

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 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	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 year 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 year under review.

A5. Changes in estimates

There were no material changes in the nature and amount of estimates during the financial year 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, except for the following:

- (i) Repurchased a total of 876,000 ordinary shares of its issued share capital from the open market during the financial year, at an average cost of RM2.50 per share. The total repurchases consideration, including transaction costs during the period amounted to RM2,189,000 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 31 December 2019, the number of treasury shares held was 3,852,900 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

31 December 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	530,838	131,647	3,390	665,875
Segment liabilities	119,504	30,202	171	149,877
External revenue	492,378	154,347	0	646,725
Segment profit/(loss)	15,689	8,614	(256)	24,047

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A8. Segment reporting (Cont'd)

a. Operating segment (Cont'd)

31 December 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	547,824	118,555	355	666,734
Segment liabilities	138,013	30,399	184	168,596
External revenue	610,773	187,662	0	798,435
Segment profit/(loss)	56,010	10,103	(261)	65,852

b. Geographical information

In RM'000	External revenue		Non-current assets	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Malaysia	140,165	179,317	56,968	57,485
Thailand	17,050	19,136	119,708	84,245
Germany	93,137	127,144	0	0
United States of America	111,868	122,351	0	0
Other countries	284,505	350,487	0	0
	<u>646,725</u>	<u>798,435</u>	<u>176,676</u>	<u>141,730</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 financial year.

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 financial year 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:

	31/12/2019 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	2,153

A12. Material events subsequent to the reported period

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

A13. Contingent liabilities

	31/12/2019 RM'000	31/12/2018 RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	245,468	244,324

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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 (4 th quarter)		Changes		Cumulative Period		Changes	
	31/12/19	31/12/18			31/12/19	31/12/18		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	161,971	186,622	(24,651)	(13.21)	646,725	798,435	(151,710)	(19.00)
Gross Profit	11,643	14,058	(2,415)	(17.18)	48,101	101,318	(53,217)	(52.52)
Profit Before Interest and Tax	6,815	8,104	(1,289)	(15.91)	31,465	83,368	(51,903)	(62.26)
Profit Before Tax	6,249	7,224	(975)	(13.50)	29,018	80,598	(51,580)	(64.00)
Profit After Tax	5,871	5,480	391	7.14	24,047	65,852	(41,805)	(63.48)
Profit attributable to owners of the Company	4,186	5,100	(914)	(17.92)	19,765	60,879	(41,114)	(67.53)

For the financial year ended 31 December 2019, the Group had recorded a revenue of RM646.73million, which had decreased by 19.00% as compared to RM798.44million for the previous financial year due to overall lower sales volume and average selling prices. Both fasteners and aluminium segments are continuously affected by the market uncertainties and adverse impact from the trade war between US and China, which has exerted the pressure on the product demand and pricing.

Consequently, the profit before tax for the Group was reported RM29.02million, which had decreased by 64.00% as compared to the RM80.60million in previous financial year.

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

	Current Quarter	Immediate Preceding Quarter	Changes	
	31/12/19	31/09/19	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	161,971	156,244	5,727	3.67
Gross Profit	11,643	12,095	(452)	(3.74)
Profit Before Interest and Tax	6,815	7,632	(817)	(10.70)
Profit Before Tax	6,249	7,005	(756)	(10.79)
Profit After Tax	5,871	5,489	382	6.96
Profit attributable to owners of the Company	4,186	4,398	(212)	(4.82)

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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 RM161.97million and profit before tax of RM6.25million for the current quarter as compared to revenue of RM156.24million and profit before tax of RM7.01million in the immediate preceding quarter. Sales volume for current quarter was higher as compared with immediate preceding quarter. However, the profit was marginally lower due to the market competitiveness; the average selling price was slightly lower as compared with immediate preceding quarter.

3. Prospects for the current financial year

The Group expects the future outlook of economic in year 2020 will remain as challenging due to the global slowdown and financial market volatility. 2020 is set to be another challenging year for fasteners market, especially in terms of price competitiveness. The current geo-political and economic situation certainly poses some challenges ahead. The downbeat of the economic growth in year 2019 has caused the delay of THFT's third factory's operation.

Whilst for Aluminium market, there is no significant impact at this juncture and the Group remains cautiously optimistic.

Overall, we maintain a cautious outlook for the next financial year considering uncertainties in the global economy and geopolitical environment including the adverse impact on US/China trade war. We will continue to focus on the core business and cost efficiency in order to maintain our competitiveness. The Board expects the prospects of the Group's financial performance for the financial year ending 31 December 2020 to be cautiously conservative.

4. Variance of actual profit from forecast profit

Not applicable.

5. Taxation

The taxation for continuing operations comprises:

	Individual Quarter 3 months ended 31 December		Cumulative Quarter ended 31 December	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Tax based on results for the year:-				
Current tax	682	2,554	5,373	15,619
Deferred tax	(338)	(827)	(362)	(915)
	344	1,727	5,011	14,704
Tax over provided in prior year:-				
Current tax	27	17	(47)	42
Deferred tax	7	0	7	0
	378	1,744	4,971	14,746

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:

	31/12/2019	31/12/2018
	RM'000	RM'000
<u>Secured</u>		
Hire purchase payables	0	11
<u>Unsecured</u>		
Short term borrowings		
Bank overdraft	0	29
Bankers' acceptance	900	8,522
Onshore foreign currency loans	39,859	34,091
Foreign currency trust receipts	46,205	78,462
Term loan	25,613	7,311
Total	112,577	128,426
Disclosed as:-		
- Current liabilities	92,150	121,829
- Non-current liabilities	20,427	6,597
	112,577	128,426

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

	31/12/2019	31/12/2018
	RM'000	RM'000
<u>Bank loans and borrowings</u>		
US Dollars	102,549	118,149
Thai Baht	9,128	7,311
Malaysian Ringgit	900	2,966
	112,577	128,426

7. Material pending litigation

The Group is not engaged in any material litigation as at 17 February 2020 (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 December 2019, the outstanding forward exchange contracts are as follows:

	31/12/2019		31/12/2018	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 4,700	USD 5,258	EUR 4,851	USD 5,643
Contract II	EUR 2,250	RM 10,529	EUR 600	RM 2,884
Contract III	NIL	NIL	EUR 300	THB 11,640
Contract IV	NIL	NIL	MYR 5,920	USD 1,424

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

	Individual Quarter 3 months ended		Cumulative Quarter ended	
	31 December		31 December	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Profit for the period attributable to owners of the Company (RM'000)	4,186	5,100	19,765	60,879
Number of shares in issue at 1 January ('000)	154,453	154,640	154,453	154,640
Effect of shares issued ('000)	(171)	(146)	(171)	(146)
Weighted average number of shares in issue ('000)	154,282	154,494	154,282	154,494
Basic earnings per share (sen)	2.71	3.30	12.81	39.41
Diluted earnings per share (sen)	2.71	3.30	12.81	39.41

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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	647	2,706
Interest expense	566	2,447
Depreciation and amortization	4,167	16,748
Impairment gains on financial assets	67	67
(Loss)/Gain on financial instruments at fair value through profit or loss	(676)	355
Foreign exchange gain	2,191	6,436

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 24 February 2020