

NOTES TO THE UNAUDITED  
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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.

**TONG HERR RESOURCES BERHAD**  
Registration no. 199701016642 (432139-W)

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

**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, except for the following:

- (i) Repurchased a total of 269,800 ordinary shares of its issued share capital from the open market during the period, at an average cost of RM2.53 per share. The total repurchases consideration, including transaction costs during the period amounted to RM682,000 and were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016.

As at 30 September 2019, the number of treasury shares held was 3,246,700 ordinary shares.

**A7. Dividend paid**

No dividend has been paid in the current quarter under review.

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 September 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	520,950	120,587	4,958	646,495
Segment liabilities	106,037	28,477	8	134,522
External revenue	370,337	114,417	0	484,754
Segment profit/(loss)	12,988	5,220	(32)	18,176

**TONG HERR RESOURCES BERHAD**  
Registration no. 199701016642 (432139-W)

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

**A8. Segment reporting (Cont'd)**

**a. Operating segment (Cont'd)**

<b>30 September 2018</b>	<b>Manufacture and sale of stainless steel fasteners RM'000</b>	<b>Manufacture and sale of aluminium and its related products RM'000</b>	<b>Unallocated non-operating segments RM'000</b>	<b>Total RM'000</b>
Segment assets	525,230	130,947	242	656,419
Segment liabilities	108,808	38,558	4	147,370
External revenue	469,338	142,475	0	611,813
Segment profit/(loss)	51,106	9,337	(71)	60,372

**b. Geographical information**

In RM'000	<b>External revenue</b>		<b>Non-current assets</b>	
	<b>30/09/2019</b>	<b>30/09/2018</b>	<b>30/09/2019</b>	<b>30/09/2018</b>
Malaysia	105,557	137,335	64,820	55,842
Thailand	13,585	14,147	121,272	83,927
Germany	68,186	94,596	0	0
United States of America	82,761	95,401	0	0
Other countries	214,665	270,334	0	0
	<u>484,754</u>	<u>611,813</u>	<u>186,092</u>	<u>139,769</u>

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

**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:

	<b>30/09/2019</b> <b>RM'000</b>
<u>Property, plant and equipment</u>	
Contracted but not provided for	7,942

**A12. Material events subsequent to the reported period**

There was no material event subsequent to the end of the period under review up to the date of this report.

**A13. Contingent liabilities**

	<b>30/09/2019</b> <b>RM'000</b>	<b>30/09/2018</b> <b>RM'000</b>
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	247,716	218,921

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

**B. ADDITIONAL INFORMATION REQUIRED UNDER BURSA MALAYSIA LISTING REQUIREMENTS**

**1. Review of the performance of the Company and its principal subsidiaries**

	Individual Period (3 <sup>rd</sup> quarter)				Cumulative Period			
	30/09/19	30/09/18	Changes		30/09/19	30/09/18	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	156,244	215,481	(59,237)	(27.49)	484,754	611,813	(127,059)	(20.77)
Gross Profit	12,095	29,412	(17,317)	(58.88)	36,458	87,260	(50,802)	(58.22)
Profit Before Interest and Tax	7,632	25,642	(18,010)	(70.24)	24,650	75,264	(50,614)	(67.25)
Profit Before Tax	7,005	24,865	(17,860)	(71.83)	22,769	73,374	(50,605)	(68.97)
Profit After Tax	5,489	20,799	(15,310)	(73.61)	18,176	60,372	(42,196)	(69.89)
Profit attributable to owners of the Company	4,398	19,933	(15,535)	(77.94)	15,579	55,779	(40,200)	(72.07)

For the financial period ended 30 September 2019, the Group had recorded lower revenue of RM484.75million as compared with RM611.81million in the corresponding period in previous financial year. Consequently, profit before tax for the Group was recorded at RM22.77million as compared to RM73.37million in the corresponding period last year.

For the financial quarter ended 30 September 2019, the Group recorded lower revenue of RM156.24million as compared with RM215.48million in the corresponding quarter last year. Thus, the Group reported lower profit before tax of RM7.01million as compared to RM24.87million in the corresponding quarter last year. This was mainly contributed by overall lower sold volume and lower average selling prices for the fasteners segments as a result of softening market environment and adverse impact from the 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		
	30/09/19	30/06/19	Changes	
	RM'000	RM'000	RM'000	%
Revenue	156,244	157,950	(1,706)	(1.08)
Gross Profit	12,095	12,072	23	0.19
Profit Before Interest and Tax	7,632	9,545	(1,913)	(20.04)
Profit Before Tax	7,005	8,971	(1,966)	(21.92)
Profit After Tax	5,489	7,438	(1,949)	(26.20)
Profit attributable to owners of the Company	4,398	6,596	(2,198)	(33.32)

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

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

The Group reported revenue of RM156.24million and profit before tax of RM7.01million for the current quarter as compared to revenue of RM157.95million and profit before tax of RM8.97million in the immediate preceding quarter. In tandem with the decrease of revenue, the Group profit before tax had decreased by RM1.96million or 21.92% as compared to the immediate preceding quarter.

**3. Prospects for the current financial year**

The challenging market environment is expected to continue as a result of the ongoing trade tension and geopolitical conflicts. These factors may continue to put downward pressure on the product demands as well as profit margins for Fasteners and Aluminium segment.

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:

	<b>Individual Quarter 3 months ended 30 September</b>		<b>Cumulative Quarter ended 30 September</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Tax based on results for the year:-				
Current tax	1,572	4,080	4,691	13,065
Deferred tax	18	(39)	(24)	(88)
	<u>1,590</u>	<u>4,041</u>	<u>4,667</u>	<u>12,977</u>
Taxation over provided in prior years	(74)	25	(74)	25
	<u><u>1,516</u></u>	<u><u>4,066</u></u>	<u><u>4,593</u></u>	<u><u>13,002</u></u>

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.

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

**6. Group borrowings and debt securities**

The Group's loans and borrowings are as follows:

	<b>30/09/2019</b>	<b>30/09/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Secured</u></b>		
Hire purchase payables	0	19
<b><u>Unsecured</u></b>		
Short term borrowings		
Bankers' acceptance	1,220	2,690
Onshore foreign currency loans	29,922	40,013
Foreign currency trust receipts	46,350	65,419
Term loan	26,376	4,170
<b>Total</b>	<b>103,868</b>	<b>112,311</b>
Disclosed as:-		
- Current liabilities	81,640	108,141
- Non-current liabilities	22,228	4,170
	<b>103,868</b>	<b>112,311</b>

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

	<b>30/09/2019</b>	<b>30/09/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank loans and borrowings</u></b>		
US Dollars	93,015	105,432
Thai Baht	9,633	4,170
Malaysian Ringgit	1,220	2,709
	<b>103,868</b>	<b>112,311</b>

**7. Material pending litigation**

The Group is not engaged in any material litigation as at 18 November 2019 (the latest practicable date which is not earlier than 7 days from the date of this quarterly report).

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

**8. Financial instruments**

As at 30 September 2019, the outstanding forward exchange contracts are as follows:

	<b>30/09/2019</b>		<b>30/09/2018</b>	
	<b>To sell '000</b>	<b>To buy '000</b>	<b>To sell '000</b>	<b>To buy '000</b>
Contract I	EUR 2,200	USD 2,509	EUR 4,200	USD 4,952
Contract II	NIL	NIL	EUR 2,900	RM 13,976
Contract III	NIL	NIL	EUR 300	THB 11,640

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 17 June 2019, the Company had 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**

	<b>Individual Quarter 3 months ended</b>		<b>Cumulative Quarter ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Profit for the period attributable to owners of the Company (RM'000)	4,398	19,933	15,579	55,779
Number of shares in issue at 1 January ('000)	154,453	154,640	154,453	154,640
Effect of shares issued ('000)	(80)	(146)	(80)	(146)
Weighted average number of shares in issue ('000)	154,373	154,494	154,373	154,494
Basic earnings per share (sen)	2.85	12.90	10.09	36.10
Diluted earnings per share (sen)	2.85	12.90	10.09	36.10

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Registration no. 199701016642 (432139-W)

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

**11. Notes to the Condensed Consolidated Statement of Comprehensive Income**

	<b>Current Quarter</b>	<b>Current Year To Date</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest income	652	2,059
Interest expense	627	1,881
Depreciation and amortization	4,258	12,581
Gain on financial instruments at fair value through profit or loss	744	1,031
Foreign exchange gain	433	4,245

BY ORDER OF THE BOARD

Tsai Yi Ting  
Managing Director  
Dated this 25 November 2019