The Group's loans and borrowings are as follows:

	31/03/2023	31/03/2022
	RM'000	RM'000
<u>Unsecured</u>		
Short term borrowings		
Bankers' acceptance	8,239	0
Onshore foreign currency loans	6,371	59,476
Foreign currency trust receipts	9,747	84,978
Term loan	0	8,884
Total	<u>24,357</u>	<u>153,338</u>
Disclosed as:-		
- Current liabilities	24,357	148,403
- Non-current liabilities	0	4,935
	<u>24,357</u>	<u>153,338</u>

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

	31/03/2023	31/03/2022
	RM'000	RM'000
<u>Bank loans and borrowings</u>		
US Dollars	16,118	153,338
Malaysian Ringgit	8,239	0
	<u>24,357</u>	<u>153,338</u>

7. Material pending litigation

The Group is not engaged in any material litigation as at 15 May 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 March 2023, the outstanding forward exchange contracts are as follows:

	31/03/2023		31/03/2022	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 3,100	USD 3,325	EUR 3,000	USD 3,442
Contract II	EUR 700	MYR 3,303	EUR 900	MYR 4,240
Contract III	USD 600	THB 20,820	USD 100	THB 3,346
Contract IV	NIL	NIL	EUR 500	THB 18,834

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 20 sen per share, in respect of the financial year ended 31 December 2022, will be proposed for the shareholders' approval at the 26th Annual General Meeting.

10. Earnings per share

	Individual Quarter 3 months ended		Cumulative Quarter Ended	
	31 December		31 December	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Profit for the year attributable to owners of the Company (RM'000)	<u>4,743</u>	<u>29,400</u>	<u>4,743</u>	<u>29,400</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>3.09</u>	<u>19.15</u>	<u>3.09</u>	<u>19.15</u>
Diluted earnings per share (sen)	<u>3.09</u>	<u>19.15</u>	<u>3.09</u>	<u>19.15</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	57	57
Interest expense	372	372
Depreciation and amortization	295	295
Foreign exchange loss	533	533
Fair value gain on financial instruments mandatorily measured at fair value through profit or loss	185	185

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 22 May 2023