

NOTES TO THE UNAUDITED  
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2022

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 2021.

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 2021 except for the adoption of the following new/revised MFRSs:-

<b>MFRS (issued as at the end of the reporting period)</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment – Proceed before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022

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 April 2022 in respect of the audited financial statements for the year ended 31 December 2021 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.

**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.

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**A7. Dividend paid**

A final single tier dividend of 15 sens per share, amounting to RM23,027,655 in respect of the financial year ended 31 December 2021, was approved in the AGM held on 27 May 2022, which had been paid on 14 June 2022 subsequently.

**A8. Segment reporting**

**a. Operating segment**

<b>30 June 2022</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	647,726	184,271	605	832,602
Segment liabilities	178,164	69,566	9	247,739
External revenue	402,873	126,214	0	529,087
Segment profit/(loss)	45,077	15,140	(28)	60,189

<b>30 June 2021</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	512,639	141,470	867	654,976
Segment liabilities	94,520	38,001	36	132,557
External revenue	253,051	98,127	0	351,178
Segment profit/(loss)	22,561	12,362	79	35,002

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**b. Geographical information**

In RM'000	External revenue		Non-current assets	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Malaysia	109,307	84,127	60,061	64,099
Thailand	17,609	9,388	92,009	104,243
Germany	59,398	52,752	0	0
Taiwan	111,785	56,855	0	0
United States of America	138,080	56,402	0	0
Other countries	92,908	91,654	0	0
	<u>529,087</u>	<u>351,178</u>	<u>152,070</u>	<u>168,342</u>

**A9. Changes in the composition of the Group**

On 2 January 2021, the Group has commenced voluntary winding-up of a wholly-owned subsidiary, Kosmo Indah Sdn. Bhd. due to its inactivity since 31 December 2019 and there was no intention of carrying on business in the future.

The winding up process was completed on 1 July 2022.

**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:

	30/06/2022 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>527</u>

**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 22 August 2022.

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

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**A13. Contingent liabilities**

	<b>30/06/2022</b>	<b>30/06/2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	273,109	252,320

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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 <sup>nd</sup> quarter)		Changes		Cumulative Period		Changes	
	30/06/22	30/06/21			30/06/22	30/06/21		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	261,784	184,407	77,377	41.96	529,087	351,178	177,909	50.66
Gross Profit	49,689	30,678	19,011	61.97	100,791	57,255	43,536	76.04
Profit Before Interest and Tax	36,762	26,143	10,619	40.62	78,439	45,423	33,016	72.69
Profit Before Tax	36,091	25,746	10,345	40.18	77,443	44,662	32,781	73.40
Profit After Tax	27,970	20,496	7,474	36.47	60,189	35,002	25,187	71.96
Profit attributable to owners of the Company	23,228	17,609	5,619	31.91	52,627	28,881	23,746	82.22

The Group recorded revenue of RM261.78 million for current quarter as compared to RM184.41 million in previous year corresponding quarter. The increase of 41.96% in revenue was mainly due to increase average selling price from Fasteners segment and Aluminium segment.

The gross profit had increased by RM19.01 million or 61.97% to RM49.69 million which was mainly resulted from lower raw material cost purchased. The Group has benefited from the lower stainless steel wire rod, billet and ingot prices. In tandem with the increase of gross profit, the Group profit before tax had increased by RM10.35 million or 40.18% as compared to previous year corresponding quarter.

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

	Current Quarter	Immediate Preceding Quarter	Changes	
	30/06/22	31/3/22	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	261,784	267,303	(5,519)	(2.06)
Gross Profit	49,689	51,102	(1,413)	(2.77)
Profit Before Interest and Tax	36,762	41,677	(4,915)	(1.18)
Profit Before Tax	36,091	41,352	(5,261)	(1.27)
Profit After Tax	27,970	32,219	(4,249)	(1.32)
Profit attributable to owners of the Company	23,228	29,400	(6,172)	(2.10)

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

The Group reported revenue of RM261.78 million and profit before tax of RM36.09 million for the current quarter as compared to the revenue of RM267.30 million and profit before tax of RM41.35 million in the immediate preceding quarter. Decrease of the revenue and profit before tax were mainly resulted from the lower sales volume generated for both Fasteners and Aluminium segments.

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

The Group expects the future economic outlook in following quarters to remain challenging due to slowdown of the global economy. Further escalation of Russia-Ukraine geopolitical conflicts would also affect the price and demand of fasteners in the coming months.

The Group has taken continuous effort to sustain its operations and seize business opportunities in this dynamic yet challenging market. The Group remains cautious, and will continue to focus on its operational efficiencies and improve on all areas of operations, technology, manpower and logistics.

**4. Variance of actual profit from forecast profit**

Not applicable.

**5. Taxation**

The taxation for continuing operations comprises:

	Individual Quarter 3 months ended 30 June		Cumulative Quarter ended 30 June	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Tax based on results for the year:-				
Current tax	7,935	5,176	17,290	9,516
Deferred tax	186	74	(36)	144
	<u>8,121</u>	<u>5,250</u>	<u>17,254</u>	<u>9,660</u>

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**6. Group borrowings and debt securities**

The Group's loans and borrowings are as follows:

	<b>30/06/2022</b>	<b>30/06/2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Unsecured</u></b>		
Short term borrowings		
Bankers' acceptance	0	200
Onshore foreign currency loans	53,678	15,695
Foreign currency trust receipts	140,123	64,139
Term loan	8,282	17,056
Total	<u>202,083</u>	<u>97,090</u>
Disclosed as:-		
- Current liabilities	197,942	86,185
- Non-current liabilities	4,141	10,905
	<u>202,083</u>	<u>97,090</u>

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

	<b>30/06/2022</b>	<b>30/06/2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank loans and borrowings</u></b>		
US Dollars	202,083	91,533
Thai Baht	0	5,357
Malaysian Ringgit	0	200
	<u>153,338</u>	<u>97,090</u>

**7. Material pending litigation**

The Group is not engaged in any material litigation as at 22 August 2022 (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 March 2022, the outstanding forward exchange contracts are as follows:

	<b>30/06/2022</b>		<b>30/06/2021</b>	
	<b>To sell '000</b>	<b>To buy '000</b>	To sell '000	To buy '000
Contract I	EUR 3,400	USD 3,678	EUR 4,900	USD 5,944
Contract II	EUR 1,700	MYR 7,881	EUR 2,750	MYR 13,773
Contract III	NIL	NIL	EUR 1,930	THB 72,907
Contract IV	USD 450	MYR 1,983	NIL	NIL
Contract IV	USD 1,700	THB 58,872	USD 400	THB 14,820

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 15 sen per share, amounting to RM23,027,655 in respect of the financial year ended 31 December 2021, was approved in the AGM held on 27 May 2022, which had been paid on 14 June 2022 subsequently.

**10. Earnings per share**

	<b>Individual Quarter 3 months ended 30 June</b>		<b>Cumulative Quarter Ended 30 June</b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Profit for the year attributable to owners of the Company (RM'000)	<u>23,228</u>	<u>17,609</u>	<u>52,627</u>	<u>28,881</u>
Number of shares in issue at 1 January /30 June ('000)	<u>153,518</u>	<u>153,518</u>	<u>153,518</u>	<u>153,518</u>
Basic earnings per share (sen)	<u>15.13</u>	<u>11.47</u>	<u>34.28</u>	<u>18.81</u>
Diluted earnings per share (sen)	<u>15.13</u>	<u>11.47</u>	<u>34.28</u>	<u>18.81</u>



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

	<b>Current Quarter RM'000</b>	<b>Current Year To Date RM'000</b>
Interest income	162	322
Interest expense	671	996
Depreciation and amortization	4,183	8,346
Foreign exchange loss	2,894	1,102
Gain on financial instruments at fair value through profit or loss	941	1,573

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BY ORDER OF THE BOARD

Tsai Yi Ting  
Managing Director  
Dated this 29 August 2022