

**TONG**

TONG HERR RESOURCES BERHAD  
(432139-W)



**GREATER  
ACHIEVEMENTS AHEAD**

*Annual Report 2018*



## GREATER ACHIEVEMENTS AHEAD

Founded in 1988, Tong Herr Resources Berhad has been aiming to be one of the world's largest manufacturers and suppliers of high-quality fasteners. As Tong Herr Resources Berhad's vision is to be the leader of manufacturing high-quality fasteners, the Company continuously moves on par with the technological advancement in order to meet the international standards of high-quality fasteners. The visual strongly indicates Tong Herr Resources Berhad's path to the future will be solid and direct as the company seeks for greater progression.



## CONTENTS

2	CORPORATE INFORMATION	25	CORPORATE GOVERNANCE OVERVIEW STATEMENT
3	NOTICE OF TWENTY-SECOND ANNUAL GENERAL MEETING	35	STATEMENT OF DIRECTORS' RESPONSIBILITIES
8	STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING	36	SUSTAINABILITY STATEMENT
9	NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT	39	STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
10	SHARE BUY-BACK STATEMENT	41	AUDIT COMMITTEE REPORT
15	GROUP STRUCTURE	43	ADDITIONAL COMPLIANCE INFORMATION
16	DIRECTORS' PROFILE	45	FINANCIAL STATEMENTS
19	KEY SENIOR MANAGEMENT'S PROFILE	96	SCHEDULE OF PARTICULARS OF LAND & BUILDINGS
20	5-YEAR GROUP FINANCIAL HIGHLIGHTS	99	SHAREHOLDINGS STATISTICS
21	MANAGEMENT DISCUSSION AND ANALYSIS	Enclosed	PROXY FORM

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Tsai Ming Ti**  
(Executive Chairman)

**Tsai Yi Ting**  
(Managing Director)

**Tan Ban Leong**  
(Executive Director)

**Tsai Pei Chen**  
(Executive Director)  
(Re-designated to Non-Independent  
Non-Executive Director w.e.f. 12 April 2019)

**Tsai, Hung-Chuan**  
(Non-Independent Non-Executive Director)

**Tsai, Chia-Yen**  
(Non-Independent Non-Executive Director)

**Fazrin Azwar Bin Dato' Hj. Md. Nor**  
(Independent Non-Executive Director)

**Megat Abdul Munir**  
(Independent Non-Executive Director)

**Teh Eng Hin**  
(Independent Non-Executive Director)

## SECRETARIES

**Angelina Cheah Gaik Suan**  
(MAICSA 7035272)

**Lee Mei Mei**  
(MAICSA 7062284)

## AUDIT COMMITTEE

**Megat Abdul Munir**  
(Chairman)

**Fazrin Azwar Bin Dato' Hj. Md. Nor**

**Teh Eng Hin**

## NOMINATING COMMITTEE

**Fazrin Azwar Bin Dato' Hj. Md. Nor**  
(Chairman)

**Tsai, Hung-Chuan**

**Teh Eng Hin**

## AUDITORS

**Crowe Malaysia PLT**  
(LLP0018817-LCA & AF1018)

## BANKERS

Ambank Berhad  
CIMB Bank Berhad  
Citibank Berhad  
Hong Leong Bank Berhad  
Malayan Banking Berhad  
United Overseas Bank  
(Malaysia) Berhad

## REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite, Avenue 3, Bangsar South,  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Wilayah Persekutuan Malaysia  
Tel: 03-2783 9299  
Fax: 03-2783 9222

## CORPORATE WEBSITE

[www.tong.com.my](http://www.tong.com.my)

## REGISTERED OFFICE

Suite S-21-H, 21st Floor  
Menara Northam  
55 Jalan Sultan Ahmad Shah  
10050 George Town, Penang  
Tel: 04-210 7118/2/3  
Fax: 04-210 7111

## MAILING ADDRESS

No. 2515 Tingkat Perusahaan 4A  
Perai Free Trade Zone  
13600 Perai Penang  
Tel: 04-390 3970  
Fax: 04-390 0840/1  
Email: [tongheer@tong.com.my](mailto:tongheer@tong.com.my)

## STOCK EXCHANGE LISTING

Main Market of Bursa  
Malaysia Securities Berhad

## STOCK CODE/ STOCK NAME

5010/ TONGHER



# NOTICE OF THE TWENTY-SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting of the Company will be held at No. 2515 Tingkat Perusahaan 4A, Perai Free Trade Zone, 13600 Perai, Penang on Monday, 27 May 2019, at 2.00 p.m. for the following purposes:

## AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2018 together with the reports of the Directors and Auditors thereon. (Please refer to Note A)
2. To approve the payment of a Final Single Tier Dividend of 12 sen per share for the year ended 31 December 2018. Resolution 1
3. To re-elect the following Directors retiring under the provision of Article 97(1) of the Constitution of the Company, and who, being eligible had offered themselves for re-election:
  - i) Mr. Tan Ban Leong Resolution 2
  - ii) Encik Megat Abdul Munir Resolution 3
  - iii) Mr. Teh Eng Hin Resolution 4
4. To appoint Messrs. Crowe Malaysia PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Board of Directors to determine their remuneration. Resolution 5

## SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modifications, the following resolutions:

### ORDINARY RESOLUTIONS

#### 5.1 *Payment of Directors' Fees and Benefits from this AGM up to the date of the next AGM*

"To approve the Directors' Fees and Benefits of RM150,000 from this AGM up to the date of the next AGM and payment of such fees and benefits to the Directors of the Company." Resolution 6

#### 5.2 *Authority to Issue Shares*

"THAT pursuant to section 76 of the Companies Act 2016 ("the Act") and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be and is hereby authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, and that the Board of Directors be and is also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities." Resolution 7



# NOTICE OF THE TWENTY-SECOND ANNUAL GENERAL MEETING (Cont'd)

## ORDINARY RESOLUTIONS (Cont'd)

### 5.3 *Renewal of Authority to Purchase its own Shares*

"THAT subject to the Act, provisions of the Constitution of the Company and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:

Resolution 8

- 5.3.1 The maximum number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time;
- 5.3.2 The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits of the Company. As at the latest financial year ended 31 December 2018, the audited retained profits of the Company stood at RM10,355,000;
- 5.3.3 The authority conferred by this resolution will be effective immediately upon the passing of this resolution; and shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- 5.3.4 Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:
- to cancel the shares so purchased; or
  - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
  - to retain part of the shares so purchased as treasury shares and cancel the remainder; or
  - in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of the Company's shares in accordance with the Act, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."



# NOTICE OF THE TWENTY-SECOND ANNUAL GENERAL MEETING (Cont'd)

## ORDINARY RESOLUTIONS (Cont'd)

### 5.4 *Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature*

"THAT subject to the Act, provisions of the Constitution of the Company and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, approval be and is hereby given to the Company and/or its subsidiaries ("the Group") to enter into and to give effect to the recurrent related party transactions as specified in Section 2.4 of the Circular to the shareholders dated 29 April 2019 provided that such transactions which are necessary for the Group's day to day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms which are not more favourable to the Mandated Related Parties than those generally available to the public and are not detrimental to the minority shareholders of the Company ("Proposed Renewal of Shareholders' Mandate").

Resolution 9

AND THAT the Proposed Renewal of Shareholders' Mandate shall continue to be in force until:

5.4.1 the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, the authority is renewed; or

5.4.2 the expiration of the period within which the next AGM after that date is required to be held pursuant to section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to section 340(4) of Act); or

5.4.3 revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier.

AND FURTHER THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate."

### 5.5 *Continuing in Office as Independent Non-Executive Director*

5.5.1 "THAT subject to the passing of Resolution 3 above, approval and authority be and is hereby given to Encik Megat Abdul Munir, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

Resolution 10

5.5.2 "THAT approval and authority be and is hereby given to Encik Fazrin Azwar Bin Dato' Hj. Md. Nor, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

Resolution 11

5.5.3 "THAT subject to the passing of Resolution 4 above, approval and authority be and is hereby given to Mr. Teh Eng Hin, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

Resolution 12

## SPECIAL RESOLUTION

### 5.6 *Proposed Adoption of New Constitution of the Company*

"THAT the Company's existing Constitution be deleted in its entirety with immediate effect and in place thereof, the new Constitution of the Company as set out in Part B of the Circular to shareholders dated 29 April 2019 AND THAT the Directors and Secretaries of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all things and take all such steps as may be considered necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution."

Resolution 13

6. To transact any other business for which due notice shall have been given in accordance with the Act.



# NOTICE OF THE TWENTY-SECOND ANNUAL GENERAL MEETING (Cont'd)

By Order of the Board,

ANGELINA CHEAH GAIK SUAN (MAICSA 7035272)  
LEE MEI MEI (MAICSA 7062284)  
Secretaries  
Penang

Date: 29 April 2019

## NOTES:

- A. This Agenda item is meant for discussion only as the provision of section 244(2) of the Act do not require a formal approval of the shareholders and hence, is not put forward for voting.
- B. Kindly note that the date of the General Meeting Record of Depositors for the purpose of determining members' entitlement to attend, vote and speak at the Twenty-Second Annual General Meeting shall be on 16 May 2019.

*A proxy need not be a member. There shall be no restriction as to the qualification of the proxy.*

*To be valid, the proxy form duly completed must be deposited at the registered office of the Company at Suite S-21-H, 21<sup>st</sup> Floor, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 George Town, Penang not less than forty-eight (48) hours before the time fixed for holding the meeting.*

*A member of the Company who is entitled to attend and vote at a meeting of the Company, may appoint not more than two (2) proxies to attend and vote instead of the member at the meeting.*

*Where a member of the Company who is an authorized nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

*Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

*Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*

*If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.*

## EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. **Ordinary Resolution 6**  
The proposed resolution is in accordance with Article 71 of the Constitution of the Company and section 230(1) of the Act and if passed, will authorise the payment of Directors' Fees and benefits to the Directors of the Company for their services as Directors from this AGM up to the date of next AGM.
2. **Ordinary Resolution 7**  
The proposed resolution, if passed, will renew the authority to empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. The renewed mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and/or acquisitions. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

As at the date of this notice, no new shares in the Company have been issued pursuant to the mandate granted to the Directors at the Twenty-First Annual General Meeting held on 23 May 2018 which will lapse at the conclusion of the Twenty-Second Annual General Meeting.



# NOTICE OF THE TWENTY-SECOND ANNUAL GENERAL MEETING (Cont'd)

## EXPLANATORY NOTES ON SPECIAL BUSINESS: (Cont'd)

### 3. Ordinary Resolution 8

The proposed resolution, if passed, will empower the Directors of the Company to purchase the Company's own shares up to ten per cent (10%) of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the total retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Further information on the proposed Resolution is set out in the Share Buy-Back Statement in pages 10 to 14 of this Annual Report 2018.

### 4. Ordinary Resolution 9

The proposed resolution, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions of revenue or trading nature. The recurrent related party transactions are in the ordinary course of business and which are not more favorable to the Mandated Related Parties than those generally available to the public. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. Please refer to the Circular to shareholders dated 29 April 2019.

### 5. Ordinary Resolution 10

The Board and its Nominating Committee had conducted an annual performance evaluation and assessment on the independence of Encik Megat Abdul Munir, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years and had recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

- (i) in particular of his professional experience and contribution to the Board;
- (ii) consistently challenging the management in an effective and constructive manner; and
- (iii) actively participated in the Board's discussion and provided an independent voice on the Board.

### 6. Ordinary Resolution 11

The Board and its Nominating Committee had conducted an annual performance evaluation and assessment on the independence of Encik Fazrin Azwar Bin Dato' Hj. Md. Nor, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years and had recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

- (i) detailed knowledge of the corporate environment and have commitment, experience and competence to effectively advise the Management;
- (ii) consistently challenging the management in an effective and constructive manner; and
- (iii) actively participated in the Board's discussion and provided an independent voice on the Board.

### 7. Ordinary Resolution 12

The Board and its Nominating Committee had conducted an annual performance evaluation and assessment on the independence of Mr. Teh Eng Hin, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years and had recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

- (i) in particular of his professional experience in accounting and taxation areas and contribution to the Board;
- (ii) consistently challenging the management in an effective and constructive manner; and
- (iii) actively participated in the Board's discussion and provided an independent voice on the Board.

### 8. Special Resolution 13

The proposed Special Resolution, if passed, will align the Company's Constitution with the Companies Act 2016 which came into force on 31 January 2017, the updated provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing statutory and regulatory requirements as well as to enhance administrative efficiency and to provide greater clarity. The Proposed Adoption of New Constitution is set out in Part B of the Circular to shareholders dated 29 April 2019.





# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

---

## DETAILS OF INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS (EXCLUDING DIRECTORS STANDING FOR A RE-ELECTION)

Pursuant to Paragraph 8.27(2) of the Bursa Securities Listing Requirements for Main Market, no individual is seeking election as a Director at the Twenty-Second Annual General Meeting of the Company.



# NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that a Final Single Tier Dividend of 12 sen per share for the year ended 31 December 2018, if approved, will be paid on 17 June 2019 to depositors registered in the Records of Depositors on 3 June 2019.

A Depositor shall qualify for entitlement to the Dividend in respect of:

- a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 3 June 2019 in respect of transfers;
- b) shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board,

ANGELINA CHEAH GAIK SUAN (MAICSA 7035272)

LEE MEI MEI (MAICSA 7062284)

Secretaries

Penang

Dated: 29 April 2019



# SHARE BUY-BACK STATEMENT

## 1. Disclaimer Statement

This Share Buy-Back Statement ("Statement") is important and if you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisor immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Statement prior to its issuance, and hence, takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

## 2. Rationale for the Proposed Purchase by Tong Herr Resources Berhad ("THR" or the "Company") of its own ordinary shares ("Shares") up to a maximum of ten per centum (10%) of the existing total number of issued shares of the Company ("Proposed Share Buy-Back")

The potential advantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:

- allows the Company to take preventive measures against speculation particularly when its Shares are undervalued which would in turn stabilise the market price of the Shares and hence enhance investors' confidence;
- if the Shares bought back by the Company are cancelled, shareholders of the Company are likely to enjoy an increase in the value of their investment in the Company as the net Earnings Per Share ("EPS") of the Company will increase; and
- reduces the liquidity level and stabilise the supply, demand and price of its Shares in the open market, thereby supporting the fundamental value of the Shares.

## 3. Retained Profits

Based on the unaudited financial statements for the financial year ended 31 December 2018, the retained profits of the Company stood at RM10,355,000 (audited as at 31 December 2018: RM10,355,000).

## 4. Source of Funds

The Proposed Share Buy-Back will be financed from both internally generated funds of the Group and/or external borrowings. The portion of which to be utilised will depend on the actual number of Shares bought, the price of Shares and the availability of funds at the time of the purchase(s). If borrowings are used for the Proposed Share Buy-Back, the Company will experience a decline in its net cash flow to the extent of the interest costs associated with such borrowings but the Board does not foresee any difficulty in repaying the borrowings, if any, is used for the Proposed Share Buy-Back. Based on the audited consolidated financial statements as at 31 December 2018, the Group has cash and cash equivalent balance of approximately RM118,166,000.

## 5. Direct and Indirect Interests of Directors and Major Shareholders and/or Persons Connected to Them

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and major shareholders of THR nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of the treasury shares.

The Direct and Indirect Interests of Directors and Substantial Shareholders of THR as at 29 March 2019 are as follows:

Name	Before proposed buy-back#				After proposed buy-back *			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Directors and major shareholders</u>								
Tsai Ming Ti	1,955,402	1.266	50,101,357	32.438	1,955,402	1.380	50,101,357	35.361
Tsai, Hung-Chuan	-	-	61,191,043	39.618	-	-	61,191,043	43.187
Tsai Yi Ting	198,000	0.128	49,044,307	31.754	198,000	0.140	49,044,307	34.615
Tsai Pei Chen	731,100	0.473	49,044,307	31.754	731,100	0.516	49,044,307	34.615
Tsai, Chia-Yen	-	-	61,191,043	39.618	-	-	61,191,043	43.187



# SHARE BUY-BACK STATEMENT

(Cont'd)

## 5. Direct and Indirect Interests of Directors and Major Shareholders and/or Persons Connected to Them (Cont'd)

Name	Before proposed buy-back#				After proposed buy-back *			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Directors</u>								
Tan Ban Leong	45,000	0.029	-	-	45,000	0.032	-	-
Megat Abdul Munir	37,900	0.025	-	-	37,900	0.027	-	-
Fazrin Azwar Bin Dato Hj. Md. Nor	5,040	0.003	-	-	5,040	0.004	-	-
Teh Eng Hin	4,500	0.003	-	-	4,500	0.003	-	-
<u>Person connected to major shareholders</u>								
Tsai Liao Chin Yeh	1,057,050	0.684	50,999,709	33.020	1,057,050	0.746	50,999,709	35.995
Tsai, Ching-Tung	-	-	61,191,043	39.618	-	-	61,191,043	43.187
Tsai Chen, Su-Kan	-	-	61,191,043	39.618	-	-	61,191,043	43.187
Tsai, Jane-Rong	-	-	61,191,043	39.618	-	-	61,191,043	43.187
Tsai Chia Chen	-	-	49,044,307	31.754	-	-	49,044,307	34.615
<u>Major shareholders</u>								
Allrich Corp	61,191,043	39.618	-	-	61,191,043	39.618	-	-
Richard Holdings Limited	49,044,307	31.754	-	-	49,044,307	31.754	-	-

# Based on the issued shares of 157,430,000 ordinary shares less 2,976,900 treasury shares.

\* Assuming that the maximum number of Shares up to ten per centum (10%) of the total authorised under the Proposed Share Buy-Back are purchased and cancelled.

## 6. Potential Advantages and Disadvantages of the Proposed Share Buy-Back

The potential advantages of the Proposed Share Buy-Back to the Company and its shareholders are disclosed in Section 2 of this Statement.

The potential disadvantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:

- The Proposed Share Buy-Back will reduce the financial resources of the Group and may result the Group foregoing better investment opportunities that may emerge in future; and
- As the Proposed Share Buy-Back can only be made out of retained profits of the Company, it may result in reduction of financial resources available for distribution to shareholders in the immediate future.

In any event, the Board will be mindful of the interest of THR and its shareholders in undertaking the Proposed Share Buy-Back and in the subsequent cancellation of the Shares purchased, if any.



# SHARE BUY-BACK STATEMENT

(Cont'd)

## 7. Financial Effect of the Proposed Share Buy-Back

The financial effects of the Proposed Share Buy-Back on the Company and the Group are set out below:

### (a) Share Capital

The effect of the Proposed Share Buy-Back on the issued shares of the Company assuming that the maximum number of Shares up to ten per centum (10%) of the total number of issued shares authorised under the Proposed Share Buy-Back are purchased and cancelled, is as set out below:

	No. of Shares	RM
Existing share capital of THR as at 29 March 2019	157,430,000	185,930,000
Assuming Shares purchased are cancelled	<u>(15,743,000)</u>	<u>(15,743,000)</u>
	<u>141,687,000</u>	<u>170,187,000</u>

On the other hand, if the Shares purchased are retained as treasury shares, the Proposed Share Buy-Back will not affect the issued shares of THR but the rights attached to them in relation to the voting, dividends and participation in any other distributions or otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including calculation of substantial shareholdings, take-overs, notices, the requisitioning of meetings, calculation of quorum for meetings and the result of vote on a resolution at a meeting.

### (b) Earnings

The effect of the Proposed Share Buy-Back on the EPS of the Group will depend on the purchase prices of the Shares and the effective funding cost to the Group to finance the purchase of Shares or any loss in interest income to the Group. Assuming the Shares purchased are retained as treasury shares and resold, the effects on the earnings of the THR Group will depend on the actual selling price, the number of treasury shares resold and the effective gain or interest savings arising from the exercise.

If the Shares so purchased are cancelled, the Proposed Share Buy-Back will increase the EPS of the Group. However, the increase in EPS will be affected to the extent of the quantum of the reduction in the interest income and/or increase in the interest expense incurred in relation to the Proposed Share Buy-Back.

### (c) Net Assets ("NA")

The effect of the Proposed Share Buy-Back on the NA of the Group will depend on the purchase price of the Shares and the effective funding cost to the Group to finance the purchase of Shares or any loss in interest income to the Group.

In the event that all the Shares are cancelled, the Proposed Share Buy-Back would reduce the NA of the Group when the purchase price per Share exceeds the NA per Share at the relevant point in time, and vice versa.

The Proposed Share Buy-Back will reduce the working capital of the Group, the quantum of which will depend on the purchase prices of the Shares and the number of Shares purchased.

The NA per Share will decrease if the Shares purchased are retained as treasury shares due to the requirement for treasury shares to be carried at cost and offset against equity, resulting in a decrease in the NA by the cost of the treasury shares. If the treasury shares are resold on the Bursa Securities, the NA per Share will increase if the Company realise a gain from the resale, and vice versa. If the treasury shares are distributed as share dividends, the NA per Share will decrease by the cost of the treasury shares.

### (d) Dividends

The Board of Directors recommends a Final Single Tier Dividend of 12 sen per share subject to shareholders' approval at the forthcoming Annual General Meeting.

The Proposed Share Buy-Back is not expected to have any material effect on the dividends to be declared by the Company, if any, for the financial year ending 31 December 2019.



# SHARE BUY-BACK STATEMENT (Cont'd)

## 8. Implication of the Proposed Share Buy- Back relating to the Malaysian Code on Take-overs and Mergers, 2016

The Proposed Share Buy-Back will not have any implication on the Company and its substantial shareholders in relation to the Malaysian Code on Take-overs and Mergers, 2016.

## 9. Purchases made in Last Financial Year

During the financial year, the Company repurchased a total of 186,700 ordinary shares of its issued share capital from the open market, using internally generated funds, as detailed below:

	Number of shares	Lowest RM	Unit cost Highest RM	Average RM	Total cost RM
March 2018	121,400	3.24	3.24	3.24	394,578*
April 2018	65,300	2.84	3.14	3.00	196,773*

\* The consideration for the shares purchased is inclusive of brokerage, clearing house fee, GST and stamp duty.

There were no shares resold and cancelled during the financial year and all shares purchased are retained as Treasury Shares.

## 10. Historical Share Prices

The monthly highest and lowest market prices of THR Share traded on Bursa Securities in the preceding twelve (12) months were as follows:

	Highest (RM)	Lowest (RM)
<b>2018</b>		
April	3.51	2.66
May	3.83	3.40
June	3.46	3.33
July	3.50	3.30
August	3.95	3.40
September	4.06	3.72
October	4.28	3.80
November	4.08	3.80
December	4.03	3.46
<b>2019</b>		
January	4.07	3.54
February	4.23	3.63
March	3.68	3.48

Last transacted market price as at 29 March 2019 (being the last practical date prior to the printing of this Statement) was RM3.55.



# SHARE BUY-BACK STATEMENT (Cont'd)

## 11. Proposed Intention of the Directors to deal with the Shares so Purchased

The Proposed Share Buy-Back, if exercised, the shares shall be dealt with in the following manner:

- (i) To cancel the Shares so purchased; or
- (ii) To retain the Shares so purchased in treasury for distribution as dividend to shareholders and/or resell on the market of Bursa Securities or subsequently cancelled; or
- (iii) Retain part of the shares so purchased as treasury shares and cancel the remainder; or
- (iv) In such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

## 12. Public Shareholding Spread

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 29 March 2019, the public shareholding spread of the Company was approximately 26.02%. In this regard, the Board undertakes to purchase shares only to the extent that the public shareholding spread of THR shall not fall below 25% of the issued shares of the Company at all times pursuant to the Proposed Share Buy-Back, in accordance with paragraph 12.14 of the Main Market Listing Requirements.

## 13. Directors' Statement

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Share Buy-Back described above is in the best interest of the Company.

## 14. Directors' Recommendation

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Twenty-Second AGM to give effect to the Proposed Share Buy-Back.

## 15. Responsibility Statement

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no facts, the omission of which would make any statement herein misleading.

## 16. Documents Available For Inspection

Copies of the following documents will be available for the registered office of the Company during normal office hours from Monday to Friday (except Public Holidays) from the date of this Statement up to and including the date of the forthcoming AGM:

- (i) Constitution of the Company; and
- (ii) The audited consolidated financial statements for the past two (2) financial years ended 31 December 2017 and 2018 respectively.

## 17. Other Information

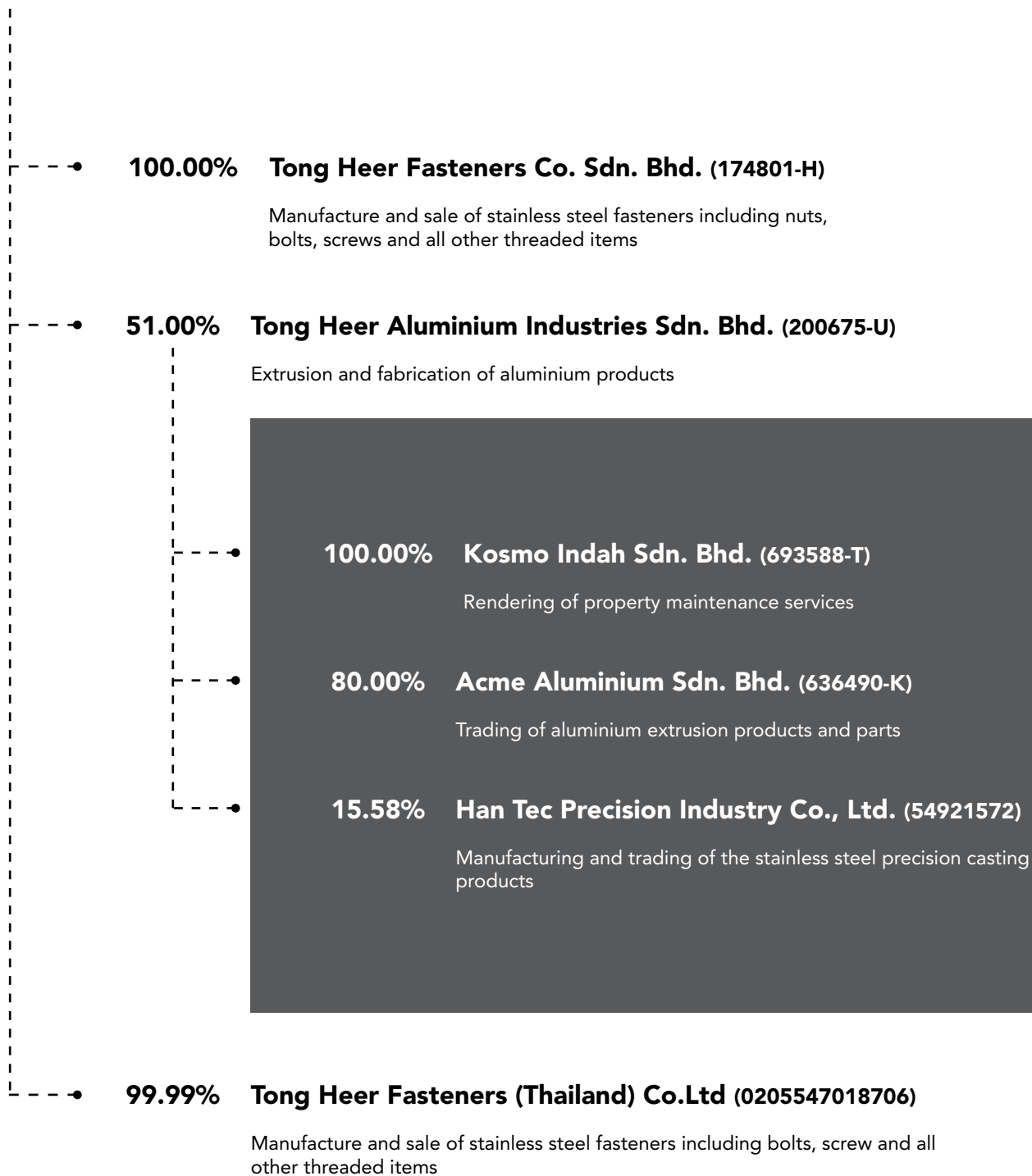
There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.





TONG HERR RESOURCES BERHAD  
(432139-W)

## Investment Holding



# DIRECTORS' PROFILE

## TSAI MING TI

Taiwanese, male, aged 59, was appointed to the Board of THR as Executive Director on 20 July 1999. He has 42 years of working experience in the fasteners industry. He completed his education in Junior High School. Since the establishment of THF in 1988, he has been the Managing Director of the Company. Under his leadership with great emphasis placed on team work, quality and service orientated, THF has expanded tremendously to what it is today. He was re-designated as Executive Deputy Chairman of THR on 29 August 2012 and re-designated as Executive Chairman on 27 February 2013.

His son, Tsai Yi Ting, and daughter, Tsai Pei Chen, are also members of the Board. He is also the spouse of Tsai Liao Chin Yeh, and brother of Tsai, Ching-Tung who is major shareholder of THR by virtue of his shareholding in Allrich Corp (Allrich).

## TSAI YI TING

Taiwanese, male, aged 29, joined THF in January 2010 as Assistant to Managing Director and was appointed to the Board of THR as an Executive Director on 26 May 2010. On 19 August 2011, he was appointed as Deputy Managing Director of THR and subsequently was appointed as Managing Director of THR on 29 August 2012. He graduated from the Purdue University, United States with a Bachelor of Science. He was appointed as Managing Director in THFT in April 2013.

He is the son of Tsai Ming Ti and Tsai Liao Chin Yeh, and brother of Tsai Pei Chen. His sister, Tsai Chia Chen is also major shareholder of THR by virtue of her shareholding in Richard Holdings Limited (RHL).

## TSAI PEI CHEN

Taiwanese, female, aged 31, joined THF on 18 January 2010 as General Manager. She was appointed as Director of THF on 26 May 2010. On 29 August 2017, she was appointed as Executive Director of THR and re-designated to Non-Independent Non-Executive Director w.e.f. 12 April 2019. She holds a Bachelor of Science in Management from Case Western Reserve University, Ohio, USA.

She is the daughter of Tsai Ming Ti and Tsai Liao Chin Yeh and sister of Tsai Yi Ting. Her sister, Tsai Chia Chen is also major shareholder of THR by virtue of her shareholding in RHL.

## TAN BAN LEONG

Malaysian, male, aged 60, was appointed to the Board of THR as an Executive Director on 20 July 1999. He is in charge of the Administration and Corporate Matters of the Group. He joined THF in July 1989 and was appointed as Executive Director of THF in 1993. He obtained a Degree in Economics from Tunghai University (Taiwan) in 1986. He is the pioneer staff who was responsible in the setting up of the factory.

He has no family relationship with any other Director or major shareholder of the Group.



## **TSAI, HUNG-CHUAN**

Taiwanese, male, aged 42, was appointed to the Board of THR as a Non-Independent Non-Executive Director and as a member of the Nominating Committee on 27 February 2013. He joined as General Manager of Tongming Enterprise Co., Ltd. (TME) since 2003 and appointed as Director of TME in 2007. He graduated from University of Washington, United States with a Master in Business Administration.

He is the son of Tsai, Ching-Tung and Tsai Chen, Su-Kan, who are major shareholders of THR by virtue of their shareholding in Allrich. His sister, Tsai, Chia-Yen is on the Board of THR. Whereas, his sister Tsai, Jane-Rong is also major shareholder of THR by virtue of her shareholding in Allrich.

## **TSAI, CHIA-YEN**

Taiwanese, female, aged 38, was appointed to the Board of THR as a Non-Independent Non-Executive Director on 29 August 2017. She joined as Vice General Manager of TME on May 2013. She graduated from University of Illinois at Urbana-Champaign, United States with a Ph.D in Mathematics.

She is the sister of Tsai, Hung-Chuan and daughter of Tsai, Ching-Tung and Tsai Chen, Su-Kan, who are major shareholders of THR by virtue of their shareholding in Allrich. Her sister, Tsai, Jane-Rong, is also major shareholder of THR by virtue of her shareholding in Allrich.

## **FAZRIN AZWAR BIN DATO' HJ. MD. NOR**

Malaysian, aged 53, was appointed to the Board of THR as Independent Non-Executive Director on 20 July 1999 and subsequently appointed as an Audit Committee member on 26 November 2008. He was appointed as Chairman of the Nominating Committee on 27 February 2013.

En. Fazrin graduated from University of Malaya with a Bachelor of Law (LLB) Honors Degree in 1990. He is an Advocate and Solicitor and a member of the Malaysian Bar. He is currently the Managing Partner of Messrs. Azwar & Associates.

En. Fazrin is also currently the Independent Non-Executive Chairman of Mercury Industries Berhad besides being an Independent Non-Executive Director for Poh Kong Holdings Berhad and Benalec Holdings Berhad, all listed on the Main Market of Bursa Malaysia.

En. Fazrin is also an Independent Non-Executive Director of Times Offset (M) Sdn Bhd and a Non-Independent Non-Executive Director of the Kuchinta Holdings Group of Companies.

En. Fazrin is also a chartered member of The Malaysian Institute of Directors and The Institute of Internal Auditors Malaysia.

He has no family relationship with any other Director or major shareholder of the Group.

# DIRECTORS' PROFILE

(Cont'd)

## MEGAT ABDUL MUNIR

Malaysian, male, aged 49, was appointed to the Board of THR as Independent Non-Executive Director on 20 July 1999 and subsequently appointed as Chairman of Audit Committee of THR on 29 March 2002.

En. Megat graduated from the International Islamic University with LLB (Hons) in 1993 and was called to the Malaysian Bar in 1994. He is a founding partner of the legal firm Messrs. Zain Megat & Murad and leads the Kuala Lumpur branch as well as two of the firm's practice areas. These are namely Corporate Commercial and the Foundation Laws practice areas. He advises on foreign investments, mergers and acquisitions, listing and compliance requirements as well as queries from Bursa Malaysia and the Securities Commission.

En Megat is also Independent and Non-Executive Director of Cypark Resources Berhad, which is listed on the Main Market of Bursa Malaysia since August 2012.

He has no family relationship with any other Director or major shareholder of the Group.

## TEH ENG HIN

Malaysian, male, aged 51, was appointed to the Board of THR as Independent Non-Executive Director on 29 March 2002. He is the member of the Audit Committee and also appointed as member of the Nominating Committee on 27 February 2013. He obtained a degree in Commerce from University of New South Wales (Sydney, Australia) in 1989. From 1990 to March 1994, he was attached to Deloitte where his last position held was as an audit senior.

Thereafter, he joined a local accounting firm as an audit manager and was admitted as an audit partner in 1995, being a position he is currently still holding. He is a Chartered Accountant with the Malaysian Institute of Accountants, fellow member of CPA Australia and member of Chartered Tax Institute of Malaysia.

He has no family relationship with any other Director or major shareholder of the Group.

### Notes:

1. Save as disclosed, none of the Directors has:
  - any conflict of interest with the Company,
  - any conviction for offences (other than traffic offences) within the past 5 years, and/or any public sanction or penalty imposed by relevant regulatory bodies during the financial year.
2. The Directors' interests in the Company are detailed in the Financial Statements section and the Analysis of Shareholdings section of this Annual Report.

# KEY SENIOR MANAGEMENT'S PROFILE

## LEE SHIH YAO

Taiwanese, male, aged 60, was appointed as General Manager of THA since THR acquired THA in 2010. Prior to this position, he was factory manager of THA since 20 December 1991. He holds a Diploma in Material Engineering from Provincial Taipei Institute of Technology.

## SOO SIO BENG

Malaysian, male, aged 50, was appointed as General Manager of THFT in May 2005. He joined THF in 1994 as management trainee and was re-designated as assistant production manager of THF in 2000. He obtained a Diploma of Merit from the Institute of Management Specialists England in 1994. He is the pioneer staff who was responsible in the setting up of THFT.

Notes:

Save as disclosed, none of the Key Senior Management have:

- any directorship in public companies and listed issuers,
- any family relationship with any Directors and/or substantial shareholders of the Company,
- any conflict of interest with the Company,
- any conviction for offences (other than traffic offences) within the past 5 years, and/or any public sanction or penalty imposed by relevant regulatory bodies during the financial year.



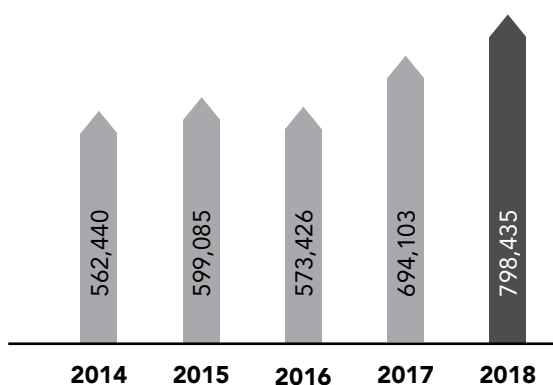
# 5-YEAR GROUP FINANCIAL HIGHLIGHTS

FINANCIAL RESULTS (RM'000)	2014	2015	2016	2017	2018
Revenue	562,440	599,085	573,426	694,103	<b>798,435</b>
Profit Before Tax	50,955	11,721	66,400	82,315	<b>80,598</b>
Profit After Tax	41,863	2,628	55,185	66,142	<b>65,852</b>
Profit/(Loss) attributable to:					
- Owners of the Company	30,206	(3,109)	45,231	57,414	<b>60,879</b>
- Non-controlling Interest	11,657	5,737	9,954	8,728	<b>4,973</b>

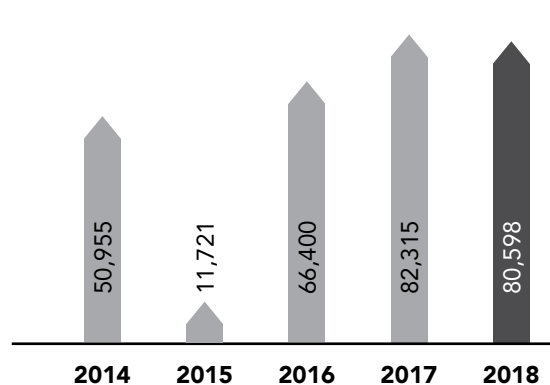
FINANCED BY (RM'000)	2014	2015	2016	2017	2018
Paid-Up Capital	127,430	127,430	157,430	185,930	<b>185,930</b>
Shareholders' Fund	343,132	350,866	433,225	430,119	<b>454,556</b>
Total Assets Employed	675,703	640,378	610,181	611,708	<b>666,734</b>
Net Assets	439,290	458,535	473,006	473,628	<b>498,138</b>

STATISTICS	2014	2015	2016	2017	2018
Net Assets Per Share attributable to owners of the Company (RM)	2.71	2.80	2.80	2.78	<b>2.94</b>
Basic Earnings/(Loss) Per Share (Sen)	23.89	(2.47)	34.47	37.13	<b>39.41</b>
Gross Dividend Paid Per Share (Sen)	11.00	6.00	20.00	38.00	<b>26.00</b>

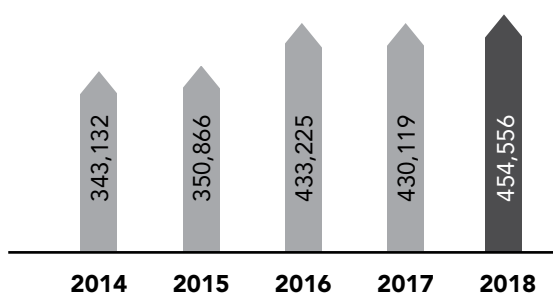
### REVENUE



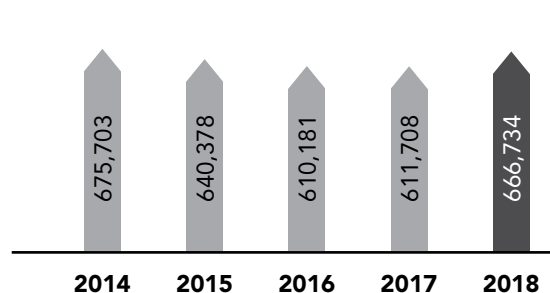
### PROFIT BEFORE TAX



### SHAREHOLDERS' FUND



### TOTAL ASSETS EMPLOYED



# MANAGEMENT DISCUSSION AND ANALYSIS

## Company Profile and Background

Tong Herr Resources Berhad and its subsidiaries (the "Group") are involved in the manufacturing and sales of stainless steel fasteners including nuts, bolts, screws and all other threaded items and also manufacture of aluminium extrusion and its related products. The Group's objective is to be one of the market leaders in fasteners and aluminium extrusion production, pursuing a consistent and sustainable organic growth and to produce high-quality products and enthusiasm of service in helping invaluable customers. Thus, in driving sustainability of business and profitability, the Group will continue to pursue its strategy in both fasteners and aluminium business by concentrating in the products quality precision and accuracy through quality upgrades by keeping abreast with all new technologies. While the broad strategic direction remains, the Group is always mindful to adjust the approach of its operations to respond to changes in the market place.

The fasteners segment has two (2) manufacturing operations, which are located in Malaysia and Thailand respectively. Both operations mainly focus on the export market. The operations in Malaysia and Thailand export approximately 95% and 90% to the other countries respectively, which includes Germany, Italy, United States, Netherlands, Japan and etc.. Meanwhile the aluminum segment only has one (1) manufacturing operation which is located in Malaysia and almost 70% of its turnover is from the domestic market.

## Overview of Business Environment

At the end of year 2018, the economy had decelerated and momentum seems to remain on a descending trend in Q1 year 2019. A steep decline in equity prices in December 2018 suggests private consumption weakening in Q4 year 2018. Furthermore, a low industrial production in the month indicated weakness in manufacturing.

Fasteners industry which includes screws, bolts and nuts are used to join two or more objects together. Demand of fasteners markets is expected to growth at a slower pace, subjected to global economy expansion and fixed investment expenditures rising. The volatility of commodity price, impact from geopolitical tensions and uncertainties of the advanced countries' policy has weakened the market sentiment and resulted in stiff competition in the global fasteners industry. Besides, downward trend of the commodity price could also result the lower margin generated though there is an increase in the sales volume.

Aluminium prices have been on the downtrend since April 2018 and could remain under pressure subsequent to the impact from trade war and slower global gross domestic product ("GDP"). The socio-economic growth such as GDP and growth in end-user industries may also affect the demand for aluminium extrusions. For the year as a whole, the Malaysia economy recorded a decline to 4.7% (2017: 5.9%).

## Review of Financial Performance

### Profitability

	FYE 31.12.2018 RM'000	FYE 31.12.2017 RM'000	Variance %
Revenue	<b>798,435</b>	694,103	15.03%
Gross profit ("GP")	<b>101,318</b>	103,408	-2.02%
Profit before tax ("PBT")	<b>80,598</b>	82,315	-2.09%
Profit after tax	<b>65,852</b>	66,142	-0.44%
Net profit attributable to owners of the Company	<b>60,879</b>	57,414	6.04%
Earning per share (sen)	<b>39.41</b>	37.13	6.14%
GP margin	<b>12.69%</b>	14.90%	
PBT margin	<b>10.09%</b>	11.86%	
Net profit margin	<b>8.25%</b>	9.53%	

For the financial year ended 31 December 2018, the Group had recorded revenue of RM798.44 million, which had increased by 15.03% as compared to RM694.10 million for the previous financial year. The increase in revenue was mainly contributed by the increased sales volume of fasteners segment.





# MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

## Review of Financial Performance (Cont'd)

### Profitability (Cont'd)

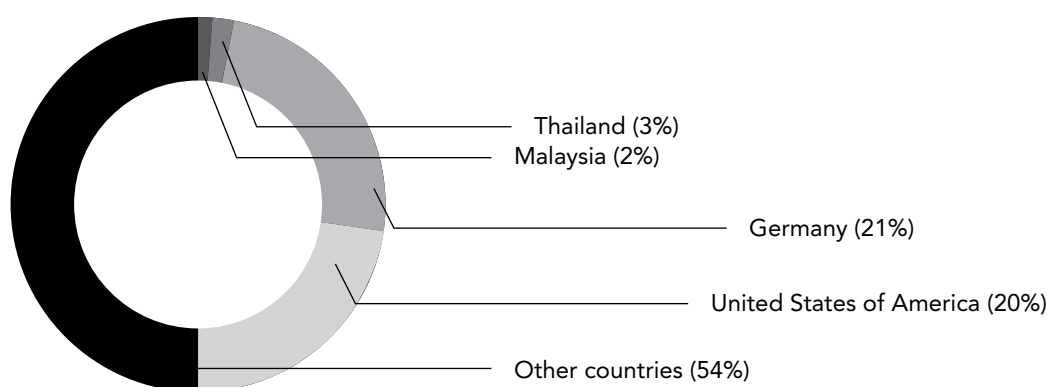
The breakdown of revenue and profit after tax for both Fasteners and Aluminium segment were as below:

	Fasteners Segment		Aluminium Segment	
	FY 2018 RM'000	FY 2017 RM'000	FY 2018 RM'000	FY 2017 RM'000
Revenue	610,773	508,135	187,662	185,968
Profit after tax	56,010	51,887	10,103	17,716

The average raw material consumed for productions of both Fasteners and Aluminium segment were relatively higher as compared with the previous financial year. The recent weakness in aluminium price and slower global gross domestic product growth has exerted the pressure on the profit of Aluminium segment. Thus, despite the higher revenue generated, the gross profit was lower. However, lower gross profit margin has been partially offsetted by the improvement of gain generated from the financial instruments at fair value through profit or loss, whereby there was a gain of RM551,000 being recorded for the financial year 2018, whilst there was loss on financial instruments at fair value through profit or loss of RM3.51 million for financial year 2017.

During FY 2018, revenue generated from Aluminium segment was mainly from local sales, while the revenue contribution from Fasteners segment by countries can be analysed as below:

### Revenue Contribution by Country (Fasteners segment)



### Financial Position

	FYE 31.12.2018 RM'000	FYE 31.12.2017 RM'000	Variance %
Total asset	<b>666,734</b>	611,708	9.00%
Total liabilities	<b>168,596</b>	138,080	22.10%
Equity attributable to owners of the Company	<b>454,556</b>	430,119	5.68%
Net assets per share attributable to owners of the Company (sen)	<b>294</b>	278	5.76%
Current ratio	<b>3.29</b>	3.50	
Debt-to-equity	<b>0.26 : 1</b>	0.20 : 1	

The Group was able to maintain a healthy Financial Position as at 31 December 2018. The equity attributable to owners of the Company has increased by RM24.44 million to RM454.56 million as compared with previous financial year.

# MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

## **Review of Financial Performance (Cont'd)**

### Financial Position (Cont'd)

The Group incurred RM17.18 million of capital expenditure ("CAPEX") in FY2018 compared with RM5.93 million in FY2017. Apart from the THFT 3rd factory project, the CAPEX was also increased to improve the effectiveness and efficiency of the Group current business line.

Besides, total loans and borrowings as at 31 December 2018 was recorded at RM128.43 million, which has increased from RM96.60 million as at 31 December 2017. This was mainly due to term loan drawdown of RM7.31 million, which was used to finance the construction of THFT 3rd factory.

The net assets per share attributable to owners of the Company stood at 294 sen per share while the cash and cash equivalents of the Group stood at RM118.14 million as at 31 December 2018 (2017: RM92.19 million).

The Group is confident that its existing financial standing is sufficient to finance its capital expenditures and working capital requirements.

## **Risks Analysis and Strategic Business Direction**

The group manages its capital to maximize shareholders' long-term value to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to achieve this, the Group manages its debt and equity by maintaining an optimal capital structure to reduce the cost of capital and sustain its business development. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity. The Group's strategy is to maintain the ratio at below 1 : 1. As at 31 December 2018, the Group had maintained a debt-to-equity ratio of 0.26:1.

The Group is exposed to several business risks such as volatility of commodity price, market competition, uncertainties of major economies as well as financial risk which include the credit risk, liquidity risk and currency risk. The overall financial risk management objective of the Group is to ensure adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flow; while the overall business risk management objective is to minimize penalties from unexpected incidents by keeping them on track.

### Volatility of commodity price

The main raw material for fasteners segment is wire rod while for aluminium segment is billet and ingot. The unpredictable changes of prices in wire rod, billet and ingot will affect the Group's product cost as well as short term profit margin. The Group is constantly monitoring the price movement of the raw material and will adjust the selling prices accordingly.

### Market competition

In dealing with market competition, the Group will strive to remain competitive by focusing on the product developments to elevate the product quality and also on time delivery in order to fulfill customers' satisfaction. On top of that, the Group will continue to seek for opportunities in order to broaden our customer base and expand the existing markets.

### Uncertainties of major economies

Export demand is the main revenue for the fasteners segment. The uncertainties of the major economies development policy may dampen consumers' confidence and affect the Group's performance, which includes the geopolitical crisis and ongoing Brexit negotiation. In order to mitigate the risk, the Group will continue to explore for more opportunity in other region as well as broaden the customer base. Besides, the management will also always keep abreast with the new changes and effect, if any.

### Credit risk

The Group's exposure to credit risk arises mainly from receivables, derivative financial assets and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. As the Group only deals with reputable financial institutions, the credit risk associated with derivative financial assets and deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

### Liquidity risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due, without suffering any catastrophic losses. In order to mitigate the risk, the Group always practice prudent liquidity risk management and cash flow planning to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.



# MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

## **Risks Analysis and Strategic Business Direction (Cont'd)**

### Currency risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia and Thai Baht whereas the major foreign currencies transacted are US Dollar and Euro. The Group's sales and purchases in foreign currencies provided a natural hedge against fluctuations in foreign currencies. The Group also observes the movements in exchange rates and acts accordingly to ensure that the exposures are kept at an acceptable level. Where necessary, the Group enters into derivative contracts to hedge the exposure.

### **Dividend Payout**

During the FY 2018, the Group has paid out dividends as below:

	<b>RM'000</b>
Final single tier dividend of 18 sen per share in respect of financial year ended 31 December 2017	<b>27,802</b>
Interim single tier dividend of 8 sen per share in respect of financial year ended 31 December 2018	<b>12,356</b>
	<b>40,158</b>

The Directors have also recommended a final single tier dividend of 12 sen per share for shareholders' approval at the Company's Twenty-Second Annual General Meeting on 27 May 2019. The total dividend declared/proposed for FY2018 will be 20 sen per share, subject to the approval of the final dividend.

### **Outlook**

Due to the global economy slowdown in 2018, THFT's third factory has yet to start its operation in Q1 of year 2019. However, the building has been completed and most of the machines are ready for operation for the time being, while manpower still awaiting to be recruited at this time. The third factory is still expected to start its operation in the year 2019. The commencement of operation of the third factory will increase the manufacturing capability of the Group while providing a wider range of products to better serve our customers. This would help in gaining the market share through retaining our existing customers and attracting more new customers.

Apart from that, there were also various factors that caused uneven growth in the economy, such as ongoing trade tensions, appreciation of USD, geopolitical conflicts and the ongoing Brexit negotiations. These will weaken the confidence of consumers in the export market. However, the Group will continue focus on the core business to maintain operational efficiency and also on the product developments to improve the product quality, while endure seeking for opportunities in order to broaden our customer base and expanding the existing markets.

In view of the challenging environment, the Board expects the prospects of the Group's financial performance for the financial year ending 31 December 2019 to be challenging.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of THR ("the Board") values the importance of good corporate governance practices and committed to ensure that the Group carries out its operations with integrity, transparency and professionalism, in order to protect and enhance the long-term interest of the shareholders.

The Board will continue its effort in evaluating its governance practices in response to evolving best practices and the changing needs of the Group. The Board is pleased to provide the following Corporate Governance Overview Statement, which outlines the practices adopted by the Company in compliance with the Principles and Recommendations set in the MCCG 2017 as well as the Main Market Listing Requirement of Bursa Securities ("MMLR").

The detailed application for each practice as set out in the Code is disclosed in the Corporate Governance Report ("CG Report") is in compliance the MMLR is available on the Company's website: [www.tong.com.my](http://www.tong.com.my) as well as via an announcement on the website of Bursa Malaysia.

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

#### Roles and Responsibilities of the Board

The Board plays an important role for the long-term success of the Group and the delivery of sustainable value to the stakeholders, which includes setting the vision and objectives as well as strategic direction of the Group, establishing goals for management and monitoring the achievement of these goals. The Board responsibilities are defined in the Board Charter and is available in the Company's website at [www.tong.com.my](http://www.tong.com.my) with delegated specific responsibilities to the Audit Committee and Nominating Committee.

The key responsibilities of the Board amongst others include the following:

- a) Formulate and review of corporate strategic plans and policies for the Group.
- b) Identifying principal risks and establish the appropriate systems of risk management.
- c) Ensure the succession planning for senior management is in place.
- d) Oversee the conduct of Company's business.
- e) Maintaining an effective investors' and shareholders' communication policy for the Company.
- f) Maintaining a good system of internal control and management information systems.
- g) Provide a balanced, clear and comprehensible assessment of the financial performance and prospects of the Company's position.
- h) Review Directors' remuneration packages.

#### The Board Chairman

The Chairman is responsible for providing leadership for the Board so that the Board can perform its responsibilities effectively and to ensure that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board discussions. The Executive Chairman of the Company, Mr. Tsai Ming Ti ("Mr. Tsai") is an executive member of the Board. The Board is mindful that the Chairman position is held by an executive member of the Board is not in compliance with the best practice, but taking into consideration the fact that since Mr. Tsai is also one of the major shareholders, there is the advantage of shareholder leadership and a natural alignment of interests. In respect of potential conflict of interests, the Board is comfortable that there is no undue risk involved as all related party transactions are disclosed and strictly dealt with in accordance with the MMLR. In addition, the presence of Independent Directors with distinguished records and credentials ensures that there is independence of judgement.

#### The Managing Director

The Group practices a separation of responsibility between the Chairman and the Managing Director, which helps to encourage the accountability and facilitates division of responsibilities between them in order to ensure there is a balance of power and authority.

The Managing Director is responsible for the overall day-to-day management of the business, the implementation of Board decisions as well as serves as an audience of the management team and employees. The Executive Directors are principally involved in implementing policies and decisions of the Board as well as overseeing business operations.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### I. BOARD RESPONSIBILITIES (Cont'd)

#### **Roles and Responsibilities of the Company Secretary**

The Board is supported by a suitably qualified and competent Company Secretaries who provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices. The Company has outsourced the company secretary services to TMF Administrative Services Malaysia Sdn. Bhd., which has specialist knowledge and professional ability to function more efficiently to the Board. Both the Company Secretaries are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016 and both of them are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").

The key responsibilities of the Company Secretary are outlined as below:

- a) Monitor corporate governance developments and assist the Board in applying best corporate governance practices.
- b) Ensure adherence to the Board's and Board committees' policies and procedures.
- c) Provide updates and assist the Board with interpreting regulatory requirements related to company and securities regulations as well as listing requirements.
- d) Circulates notice of the meeting(s) and attend meetings of the Board, Board Committees and shareholders to record the proceedings of the meetings.
- e) Ensure the deliberations at Board and Board Committee meetings are well documented and maintained at the registered office of the Company.

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and development by regularly attending continuous development programmes and seminars conducted by various professional bodies and authorities like MAICSA, Bursa Securities and Companies Commission of Malaysia.

#### **Access to Information and Advice**

The Directors are furnished with the agenda and board papers at least 7 days prior to the Board meetings to enable them to be more engaged during the meetings. The Directors meet, review related matters and approve all corporate announcements, including the announcement of the quarterly financial results, prior to releasing the information to Bursa Securities.

The Directors have the right to obtain full and unrestricted access to any information pertaining to the Group and also to the advice and dedicated support services of the Company Secretaries to ensure effective functioning of the Board. Apart from that, the Board also has the right to seek for independent professional's advice at the cost of the Group on matters which are deemed necessary, that will be put forward to the Board for decision making and to enable them to discharge their responsibilities effectively.

#### **Board Charter**

The Board has formalized and adopted the Board Charter with clear functions, which forms an integral part to guide the conduct of the Board. A copy of the Board Charter is available in the Company's website ([www.tong.com.my](http://www.tong.com.my)) and it would be reviewed and updated by the Board from time to time.

The Board Charter was designed to achieve the following objectives:

- To enable the Board to provide strategic guidance and effective oversight of Management;
- To clearly define the roles and responsibilities of members of the Board and Management to facilitate Board and Management's accountability to the Company and its shareholders; and
- To ensure a balance of authority so that no single individual or group of Directors has unfettered powers.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### I. BOARD RESPONSIBILITIES (Cont'd)

#### Whistleblowing Policy

The Board is satisfied that an adequate framework on whistleblowing is in place during the financial year ended 31 December 2018. The Whistleblowing Policy is designed to enable employees to raise concerns internally and at a high level and to disclose information which the employee believes indicates the possible presence of malfeasance or wrongdoing within the Group. These concerns could include indications of:

- Financial malfeasance, wrongdoing or fraud;
- Failure to comply with legal obligations;
- Enlargement of an individual's health & safety of the environment;
- Criminal activity;
- Improper conduct or unethical behaviour; and/or
- Concealment of any of the above or a combination.

All employees can raise their concern via email to the Chairman of the Audit Committee, who protects employees who contemplate "blowing the whistle" against any negative repercussions arising from genuine reporting, and provide an assurance of confidentiality to them. Confidentiality of all matters raised and the identity of the whistleblower are protected under the policy.

### II. BOARD COMPOSITION

#### Composition of the Board

The current Board consists of nine (9) members, which includes three (3) Executive Directors, three (3) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors. Together, the Directors from various backgrounds of professionals and entrepreneurs allow a mix of qualifications, skills integrity, competence and experience which is necessary for the successful direction of the Group. A brief profile of each Director is presented from pages 16 to 18 of Annual Report.

The number of Independent Non-Executive Directors in the Board complies with the MMLR which requires a minimum of 2 directors or 1/3 of the Board members, whichever is higher, to be Independent Directors. The Independent Non-Executive Directors bring independent view, advice and fairness to the decision making of the Board and which could help to ensure that interest of shareholders and stakeholders of the Company are safeguarded. The Independent Non-Executive Directors are independent of management and also free from any business dealing or other relationship that could materially interfere with the exercise of their independent judgement.

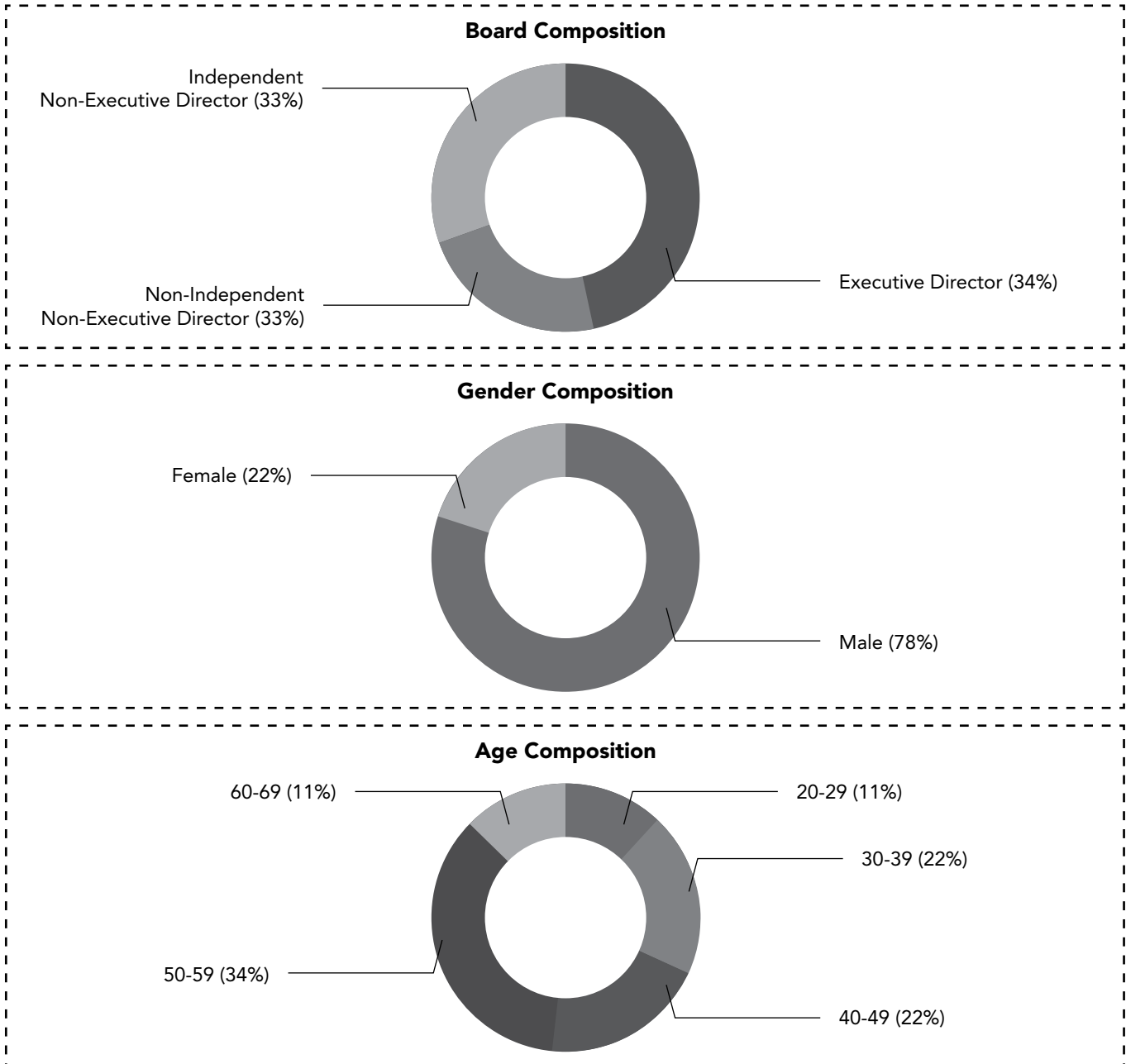
The Nominating Committee and the Board does not set any gender diversity policy in the composition of the Board. However, the Board will remain mindful of the MCCG's Principle on the gender diversity policy for boardroom. In relation to the Group's diversity, there are 2 female Directors on the Board whereby both of them are Non-Independent Non-Executive Directors. The Board will continuously seek for suitable candidate(s) to sit in the Board when such need arises.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. BOARD COMPOSITION (Cont'd)



#### Tenure Limit of Independent Directors

Principle of MCCG has recommended that the tenure of an independent director exceeding a cumulative or consecutive term limit of nine years to seek Shareholders' approval to retain as an independent director or through a two-tier voting process for independent director beyond twelfth year. However, the Board is presently of the view that tenure is not the absolute indicator of a Director's independence. The Independent Director's ability to serve effectively is very much dependent on his caliber and personal integrity instead. In addition, there are also significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's business and affairs. The Board had deliberated and satisfied that the three (3) Independent Non-Executive Directors who had served the Company for more than 9 years respectively, are free from any business dealing or relationships with the Group which could reasonably be perceived to materially interfere with the exercise of their independent judgement.

Thus, the Board and its Nominating Committee had recommended that the three (3) Independent Non-Executive Directors to remain unchanged but subject to their re-appointment at the forthcoming Annual General Meeting of the Company.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. BOARD COMPOSITION (Cont'd)

#### Nominating Committee

The Board has established the Nominating Committee on 27 February 2013 which comprised entirely of Non-Executive Directors. The detailed Term of Reference ("TOR") can be found in the Group's website. The present members and record of attendance were as follows:

	No. of Meeting Attended
Chairman: Fazrin Azwar Bin Dato' Hj. Md. Nor <i>Independent Non-Executive Director</i>	1/1
Member: Tsai, Hung-Chuan <i>Non-Independent Non-Executive Director</i>	1/1
Teh Eng Hin <i>Independent Non-Executive Director</i>	1/1

The Nominating Committee's function is to assess existing Directors and identifying, nominating, and recruiting new Directors. In making these assessments and recommendation, the Nominating Committee will consider the required mix of skills, character, competence, caliber, knowledge, experience, professionalism, integrity, time and other qualities of the individual to fulfill the duties of a Director appropriately. In the case of candidate for the position of Independent Non-Executive Director, the Nominating Committee will also evaluate the candidate's ability to discharge such responsibilities/functions as expected from an Independent Non-Executive Director. The final decision on the appointment of any directors of the Company shall be determined by the Board. Meanwhile, the Company Secretaries will ensure that all appointments comply fully with relevant legal and regulatory requirements.

The Nominating Committee is also responsible for the evaluation of the effectiveness of the Board as a whole by assessing the contribution of each individual director as well as ensuring that its assessments and evaluations are properly documented. The Board Effectiveness Evaluations exercise will be carried out annually by focusing on the following key areas:

Matters Considered	Outcome
Performance evaluation on the Board as a whole, the Committees of the Board, each of the individual Board Member and the independence of the Independent Directors	<p>The Nominating Committee carried out Board and committees assessments by individual directors, self and peer assessments together with an assessment of directors for the purposes of evaluating the performance of the Board as a whole, the Committees of the Board, the individual Board member, and the independence of the Independent Directors especially those Independent Directors who have served as Independent Directors for more than nine years.</p> <p>The key evaluation criteria have been carefully reviewed during the assessments, which include:</p> <ul style="list-style-type: none"> <li>• <i>Performance of the Board and Board Committees - composition, structure, processes and principal responsibilities</i></li> <li>• <i>Performance of each individual Board member, and independence of Independent Directors-competence, integrity, skills, experience, commitment, contribution, conflict of interest and independence as guided by the MMLR.</i></li> </ul> <p>No major concerns were identified in the evaluation results and the Nominating Committee was satisfied with the overall performance of the parties under review.</p>



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. BOARD COMPOSITION (Cont'd)

#### Nominating Committee (Cont'd)

Matters Considered	Outcome
Re-election, re-appointment and retention of Board members	<p>Pursuant to the Company's Constitution, all Directors, including the Managing Director, shall retire from office at least once in every three (3) years but shall be eligible for re-election.</p> <p>As such, those Directors retiring by rotation and who are eligible for re-election undergo a detailed assessment on the quality and contribution of such Directors and the Nominating Committee gave its full support to the retiring Directors to be re-elected at the Company's AGM.</p>

The Nominating Committee will also assess as to whether the candidate proposed for new directorship would be able to spend sufficient time to carry out his duties adequately prior to their recommendation to the Board for appointment as a board member of the Company. Orientation programme will also be provided for new Directors, including, where appropriate, visits to the Group's premises and meetings with senior management to facilitate their understanding of the Group's business and operations.

#### Overall Board Effectiveness

All the Directors were given self-assessment checklist on annual basis, and to confirm as to whether he has any family relationship with any director and/or major shareholder of the Company. This is one of the criteria to enable the Board and the Nominating Committee to assess the Directors' Independence as and when any new interest or relationship develops. The concept of independence adopted by the Board is in tandem with the definition of "Independent Director" in the Paragraph 1.01 and Practice Note 13 of MMLR, whereby the Independent Director must be independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company.

#### Time commitment

The Board is satisfied with the level of commitment and dedication given by the Directors towards fulfilling their duties and responsibilities as Directors. All the Directors have allocated sufficient time and commitment in discharging their responsibility. The Directors' meeting attendance record has scored at least 80% with the majority having full attendance, for the Board Meetings held during the current financial year. In the event where Directors who were unable to attend a meeting were also encouraged to give the Chairman their views and comments on matters to be discussed in advance.

During the financial year ended 31 December 2018, the Company held four (4) scheduled meetings. The meetings concentrated mainly on major investments and strategy decisions, operational & financial performances, business plan and direction of the Group. All issues discussed and the conclusions in discharging its duties and responsibilities have been properly recorded by the Company Secretary.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. BOARD COMPOSITION (Cont'd)

#### Time commitment (Cont'd)

The attendance record of each Director during the year 2018 was as follows:

<b>Name of Director</b>	<b>No. of Meetings Attended</b>	<b>Percentage (%)</b>
<b><u>Executive Directors</u></b>		
Tsai Ming Ti	4/4	100
Tan Ban Leong	4/4	100
Tsai Yi Ting	4/4	100
<b><u>Non-Independent Non-Executive Directors</u></b>		
Tsai Pei Chen (re-designated w.e.f. 12 April 2019)	3/4	80
Tsai, Hung-Chuan	4/4	100
Tsai, Chia-Yen	4/4	100
<b><u>Independent Non-Executive Directors</u></b>		
Megat Abdul Munir	4/4	100
Fazrin Azwar Bin Dato' Hj. Md. Nor	4/4	100
Teh Eng Hin	4/4	100

In line with the MMLR, none of the existing Directors hold more than five (5) directorships in public listed companies, thus enabling them to carry out their duties officially for the tenure of their appointments with the Company.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. BOARD COMPOSITION (Cont'd)

#### Continuing Education Program

All the Directors have attended the Mandatory Accreditation Program in compliance with the MMLR. Board members also keep abreast with general economic, industry and technical developments by attending relevant seminar and training programs annually in order to equip themselves to effectively discharge their duties as Directors.

Details of seminar/training attended by the Directors during the financial year were as follows:

Name of Directors	Date	Seminar/Training Course Title
1. Tsai Ming Ti	22 March 2018	2018 Market Outlook
2. Tsai Yi Ting	10 May 2018	New Trends and Analysis of the Company's Amendment Law
3. Tsai Pei Chen	22 March 2018	2018 Market Outlook
4. Tsai, Hung-Chuan	10 May 2018	New Trends and Analysis of the Company's Amendment Law
5. Tsai, Chia-Yen	10 May 2018	New Trends and Analysis of the Company's Amendment Law
6. Tan Ban Leong	26 January 2018	Citi Market Economic Seminar
	22 March 2018	2018 Market Outlook
7. Fazrin Azwar Bin Dato' Hj. Md. Nor	15 March 2018	Corporate Governance Briefing Session: MSSG Reporting & CG Guide
	27 March 2018	Audit Committee Conference 2018: Internal Auditing in the Age of Disruption
	14 & 15 August 2018	SSM National Conference 2018: Doing Business in the Age of Disruption
	17 - 20 October 2018	International Greentech & Eco Products Conference: Green Economy & Industry 4.0 - Achieving Sustainable Development Goals
8. Megat Abdul Munir	22 September 2018	Advocacy Training Course
9. Teh Eng Hin	7 February 2018	Companies Act 2016 - Implications on the accounting Profession and the work performed
	12 February 2018	Tax issues and implications for Property Developers and Investors
	9 March 2018	Practical assignment of the new and revised GST tax codes
	12 March 2018	Tax audits & Investigations - Issues, Strategies & Appeals
	9 & 10 April 2018	Detailed Analysis and Application of the Three New Standards: MFRS9, MFRS15 & MFRS16
	11 May 2018	MPERS financial reporting for finance professionals with case studies
	15 November 2018	Seminar Percukain Kebangsaan 2018
	5 December 2018	Post Budget 2019

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### III. REMUNERATION

#### Remuneration Committee

The MCGG recommends that it is a good practice for the Board to establish a Remuneration Committee, consisting wholly or mainly of Non-Executive Directors, to recommend to the Board the remuneration of the Executive Directors in all its forms, and the Executive Directors should play no part in deciding their own remuneration. The determination of remuneration packages of Non-Executive Directors should be a matter for the Board as a whole.

However the Company has not set up a Remuneration Committee and in this regard, the full Board of the Company will decide on the Executive and Non-Executive Directors' remuneration packages but do not participate in decisions on their own remuneration packages. In doing so, the components of the remuneration packages are linked to performance, commitment and responsibilities, and are periodically reviewed to reflect and ensure the level of remuneration is sufficient to attract and retain high calibre Directors to run the Company successfully.

#### Details of Directors' Remuneration

The aggregate remuneration paid to the Directors for the financial year ended 31 December 2018 are categorised into appropriate components as below:

Category	Fees RM'000	Salaries and other emoluments RM'000	Benefits in kind RM'000	Total RM'000
<b>Executive Directors</b>				
Tsai Ming Ti	30	818	28	876
Tsai Yi Ting	30	430	-	460
Tan Ban Leong	30	182	17	229
Tsai Pei Chen (re-designated to Non-Executive w.e.f. 12 April 2019)	15	694	28	737
	105	2,124	73	2,302
<b>Non-Executive Directors</b>				
Tsai, Hung-Chuan	30	-	-	30
Tsai, Chia-Yen	15	-	-	15
Megat Abdul Munir	30	2	-	32
Fazrin Azwar Bin Dato' Hj. Md. Nor	30	2	-	32
Teh Eng Hin	30	1	-	31
	135	5	-	140

The number of Directors whose total remuneration falls into the following bands are as follows:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Up to RM50,000	-	5
RM200,001 to RM250,000	1	-
RM450,001 to RM500,000	1	-
RM700,001 to RM750,000	1	-
RM850,001 to RM900,000	1	-



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## **PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT**

### **I. AUDIT COMMITTEE**

The Audit Committee is made up of three (3) members, who are Independent Non-Executive Directors. One of the members of the Audit Committee is a Chartered Accountant with the Malaysian Institute of Accountants, fellow member of Certified Practising Accountants Australia and member of the Chartered Tax Institute of Malaysia.

The key role of the Audit Committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations through the Board delegation via approved Terms of Reference ("TOR"). TOR and further information of the Audit Committee are outlined under the Audit Committee Report in this Annual Report.

### **II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK**

The Board acknowledges the importance and their responsibility of maintaining a sound system of internal control covering not only financial control but also operational and compliance control. The Board takes necessary steps to identify, assess and monitor principal business risk in order for the Group to achieve its corporate objectives within an acceptable risk profile and to safeguard the shareholders' investments and the Group's assets.

The Statement on Risk Management and Internal Control Statement from page 39 to 40 in this Annual Report provide an overview on the risk management and internal controls within the Group.

## **PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

### **I. COMMUNICATION WITH STAKEHOLDERS**

The Board recognises the importance of ongoing engagement and communication with stakeholders, which they believe would build the trust and understanding between the Company and its stakeholders and also provide stakeholders a better appreciation of the Company's objectives and the quality of the management. This in turn will assist stakeholders in evaluating the Company and facilitate shareholders to determine how their votes should be exercised.

The Board provides stakeholders with quarterly results and Audited Financial Statements as well as corporate announcements on significant developments affecting the Company through announcement in Bursa Securities in accordance with the MMLR.

The investor relation details published in the Company's website would enable the stakeholders to seek clarification or raise queries via email or phone at any time.

### **II. CONDUCT OF GENERAL MEETING**

The AGM is held once in every calendar year. Notice of the AGM and Annual Report are sent out to shareholders at least 28 days before the date of the meeting. Extraordinary General Meeting is held as and when required. All the resolutions set out in the notice of the forthcoming AGM shall be voted by poll.

At the meeting, the Chairman and the Board members are in attendance to provide explanations to all shareholders' enquiries on matters relating to the Group's business activities. There is an open question and answer session on the resolutions being proposed or about the Group's operations in general. The Chairman will undertake to furnish any shareholder with a written answer after the AGM in the event if the Board is unable to provide an immediate answer to any significant issues or questions raised.

Each item of special business included in the notice of the meeting is accompanied by an explanation for the proposed resolution to facilitate full understanding and evaluation of relevant issues.

## **COMPLIANCE STATEMENT**

Please refer to Corporate Governance Report for further disclosure.

This statement was made in accordance with the resolution of the Board of Directors dated 16 April 2019.



# STATEMENT OF DIRECTORS' RESPONSIBILITIES

In preparing the annual financial statements of the Group and of the Company, the Board of Directors ("the Board") are collectively responsible to ensure that these financial statements have been prepared to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the results and cash flows of the Group and the Company are in accordance with applicable approved accounting standards in Malaysia, the provisions of the Companies Act 2016 and the MMLR.

In preparing the annual financial statements for the financial year ended 31 December 2018, the Board has applied appropriate accounting policies on a consistent basis and made judgements and estimates that are reasonable and prudent.

The Board is also responsible for ensuring that proper accounting and other records are kept to sufficiently explain the transactions and the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the regulatory bodies.

The Board had overall responsibility for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.





# SUSTAINABILITY STATEMENT

The Board of Directors is mindful of the importance of the recent introduction of embedded sustainability in the Company whereby stakeholders are increasingly focused on the way businesses are run as well as greater attention given to how business impact the economy, environment and society.

It is our pleasure to present this Sustainability Statement for the financial year ended 31 December 2018 pursuant to Practice Note 9 of the MMLR, in particular, Part III on sustainability statement. The Listing Requirements requires all listing companies to prepare a narrative statement of the Group's management of material economic, environment and social.

The Group has considered the material aspects and its associated risks and opportunities in order to enable the Group to priorities the Group's commitment to environmental, social and economic progress. The summary outcome of our key priorities are as below:

Factors	Concern to stakeholders	Importance to Business
Employee engagement and safety	High	High
Governance and management	Medium	High
Customers engagement	Medium	High
Supply Chain	Medium	High
Social investment	Medium	High
Environment	High	High

Through the factors identified, the Group had taken into consideration of the Sustainability approach based on the following three components:

Economic	Environmental	Social
Enhance business and stakeholders value and interest	Encourage eco-friendly practice, conserving the energy and environment	Engagement and responsibility to Stakeholders

## Stakeholders Engagement

According to the Sustainability Reporting Guide, a stakeholder is essentially an individual or a group that has an effect on, or is affected by the organization and its activities. The Company recognizes the importance of stakeholders engagement and believes that it will provide the opportunity to identify the sustainability risk and opportunities in relation to support business continuity and competitiveness over the long term.

The Group's key stakeholders group and method of engagement of the Group are as below:

Stakeholders Group	Frequency	Engagement Platform	Outcome
Employees	Regularly	<ul style="list-style-type: none"> <li>In-house and On-site training</li> <li>Internal communications</li> <li>Employee engagement activities</li> </ul>	<ul style="list-style-type: none"> <li>Build up relationship between employers and employees</li> <li>Code of conduct</li> <li>Higher retention level of employees</li> <li>Better Group performance</li> </ul>
Investors & Shareholders	Annually	<ul style="list-style-type: none"> <li>Announcement via Bursa Malaysia</li> <li>Annual General Meeting</li> <li>Quarterly Report</li> <li>Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>Increase relationship between the Group and their shareholders</li> <li>Enhanced stability in company's share price</li> </ul>
Customers	Ad Hoc	<ul style="list-style-type: none"> <li>Formal and informal meetings</li> <li>Visit to customers' offices</li> <li>Events</li> </ul>	<ul style="list-style-type: none"> <li>Improve relationship between customers and the company</li> <li>Better product pricing and product quality</li> </ul>

# SUSTAINABILITY STATEMENT (Cont'd)

## Stakeholders Engagement (Cont'd)

The Group's key stakeholders group and method of engagement of the Group are as below: (Cont'd)

Stakeholders Group	Frequency	Engagement Platform	Outcome
Suppliers	Ad Hoc	<ul style="list-style-type: none"> <li>Formal and informal meetings</li> <li>Dialogue sessions</li> <li>Site visits are held on request</li> </ul>	<ul style="list-style-type: none"> <li>Improve relationship between suppliers and the company</li> <li>Better process of business production</li> </ul>
Government & Regulatory Bodies	Ad Hoc	<ul style="list-style-type: none"> <li>Formal meeting</li> <li>Statutory reporting submission or regulatory requirement</li> </ul>	<ul style="list-style-type: none"> <li>Interpretation of new government regulations</li> <li>Review of compliance protocols</li> </ul>
Local communities	Ad Hoc	<ul style="list-style-type: none"> <li>Formal meeting</li> <li>Donations</li> </ul>	<ul style="list-style-type: none"> <li>Stronger community branding for the Group</li> </ul>

## ECONOMIC

The Group acknowledged the impact of the business activities to the long-term economic growth towards the community. We have tried to contribute to the community development through the procurement practice by sourcing locally as well as local staff hiring, without compromising on the quality and value. In December 2018, Tong Heer Aluminium Industries Sdn. Bhd., a subsidiary of THR, held a Golf Tournament with the purpose to improve the engagement between the company and their customers.

The Group has also in place ISO 9001 certification, to ensure that all of our customers get consistent, good quality products and services. This standard is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement.

On top of that, the Group also always seek for local staff recruitment to fill the position, whenever possible. To reduce reliance on foreign workers, the Group has encouraged walk-in interview for operators' position during the financial year by putting the recruitment banner in front of the factory. The interested candidates can walk-in for interviews anytime whenever available during the office working hours. Successful candidates will be recruited.

The Group also always looks for local internship programmes. The interns will be given on-site training which will prepare themselves in developing their personal skill for post-graduation full time employment. The good and suitable interns will also be offered full time employment subsequent to the internship period.

## ENVIRONMENTAL

The Group recognises the importance of reducing wastage and conserving the energy and environment. The Group is also mindful of the operations impact to the environment during the production process. We continuously strive to manage and reduce the impact through effective and efficient management of resources, which includes emission control, energy and waste management practice.

The Group has regularly conducted the on-site air emission monitoring as well as industrial effluent discharge monitoring to ensure the emission and effluent discharged does not exceed the limit. The Group has engaged an independent consultant, where the sample will be tested and monitoring report will be prepared on a regular basis.

Besides, the management also encourages the staff to adopt eco-friendly practices such as the efficient utilization of stationeries, light-off during lunch hour for energy saving, reusing paper that has been printed on only one side for internal draft documents. The company also provide free vegetarian meals to all of the employees.



# SUSTAINABILITY STATEMENT (Cont'd)

## SOCIAL

The Group views occupational safety and health at work environment for employees as utmost important and has set up a safety unit at the workplace to oversee the safety, health and welfare at work for all employees and sending staff for workshops on safety in order to ensure that working conditions are in compliance with the requirements of the Occupational Safety and Health, Act 1994 (OSHA). Furthermore, the Company had held a talk on fire prevention, to increase the awareness of employees on fire safety at workplace.

The management also emphasised on training and development because it believes in creating valuable knowledge workers through training and developing existing employees and providing opportunities for their personal contribution towards the social development. Employees are strongly encouraged to attend in-house as well as external relevant training courses to enhance long term competitiveness.

The Group also recognises the importance of continuous health and safety improvements in order to protect its employees. It takes a serious view of its responsibility to provide and maintain safe and healthy working conditions, equipment and systems of work for its employees. During the financial year under review, no serious workplace accident was reported.

Apart from that, the Group also recognises its social responsibility by contributing to communities and involved in local community projects by way of donating charitable organizations. During the financial year, the Group has donated RM37,000 to the following charitable organization in Penang to help those who are in need:

- St. Nicholas Home Penang
- Rumah Sejahtera Permatang Tinggi
- Pure Lotus Society Hospice
- Rumah Kanak-Kanak Taman Bakti Kepala Batas
- Buddhist Tzu-Chi Merits Society
- Happy Retirement Home
- Persatuan Yee Ran Jing Sheh Bukit Tengah
- The Salvation Army Children's Home
- Pertubuhan Hemodialysis Seberang Perai Selatan



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of MMLR, the Board is pleased to present its Statement on Risk Management and Internal Control of the Group in the Annual Report 2018, which has been prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" endorsed by Bursa Securities, which outlines the nature and scope of the risk management and internal control of the Group during the financial year under review.

## Board Responsibility

The Board acknowledged its overall responsibilities and is committed to maintain a sound system of internal controls and effective risk management framework for good corporate governance. The system of internal control covering not only financial controls but also operational, organizational, regulatory and compliance controls as well as risk management to safeguard the shareholders' investments and the Group's assets to ensure its adequacy and integrity.

However, the system of risk management and internal control in place is designed mainly to manage, rather than to eliminate all the risks of not adhering to the Group's policies, in order to enhance the achievement of the Group's objectives. Accordingly, it can only provide reasonable but not absolute assurance against occurrence of any material misstatement of management and financial information or against financial losses, fraud and breaches of laws and regulations.

## Risk Management Framework

Risk management is embedded within the daily operations of the Group. The Board will continue to obtain updates and reviews on the Group's risk profile. The primary objective of risk management is to enhance the Group's ability to achieve business objective. The Board is responsible for carrying out periodical review on the adequacy, effectiveness and integrity of the Group's risk management and the system of internal control including systems to ensure compliance with applicable laws, regulations, rules, directives and guidelines. The Board further ensures the risk management framework was in order throughout the financial year.

## Internal Audit Function

The Group has established an in-house Internal Audit Function where the Internal Audit Personnel reports independently to the Audit Committee. The Audit Committee is responsible to review and approve the internal audit plan on an annual basis. The internal audit plan is designed to evaluate, assess and identify the missing controls and areas that need efficient enhancement. The cost incurred in maintaining the internal audit function in respect of the financial year was RM49,000.

The Internal Audit Personnel will carry out independent review on internal controls and activities within the Group. During the year under review, the Internal Audit Personnel has not reported any significant control weaknesses which may result in any material losses, uncertainties or contingencies that would require disclosure in the Group's annual report.

## Other Risk and Control Process

In addition to the above, the Group also has in place the following key elements:

- Well-defined hierarchical structure which indicated areas of responsibilities, scope of authority and segregation of duties.
- The Audit Committee reviews the financial results on the quarterly basis to monitor the performance of the Group. Any material variances encountered by the Internal Audit Personnel will be reported to the Board.
- Formal employee appraisal system, which enables appraisal of employees and rewarding employees, based on performance and attendance.
- The Group continues to review and update the Standard Operating Procedures for key processes for all Departments to govern the daily operations. This is being continuously monitored and reviewed to ensure effective management of the Group's operations.

The Board is responsible to maintain a sound system of internal control and recognize that the system must continuously evolve to support the operations of the Group. As such, the Board and the management would continue to take measures to strengthen the internal control environment to safeguard the shareholders investment and the Group's assets.

The Board has received assurance from the Group Managing Director that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

## Other Risk and Control Process (Cont'd)

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the year ended 31 December 2018 pursuant to Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and Practices 9.1 and 9.2 of the Malaysian Code on Corporate Governance 2017 to be set out, nor is factually inaccurate.

This statement was made in accordance with the Board of Directors' resolution dated 16 April 2019.

# AUDIT COMMITTEE REPORT

## 1. Establishment

The Audit Committee was established on 20 July 1999.

## 2. Members

The composition of the Audit Committee is in line with Paragraph 15.09 of the MMLR and Practice 8.4 of the Malaysian Code on Corporate Governance, which consists of the following Independent Non-Executive Directors:

Name	Designation
Megat Abdul Munir (Independent Non-Executive Director)	Chairman of the Committee
Teh Eng Hin (Independent Non-Executive Director)	Member of the Committee
Fazrin Azwar Bin Dato' Hj. Md. Nor (Independent Non-Executive Director)	Member of the Committee

## 3. Terms of Reference

The Audit Committee's TOR can be viewed from our website at [www.tong.com.my](http://www.tong.com.my).

## 4. Meetings

The Audit Committee met on four (4) occasions during year 2018 and the meeting attendance record of each Director is as follows:

Name	No. of Meetings Attended	Percentage (%)
Megat Abdul Munir	4/4	100
Teh Eng Hin	4/4	100
Fazrin Azwar Bin Dato' Hj. Md. Nor	4/4	100

The Finance Manager, Internal Audit Personnel and representative of the External Auditors were invited to attend the meetings (where applicable). The External Auditors may request with the Chairman of the Audit Committee to convene a meeting if they consider necessary.

## 5. Authority

The Committee is authorised by the Board to investigate any activity within the Audit Committee as stated in its TOR. It shall have full and unrestricted access to any information pertaining to the Company or the Group.

The Committee shall have direct communication channels with both the External Auditors and Internal Audit Personnel. The Committee shall also have the right to obtain outside legal or other independent professional advice and to convene meetings with the External Auditors, the Internal Audit Personnel or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.



# AUDIT COMMITTEE REPORT (Cont'd)

## 6. Summary of Work of the Audit Committee

The meetings held during the financial year were mainly to deliberate on the following issues:

- a) Reviewed quarterly results and annual financial reports.
- b) Reviewed the External Auditors' scope of work and audit plan for the Group.
- c) Reviewed the reports of External Auditors pertaining to accounts and internal control status.
- d) Discussed and reviewed the extent of compliance to the MMLR, the MCCG 2017 and updates on new developments of accounting standards issued by the Malaysian Accounting Standards Board.
- e) Reviewed the Internal Audit Personnel's scope of work, internal audit plan, programs and reports.
- f) Reviewed on a quarterly basis the relevant Recurrent Related Party Transactions and Related Party Transactions (if any).
- g) Recommend to the Board for the re-appointment of External Auditors.

## 7. Internal Audit Function

The Group has established an In-house Internal Audit Function since 21 February 2002 to assist the Audit Committee in the discharge of its duties and responsibilities. The Internal Audit Personnel is independent of the activities or operations of other business operating units. Its principal role is to provide independent reports on the Company's management, records, financial and controls to the Audit Committee and review the effectiveness of the Group's internal control system.

## 8. Summary of Work of the Internal Audit Function

The summary of work that was carried out for the year under review were as follows:

- a) Prepared the audit plan that focused on high risk areas.
- b) Performed internal audit reviews in accordance with the approved audit plan.
- c) Issued reports on the results of the internal audit reviews, identifying weaknesses with suggested recommendations for improvements to management for further action.
- d) Attended Audit Committee's meetings to table and discuss the audit reports and follow-up on the matters raised.
- e) Followed-up on the implementation of corrective action plans or best practices agreed with the Management.
- f) Reviewed the appropriateness of the disclosure statements with regard to compliance with the MCCG and the statement of internal controls.



# ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the MMLR.

## UTILISATION OF PROCEEDS

No proceeds from corporate proposal were raised by the Company during the financial year ended 31 December 2018.

## MATERIAL CONTRACT

There were no material contracts entered into by the Group which involved Directors and/or major shareholders interests during the financial year ended 31 December 2018.

## CONTRACT RELATING TO LOAN

There were no material contracts relating to loans entered into by the Company and its subsidiaries that involved the Directors and Major Shareholders.

## AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid/payable to the external auditors and the firm affiliated to the external auditors by the Group and the Company for the financial year ended 31 December 2018 were as follows:

	Group (RM)	Company (RM)
Audit Services Rendered	129,000	45,000
Non-Audit Services Rendered	52,900	13,000

## EMPLOYEE SHARE SCHEME

There was no Employee Share Scheme implemented during the financial year ended 31 December 2018.

## RECURRENT RELATED PARTY TRANSACTION OF REVENUE OR TRADING NATURE

Details of the Recurrent Related Party Transaction (RRPT) of revenue or trading nature entered into pursuant to the shareholders' mandate obtained at the 21st Annual General Meeting of the Company held on 23 May 2018 to 12 April 2019, which represents the latest practicable date prior to the printing of the RRPT Circular, were as follows:

Transacting parties	Companies within the Group	Nature of transaction	Interested related parties	Amount of Transactions (RM)
Tongming Enterprise Co. Ltd (TME)	THF	Purchase of goods	Tsai, Ching-Tung <sup>(a)(e)</sup> Tsai Chen, Su-Kan <sup>(f)</sup> Tsai, Hung-Chuan <sup>(a)(d)</sup> Tsai, Jane-Rong <sup>(i)</sup> Tsai Chia-Yen <sup>(j)</sup> Tsai Ming Ti <sup>(c)</sup> Tsai Liao Chin Yeh <sup>(f)</sup> Tsai Yi Ting <sup>(b)</sup> Tsai Pei Chen <sup>(g)</sup> Tsai Chia Chen <sup>(h)</sup> Allrich Corp (Allrich) <sup>(k)</sup> Richard Holdings Limited (RHL) <sup>(k)</sup>	-
Winlink Fasteners Co Ltd (WFC)	THF	Purchase of goods		4,719,713
Tong Win International Co. Ltd (TWI)	THF	Sales of goods		1,173,199
Winlink Fasteners Co Ltd	THFT	Purchase of goods		3,057,147
Tong Win International Co. Ltd	THFT	Sales of goods		85,563,604





# ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

## RECURRENT RELATED PARTY TRANSACTION OF REVENUE OR TRADING NATURE (Cont'd)

Notes:

- (a) Major Shareholder of THR Group by virtue of his interest in Allrich, a Major Shareholder of THR, and also a Shareholder of TMEC, the holding company of Mandated Related Parties.
- (b) Managing Director and Major Shareholder of THR Group by virtue of his interest in RHL, a Major Shareholder of THR, and also a Director of WFC and Major Shareholder of Mandated Related Parties by virtue of his interest in TMEC, the holding company of Mandated Related Parties. He is the son of Tsai Ming Ti and Tsai Liao Chin Yeh, and brother of Tsai Pei Chen and Tsai Chia Chen.
- (c) Major Shareholder of THR Group by virtue of his interest in RHL, a Major Shareholder of THR, and also a Shareholder of TMEC, the holding company of Mandated Related Parties. Director of THR Group and TME. He is the brother of Tsai, Ching-Tung.
- (d) Director of THR, THF and also a Director of Mandated Related Parties. He is the son of Tsai, Ching-Tung and Tsai Chen, Su-Kan.
- (e) Director of THFT and TME. He is also the brother of Tsai Ming Ti.
- (f) Major Shareholder of THR Group, by virtue of her indirect interest in Allrich/RHL, a Major Shareholder of THR, and also the spouse of Major Shareholder and/or Director of THR.
- (g) Director and Major Shareholder of THR Group by virtue of her interest in RHL, a Major Shareholder of THR, and also the daughter of Tsai Ming Ti and Tsai Liao Chin Yeh, and sister of Tsai Yi Ting and Tsai Chia Chen.
- (h) Major Shareholder of THR Group by virtue of her interest in RHL, a Major Shareholder of THR, and also the daughter of Tsai Ming Ti and Tsai Liao Chin Yeh, and sister of Tsai Yi Ting and Tsai Pei Chen.
- (i) Major Shareholder of THR Group by virtue of her interest in Allrich, a Major Shareholder of THR, and also the daughter of Tsai, Ching-Tung and Tsai Chen, Su-Kan, and sister of Tsai, Hung-Chuan and Tsai, Chia-Yen.
- (j) Director and Major Shareholder of THR Group by virtue of her interest in Allrich, a Major Shareholder of THR, and also the daughter of Tsai, Ching-Tung and Tsai Chen, Su-Kan, and sister of Tsai, Hung-Chuan and Tsai, Jane-Rong.
- (k) Major Shareholder of THR and a deemed Major Shareholder of THR Group.

The Company intends to seek shareholders' approval on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction of Revenue or Trading Nature to be tabled at this Annual General Meeting.

# FINANCIAL STATEMENTS

Directors' Report	46
Statement by Directors	50
Statutory Declaration	50
Independent Auditors' Report	51
Consolidated Statement of Financial Position	55
Consolidated Statement of Comprehensive Income	56
Consolidated Statement of Changes in Equity	57
Consolidated Statement of Cash Flows	58
Statement of Financial Position	59
Statement of Comprehensive Income	60
Statement of Changes in Equity	61
Statement of Cash Flows	62
Notes to the Financial Statements	63



# DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2018. All values shown in this report are rounded to the nearest thousand ("RM'000") unless otherwise indicated.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities and other details of the subsidiaries are disclosed in Note 6 to the financial statements.

## RESULTS

	Group RM'000	Company RM'000
Profit for the financial year attributable to:		
- Owners of the Company	60,879	36,696
- Non-controlling interests	4,973	0
	<u>65,852</u>	<u>36,696</u>

## DIVIDENDS

During the financial year, the Company paid the following dividends:

	RM'000
Final single tier dividend of 18 sen per share in respect of financial year ended 31 December 2017	27,802
Interim single tier dividend of 8 sen per share in respect of financial year ended 31 December 2018	12,356
	<u>40,158</u>

A final single tier dividend of 12 sen per share in respect of the financial year ended 31 December 2018 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

## ISSUE OF SHARES OR DEBENTURES

The Company did not issue any shares or debentures during the financial year.

## SHARE OPTIONS

The Company did not grant any share options during the financial year.

## BAD AND DOUBTFUL DEBTS

Before the financial statements were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent.

## CURRENT ASSETS

Before the financial statements were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements misleading.

## VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group or the Company misleading or inappropriate.

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

## CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

## ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

# DIRECTORS' REPORT (Cont'd)

## DIRECTORS

The directors in office since the beginning of the financial year are:

### Directors of the Company

Tsai Ming Ti  
Tsai, Hung-Chuan  
Tsai Yi Ting  
Tsai Pei Chen  
Tsai, Chia-Yen  
Tan Ban Leong  
Fazrin Azwar Bin Dato' Hj. Md. Nor  
Megat Abdul Munir  
Teh Eng Hin

### Directors of subsidiaries (other than directors of the Company)

Tsai, Ching-Tung  
Lu, Yeo-Lee  
Lee Chen-Chao  
Wu Kuo-G  
Lee Shih Yao  
Lee Boon Tuck  
Tio Lih Lih  
Siek Hian Hock

## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests in shares in the Company of the directors in office at the end of the financial year are as follows:

Name of director	Number of ordinary shares					
	Balance at 1.1.2018	Direct interest		Balance at 31.12.2018	Deemed interest	
		Bought	(Sold)		Balance at 1.1.2018	Balance at 31.12.2018
Tsai Ming Ti	1,742,002	335,800	(122,400)	1,955,402	50,101,357	50,101,357
Tsai, Hung-Chuan	0	0	0	0	61,068,643	61,191,043
Tsai Yi Ting	198,000	0	0	198,000	49,044,307	49,044,307
Tsai Pei Chen	574,200	156,900	0	731,100	49,044,307	49,044,307
Tsai, Chia-Yen	0	0	0	0	61,068,643	61,191,043
Tan Ban Leong	45,000	0	0	45,000	0	0
Fazrin Azwar Bin Dato' Hj. Md. Nor	5,040	0	0	5,040	0	0
Megat Abdul Munir	37,900	0	0	37,900	0	0
Teh Eng Hin	4,500	0	0	4,500	0	0

# DIRECTORS' REPORT (Cont'd)

## DIRECTORS' INTERESTS (Cont'd)

By virtue of their interests in shares in the Company, Tsai Ming Ti, Tsai, Hung-Chuan, Tsai Yi Ting, Tsai Pei Chen and Tsai, Chia-Yen are also deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 8 of the Companies Act 2016.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 20 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of certain related party transactions as disclosed in Note 25 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There was no indemnity given to or liability insurance effected for any director or officer of the Group or the Company during the financial year.

## AUDITORS

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 19 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

## SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 16 APRIL 2019

Tsai Yi Ting

Tan Ban Leong



# STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 55 to 95 give a true and fair view of the financial position of the Group and the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 16 APRIL 2019**

**Tsai Yi Ting**

**Tan Ban Leong**

## STATUTORY DECLARATION

I, Woo Mei Chiao (MIA membership no.: 35894), being the officer primarily responsible for the financial management of Tong Herr Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 55 to 95 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed  
Woo Mei Chiao at George Town in the State of Penang  
on this 16 April 2019

**Woo Mei Chiao**

Before me

**Mok Cheng Yoon**  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

to the members of TONG HERR RESOURCES BERHAD

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Tong Herr Resources Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 95.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2018, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and other ethical responsibilities

We are independent of the Group and the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and the Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><u>Impairment of receivables (Refer to Notes 3 and 9 to the financial statements)</u></p> <p>The Group carries significant receivables and is subject to major credit risk exposure. The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of:<ul style="list-style-type: none"><li>• the Group's control over the receivable collection process;</li><li>• how the Group identifies and assesses the impairment of receivables; and</li><li>• how the Group makes the accounting estimates for impairment.</li></ul></li><li>• Reviewing the ageing analysis and past due status of receivables and testing the reliability thereof.</li><li>• Reviewing the subsequent cash collections for major receivables and overdue amounts.</li><li>• Making inquiries of management regarding the action plans to recover overdue amounts.</li><li>• Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections.</li><li>• Reviewing the computation of historical observed default rates and adjustment for forward-looking estimates used to develop the provision matrix.</li><li>• Evaluating the reasonableness and adequacy of the resulting loss allowance recognised.</li></ul>





# INDEPENDENT AUDITORS' REPORT

to the members of TONG HERR RESOURCES BERHAD (Cont'd)

## Report on the audit of the financial statements (Cont'd)

Key audit matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
<p><u>Significant subsidiary audited by component auditors (Refer to Note 6 to the financial statements)</u></p> <p>The financial statements of a significant subsidiary, Tong Heer Fasteners (Thailand) Co., Ltd., were audited by component auditors ("CA"). Special considerations were given in respect of the work performed by the CA. As we are responsible for the direction, supervision and performance of the group audit, such reference to the CA does not diminish our sole responsibility for the group audit opinion.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of and assessing the CA's:<ul style="list-style-type: none"><li>• professional competence;</li><li>• operating environment; and</li><li>• compliance with ethical requirements relevant to the group audit.</li></ul></li><li>• Communicating and discussing with the CA on:<ul style="list-style-type: none"><li>• identified audit risks, conclusions and responses to such risks;</li><li>• audit approach;</li><li>• component materiality;</li><li>• other significant matters relevant to the group audit; and</li><li>• overall findings and results of the CA's work.</li></ul></li><li>• Reviewing the relevant parts of the CA's audit documentation.</li><li>• Evaluating the appropriateness of audit procedures performed by the CA, and whether sufficient appropriate audit evidence regarding the financial information of the component has been obtained.</li><li>• Where necessary, carrying out our own audit procedures in addition to those performed by the CA.</li></ul>

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

*Information other than the financial statements and auditors' report thereon*

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial statements*

The directors of the Company are responsible for the preparation of financial statements of the Group and the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

# INDEPENDENT AUDITORS' REPORT

to the members of TONG HERR RESOURCES BERHAD (Cont'd)

## Report on the audit of the financial statements (Cont'd)

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and the Company of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



# INDEPENDENT AUDITORS' REPORT

to the members of TONG HERR RESOURCES BERHAD (Cont'd)

## Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that we have not acted as auditors of a subsidiary, Tong Heer Fasteners (Thailand) Co., Ltd.

## Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### **Crowe Malaysia PLT**

LLP0018817-LCA & AF 1018

Chartered Accountants

### **Chan Kheng Hoe**

02979/03/2020 J

Chartered Accountant

Date: 16 April 2019

Penang

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Note	2018 RM'000	2017 RM'000
<b>Non-current assets</b>			
Property, plant and equipment	4	136,189	133,146
Prepaid lease payments	5	5,541	5,704
Other investment	7	7,579	8,299
		<b>149,309</b>	147,149
<b>Current assets</b>			
Inventories	8	314,636	289,388
Receivables	9	82,678	81,280
Derivatives	10	379	32
Prepayments		1,477	1,622
Current tax assets		89	43
Cash and cash equivalents	11	118,166	92,194
		<b>517,425</b>	464,559
<b>Current liabilities</b>			
Payables	12	30,312	32,515
Derivatives	10	25	216
Loans and borrowings	13	121,829	96,585
Current tax liabilities		5,244	3,249
		<b>157,410</b>	132,565
<b>Net current assets</b>		<b>360,015</b>	331,994
<b>Non-current liabilities</b>			
Loans and borrowings	13	6,597	11
Deferred tax liabilities	14	4,589	5,504
		<b>11,186</b>	5,515
<b>Net assets</b>		<b>498,138</b>	473,628
<b>Equity</b>			
Share capital	15	185,930	185,930
Treasury shares	15	(5,881)	(5,290)
Legal reserve		4,465	3,292
Currency translation reserve		30,988	26,681
Retained profits		239,054	219,506
Equity attributable to owners of the Company		<b>454,556</b>	430,119
Non-controlling interests	16	43,582	43,509
<b>Total equity</b>		<b>498,138</b>	473,628

The annexed notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
Revenue	17	798,435	694,103
Cost of goods sold		(697,117)	(590,695)
Gross profit		101,318	103,408
Interest income		2,917	3,558
Other income		7,777	10,574
Distribution costs		(13,633)	(12,703)
Administrative and general expenses		(14,271)	(20,734)
Finance costs		(2,770)	(1,816)
Impairment (losses)/gains on financial assets	18	(468)	28
Loss on derecognition of financial assets measured at amortised cost		(272)	0
Profit before tax	19	80,598	82,315
Tax expense	21	(14,746)	(16,173)
Profit for the financial year		65,852	66,142
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
- Currency translation differences for foreign operation		4,307	(1,757)
Other comprehensive income for the financial year		4,307	(1,757)
Comprehensive income for the financial year		70,159	64,385
Profit for the financial year attributable to:			
- Owners of the Company		60,879	57,414
- Non-controlling interests	16	4,973	8,728
		65,852	66,142
Comprehensive income for the financial year attributable to:			
- Owners of the Company		65,186	55,657
- Non-controlling interests		4,973	8,728
		70,159	64,385
Earnings per share:	22		
- Basic (sen)		39.41	37.13
- Diluted (sen)		39.41	37.13

The annexed notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2018

	Non-distributable					Distributable		Equity attributable to owners of the Company		Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Legal reserve*	Currency translation reserve	Retained profits	Company	RM'000	RM'000		
Balance at 1 January 2017	157,430	(5,290)	28,500	0	28,438	224,147	433,225	39,781	473,006		
Transfer of share premium	28,500	0	(28,500)	0	0	0	0	0	0		
Dividends to owners of the Company (Note 23)	0	0	0	0	0	(58,763)	(58,763)	0	(58,763)		
Dividends to non-controlling interests	0	0	0	0	0	0	0	(5,000)	(5,000)		
Total transactions with owners	0	0	0	0	0	(58,763)	(58,763)	(5,000)	(63,763)		
Profit for the financial year	0	0	0	0	0	57,414	57,414	8,728	66,142		
Currency translation differences for foreign operation (representing other comprehensive income for the financial year)	0	0	0	0	(1,757)	0	(1,757)	0	(1,757)		
Comprehensive income for the financial year	0	0	0	0	(1,757)	57,414	55,657	8,728	64,385		
Transfer to legal reserve	0	0	0	3,292	0	(3,292)	0	0	0		
Balance at 31 December 2017	185,930	(5,290)	0	3,292	26,681	219,506	430,119	43,509	473,628		
Dividends to owners of the Company (Note 23)	0	0	0	0	0	(40,158)	(40,158)	0	(40,158)		
Dividends to non-controlling interests	0	0	0	0	0	0	0	(4,900)	(4,900)		
Purchase of own shares	0	(591)	0	0	0	0	(591)	0	(591)		
Total transactions with owners	0	(591)	0	0	0	(40,158)	(40,749)	(4,900)	(45,649)		
Profit for the financial year	0	0	0	0	0	60,879	60,879	4,973	65,852		
Currency translation differences for foreign operation (representing other comprehensive income for the financial year)	0	0	0	0	4,307	0	4,307	0	4,307		
Comprehensive income for the financial year	0	0	0	0	4,307	60,879	65,186	4,973	70,159		
Transfer to legal reserve	0	0	0	1,173	0	(1,173)	0	0	0		
Balance at 31 December 2018	185,930	(5,881)	0	4,465	30,988	239,054	454,556	43,582	498,138		

\* This represents the cumulative amount transferred from the retained profits of a subsidiary under the statutory requirements of Thailand

The annexed notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		80,598	82,315
Adjustments for:			
Amortisation and depreciation		16,100	16,689
Fair value losses on financial instruments		366	184
Gain on disposal of property, plant and equipment		(39)	(80)
Gain on foreign exchange		(558)	(1,403)
Impairment losses/(gains) on financial assets		468	(28)
Interest expense		2,770	1,816
Interest income		(2,917)	(3,558)
Inventories written down		5,561	1,419
Loss on derecognition of financial assets measured at amortised cost		272	0
Operating profit before working capital changes		102,621	97,354
Changes in:			
Inventories		(30,809)	(62,554)
Receivables		(2,667)	(16,033)
Derivatives		(184)	898
Prepayments		145	(324)
Payables		(590)	8,433
Cash generated from operations		68,516	27,774
Tax paid		(13,755)	(15,642)
Tax refunded		43	76
Net cash from operating activities		54,804	12,208
<b>Cash flows from investing activities</b>			
Interest received		2,917	3,558
Proceeds from disposal of investment in associate		0	12,652
Proceeds from disposal of property, plant and equipment		55	114
Purchase of other investment		0	(8,299)
Purchase of property, plant and equipment		(17,175)	(5,925)
Net cash (used in)/from investing activities		(14,203)	2,100
<b>Cash flows from financing activities</b>			
Dividends paid to non-controlling interests		(6,370)	(3,530)
Dividends paid to owners of the Company		(40,158)	(58,763)
Drawdown of term loan	24	7,311	0
Interest paid		(2,751)	(1,796)
Net increase/(decrease) in short-term loans and borrowings	24	25,834	(7,708)
Purchase of own shares		(591)	0
Repayment of hire purchase obligations	24	(38)	(67)
Net cash used in financing activities		(16,763)	(71,864)
Currency translation differences		2,105	(1,260)
Net increase/(decrease) in cash and cash equivalents		25,943	(58,816)
Cash and cash equivalents brought forward		92,194	151,010
Cash and cash equivalents carried forward	11	118,137	92,194

The annexed notes form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Note	2018 RM'000	2017 RM'000
<b>Non-current assets</b>			
Investments in subsidiaries	6	190,233	190,233
<b>Current assets</b>			
Receivables	9	2	1,532
Current tax assets		51	0
Cash and cash equivalents	11	302	2,842
		<b>355</b>	<b>4,374</b>
<b>Current liabilities</b>			
Payables	12	184	140
Current tax liabilities		0	10
		<b>184</b>	<b>150</b>
<b>Net current assets</b>		<b>171</b>	<b>4,224</b>
<b>Net assets</b>		<b>190,404</b>	<b>194,457</b>
<b>Equity</b>			
Share capital	15	185,930	185,930
Treasury shares	15	(5,881)	(5,290)
Retained profits		10,355	13,817
<b>Total equity</b>		<b>190,404</b>	<b>194,457</b>

The annexed notes form an integral part of these financial statements.





# STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
Dividend income		36,957	31,908
Interest income		53	407
Administrative and general expenses		(300)	(3,388)
Profit before tax	19	<u>36,710</u>	<u>28,927</u>
Tax expense	21	(14)	(480)
Profit for the financial year		<u>36,696</u>	<u>28,447</u>
Other comprehensive income for the financial year		0	0
Comprehensive income for the financial year		<u>36,696</u>	<u>28,447</u>

The annexed notes form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2018

	Share capital RM'000	Treasury shares RM'000	Non-distributable	Distributable	Total equity RM'000
			Share premium RM'000	Retained profits RM'000	
Balance at 1 January 2017	157,430	(5,290)	28,500	44,133	224,773
Transfer of share premium	28,500	0	(28,500)	0	0
Dividends (representing total transactions with owners) (Note 23)	0	0	0	(58,763)	(58,763)
Profit (representing comprehensive income) for the financial year	0	0	0	28,447	28,447
Balance at 31 December 2017	185,930	(5,290)	0	13,817	194,457
Dividends (Note 23)	0	0	0	(40,158)	(40,158)
Purchase of own shares	0	(591)	0	0	(591)
Total transactions with owners	0	(591)	0	(40,158)	(40,749)
Profit (representing comprehensive income) for the financial year	0	0	0	36,696	36,696
Balance at 31 December 2018	185,930	(5,881)	0	10,355	190,404

The annexed notes form an integral part of these financial statements.



# STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		36,710	28,927
Adjustments for:			
Dividend income		(36,957)	(31,908)
Interest income		(53)	(407)
Loss on foreign exchange		0	26
Operating loss before working capital changes		(300)	(3,362)
Change in payables		44	46
Cash absorbed by operations		(256)	(3,316)
Tax paid		(75)	(80)
Net cash used in operating activities		(331)	(3,396)
<b>Cash flows from investing activities</b>			
Dividends received		38,487	30,008
Interest received		53	407
Proceeds from disposal of investment in associate		0	12,652
Net cash from investing activities		38,540	43,067
<b>Cash flows from financing activities</b>			
Dividends paid		(40,158)	(58,763)
Purchase of own shares		(591)	0
Net cash used in financing activities		(40,749)	(58,763)
Currency translation differences		0	(29)
Net decrease in cash and cash equivalents		(2,540)	(19,121)
Cash and cash equivalents brought forward		2,842	21,963
Cash and cash equivalents carried forward	11	302	2,842

The annexed notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 6.

The registered office of the Company is located at Suite S-21-H, 21st Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia and its principal place of business is located at 2515, Tingkat Perusahaan 4A, Perai Free Trade Zone, 13600 Perai, Penang, Malaysia.

The consolidated financial statements set out on pages 55 to 58 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 59 to 62 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") unless otherwise indicated.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 16 April 2019.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation of financial statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following MFRSs became effective for the financial year under review:

MFRS	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 15 <i>Clarifications to MFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.1 Basis of preparation of financial statements (Cont'd)

The initial application of the above MFRSs did not have any significant impacts on the financial statements.

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:

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
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
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 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
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 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
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
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements except as follows:

#### MFRS 16 *Leases*

MFRS 16, which replaces MFRS 117 *Leases* and other related interpretations, eliminates the distinction between finance and operating leases for lessees. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group will apply the new requirements of MFRS 16 from 1 January 2019 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 117.

### 2.2 Basis of consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 Basis of consolidation (Cont'd)

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the following methods:

Subsidiary	Method
Tong Heer Fasteners Co. Sdn. Bhd.	Merger
Tong Heer Fasteners (Thailand) Co., Ltd.	Acquisition
Tong Heer Aluminium Industries Sdn. Bhd.	Acquisition

The merger method is used for business combination involving entities under common control which is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the merger method, the results of the combining entities are presented as if the entities had been combined throughout the reporting period. The cost of merger is cancelled against the par value of shares acquired and any difference arising from the cancellation is taken to equity. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation.

Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:

- (a) the aggregate of:
  - (i) the acquisition-date fair value of the consideration transferred;
  - (ii) the amount of any non-controlling interests; and
  - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.5. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.5.

Freehold land and capital work-in-progress are not depreciated. Leasehold land classified as finance lease is depreciated on a straight-line basis over the lease terms of 43 to 896 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:

Buildings	2% - 5%
Plant and machinery, tools and electrical installation	10% - 25%
Furniture, fittings and office equipment	10% - 20%
Motor vehicles	12.5% - 20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

### 2.4 Investments in subsidiaries

As required by the Companies Act 2016, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.5.

### 2.5 Impairment of non-financial assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment loss on goodwill is not reversed.

### 2.6 Inventories

Inventories are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

### 2.7 Financial assets

Financial assets of the Group and the Company consist of investments in equity instruments, receivables, derivatives and cash and cash equivalents.

#### Initial recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.13). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.7 Financial assets (Cont'd)

#### Subsequent measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

#### (i) Amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

#### (ii) Fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group and the Company do not have any financial assets classified under this category.

#### (iii) Fair value through profit or loss

A financial asset is measured at fair value through profit or loss if it does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. All investments in equity instruments and derivatives are classified under this category. Any gain or loss is recognised in profit or loss.

Prior to 1 January 2018, all investments in equity instruments were classified under "available-for-sale financial assets" category and measured at either fair value through other comprehensive income (for quoted investments) or cost (for unquoted investments) in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

#### Impairment

At each reporting date, the Group and the Company recognise a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

#### Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.





# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.8 Financial liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings, derivatives and financial guarantee contracts.

#### Initial recognition and measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs.

#### Subsequent measurement

All payables and loans and borrowings are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

All derivatives are subsequently measured at fair value through profit or loss. Any gain or loss is recognised in profit or loss.

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

#### Derecognition

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

### 2.9 Leases

#### Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

#### Operating lease

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised in profit or loss on a straight-line basis over the lease term. The upfront payments for a lease of land classified as operating lease are recognised as prepaid lease payments and amortised on a straight-line basis over the remaining lease term.

### 2.10 Foreign currency transactions and translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.10 Foreign currency transactions and translation (Cont'd)

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date, whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

In translating the financial position and results of a foreign operation whose functional currency is not the presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate, whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate.

### 2.11 Share capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Own shares purchased are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are distributed as share dividends, the cost of the shares distributed is applied in the reduction of distributable reserves. When treasury shares are resold in the open market, the difference between the sale consideration and the cost of the shares resold is adjusted to share capital. When treasury shares are cancelled, the cost of the shares cancelled is applied in the reduction of distributable reserves and the issued share capital is diminished by the shares so cancelled.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability, whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

### 2.12 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following or a combination thereof:

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.12 Fair value measurement (Cont'd)

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

#### Financial assets and financial liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair values of unquoted investments that are not making an adequate return on assets or are making only marginal levels of profits are measured using the adjusted net asset method which involves deriving the fair values of the investees' equity instruments by reference to the fair values of their assets and liabilities (i.e. Level 3).

The fair values of forward exchange contracts are measured using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).

### 2.13 Revenue from contracts with customers

The Group recognises revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.
- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.14 Other income

Dividend income is recognised in profit or loss only when the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

Interest income is recognised in profit or loss using the effective interest method.

### 2.15 Employee benefits

#### Short-term employee benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

#### Defined contribution plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). The Group's foreign subsidiary makes contributions to its country's statutory pension schemes. Contributions to defined contribution plans are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

### 2.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.17 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

### 2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 3. Judgements and estimation uncertainty

### Judgements made in applying accounting policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

### Sources of estimation uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### Impairment of receivables

The Group and the Company recognise loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 9).

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT

### Group

	Freehold land		Leasehold land		Buildings		Plant and machinery, tools and electrical installation		Furniture, fittings and office equipment		Motor vehicles		Capital work-in-progress		Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>																
Balance at 1 January 2017	28,836	12,408	73,274	203,842	8,164	8,363	629	335,516								
Additions	0	0	0	4,286	123	600	916	5,925								
Disposals/Write-offs	0	0	0	(8)	(3)	(605)	0	(616)								
Reclassifications	0	0	0	629	0	0	(629)	0								
Currency translation differences	(249)	0	(285)	(670)	(17)	(23)	(18)	(1,262)								
Balance at 31 December 2017	28,587	12,408	72,989	208,079	8,267	8,335	898	339,563								
Additions	0	0	298	3,398	241	163	13,075	17,175								
Disposals/Write-offs	0	0	0	(1,842)	(25)	(270)	0	(2,137)								
Reclassifications	0	0	0	16	0	0	(16)	0								
Currency translation differences	639	0	730	1,641	44	58	194	3,306								
Balance at 31 December 2018	29,226	12,408	74,017	211,292	8,527	8,286	14,151	357,907								
<b>Accumulated depreciation</b>																
Balance at 1 January 2017	0	3,911	27,343	147,600	7,071	5,168	0	191,093								
Depreciation	0	231	2,839	12,201	373	882	0	16,526								
Disposals/Write-offs	0	0	0	(8)	(3)	(571)	0	(582)								
Currency translation differences	0	0	(121)	(462)	(16)	(21)	0	(620)								
Balance at 31 December 2017	0	4,142	30,061	159,331	7,425	5,458	0	206,417								
Depreciation	0	231	2,825	11,689	341	851	0	15,937								
Disposals/Write-offs	0	0	0	(1,842)	(25)	(254)	0	(2,121)								
Currency translation differences	0	0	292	1,111	37	45	0	1,485								
Balance at 31 December 2018	0	4,373	33,178	170,289	7,778	6,100	0	221,718								



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery, tools and electrical installation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
<b>Carrying amount</b>								
Balance at 1 January 2017	28,836	8,497	45,931	56,242	1,093	3,195	629	144,423
Balance at 31 December 2017	28,587	8,266	42,928	48,748	842	2,877	898	133,146
Balance at 31 December 2018	29,226	8,035	40,839	41,003	749	2,186	14,151	136,189

Certain motor vehicles with a total carrying amount of RM47,000 (2017 : RM142,000) were acquired under hire purchase financing which remained outstanding as at the end of the reporting period.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 5. PREPAID LEASE PAYMENTS

### Group

	<b>Leasehold land RM'000</b>
<b>Cost</b>	
Balance at 1 January 2017 / 31 December 2017 / 31 December 2018	6,900
<b>Accumulated amortisation</b>	
Balance at 1 January 2017	1,033
Amortisation	163
Balance at 31 December 2017	1,196
Amortisation	163
Balance at 31 December 2018	1,359
<b>Carrying amount</b>	
Balance at 1 January 2017	5,867
Balance at 31 December 2017	5,704
Balance at 31 December 2018	5,541

## 6. INVESTMENTS IN SUBSIDIARIES

### Company

	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Unquoted shares - at cost	<b>190,233</b>	190,233

The details of the subsidiaries are as follows:

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2018	2017	
Tong Heer Fasteners Co. Sdn. Bhd.	Malaysia	<b>100.00%</b>	100.00%	Manufacture and sale of stainless steel fasteners including nuts, bolts, screws and all other threaded items
Tong Heer Fasteners (Thailand) Co., Ltd.*	Thailand	<b>99.99%</b>	99.99%	Manufacture and sale of stainless steel fasteners including bolts, screws and all other threaded items

\* Not audited by Crowe Malaysia PLT





# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 6. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2018	2017	
Tong Heer Aluminium Industries Sdn. Bhd. ("THAI")	Malaysia	<b>51.00%</b>	51.00%	Extrusion and fabrication of aluminium products
<i>Subsidiaries of THAI</i>				
Acme Aluminium Sdn. Bhd.	Malaysia	<b>40.80%</b>	40.80%	Trading of aluminium extrusion products and parts
Kosmo Indah Sdn. Bhd.	Malaysia	<b>51.00%</b>	51.00%	Rendering of property maintenance services

## 7. OTHER INVESTMENT

### Group

	2018 RM'000	2017 RM'000
Unquoted shares - at fair value	<b>7,579</b>	0
- at cost	<b>0</b>	8,299
	<b>7,579</b>	8,299

The fair value of unquoted investment was measured using the adjusted net asset method which involved deriving the fair value of the investee's equity instruments by reference to the fair values of its assets and liabilities (i.e. Level 3). As at 31 December 2017, the investment was classified under "available-for-sale financial assets" category and measured at cost in accordance with MFRS 139.

## 8. INVENTORIES

### Group

	2018 RM'000	2017 RM'000
Raw materials	<b>147,419</b>	135,292
Work-in-progress	<b>43,769</b>	47,047
Finished goods	<b>85,986</b>	74,635
Consumables	<b>23,673</b>	19,004
Goods-in-transit	<b>13,789</b>	13,410
	<b>314,636</b>	289,388

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 9. RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables:				
- Related party*	4,522	3,245	0	0
- Unrelated parties	74,883	76,249	0	0
	79,405	79,494	0	0
- Loss allowance	(715)	(247)	0	0
	78,690	79,247	0	0
Other receivables	3,988	2,033	2	2
Dividend receivable from subsidiary	0	0	0	1,530
	82,678	81,280	2	1,532

\* Being a corporation in which certain directors of the Company and their close family members have substantial financial interests

### Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2018, the Group did not have any major credit risk concentration relating to any individual customer or counterparty. The credit risk concentration profile by geographical areas of trade receivables is as follows:

	Group	
	2018 RM'000	2017 RM'000
Malaysia	24,628	32,095
Germany	12,222	7,926
United States of America	14,964	13,252
Others	27,591	26,221
	79,405	79,494

The credit terms of trade receivables range from 30 to 90 days.

The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:

	Group	
	2018 RM'000	2017 RM'000
Not past due	51,794	60,000
1 to 30 days past due	23,898	14,079
31 to 60 days past due	1,914	3,131
61 to 90 days past due	1,005	787
More than 90 days past due	794	1,497
	79,405	79,494



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 9. RECEIVABLES (Cont'd)

### Trade receivables (Cont'd)

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally considers a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Such lifetime expected credit losses are calculated using a provision matrix based on historical observed default rates (adjusted for forward-looking estimates). The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished among the diversity of customer base.

### Group

	Not past due RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	More than 90 days past due RM'000	Credit- impaired RM'000	Total RM'000
<b>As at 31 December 2018</b>							
Gross carrying amount	51,794	23,898	1,914	1,005	547	247	79,405
Average credit loss rate	0.08%	0.24%	1.15%	4.48%	55.76%	100.00%	0.90%
Loss allowance	39	57	22	45	305	247	715

The average credit loss rates were based on the payment profile of revenue over a period of 24 months and the corresponding historical credit losses experienced during the period. The rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The changes in the loss allowance are as follows:

	Group	
	2018 RM'000	2017 RM'000
Balance at 1 January	247	383
Impairment losses/(gains)	468	(28)
Write-offs	0	(108)
Balance at 31 December	715	247



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 10. DERIVATIVES

### Group

	2018 RM'000	2017 RM'000
Forward exchange contracts - at fair value		
- Current assets	379	32
- Current liabilities	(25)	(216)
	<b>354</b>	<b>(184)</b>

Forward exchange contracts are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 31 December 2018, the Group had contracts with financial institutions due within 1 year to deal with the following currencies at contractual forward rates:

	2018		2017	
	To buy '000	To sell '000	To buy '000	To sell '000
Contract I	USD5,643	EUR4,851	USD8,229	EUR6,946
Contract II	RM2,884	EUR600	RM7,007	EUR1,400
Contract III	THB11,640	EUR300	THB8,345	EUR214
Contract IV	USD1,424	RM5,920	0	0

The fair values of forward exchange contracts were quoted by the financial institutions, which normally measured the fair values using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).

## 11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Highly liquid investments	58,369	60,818	285	0
Term deposits (fixed rate)	15,053	12,654	5	2,751
Cash and bank balances	44,744	18,722	12	91
	<b>118,166</b>	<b>92,194</b>	<b>302</b>	<b>2,842</b>

Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

The effective interest rates of term deposits as at 31 December 2018 ranged from 0.25% to 3.62% (2017 : 0.40% to 3.35%) per annum.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 11. CASH AND CASH EQUIVALENTS (Cont'd)

For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdraft as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and cash equivalents	118,166	92,194	302	2,842
Bank overdraft	(29)	0	0	0
	<b>118,137</b>	<b>92,194</b>	<b>302</b>	<b>2,842</b>

## 12. PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade payables:				
- Related parties*	1,096	1,604	0	0
- Unrelated parties	16,319	15,776	0	0
	<b>17,415</b>	<b>17,380</b>	<b>0</b>	<b>0</b>
Other payables	12,897	13,665	184	140
Dividend payable to non-controlling interests	0	1,470	0	0
	<b>30,312</b>	<b>32,515</b>	<b>184</b>	<b>140</b>

\* Being corporations in which certain directors of the Company and their close family members have substantial financial interests

Payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

The credit terms of trade and other payables range from 14 to 120 days.

## 13. LOANS AND BORROWINGS

### Group

	2018 RM'000	2017 RM'000
<u>Secured</u>		
Hire purchase payables (fixed rate)	11	49
<u>Unsecured</u>		
Bank overdraft (floating rate)	29	0
Banker acceptances (fixed rate)	8,522	7,138
Onshore foreign currency loans (fixed rate)	34,091	45,403
Trust receipts (fixed rate)	78,462	44,006
Term loan (floating rate)	7,311	0
	<b>128,426</b>	<b>96,596</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 13. LOANS AND BORROWINGS (Cont'd)

	2018 RM'000	2017 RM'000
Disclosed as:		
- Current liabilities	121,829	96,585
- Non-current liabilities	6,597	11
	<u>128,426</u>	<u>96,596</u>

Hire purchase payables are secured against the assets acquired thereunder (Note 4).

The effective interest rates of loans and borrowings as at 31 December 2018 ranged from 2.55% to 8.07% (2017 : 1.05% to 5.91%) per annum.

Except for hire purchase payables and term loan, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

### Hire purchase payables

Hire purchase payables are repayable over 3 years. The repayment analysis is as follows:

	2018 RM'000	2017 RM'000
Minimum hire purchase payments:		
- Within 1 year	11	39
- Later than 1 year and not later than 2 years	0	11
Total contractual undiscounted cash flows	11	50
Future finance charges	0	(1)
Present value of hire purchase payables:-		
- Within 1 year	11	38
- Later than 1 year and not later than 2 years	0	11
	<u>11</u>	<u>49</u>

The fair values of hire purchase payables were measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured were considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated to the effective interest rates of hire purchase payables.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 13. LOANS AND BORROWINGS (Cont'd)

### Term loan

Term loan is repayable over 4 years. The repayment analysis is as follows:

	2018 RM'000	2017 RM'000
Gross loan instalments:		
- Within 1 year	905	0
- Later than 1 year and not later than 2 years	2,990	0
- Later than 2 years and not later than 5 years	3,802	0
Total contractual undiscounted cash flows	7,697	0
Future finance charges	(386)	0
Present value of term loan:		
- Within 1 year	714	0
- Later than 1 year and not later than 2 years	2,856	0
- Later than 2 years and not later than 5 years	3,741	0
	<u>7,311</u>	<u>0</u>

The fair value of term loan was measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair value measured was considered to be reasonably close to the carrying amount reported as the observable current market interest rates also approximated to the effective interest rate of term loan.

## 14. DEFERRED TAX LIABILITIES

### Group

	2018 RM'000	2017 RM'000
Balance at 1 January	5,504	5,205
Deferred tax (income)/expense relating to origination and reversal of temporary differences	(915)	382
Deferred tax liabilities overprovided in prior year	0	(83)
Balance at 31 December	<u>4,589</u>	<u>5,504</u>
In respect of taxable/(deductible) temporary differences of:		
- Property, plant and equipment	4,073	4,504
- Prepaid lease payments	864	889
- Inventories	(275)	(172)
- Financial instruments	(73)	283
	<u>4,589</u>	<u>5,504</u>



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 15. SHARE CAPITAL

	No. of ordinary shares '000	RM'000
<i>Issued and fully paid</i>		
Balance at 1 January 2017*	157,430	157,430
Transfer from share premium upon abolition of par value	0	28,500
Balance at 31 December 2017** / 31 December 2018**	157,430	185,930

\* Ordinary shares of RM1 each

\*\* Ordinary shares with no par value

Pursuant to Section 74 of the Companies Act 2016, all shares issued before or upon the commencement of the Act on 31 January 2017 shall have no par value. Accordingly, the amount standing to the credit of share premium has been transferred to share capital.

### Treasury shares

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 30 December 2004, approved the Company's plan to purchase its own shares. The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year are as follows:

	2018		2017	
	No. of ordinary shares '000	Cost RM'000	No. of ordinary shares '000	Cost RM'000
Balance at 1 January	2,790	5,290	2,790	5,290
Shares purchased	187	591	0	0
Balance at 31 December	2,977	5,881	2,790	5,290
Average unit cost for the year (RM)		3.16		n/a

The number of outstanding shares in issue after excluding the treasury shares is as follows:

	2018 No. of ordinary shares '000	2017 No. of ordinary shares '000
Balance at 1 January	154,640	154,640
Shares purchased	(187)	0
Balance at 31 December	154,453	154,640





# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 16. NON-CONTROLLING INTERESTS ("NCI")

### Group

	Accumulated NCI		Profit allocated to NCI	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Tong Heer Fasteners (Thailand) Co., Ltd.	*0	*0	*0	*0
Tong Heer Aluminium Industries Sdn. Bhd. and its subsidiaries	<b>43,582</b>	43,509	<b>4,973</b>	8,728
	<b>43,582</b>	43,509	<b>4,973</b>	8,728

\* Negligible

The details of the subsidiaries that have NCI are as follows:

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest held by NCI		Principal activity
		2018	2017	
Tong Heer Fasteners (Thailand) Co., Ltd. ("THFT")	Thailand	<b>0.01%</b>	0.01%	Manufacture and sale of stainless steel fasteners including bolts, screws and all other threaded items
Tong Heer Aluminium Industries Sdn. Bhd. ("THAI")	Malaysia	<b>49.00%</b>	49.00%	Extrusion and fabrication of aluminium products
<u>Subsidiaries of THAI</u>				
Acme Aluminium Sdn. Bhd.	Malaysia	<b>59.20%</b>	59.20%	Trading of aluminium extrusion products and parts
Kosmo Indah Sdn. Bhd.	Malaysia	<b>49.00%</b>	49.00%	Rendering of property maintenance services

The financial information of THFT has not been disclosed as its NCI are not material to the Group. The summarised financial information of THAI and its subsidiaries is as follows:

	2018 RM'000	2017 RM'000
Non-current assets	<b>26,027</b>	27,753
Current assets	<b>92,528</b>	97,128
Current liabilities	<b>(28,765)</b>	(35,037)
Non-current liabilities	<b>(1,634)</b>	(1,791)
Net assets	<b>88,156</b>	88,053
Revenue	<b>187,662</b>	185,968
Profit (representing comprehensive income)	<b>10,103</b>	17,716
Dividends declared to NCI	<b>4,900</b>	5,000



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 16. NON-CONTROLLING INTERESTS ("NCI") (Cont'd)

	2018 RM'000	2017 RM'000
Net cash from operating activities	3,359	12,126
Net cash used in investing activities	(400)	(8,351)
Net cash used in financing activities	(7,716)	(6,986)
Currency translation differences	(11)	(56)
Net cash outflow	<u>(4,768)</u>	<u>(3,267)</u>

## 17. REVENUE

### Group

	2018 RM'000	2017 RM'000
Revenue from sale of goods	<u>798,435</u>	<u>694,103</u>
Disaggregated by major products:		
- Stainless steel fasteners	610,773	508,135
- Aluminium products	187,662	185,968
	<u>798,435</u>	<u>694,103</u>
Disaggregated by geographical areas:		
- Malaysia	179,317	178,900
- Germany	127,144	110,260
- United States of America	122,351	111,503
- Others	369,623	293,440
	<u>798,435</u>	<u>694,103</u>

## 18. IMPAIRMENT (LOSSES)/GAINS ON FINANCIAL ASSETS

### Group

	2018 RM'000	2017 RM'000
Trade receivables from contracts with customers	(468)	28



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 19. PROFIT BEFORE TAX

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax is arrived at after charging:				
Amortisation of prepaid lease payments	163	163	0	0
Auditors' remuneration:				
- Current year	180	131	45	30
- Prior year	0	11	0	11
Depreciation of property, plant and equipment	15,937	16,526	0	0
Employee benefits expense (Note 20)	36,496	34,924	124	110
Fair value losses on financial instruments mandatorily measured at fair value through profit or loss	0	3,513	0	0
Fee expense for financial instruments not measured at fair value through profit or loss	537	496	0	0
Interest expense for financial liabilities measured at amortised cost	2,770	1,816	0	0
Inventories written down	5,561	1,419	0	0
Loss on foreign exchange:				
- Realised	588	3,077	6	3,077
- Unrealised	0	29	0	29
Rental expense	395	374	0	0
and crediting:				
Fair value gains on financial instruments mandatorily measured at fair value through profit or loss	551	0	0	0
Gain on disposal of property, plant and equipment	39	80	0	0
Gain on foreign exchange:				
- Realised	4,991	8,372	0	0
- Unrealised	558	1,429	0	0
Interest income for financial assets measured at amortised cost	2,917	3,558	53	407



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 20. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors of the Company:				
- Fees	270	255	120	105
- Other short-term employee benefits	1,557	2,087	4	5
- Defined contribution plans	138	156	0	0
	<b>1,965</b>	2,498	<b>124</b>	110
Directors of subsidiaries:				
- Fees	0	30	0	0
- Other short-term employee benefits	1,827	2,443	0	0
- Defined contribution plans	150	210	0	0
	<b>1,977</b>	2,683	<b>0</b>	0
Other employees:				
- Short-term employee benefits	31,203	28,242	0	0
- Defined contribution plans	1,351	1,501	0	0
	<b>32,554</b>	29,743	<b>0</b>	0
	<b>36,496</b>	34,924	<b>124</b>	110

The estimated money value of benefits received or receivable by certain directors otherwise than in cash from the Group amounted to RM73,000 (2017 : RM47,000).

## 21. TAX EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Tax based on results for the year:-				
- Current tax	15,619	15,411	6	449
- Deferred tax	(915)	382	0	0
	<b>14,704</b>	15,793	<b>6</b>	449
Tax under/(over) provided in prior year:				
- Current tax	42	94	8	31
- Deferred tax	0	(83)	0	0
Withholding tax on dividend from foreign subsidiary	0	369	0	0
	<b>14,746</b>	16,173	<b>14</b>	480



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 21. TAX EXPENSE (Cont'd)

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Applicable tax rate	<b>24.00</b>	24.00	<b>24.00</b>	24.00
Non-deductible expenses	<b>0.65</b>	1.56	<b>0.20</b>	2.76
Non-taxable income	<b>(4.78)</b>	(5.15)	<b>(24.18)</b>	(22.00)
Effect of differential tax rates	<b>(1.63)</b>	(1.22)	<b>0.00</b>	(3.21)
Average effective tax rate	<b>18.24</b>	19.19	<b>0.02</b>	1.55

## 22. EARNINGS PER SHARE

### Group

The basic earnings per share is calculated by dividing the Group's profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year as follows:

	2018	2017
Profit for the financial year attributable to owners of the Company (RM'000)	<b>60,879</b>	57,414
Number of shares in issue at 1 January ('000)	<b>154,640</b>	154,640
Effect of shares purchased ('000)	<b>(146)</b>	0
Weighted average number of shares in issue ('000)	<b>154,494</b>	154,640
Basic earnings per share (sen)	<b>39.41</b>	37.13

The diluted earnings per share equals the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the financial year.

## 23. DIVIDENDS

### Group and Company

	2018 RM'000	2017 RM'000
Final single tier dividend of 20 sen per share in respect of financial year ended 31 December 2016	<b>0</b>	30,928
Interim single tier dividend of 18 sen per share in respect of financial year ended 31 December 2017	<b>0</b>	27,835
Final single tier dividend of 18 sen per share in respect of financial year ended 31 December 2017	<b>27,802</b>	0
Interim single tier dividend of 8 sen per share in respect of financial year ended 31 December 2018	<b>12,356</b>	0
	<b>40,158</b>	58,763

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 23. DIVIDENDS (Cont'd)

A final single tier dividend of 12 sen per share in respect of the financial year ended 31 December 2018 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

## 24. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### Group

#### Term loan

	2018 RM'000	2017 RM'000
Balance at 1 January	0	0
Drawdowns	7,311	0
Balance at 31 December (Note 13)	<u>7,311</u>	<u>0</u>

#### Short-term loans and borrowings

	2018 RM'000	2017 RM'000
Balance at 1 January	96,547	106,097
Net cash flow changes	25,834	(7,708)
Currency translation differences	(1,325)	(1,862)
Other changes	19	20
Balance at 31 December	<u>121,075</u>	<u>96,547</u>
Represented by:		
- Banker acceptances (Note 13)	8,522	7,138
- Onshore foreign currency loans (Note 13)	34,091	45,403
- Trust receipts (Note 13)	78,462	44,006
	<u>121,075</u>	<u>96,547</u>

#### Hire purchase payables

	2018 RM'000	2017 RM'000
Balance at 1 January	49	116
Repayments	(38)	(67)
Balance at 31 December (Note 13)	<u>11</u>	<u>49</u>



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 25. RELATED PARTY DISCLOSURES

Transactions with related parties during the financial year are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Key management personnel compensation:				
- Short-term employee benefits	3,787	4,935	124	110
- Defined contribution plans	294	371	0	0
	4,081	5,306	124	110
Dividends declared from subsidiaries	0	0	36,957	31,908
Purchase of goods from other related parties*	9,471	10,131	0	0
Purchase of property, plant and equipment from other related party*	63	168	0	0
Sale of goods to other related parties*	75,372	33,492	0	0

\* Being corporations in which certain directors of the Company and their close family members have substantial financial interests

## 26. SEGMENT REPORTING

### Group

#### Operating segments

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:

- (i) Manufacture and sale of stainless steel fasteners
- (ii) Manufacture and sale of aluminium products

The accounting policies and measurement bases of the segment items reported are the same as those disclosed in Note 2. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with external parties.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 26. SEGMENT REPORTING (Cont'd)

### Operating segments (Cont'd)

	Manufacture and sale of stainless steel fasteners RM'000	Manufacture and sale of aluminium products RM'000	Unallocated non-operating segments RM'000	Total RM'000
<b>2018</b>				
<b>Statement of financial position</b>				
Segment assets	<b>547,824</b>	<b>118,555</b>	<b>355</b>	<b>666,734</b>
Included in the measure of segment assets are:-				
Additions to non-current assets	<b>16,135</b>	<b>1,040</b>	<b>0</b>	<b>17,175</b>
Segment liabilities	<b>138,013</b>	<b>30,399</b>	<b>184</b>	<b>168,596</b>
<b>Statement of comprehensive income</b>				
Segment profit/(loss)	<b>56,010</b>	<b>10,103</b>	<b>(261)</b>	<b>65,852</b>
Included in the measure of segment profit/(loss) are:				
- External revenue	<b>610,773</b>	<b>187,662</b>	<b>0</b>	<b>798,435</b>
- Interest income	<b>2,234</b>	<b>630</b>	<b>53</b>	<b>2,917</b>
- Non-cash income	<b>806</b>	<b>131</b>	<b>0</b>	<b>937</b>
- Interest expense	<b>2,107</b>	<b>663</b>	<b>0</b>	<b>2,770</b>
- Amortisation and depreciation	<b>14,053</b>	<b>2,047</b>	<b>0</b>	<b>16,100</b>
- Other non-cash expenses	<b>5,877</b>	<b>1,169</b>	<b>0</b>	<b>7,046</b>
- Tax expense	<b>11,328</b>	<b>3,404</b>	<b>14</b>	<b>14,746</b>





# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 26. SEGMENT REPORTING (Cont'd)

### Operating segments (Cont'd)

	Manufacture and sale of stainless steel fasteners RM'000	Manufacture and sale of aluminium products RM'000	Unallocated non-operating segments RM'000	Total RM'000
--	---	--	--	-----------------

### 2017

#### Statement of financial position

Segment assets	483,983	124,881	2,844	611,708
Included in the measure of segment assets are:				
Additions to non-current assets	5,197	728	0	5,925
Segment liabilities	102,632	35,298	150	138,080

#### Statement of comprehensive income

Segment profit/(loss)	51,887	17,716	(3,461)	66,142
Included in the measure of segment profit/(loss) are:				
- External revenue	508,135	185,968	0	694,103
- Interest income	2,481	670	407	3,558
- Non-cash income	1,277	212	0	1,489
- Interest expense	1,381	435	0	1,816
- Amortisation and depreciation	14,280	2,409	0	16,689
- Other non-cash expenses	1,635	0	29	1,664
- Tax expense	10,677	5,016	480	16,173

#### Geographical information

In presenting the information about geographical areas, segment revenue is based on the geographical location of customers, whereas segment assets are based on the geographical location of assets:

	External revenue		Non-current assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	179,317	178,900	57,485	59,679
Thailand	19,136	16,472	84,245	79,171
Germany	127,144	110,260	0	0
United States of America	122,351	111,503	0	0
Others	350,487	276,968	0	0
	798,435	694,103	141,730	138,850



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 26. SEGMENT REPORTING (Cont'd)

### Major customers

The Group does not have any major customer that contributed 10% or more of its total revenue.

## 27. CONTRACTUAL COMMITMENTS

### Group

	2018	2017
	RM'000	RM'000
Purchase of property, plant and equipment	<u>36,470</u>	<u>1,923</u>

## 28. FINANCIAL GUARANTEE CONTRACTS

### Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of RM244,324,000 (2017 : RM207,324,000). The total utilisation of these credit facilities as at 31 December 2018 amounted to RM76,774,000 (2017 : RM86,832,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.8. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

## 29. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

### Credit risk

The Group's exposure to credit risk arises mainly from receivables, derivative contracts and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 28.

The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 9. As the Group only deals with reputable financial institutions, the credit risk associated with derivative contracts and deposits placed with them is low.

### Liquidity risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 29. FINANCIAL RISK MANAGEMENT (Cont'd)

### Currency risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia ("RM") and Thai Baht ("THB"), whereas the major foreign currencies transacted are US Dollar ("USD") and Euro ("EUR"). The gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:

	Group			
	Denominated in USD		Denominated in EUR	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Receivables	36,121	33,867	16,208	12,130
Cash and cash equivalents	23,379	13,415	15,209	1,838
Payables	(9,584)	(13,042)	(7)	(132)
Loans and borrowings	(112,553)	(89,409)	0	0

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:

	Group	
	Increase/ (Decrease) in profit	Increase/ (Decrease) in profit
	2018 RM'000	2017 RM'000
Appreciation of USD against RM by 10%	(1,709)	(2,919)
Depreciation of USD against RM by 10%	1,709	2,919
Appreciation of USD against THB by 10%	(3,162)	(1,953)
Depreciation of USD against THB by 10%	3,162	1,953
Appreciation of EUR against RM by 10%	1,304	853
Depreciation of EUR against RM by 10%	(1,304)	(853)
Appreciation of EUR against THB by 10%	1,122	261
Depreciation of EUR against THB by 10%	(1,122)	(261)



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018 (Cont'd)

## 29. FINANCIAL RISK MANAGEMENT (Cont'd)

### Interest rate risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits and loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments.

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss, any change in interest rates at the end of the reporting period would not affect its profit or loss (and equity). For floating rate financial instruments measured at amortised cost, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:

	Group	
	Increase/ (Decrease) in profit	Increase/ (Decrease) in profit
	2018	2017
	RM'000	RM'000
Increase in interest rates by 50 basis points	(29)	0
Decrease in interest rates by 50 basis points	29	0

## 30. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity as follows:

	Group	
	2018	2017
	RM'000	RM'000
Total loans and borrowings	128,426	96,596
Total equity	498,138	473,628
Total capital	626,564	570,224
Debt-to-equity ratio	26%	20%

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.



# SCHEDULE OF PARTICULARS OF LAND & BUILDINGS

Location	Year of Acquisition/ *Valuation	Description	Approximate Land Area (square metres)	Age of Building (years)	Tenure	Carrying Amount at 31.12.2018 (RM'000)
Residential Buildings & Land						
Lot 2383, No. 35 Taman Nagasari, Perai	16 May 1990	Residential	143	29	Freehold	-
Lot 2386, No. 41 Taman Nagasari, Perai	16 May 1990	Residential	104	29	Freehold	-
Lot 2387, No. 43 Taman Nagasari, Perai	16 May 1990	Residential	104	29	Freehold	-
Lot 2479, No. 36 Taman Nagasari, Perai	30 Apr 2001	Residential	83	18	Freehold	31
Lot 2814, No. 3 Lorong Nagasari 12, Perai	26 Jan 2007	Residential	83	12	Freehold	48
Lot 2302, No. 50 Lorong Nagasari 17, Perai	26 Jan 2007	Residential	83	12	Freehold	47
Lot 2806, No. 19 Lorong Nagasari 12, Perai	3 Apr 2007	Residential	83	12	Freehold	48
Lot 2590, No. 5 Lorong Nagasari 16, Perai	2 Apr 2007	Residential	83	12	Freehold	49
Lot 2613, No. 4 Lorong Nagasari 16, Perai	8 Oct 2007	Residential	83	12	Freehold	50
Lot 2833, No. 36 Lorong Nagasari 12, Perai	27 Oct 2011	Residential	83	12	Freehold	68
Block T-2-5 Taman Pelangi, Perai	31 Mar 1996	Residential	65	23	Leasehold (99 years)	4
Block T-2-6 Taman Pelangi, Perai	31 Mar 1996	Residential	65	23	Leasehold (99 years)	4
2515 Tingkat Perusahaan 4A Perai Free Trade Zone 13600 Perai	*26 Jun 1995	Industrial Land	49,127	-	Leasehold (60 years)	4,180
	*26 Jun 1995	Factory Building and Factory Extension	9,730	24	-	1,257
	31 Mar 1996	Warehouse/Packing & Moulding Department	4,533	23	-	562
	30 Apr 1997	New Office Building	2,481	22	-	502
	30 Nov 2000	2nd Factory Extension	12,600	19	-	2,134

# SCHEDULE OF PARTICULARS OF LAND & BUILDINGS (Cont'd)

Location	Year of Acquisition/ *Valuation	Description	Approximate Land Area (square metres)	Age of Building (years)	Tenure	Carrying Amount at 31.12.2018 (RM'000)
2517 Tingkat Perusahaan 4A Perai Free Trade Zone 13600 Perai	20 Sep 2006 410 mths to expiry incl. Sept. 06	Industrial Land	22,356	-	Leasehold (60 years)	2,877
	1 Jan 2010	New factory building	13,602	9	-	8,365
Amata Nakorn Industrial Estate 700/553 Moo 7, Tambon Don Hua Roh Amphur Muang Chonburi 20000 Thailand	17 Jan 2005	Industrial Land	25,136	14	Freehold	5,783
	1 Aug 2006	Factory Building	7,020	13	-	3,303
	1 Dec 2009	Factory Building Phase II	7,020	9	-	3,195
199/12 Moo 12 Tambol Rachadeva Amper Bangplee, Samutprakan 10540 Thailand	31 Dec 2006	Residential	210	13	Freehold	339
111/209 Moo 6 Tambol Nongtamlung, Amper Panthong, Chonburi 20160 Thailand	6 Sep 2007	Residential	203	12	Freehold	156
111/205 Moo 6 Tambol Nongtamlung, Amper Panthong, Chonburi 20160 Thailand	5 Jun 2009	Residential	203	10	Freehold	212
92 Moo 7, Tambon Don Hua Roh Amphur Muang Chonburi 20000 Thailand	5 Apr 2010	Residential	876	9	Freehold	1,495
Pinthong Industrial Estate (Laem chabang) 150, Moo 9 Nong-Kham Sriracha, Chonburi 20110 Thailand	9 Feb 2011	Industrial Land	120,429	-	Freehold	22,097
	1 Apr 2013	Factory Building	13,935	6	-	11,235
120/215 Moo 10 T. Nongkham A. Sriracha, Chonburi 20110 Thailand	1 Apr 2013	Residential	143	6	Freehold	176
120/219 Moo 10 T. Nongkham A. Sriracha, Chonburi 20110 Thailand	1 Apr 2013	Residential	143	6	Freehold	176



# SCHEDULE OF PARTICULARS OF LAND & BUILDINGS (Cont'd)

Location	Year of Acquisition/ *Valuation	Description	Approximate Land Area (square metres)	Age of Building (years)	Tenure	Carrying Amount at 31.12.2018 (RM'000)
T. Banmeing , A. Muang chonburi Chonburi Province, Thailand	7 Nov 2015	Residential Land	1,704	-	Freehold	676
Plot 17A Jalan Perusahaan Prai Industrial Estate 13600 Perai	23 Aug 2010	Industrial Land	26,749	-	Leasehold (60 years)	5,540
	401 mths to expiry incl. May 1991					
	23 Aug 2010	Factory Building	14,265	26	-	6,702
Block T-1-1 Taman Pelangi, Perai	23 Aug 2010	Residential	65	24	Leasehold (99 years)	56
Block T-1-2 Taman Pelangi, Perai	23 Aug 2010	Residential	65	24	Leasehold (99 years)	53
Block T-2-1 Taman Pelangi, Perai	23 Aug 2010	Residential	65	24	Leasehold (99 years)	53
Block T-2-2 Taman Pelangi, Perai	23 Aug 2010	Residential	65	24	Leasehold (99 years)	51
No.14 PTD 63332 Jalan Bistari 11 Taman Industri Jaya 81300 Johor Bahru, Johor	10 Sep 2012	Industrial Land	21,786	-	Leasehold (991 years)	977
	10 Sep 2012	Factory Building	7,562	3	-	1,140
Total						83,641



# SHAREHOLDINGS STATISTICS

as at 29 March 2019

Total number of issued shares	157,430,000*
Class of shares	Ordinary shares
Voting rights	One vote for every ordinary share held

\* Including 2,976,900 ordinary shares as treasury shares.

## Breakdown of shareholdings

Size of shareholdings	No. of shareholders	No. of shares	% of issued share capital
1 - 99	50	1,785	0.001
100 - 1,000	502	387,113	0.251
1,001 - 10,000	1,923	7,344,573	4.755
10,001 - 100,000	449	13,330,276	8.631
100,001 - 7,722,654	67	23,154,003	14.991
7,722,655 and above	2	110,235,350	71.371
	<u>2,993</u>	<u>154,453,100</u>	<u>100.000</u>

## Thirty largest shareholders

Name	No. of shares	% of issued share capital
1 ALLRICH CORP	61,191,043	39.618
2 RICHARD HOLDINGS LIMITED	49,044,307	31.754
3 CARTABAN NOMINEES (TEMPATAN) SDN BHD ICAPITAL. BIZ BERHAD	2,045,000	1.324
4 NEOH CHOO EE & COMPANY, SDN. BERHAD	1,600,000	1.036
5 TSAI MING-TI	1,432,150	0.927
6 AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH AGGRESSIVE FUND	1,313,200	0.850
7 AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	944,700	0.612
8 TSAI LIAO CHIN YEH	850,100	0.550
9 TSAI PEI CHEN	574,200	0.372
10 UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF DANA ADIB	527,000	0.341
11 THEN YOON YIN	525,000	0.340
12 TSAI MING-TI	523,252	0.339
13 DYNAQUEST SDN. BHD.	520,000	0.337
14 LEE HAU HIAN	468,000	0.303
15 CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD - PMB SHARIAH DIVIDEND FUND	421,700	0.273
16 UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF DANA ALIF	400,000	0.259
17 UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF TACTICAL FUND	400,000	0.259





# SHAREHOLDINGS STATISTICS

as at 29 March 2019 (Cont'd)

Name	No. of shares	% of issued share capital
18 AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR ASIA HUMANISTIC CAPITAL INC	385,000	0.249
19 TAN ENG PIOW	358,100	0.232
20 DENVER CAPITAL SDN BHD	330,000	0.214
21 KAF TRUSTEE BERHAD KIFB FOR ALTIMA, INC	328,300	0.213
22 WONG YOON CHYUAN	324,000	0.210
23 WONG YOON TET	305,000	0.197
24 NAHOORAMMAH A/P SITHAMPARAM PILLAY	300,000	0.194
25 HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG HOON HO	281,001	0.182
26 YAU LI ZA	279,000	0.181
27 LAI CHEE SIEW	272,400	0.176
28 KAF TRUSTEE BERHAD KIFB FOR LAGMUIR HOLDINGS LTD	264,000	0.171
29 CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD-AMANAH SAHAM KEDAH	243,000	0.157
30 BARBARA ELIZABETH NG	235,000	0.152
	126,684,453	82.021

## Substantial shareholders

Name	Direct interest	%	Indirect interest	%
1 Allrich Corp	61,191,043	39.618	-	-
2 Richard Holdings Limited	49,044,307	31.754	-	-
3 Tsai Ming Ti	1,955,402	1.266	50,101,357 <sup>*1</sup>	32.438
4 Tsai Liao Chin Yeh	1,057,050	0.684	50,999,709 <sup>*2</sup>	33.020
5 Tsai Yi Ting	198,000	0.128	49,044,307 <sup>*3</sup>	31.754
6 Tsai Pei Chen	731,100	0.473	49,044,307 <sup>*3</sup>	31.754
7 Tsai Chia Chen	-	-	49,044,307 <sup>*3</sup>	31.754
8 Tsai, Ching-Tung	-	-	61,191,043 <sup>*4</sup>	39.618
9 Tsai Chen, Su-Kan	-	-	61,191,043 <sup>*4</sup>	39.618
10 Tsai, Jane-Rong	-	-	61,191,043 <sup>*4</sup>	39.618
11 Tsai, Hung-Chuan	-	-	61,191,043 <sup>*4</sup>	39.618
12 Tsai, Chia-Yen	-	-	61,191,043 <sup>*4</sup>	39.618

# SHAREHOLDINGS STATISTICS

as at 29 March 2019 (Cont'd)

## Directors' Shareholding as at 29 March 2019

	Name	Direct interest in shares	% of issued capital	Indirect interest in shares	% of issued capital
1	Tsai Ming Ti	1,955,402	1.266	50,101,357 <sup>*1</sup>	32.438
2	Tsai Yi Ting	198,000	0.128	49,044,307 <sup>*3</sup>	31.754
3	Tsai Pei Chen	731,100	0.473	49,044,307 <sup>*3</sup>	31.754
4	Tsai, Hung-Chuan	-	-	61,191,043 <sup>*4</sup>	39.618
5	Tsai, Chia-Yen	-	-	61,191,043 <sup>*4</sup>	39.618
6	Tan Ban Leong	45,000	0.029	-	-
7	Fazrin Azwar Bin Dato' Hj. Md. Nor	5,040	0.003	-	-
8	Megat Abdul Munir	37,900	0.025	-	-
9	Teh Eng Hin	4,500	0.003	-	-

### Notes:

<sup>\*1</sup> Deemed interested by virtue of his shareholdings in Richard Holdings Limited and his spouse, Tsai Liao Chin Yeh's shareholding in THR

<sup>\*2</sup> Deemed interested by virtue of her spouse, Tsai Ming Ti shareholdings in Richard Holdings Limited and THR

<sup>\*3</sup> Deemed interested by virtue of his/her shareholdings in Richard Holdings Limited

<sup>\*4</sup> Deemed interested by virtue of his/her shareholdings in Allrich Corp

**This page is intentionally left blank.**



**TONG HERR RESOURCES BERHAD**  
(432139-W)

NO. OF ORDINARY SHARES HELD

# Proxy Form

TONG HERR RESOURCES BERHAD  
(Company No. 432139-W)  
(Incorporated in Malaysia)

I/We \_\_\_\_\_ (\*NRIC No./ Company No. \_\_\_\_\_) of \_\_\_\_\_  
\_\_\_\_\_ being a member/members of TONG HERR RESOURCES BERHAD hereby appoint \*the Chairman of the meeting or \_\_\_\_\_ w(\*NRIC No./ Passport No. \_\_\_\_\_) of \_\_\_\_\_  
\_\_\_\_\_ or failing him, \_\_\_\_\_ (\*NRIC No./ Passport No. \_\_\_\_\_) of \_\_\_\_\_  
\_\_\_\_\_ as \*my/our proxy/proxies to attend and vote for \*me/us on \*my/our behalf at the Twenty-Second Annual General Meeting of the Company to be held at No. 2515 Tingkat Perusahaan 4A, Perai Free Trade Zone, 13600 Perai, Penang on Monday, 27 May 2019, at 2.00 p.m. and at every adjournment thereof to vote as indicated below:

RESOLUTIONS	*FOR	*AGAINST
1. To approve the payment of a Final Single Tier Dividend of 12 sen per share for the year ended 31 December 2018		
2. To re-elect the following Directors retiring under the Article 97(1) of the Constitution of the Company, and who, being eligible had offered themselves for re-election: Mr. Tan Ban Leong		
3. Encik Megat Abdul Munir		
4. Mr. Teh Eng Hin		
5. To appoint Messrs. Crowe Malaysia PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Board of Directors to determine their remuneration		
To pass the following resolutions as Special Business: <b>ORDINARY RESOLUTIONS</b>		
6. Payment of Directors' Fees and Benefits from the date of forthcoming AGM up to the date of the next AGM		
7. Authority to Issue Shares		
8. Renewal of Authority to Purchase the Company's own shares		
9. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
10. Continuing in Office for Encik Megat Abdul Munir as Independent Non-Executive Director subject to the passing of Resolution 3 above		
11. Continuing in Office for Encik Fazrin Azwar Bin Dato' Hj. Md. Nor as Independent Non-Executive Director		
12. Continuing in Office for Mr. Teh Eng Hin as Independent Non-Executive Director subject to the passing of Resolution 4 above		
<b>SPECIAL RESOLUTION</b>		
13. Proposed Adoption of New Constitution of the Company		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

The Proportions of \*my/our holdings to be represented by \*my/our proxy/proxies \*is/are as follows:

First Proxy : \_\_\_\_\_ %  
Second Proxy : \_\_\_\_\_ %  
\_\_\_\_\_ %

\* Strike out whichever is not desired.

As witness my hand this ..... day of....., 2019.

.....  
Signature of Member(s)

**Notes:**

A proxy need not be a member. There shall be no restriction as to the qualification of the proxy.

To be valid, the proxy form duly completed must be deposited at the registered office of the Company at Suite S-21-H, 21st Floor, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 George Town, Penang not less than forty-eight (48) hours before the time fixed for holding the meeting.

A member of the Company who is entitled to attend and vote at a meeting of the Company, may appoint not more than two (2) proxies to attend and vote instead of the member at the meeting.

Where a member of the Company who is an authorized nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

Fold here

---

STAMP

**TONG HERR RESOURCES BERHAD** (432139-W)

To: The Company Secretaries  
**C/O TMF Administrative Services Malaysia Sdn Bhd**  
Suite S-21-H, 21<sup>st</sup> Floor, Menara Northam,  
55 Jalan Sultan Ahmad Shah  
10050 George Town, Penang

---

Fold here



**TONG HERR RESOURCES BERHAD**

(432139-W)

No. 2515, Tingkat Perusahaan 4A,  
Perai Free Trade Zone, 13600 Perai,  
Penang, Malaysia

**T**: +604 - 3903970

**F**: +604 - 3900840

[www.tong.com.my](http://www.tong.com.my)