

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2019

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 2018.

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 2018 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 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3 <i>Previously Held Interest in a Joint Operation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 11 <i>Previously Held Interest in a Joint Operation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 112 <i>Income Tax Consequences of Payments on Financial Instruments Classified as Equity</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123 <i>Borrowing Costs Eligible for Capitalisation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019

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 16 April 2019 in respect of the audited financial statements for the year ended 31 December 2018 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 12 sen per share, amounting to RM18,534,372 in respect of the financial year ended 31 December 2018, was paid on 17 June 2019.

A8. Segment reporting

a. Operating segment

30 June 2019	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	520,857	127,489	173	648,519
Segment liabilities	107,271	36,313	13	143,597
External revenue	252,458	76,052	0	328,510
Segment profit/(loss)	9,767	3,021	(101)	12,687

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A8. Segment reporting (Cont'd)

a. Operating segment (Cont'd)

30 June 2018	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	480,770	123,422	266	604,458
Segment liabilities	92,778	32,784	15	125,577
External revenue	302,833	93,499	0	396,332
Segment profit/(loss)	32,046	7,585	(58)	39,573

b. Geographical information

In RM'000	External revenue		Non-current assets	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Malaysia	71,538	90,572	59,210	56,471
Thailand	9,946	8,955	117,607	77,241
Germany	42,873	58,420	0	0
United States of America	55,888	61,021	0	0
Other countries	148,265	177,364	0	0
	<u>328,510</u>	<u>396,332</u>	<u>176,817</u>	<u>133,712</u>

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A9. Changes in the composition of the Group

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

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 period 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

Capital expenditure not provided for in the interim financial report is as follows:

	30/06/2019 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	4,009

A12. Material events subsequent to the reported period

There was no item, transaction or event of a material or unusual in nature during the period from the end of the financial year under review to 20 August 2019.

A13. Contingent liabilities

	30/06/2019 RM'000	30/06/2018 RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	245,601	206,513

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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)				Cumulative Period			
	30/06/19	30/06/18	Changes		30/06/19	30/06/18	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	157,950	196,272	(38,322)	(19.52)	328,510	396,332	(67,822)	(17.11)
Gross Profit	12,072	31,337	(19,265)	(61.48)	24,363	57,848	(33,485)	(57.88)
Profit Before Interest and Tax	9,545	27,285	(17,740)	(65.02)	17,018	49,622	(32,604)	(65.70)
Profit Before Tax	8,971	26,607	(17,636)	(66.28)	15,764	48,509	(32,745)	(67.50)
Profit After Tax	7,438	21,596	(14,158)	(65.56)	12,687	39,573	(26,886)	(67.94)
Profit attributable to owners of the Company	6,596	19,315	(12,719)	(65.85)	11,181	35,846	(24,665)	(68.81)

For the current period under review, the Group had recorded the revenue of RM328.51million and profit before tax of RM15.76million, which had decreased by RM67.82million and RM32.75million 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 partially attributable to the current trade war between US and China.

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

	Current Quarter	Immediate Preceding Quarter		
	30/06/19	31/03/19	Changes	
	RM'000	RM'000	RM'000	%
Revenue	157,950	170,560	(12,610)	(7.39)
Gross Profit	12,072	12,291	(219)	(1.78)
Profit Before Interest and Tax	9,545	7,473	2,072	27.73
Profit Before Tax	8,971	6,793	2,178	32.06
Profit After Tax	7,438	5,249	2,189	41.70
Profit attributable to owners of the Company	6,596	4,585	2,011	43.86

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2. Material changes in the quarterly results compared to the results of the immediate preceding quarter (cont'd)

The Group reported revenue of RM157.95million and profit before tax of RM8.97million for the current quarter as compared to revenue of RM170.56million and profit before tax of RM6.79million in the immediate preceding quarter. Lower revenue was due to lower sales volume recorded for both segments whilst better profit was mainly due to lesser distribution expenses recorded for Fasteners segment in current quarter as compare with immediately preceding quarter.

3. Prospects for the current financial year

The market is expected to remain soft and competitive. Trade tension and geopolitical conflicts remain as the major challenges faced by the Group, which may put downward pressure on the product demands. Thus, the outlook for both Fasteners and Aluminium segments are expected to be challenging as a result of the weakening of the market sentiments.

In view of the challenging environment, the Group will continue to focus on the core business and remain cautious. The Board expects the prospects of the Group's financial performance for the financial year ending 31 December 2019 to be cautiously conservative.

4. Variance of actual profit from forecast profit

Not applicable.

5. Taxation

The taxation for continuing operations comprises:

	Individual Quarter		Cumulative Quarter	
	3 months ended		ended	
	30 June		30 June	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Tax based on results for the year:-				
Current tax	1,546	4,964	3,119	8,985
Deferred tax	(13)	47	(42)	(49)
	1,533	5,011	3,077	8,936

The effective tax rate was lower than the statutory tax rate due to free tax benefits available to one of the plant owned by the foreign subsidiary.

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6. Group borrowings and debt securities

The Group's loans and borrowings are as follows:

	30/06/2019	30/06/2018
	RM'000	RM'000
<u>Secured</u>		
Hire purchase payables	0	27
<u>Unsecured</u>		
Short term borrowings		
Bankers' acceptance	1,000	3,051
Onshore foreign currency loans	28,404	36,424
Foreign currency trust receipts	61,163	55,967
Term loan	26,023	0
Total	<u>116,590</u>	<u>95,469</u>
Disclosed as:-		
- Current liabilities	93,096	95,469
- Non-current liabilities	23,494	0
	<u>116,590</u>	<u>95,469</u>

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

	30/06/2019	30/06/2018
	RM'000	RM'000
<u>Bank loans and borrowings</u>		
US Dollars	106,115	92,391
Thai Baht	9,475	0
Malaysian Ringgit	1,000	3,078
	<u>116,590</u>	<u>95,469</u>

7. Material pending litigation

The Group is not engaged in any material litigation as at 20 August 2019 (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 June 2019, the outstanding forward exchange contracts are as follows:

	30/06/2019		30/06/2018	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 2,938	USD 3,351	EUR 6,202	USD 7,466
Contract II	EUR 1,000	RM 4,659	EUR 2,400	RM 11,391
Contract III	NIL	NIL	EUR 100	THB 3,921

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

During the financial period ended 30 June 2019, the Company paid a final single tier dividend of 12 sen per share, amounting to RM18,534,372 in respect of the financial year ended 31 December 2018.

10. Earnings per share

	Individual Quarter 3 months ended		Cumulative Quarter ended	
	30 June		30 June	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Profit for the period attributable to owners of the Company (RM'000)	6,596	19,315	11,181	35,846
Number of shares in issue at 1 January ('000)	154,453	154,640	154,453	154,640
Effect of shares issued ('000)	0	(146)	0	(146)
Weighted average number of shares in issue ('000)	154,453	154,494	154,453	154,494
Basic earnings per share (sen)	4.27	12.50	7.24	23.20
Diluted earnings per share (sen)	4.27	12.50	7.24	23.20

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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	737	1,407
Interest expense	574	1,254
Depreciation and amortization	4,256	8,323
(Loss)/Gain on financial instruments at fair value through profit or loss	(300)	287
Foreign exchange gain	2,659	3,812

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 26 August 2019