

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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

A final single tier dividend of 20 sens per share, amounting to RM30,703,540 in respect of the financial year ended 31 December 2022, was approved in the AGM held on 22 May 2023, which had been paid on 14 June 2023 subsequently.

A8. Segment reporting

a. Operating segment

30 June 2023	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	511,738	139,313	408	651,459
Segment liabilities	17,842	26,603	8	44,453
External revenue	269,925	76,939	0	346,864
Segment profit/(loss)	8,633	3,864	(1,183)	11,314

30 June 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	647,726	184,271	605	832,602
Segment liabilities	178,164	69,566	9	247,739
External revenue	402,873	126,214	0	529,087
Segment profit	45,077	15,140	(28)	60,189

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b. Geographical information

In RM'000	External revenue		Non-current assets	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
Malaysia	63,592	109,307	53,598	60,061
Thailand	8,856	17,609	88,761	92,009
Germany	37,048	59,398	0	0
Taiwan	107,929	111,785	0	0
United States of America	63,091	138,080	0	0
Other countries	66,348	92,908	0	0
	<u>346,864</u>	<u>529,087</u>	<u>142,359</u>	<u>152,070</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:

	30/6/2023 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>10,864</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

	30/06/2023 RM'000	30/06/2022 RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	<u>275,272</u>	<u>273,109</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 (2 nd quarter)		Changes		Cumulative Period		Changes	
	30/06/23	30/06/22			30/06/23	30/06/22		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	160,211	261,784	(101,573)	(38.80)	346,864	529,087	(182,223)	(34.44)
Gross Profit	7,383	49,689	(42,306)	(85.14)	22,332	100,791	(78,459)	(77.84)
Profit Before Interest and Tax	7,431	36,762	(29,331)	(79.79)	15,714	78,439	(62,725)	(79.97)
Profit Before Tax	7,187	36,091	(28,904)	(80.09)	15,098	77,443	(62,345)	(80.50)
Profit After Tax	5,602	27,970	(22,368)	(79.97)	11,314	60,189	(48,875)	(81.20)
Profit attributable to owners of the Company	4,624	23,228	(18,604)	(80.09)	9,367	52,627	(43,260)	(82.20)

For the current period under review, the Group had recorded the revenue of RM160.21 million and profit before tax of RM7.19 million, which had decreased by RM101.57 million and RM28.90 million respectively as compared with the corresponding period in previous financial year.

Lower revenue and profit reduction were mainly due to the overall decrease in sales volume and selling price for both Fasteners and Aluminium segment as a result of the weakening market sentiment.

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

	Current Quarter	Immediate Preceding Quarter	Changes	
	30/06/23	31/03/23	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	160,211	186,653	(26,442)	(14.17)
Gross Profit	7,383	14,949	(7,566)	(50.61)
Profit Before Interest and Tax	7,431	8,283	(852)	(10.29)
Profit Before Tax	7,187	7,911	(724)	(9.15)
Profit After Tax	5,602	5,712	(110)	(1.93)
Profit attributable to owners of the Company	4,624	4,743	(119)	(2.50)

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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 RM160.21 million and profit before tax of RM7.19 million for the current quarter as compared to the revenue of RM186.65 million and profit before tax of RM7.91 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 RM7.57 million from RM14.95 million to RM7.38 million.

3. Prospects for the current financial year

The Group had anticipated earlier this year that market would remain sluggish under the current global economic environment. The consumer spending confidences remained weak locally and regionally, affected by the inflationary factors, derived from high interest rates. 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		Cumulative Quarter	
	3 months ended		ended	
	30 June		30 June	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Tax based on results for the year:-				
Current tax	1,627	7,935	3,812	17,290
Deferred tax	(42)	186	(28)	(36)
	1,585	8,121	3,784	17,254
	1,585	8,121	3,784	17,254

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6. Group borrowings and debt securities

The Group's loans and borrowings are as follows:

	30/06/2023	30/06/2022
	RM'000	RM'000
<u>Unsecured</u>		
Short term borrowings		
Bankers' acceptance	10,585	0
Onshore foreign currency loans	641	53,678
Foreign currency trust receipts	11,668	140,123
Term loan	0	8,282
Total	<u>22,893</u>	<u>202,083</u>
Disclosed as:-		
- Current liabilities	22,893	197,942
- Non-current liabilities	0	4,141
	<u>22,893</u>	<u>202,083</u>

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

	30/06/2023	30/06/2022
	RM'000	RM'000
<u>Bank loans and borrowings</u>		
US Dollars	12,308	202,083
Malaysian Ringgit	10,585	0
	<u>22,893</u>	<u>202,083</u>

7. Material pending litigation

The Group is not engaged in any material litigation as at 21 August 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		30/06/2022	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 1,950	USD 2,149	EUR 3,400	USD 3,678
Contract II	EUR 1,600	MYR 7,868	EUR 1,700	MYR 7,881
Contract III	NIL	NIL	USD 450	MYR 1,983
Contract IV	USD 500	THB 17,275	USD 1,700	THB 58,872

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 sens per share, amounting to RM30,703,540 in respect of the financial year ended 31 December 2022, was approved in the AGM held on 22 May 2023, which had been paid on 14 June 2023 subsequently.

10. Earnings per share

	Individual Quarter 3 months ended		Cumulative Quarter Ended	
	30 June		30 June	
	<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>4,624</u>	<u>23,228</u>	<u>9,367</u>	<u>52,627</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>3.01</u>	<u>15.13</u>	<u>6.10</u>	<u>34.28</u>
Diluted earnings per share (sen)	<u>3.01</u>	<u>15.13</u>	<u>6.10</u>	<u>34.28</u>

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11. Notes to the Condensed Consolidated Statement of Comprehensive Income

	Current Quarter RM'000	Current Year To Date RM'000
Interest income	157	214
Interest expense	244	616
Depreciation and amortization	189	484
Foreign exchange gain	5,647	5,114
Fair value gain on financial instruments mandatorily measured at fair value through profit or loss	509	694

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 28 August 2023