

TECHFAST HOLDINGS BERHAD

Registration No.: 200401009317 (647820-D)
Incorporated in Malaysia

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

TECHFAST HOLDINGS BERHAD

Registration No.: 200401009317 (647820-D)

Incorporated in Malaysia

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020**

	(Unaudited)			(Unaudited)		
	3 months ended (Quarter)			3 months ended (Cumulative)		
	31.03.2020	31.03.2019	%	31.03.2020	31.03.2019	%
	RM'000	RM'000	chg	RM'000	RM'000	chg
Revenue	6,839	6,398	6.9%	6,839	6,398	6.9%
Operating expenses	(6,213)	(5,719)		(6,213)	(5,719)	
Operating profit	626	679	-7.8%	626	679	-7.8%
Other operating income	387	64		387	64	
	1,013	743	36.3%	1,013	743	36.3%
Finance costs	(4)	(7)		(4)	(7)	
Profit before taxation	1,009	736	37.1%	1,009	736	37.1%
Taxation	(301)	(238)		(301)	(238)	
Net profit after taxation	708	498	42.2%	708	498	42.2%
Other comprehensive income:	-	-		-	-	
Total comprehensive income	708	498		708	498	
Profit attributable to:						
Owners of the Company	708	498	42.2%	708	498	42.2%
Total comprehensive income attributable to:						
Owners of the Company	708	498	42.2%	708	498	42.2%
Earnings per share attributable to owners of the parent:						
Basic (sen)	0.31	0.22		0.31	0.22	
Diluted (sen)	NA	NA		NA	NA	

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	(Unaudited) As at 31.03.2020 RM'000	(Audited) As at 31.12.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,871	7,825
Other investment	62	62
Goodwill on acquisition	1,110	1,110
	<u>9,043</u>	<u>8,997</u>
Current assets		
Inventories	4,190	5,040
Trade and other receivables	7,619	8,884
Tax recoverable	233	124
Fixed deposits with licensed banks	2,988	3,058
Short term investment	3,413	3,388
Cash and bank balances	4,787	2,981
	<u>23,230</u>	<u>23,475</u>
TOTAL ASSETS	<u>32,273</u>	<u>32,472</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	29,946	29,946
Treasury shares	(218)	(218)
Accumulated losses	(1,752)	(2,460)
Total equity	<u>27,976</u>	<u>27,268</u>
Non-current liabilities		
Finance lease liabilities	153	209
Deferred taxation	613	510
	<u>766</u>	<u>719</u>
Current liabilities		
Trade and other payables	3,231	4,133
Finance lease liabilities	215	211
Tax payable	85	141
	<u>3,531</u>	<u>4,485</u>
Total liabilities	<u>4,297</u>	<u>5,204</u>
TOTAL EQUITY AND LIABILITIES	<u>32,273</u>	<u>32,472</u>
Net assets per share attributable to equity holders of the parent (sen)	<u>12.3</u>	<u>12.0</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 31 MARCH 2020**

	Share Capital RM'000	Treasury Shares RM'000	Retained Earnings/ (Accumulate d Losses) RM'000	Equity Attributable to Owners of the Parent RM'000
Balance at 1 January 2019	29,946	-	(5,390)	24,556
Net profit for the period	-	-	606	606
Dividends paid	-	-	-	-
Balance as at 31 March 2019	29,946	-	(4,784)	25,162
Balance at 1 January 2020	29,946	(218)	(2,460)	27,268
Net profit for the period	-	-	708	708
Dividends paid	-	-	-	-
Purchase of treasury shares	-	-	-	-
Balance as at 31 March 2020	29,946	(218)	(1,752)	27,976

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.)

TECHFAST HOLDINGS BERHAD

Registration No.: 200401009317 (647820-D)

Incorporated in Malaysia

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020**

	(Unaudited)	
	3 Months Ended	
	31.03.2020	31.03.2019
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	1,009	736
<u>Adjustments for:</u>		
Non-cash items	63	258
Non-operating items	(45)	(50)
Operating profit before working capital changes	<u>1,027</u>	<u>944</u>
<u>Changes in working capital:</u>		
Net change in current assets	2,285	(83)
Net change in current liabilities	(902)	(168)
Cash generated from operations	2,410	693
Tax (paid)/refunded	(365)	(323)
Net cash generated from operating activities	<u>2,045</u>	<u>370</u>
Cash Flows From Investing Activities		
Interest received	45	50
Purchase of property, plant and equipment	(269)	(6)
Net cash generated from/(used in) investing activities	<u>(224)</u>	<u>44</u>
Cash Flow From Financing Activities		
Net repayment of hire purchase creditors	(56)	(49)
Interest paid	(4)	(7)
Net cash used in financing activities	<u>(60)</u>	<u>(56)</u>
NET INCREASE CASH AND CASH EQUIVALENTS	<u>1,761</u>	<u>358</u>
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR	<u>8,821</u>	<u>10,162</u>
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	<u>10,582</u>	<u>10,520</u>
<u>Cash and cash equivalents comprise:</u>		
Deposits with licensed banks	2,988	4,466
Short term investment	3,413	4,288
Cash and bank balances	4,787	2,372
	<u>11,188</u>	<u>11,126</u>
Less : Fixed deposits pledged to a licensed bank	(66)	(66)
Deposits with maturity period of more than three months	(540)	(540)
	<u>10,582</u>	<u>10,520</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.)

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

A. EXPLANATORY NOTES AS PER MFRS 134 – INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim financial report is unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134 : “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and Rule 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market (“ACE LR”).

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial reports. These explanatory notes attached provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2019.

A2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statement for the financial year ended 31 December 2019 except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”) and amendments to certain MFRSs and Interpretations with effect from 1 January 2020:

Amendments to MFRS 3, Business Combinations – Definition of a Business

Amendments to MFRS 101, Presentation of Financial Statements: Definition of Material

Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material

Amendments to MFRS 139, Financial Instruments – Recognition and Measurements: Interest Rate Benchmark Reform

Amendments to MFRS 7, Financial Instruments – Disclosures: Interest Rate Benchmark Reform

Amendments to MFRS 9, Financial Instruments – Interest Rate Benchmark Reform

The directors expect that the adoption of the above accounting standards and interpretations will have no material impact on the Financial Statements in the year of initial application.

A3. Auditor’s Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the financial year ended 31 December 2019 was not qualified.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

A. EXPLANATORY NOTES AS PER MFRS 134 – INTERIM FINANCIAL REPORTING

A4. Comments about Seasonal or Cyclical Factors

The business of the fasteners division of the Group is generally not affected by seasonal and cyclical factors. However, mould cleaning rubber sheets segment sells its products to customers in the semi-conductor and manufacturing industries. Therefore, the performance of this division is dependant on the cyclical nature of the semi-conductor and manufacturing industries, to a certain extent. Sales of LED epoxy encapsulant materials, on the other hand, remain unaffected by seasonality.

A5. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter under review.

A6. Significant Estimates and Changes in Estimates

There were no significant estimates nor changes in the estimates of amounts reported that have a material effect on the results in the current quarter under review.

A7. Changes in Debt and Equity Securities

Share buybacks / Treasury shares of the Company

As at 31 March 2020, the Company has 820,000 shares which were held as treasury shares in accordance with Section 127(4)(b) of the Companies Act, 2016.

There were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter under review.

A8. Dividend Paid or Proposed

There were no dividends paid nor proposed during the quarter under review.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

A. EXPLANATORY NOTES AS PER MFRS 134 – INTERIM FINANCIAL REPORTING

A9. Segmental Information

	Self-clinching fasteners	Mould cleaning rubber sheets and LED epoxy encapsulant materials	Investment Holding	Elimination	Consolidation
3 Months Ended	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31.03.2020</u>					
External sales	2,811	4,002	26	-	6,839
Inter-segment revenue	-	316	1,260	(1,576)	-
Total	<u>2,811</u>	<u>4,318</u>	<u>1,286</u>	<u>(1,576)</u>	<u>6,839</u>
Operating segment profit/(loss)	107	963	828	(885)	1,013
Finance cost	(3)	(1)	-	-	(4)
Profit/(loss) before taxation	<u>104</u>	<u>962</u>	<u>828</u>	<u>(885)</u>	<u>1,009</u>
Taxation	(41)	(260)	-	-	(301)
Net profit/(loss) after taxation	<u>63</u>	<u>702</u>	<u>828</u>	<u>(885)</u>	<u>708</u>
Segment assets	12,528	14,015	36,657	(32,037)	31,163
Unallocated corporate asset					<u>1,110</u>
					<u>32,273</u>
Segment liabilities	<u>1,903</u>	<u>2,389</u>	<u>216</u>	<u>(211)</u>	<u>4,297</u>
<u>3 Months Ended</u>					
<u>31.03.2019</u>					
External sales	2,418	3,948	32	-	6,398
Inter-segment revenue	-	331	360	(691)	-
Total	<u>2,418</u>	<u>4,279</u>	<u>392</u>	<u>(691)</u>	<u>6,398</u>
Operating segment profit/(loss)	23	778	(103)	45	743
Finance cost	(4)	(2)	-	(1)	(7)
Profit/(loss) before taxation	<u>19</u>	<u>776</u>	<u>(103)</u>	<u>44</u>	<u>736</u>
Taxation	(27)	(211)	-	-	(238)
Net profit/(loss) after taxation	<u>(8)</u>	<u>565</u>	<u>(103)</u>	<u>44</u>	<u>498</u>
Segment assets	11,171	14,186	36,871	(32,118)	30,110
Unallocated corporate asset					<u>1,110</u>
					<u>31,220</u>
Segment liabilities	<u>1,513</u>	<u>2,926</u>	<u>294</u>	<u>(266)</u>	<u>4,467</u>

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

A. EXPLANATORY NOTES AS PER MFRS 134 – INTERIM FINANCIAL REPORTING

A10. Valuation of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward, without amendment, from the financial year ended 31 December 2019.

A11. Subsequent Events

On 28 April 2020, the Company disposed of its 820,000 treasury shares in the open market for a consideration of RM323,472. After the disposal, the Company no longer hold any treasury shares.

There were no other material events subsequent to the end of the current quarter that have not been reflected in the financial statements, which are likely to substantially affect the results of the current quarter under review.

A12. Changes in Composition of the Group

There were no changes in the composition of the Group that occurred in the quarter under review.

A13. Contingent Liabilities

The Company is contingently liable for corporate guarantees provided to financial institutions for banking facilities amounting to RM2.40 million granted to the subsidiary companies. As at the end of the current quarter under review, the subsidiary companies did not utilise any of the said banking facilities.

A14. Capital Commitments

There were no capital commitments for the purchase of property, plant and equipment not provided for in the interim condensed financial statements as at the end of the quarter under review.

A15. Related Party Transactions

There were no related party transactions which would have a material impact on the financial position and the business of the Group during the current quarter.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

1st Quarter 2020 vs 1st Quarter 2019

The Group revenue for the current quarter of RM6.84 million was 6.9% marginally higher than RM6.40 million recorded for the corresponding quarter in the previous year. Unaudited profit before taxation (“PBT”) for the quarter ended 31 March 2020 was 37.1% higher at RM1.01 million compared to RM0.74 million recorded during the corresponding quarter in the previous year.

The self-clinching fastener (“SCF”) segment recorded revenue of RM2.81 million for the current quarter under review compared to RM2.42 million for the corresponding quarter in the previous year. PBT of RM0.10 million for the current quarter was higher compared to RM0.02 million in the corresponding quarter of the previous year. The SCF business performed better in the current quarter due to foreign exchange gain and lower operational costs.

The mould cleaning rubber sheets (“rubber sheets”) and LED epoxy encapsulant (“epoxy”) material segment recorded a PBT of RM0.96 million which was higher than RM0.78 million recorded in the corresponding quarter in the previous year. Sale revenue of RM4.32 million for the quarter under review was just marginally higher compared to RM4.28 million for the corresponding quarter last year. As sales revenue were roughly in line, PBT was assisted by foreign exchange gain due to the appreciating US Dollar during the period under review.

On 18 March 2020, the Malaysian government implemented the Movement Control Order (“MCO”) in its effort to contain the spread of the Covid-19, which resulted in the closure of both our factories in Shah Alam and Penang. As such, there was no production for about 13 days for our subsidiary companies for the quarter under review.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B2. Comment on Material Change in Profit Before Taxation of Current Quarter Compared with the Immediate Preceding Quarter

	(Unaudited)		%
	3 months ended (Quarter)		
	31.03.2020	31.12.2019	%
	RM'000	RM'000	chg
Revenue	6,839	7,754	-11.8%
Operating expenses	(6,213)	(6,527)	
Operating profit	626	1,227	-49.0%
Other operating income	387	59	
	1,013	1,286	-21.2%
Finance costs	(4)	(5)	
Profit before taxation	1,009	1,281	-21.2%
Income tax expense	(301)	(389)	
Net profit after taxation	708	892	-20.6%
Other comprehensive income:	-	-	
Total comprehensive income	708	892	
Profit attributable to:			
Owners of the Company	708	892	-20.6%
Total comprehensive income attributable to:			
Owners of the Company	708	892	-20.6%

In the current quarter under review, the Group made a PBT of RM1.01 million, which was 21.2% lower than PBT of RM1.28 million for the preceding quarter ended 31 December 2019.

For the current quarter, the SCF segment recorded revenue of RM2.81 million which was higher than RM2.59 million recorded in previous quarter ended 31 December 2019. PBT for the SCF segment for the current quarter of RM0.10 million was lower than RM0.21 million for the previous quarter. Lower PBT despite improvement in sales was due to product mix sold with lower profit margins. PBT was also affected by a much reduced sales in the month of March and provision for obsolete stocks, resulting in overall lower gross profit margin for the period under review. PBT was assisted, however, by appreciating US Dollar which gave rise to foreign exchange gain.

The rubber sheets and epoxy material segment recorded a PBT of RM0.96 million on sales revenue of RM4.32 million, which was lower than PBT of RM1.25 million on sales revenue of RM5.58 million recorded in the previous quarter ended 31 December 2019. Results were lower mainly due to lower sales in the current quarter under review compared to last preceding December quarter.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B3. Prospects For The Financial Year Ending 31 December 2020

SCF Segment

Our export sales to USA and Europe constitute about 50% of our total sales and these two areas have been badly affected by the Covid-19 pandemic. Management is unsure about the extent of the impact on the business segment going forward and sales have been lack lustre currently. Management is hopeful that the pandemic will be over soon and that sales will be able to revert to normal.

Rubber Sheets and Epoxy Segment

The rubber sheets and epoxy business segments have expanded its export business to China and Taiwan substantially. At time of writing this report, these two major export markets for these business segments have recovered from the pandemic and incoming sales from these markets so far have been satisfactory.

Both factories in Shah Alam and Penang were shut down on the 18 March 2020 due to the Movement Control Order (“MCO”). Subsequently, we received approval from the Ministry of International Trade (“MITI”) to operate from 18 April 2020 to operate at 50% of our manpower capacity. Subsequently on 4 May 2020, we were allowed to operate without any restrictions. As a result, our production was affected for one month and we are now operating at full capacity to catch up on production to fulfill pending orders.

This financial year is definitely a challenging one as the eventual impact of the Covid-19 pandemic depends on how long it takes for containment. However, Management is quietly confident of achieving a satisfactory performance for this financial year, despite all the uncertainties.

B4. Profit Forecast or Profit Guarantee

This is not applicable as no profit forecast was published.

B5. Income Tax Expense

	(Unaudited)		(Unaudited)	
	3 months ended (Quarter)		3 months ended (Cumulative)	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	199	229	199	229
Deferred taxation	102	-	102	-
	<u>301</u>	<u>229</u>	<u>301</u>	<u>229</u>
Underprovision for tax in prior year	-	9	-	9
Total income tax expense	<u>301</u>	<u>238</u>	<u>301</u>	<u>238</u>

The disproportionate tax charge of the Group is due to certain expenses of the Group companies which are not deductible for tax purposes and there is no Group relief over the loss making company within the Group.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B6. Corporate Proposals

There were no corporate proposals announced but not yet completed as at the date of this report.

B7. Group Borrowings

	As at 31.03.2020 RM '000	As at 31.12.2019 RM '000
Finance lease liabilities		
Repayable within one year denominated in Ringgit Malaysia	215	211
Repayable after one year denominated in Ringgit Malaysia	153	209
	<u>368</u>	<u>420</u>

B8. Changes in Material Litigation

The Company is not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

B9. Dividend Policy

A dividend policy of the Company was established and took effect from the financial year ended 31 December 2017. Techfast targets a payout ratio of at least 40% of its audited consolidated profit after taxation attributable to shareholders for each financial year, after excluding any income that is capital in nature.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B10. Earnings Per Share (“EPS”)

(a) Basic earnings / (loss) per share

	(Unaudited)		(Unaudited)	
	3 months ended (Quarter)		3 Months Ended (Cumulative)	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Net profit attributable to owners of the Company (RM '000)	708	498	708	498
Weighted average number of ordinary shares in issue ('000)	227,648	228,148	227,648	228,148
Basic earnings per share (sen)	0.31	0.22	0.31	0.22

(b) Diluted earnings per share

The fully diluted earnings per share for the Group is not presented as there were no potential dilutive shares outstanding at the balance sheet date.

B11. Notes to the Statement of Comprehensive Income

Profit/(Loss) before taxation is arrived at after crediting/(charging) the following income/(expense) items:

	(Unaudited)		(Unaudited)	
	3 months ended (Quarter)		3 Months Ended (Cumulative)	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
Interest income	45	48	45	48
Interest expense	(4)	(9)	(4)	(9)
Depreciation and amortisation	(223)	(189)	(223)	(189)
Provision for obsolete stocks	(93)	-	(93)	-
Foreign exchange gain/(loss)	346	(206)	346	(206)

Dated: 21 May 2020