

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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 2019.

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 2019 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
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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 15 May 2020 in respect of the audited financial statements for the year ended 31 December 2019 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, except for the following:

- (i) Repurchased a total of 59,400 ordinary shares of its issued share capital from the open market during the period, at an average cost of RM2.03 per share. The total repurchases consideration, including transaction costs during the period amounted to RM120,000 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 2020, the number of treasury shares held was 3,912,300 ordinary shares.

A7. Dividend paid

A final single tier dividend of 10 sen per share, amounting to RM15,351,770 in respect of the financial year ended 31 December 2019, was approved in the AGM held on 25 Jun 2020, which had been paid on 10 July 2020 subsequently.

A8. Segment reporting

a. Operating segment

	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
30 September 2020				
Segment assets	494,506	122,070	4,919	621,495
Segment liabilities	78,752	22,541	9	101,302
External revenue	322,173	101,081	0	423,254
Segment profit/(loss)	21,968	7,860	(81)	29,747

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A8. Segment reporting (Cont'd)

a. Operating segment (Cont'd)

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

b. Geographical information

In RM'000	External revenue		Non-current assets	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
Malaysia	85,661	105,557	62,651	64,820
Thailand	16,586	13,585	110,585	121,272
Germany	64,413	68,186	0	0
United States of America	78,250	82,761	0	0
Other countries	178,344	214,665	0	0
	<u>423,254</u>	<u>484,754</u>	<u>173,236</u>	<u>186,092</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 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:

	30/09/2020 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	2,774

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 16 November 2020.

A13. Contingent liabilities

	30/09/2020 RM'000	30/09/2019 RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	244,759	247,716

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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 (3 rd quarter)				Cumulative Period			
	30/09/20	30/09/19	Changes		30/09/20	30/09/19	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	130,089	156,244	(26,155)	(16.74)	423,254	484,754	(61,500)	(12.69)
Gross Profit	15,482	12,095	3,387	28.00	48,083	36,458	11,625	31.89
Profit Before Interest and Tax	11,344	7,632	3,712	48.64	37,310	24,650	12,660	51.36
Profit Before Tax	11,121	7,005	4,116	58.76	36,310	22,769	13,541	59.47
Profit After Tax	8,590	5,489	3,101	56.49	29,747	18,176	11,571	63.66
Profit attributable to owners of the Company	6,288	4,398	1,890	42.97	25,855	15,579	10,276	65.96

The Group recorded revenue of RM423.25million for current period as compared to RM484.75million in previous year corresponding period. The decrease of 12.69% in revenue was mainly due to lower sales volume from Fasteners segment as world economies have been disrupted as a result of Covid-19 pandemic.

However, the gross profit had increased by RM11.63million or 31.89% to RM48.08million which was mainly resulted from lower raw material cost purchased. The Group has benefited from the lower stainless steel wire rod and billet prices. In tandem with the increase of gross profit, the Group profit before tax had increased by RM13.54million or 59.47% as compared to previous year corresponding period.

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

	Current Quarter	Immediate Preceding Quarter		
	30/09/20	30/06/20	Changes	
	RM'000	RM'000	RM'000	%
Revenue	130,089	121,736	8,353	6.86
Gross Profit	15,482	11,523	3,959	34.36
Profit Before Interest and Tax	11,344	10,106	1,238	12.25
Profit Before Tax	11,121	9,769	1,352	13.84
Profit After Tax	8,590	8,151	439	5.39
Profit attributable to owners of the Company	6,288	7,760	(1,472)	(18.97)

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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 RM130.09million and profit before tax of RM11.12million for the current quarter as compared to the revenue of RM121.74million and profit before tax of RM9.77million in the immediate preceding quarter. Increase of the revenue and profit before tax were mainly resulted from the higher sales volume generated for Aluminium segment.

3. Prospects for the current financial year

The Group expects the future global economy in 2020 will remain unclear due to the Covid-19 pandemic and the ongoing geo-political issues. It is foreseen that the demand for fasteners and aluminium products would be adversely affected. The continuous market downtrend and the Covid-19 pandemic had caused the delay of THFT's third factory's full operation.

Taking into consideration of the challenging circumstances, the Group will continue to focus on the core business and look for more opportunities to expand our customer base. The Board expects the prospects of the Group's financial performance for the financial year ending 31 December 2020 to remain challenging.

4. Variance of actual profit from forecast profit

Not applicable.

5. Taxation

The taxation for continuing operations comprises:

	Individual Quarter 3 months ended 30 September		Cumulative Quarter ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Tax based on results for the year:-				
Current tax	2,473	1,572	6,602	4,691
Deferred tax	58	18	(39)	(24)
	<u>2,531</u>	<u>1,590</u>	<u>6,563</u>	<u>4,667</u>
Taxation over provided in prior years	0	(74)	0	(74)
	<u><u>2,531</u></u>	<u><u>1,516</u></u>	<u><u>6,563</u></u>	<u><u>4,593</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.

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6. Group borrowings and debt securities

The Group's loans and borrowings are as follows:

	30/09/2020	30/09/2019
	RM'000	RM'000
<u>Unsecured</u>		
Short term borrowings		
Bankers' acceptance	1,120	1,220
Onshore foreign currency loans	19,463	29,922
Foreign currency trust receipts	33,330	46,350
Term loan	21,774	26,376
Total	<u>75,687</u>	<u>103,868</u>
Disclosed as:-		
- Current liabilities	60,098	81,640
- Non-current liabilities	15,589	22,228
	<u>75,687</u>	<u>103,868</u>

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

	30/09/2020	30/09/2019
	RM'000	RM'000
<u>Bank loans and borrowings</u>		
US Dollars	67,428	93,015
Thai Baht	7,139	9,633
Malaysian Ringgit	1,120	1,220
	<u>75,687</u>	<u>103,868</u>

7. Material pending litigation

The Group is not engaged in any material litigation as at 16 November 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 30 September 2020, the outstanding forward exchange contracts are as follows:

	30/09/2020		30/09/2019	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 2,050	USD 2,379	EUR 2,200	USD 2,509
Contract II	EUR 3,000	MYR 14,862	NIL	NIL
Contract III	USD 550	THB 17,247	NIL	NIL
Contract IV	EUR 700	THB 25,775	NIL	NIL

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 10 sen per share, amounting to RM15,351,770 in respect of the financial year ended 31 December 2019, was approved in the AGM held on 25 Jun 2020, which had been paid on 10 July 2020 subsequently.

10. Earnings per share

	Individual Quarter 3 months ended		Cumulative Quarter ended	
	30 September		30 September	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Profit for the period attributable to owners of the Company (RM'000)	6,288	4,398	25,855	15,579
Number of shares in issue at 1 January ('000)	153,577	154,453	153,577	154,453
Effect of shares issued ('000)	(49)	(80)	(49)	(80)
Weighted average number of shares in issue ('000)	153,528	154,373	153,528	154,373
Basic earnings per share (sen)	4.10	2.85	16.84	10.09
Diluted earnings per share (sen)	4.10	2.85	16.84	10.09

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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	527	1,992
Interest expense	223	1,000
Depreciation and amortization	3,683	11,197
Loss on financial instruments at fair value through profit or loss	317	428
Foreign exchange gain	659	3,301

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 23 November 2020