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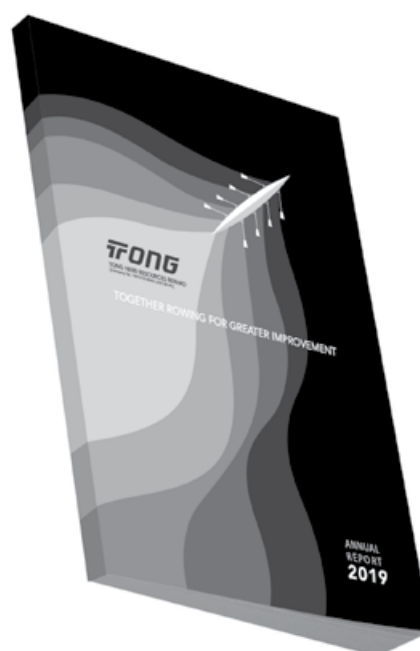
TONG HERR RESOURCES BERHAD
[Company No. 199701016642 (432139-W)]

TOGETHER ROWING FOR GREATER IMPROVEMENT

ANNUAL
REPORT
2019

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Together Rowing For Greater Improvement

As there are wide opportunities in the fastener industry, Tong Herr Resources Berhad is trying to improve its capability and grow along with the customers, shareholders and employees as all of them are in the same boat. The wave trails left by the moving boat on the visual showed the challenges that were gone through, the mark of success story from Tong Herr Resources Berhad and will still continue to move upwards. The Company will advance progressively, seek for greater opportunities and reach for new heights.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tsai Ming Ti
(Executive Chairman)

Tsai Yi Ting
(Managing Director)

Tan Ban Leong
(Executive Director)

Tsai Pei Chen
(Non-Independent Non-Executive Director)

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

[SSM PC No. 202008002177 (MAICSA 7035272)]

Lee Mei-Mei

[SSM PC No. 202008002962 (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

[201906000005 (LLP0018817-LCA) & AF1018]

BANKERS

Ambank Berhad

CIMB Bank Berhad

Citibank Berhad

Hong Leong Bank Berhad

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

RHB Bank Berhad

United Overseas Bank (Malaysia) Berhad

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

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

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

CORPORATE WEBSITE

www.tong.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

STOCK CODE/ STOCK NAME

5010/ TONGHER

NOTICE OF THE TWENTY-THIRD ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting of the Company will be held at No. 2515 Tingkat Perusahaan 4A, Perai Free Trade Zone, 13600 Perai, Penang on Thursday, 25 June 2020, at 10.00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2019 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 10 sen per share for the year ended 31 December 2019. **Resolution 1**
3. To re-elect the following Directors retiring under the provision of Article 95(1) of the Constitution of the Company, and who, being eligible had offered themselves for re-election:
 - i) Mr. Tsai Yi Ting **Resolution 2**
 - ii) Mr. Tsai, Hung-Chuan **Resolution 3**
 - iii) Ms. Tsai Pei Chen **Resolution 4**
4. To appoint Messrs. Crowe Malaysia PLT as Auditors of the Company for the financial year ending 31 December 2020 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-THIRD 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 2019, the audited retained profits of the Company stood at RM22,867,000;
- 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:
- (a) to cancel the shares so purchased; or
 - (b) 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
 - (c) to retain part of the shares so purchased as treasury shares and cancel the remainder; or
 - (d) 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-THIRD 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 27 May 2020 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 *Proposed New 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 27 May 2020 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 New Shareholders' Mandate").

Resolution 10

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

5.5.1 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

5.5.2 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

5.5.3 revoked or varied by resolution passed by the shareholders in a general meeting, whichever is earlier.

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

ORDINARY RESOLUTIONS (Cont'd)

- 5.5 *Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Cont'd)*

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 New Shareholders' Mandate."

- 5.6 *Continuing in Office as Independent Non-Executive Director*

5.6.1 "THAT 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 11

5.6.2 "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 12

5.6.3 "THAT 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 13

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

By Order of the Board,

ANGELINA CHEAH GAIK SUAN [SSM PC No. 202008002177 (MAICSA 7035272)]

LEE MEI-MEI [SSM PC No. 202008002962 (MAICSA 7062284)]

Secretaries

Penang

Date : 27 May 2020

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



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-Third Annual General Meeting shall be on 16 June 2020.

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

The appointment of a proxy may be made in a hard copy form or by electronic means. In the case of an appointment made in hard copy form, 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. In the case of appointment by electronic form, the proxy form must be electronically lodged with the Company's Share Registrar, Tricor via TIIH Online at <https://tiih.online> (applicable to individual shareholders only). Please refer to the Annexure to Proxy Form on the procedures for electronic lodgement of proxy form via TIIH Online.

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 103(c) 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-Second Annual General Meeting held on 27 May 2019 which will lapse at the conclusion of the Twenty-Third Annual General Meeting.

NOTICE OF THE TWENTY-THIRD 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 centum (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 11 to 15 of this Annual Report 2019.

4. Ordinary Resolution 9 & 10

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 27 May 2020.

5. Ordinary Resolution 11

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 12

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:

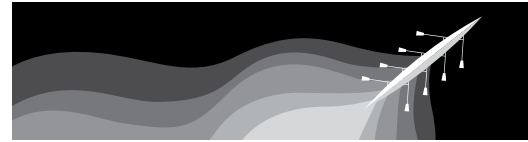
- (i) detailed knowledge of the corporate environment and have commitment, experience and competence to effectively advise the Management;
- (ii) consistently challenging the management in an effective and constructive manner; and
- (iii) actively participated in the Board's discussion and provided an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

7. Ordinary Resolution 13

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.

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-Third Annual General Meeting of the Company.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that a Final Single Tier Dividend of 10 sen per share for the year ended 31 December 2019, if approved, will be paid on 10 July 2020 to depositors registered in the Records of Depositors on 29 June 2020.

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

- a) shares transferred into the Depositor's Securities Account before 4.30 p.m. on 29 June 2020 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 [SSM PC No. 202008002177 (MAICSA 7035272)]

LEE MEI-MEI [SSM PC No. 202008002962 (MAICSA 7062284)]

Secretaries

Penang

Date: 27 May 2020

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 shares capital 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 2019, the retained profits of the Company stood at RM22,867,000 (audited as at 31 December 2019: RM22,867,000).

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 2019, the Group has cash and cash equivalent balance of approximately RM137,615,000.

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 18 May 2020 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	2,020,402	1.316	50,178,357	32.686	2,020,402	1.426	50,178,357	35.415
Tsai, Hung-Chuan	-	-	61,191,043	39.859	-	-	61,191,043	43.187
Tsai Yi Ting	198,000	0.129	49,044,307	31.947	198,000	0.140	49,044,307	34.615
Tsai Pei Chen	731,100	0.476	49,044,307	31.947	731,100	0.516	49,044,307	34.615
Tsai, Chia-Yen	-	-	61,191,043	39.859	-	-	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)

The Direct and Indirect Interests of Directors and Substantial Shareholders of THR as at 18 May 2020 are as follows (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	0.023	-	-	37,900	0.027	-	-	
Fazrin Azwar Bin Dato Hj. Md. Nor	5,040	0.003	-	-	5,040	0.004	-	-	
Teh Eng Hin	4,500	0.002	-	-	4,500	0.003	-	-	
<u>Person connected to major shareholders</u>									
Tsai Liao Chin Yeh	1,134,050	0.739	51,064,709	33.263	1,134,050	0.800	51,064,709	36.041	
Tsai, Ching-Tung	-	-	61,191,043	39.859	-	-	61,191,043	43.187	
Tsai Chen, Su-Kan	-	-	61,191,043	39.859	-	-	61,191,043	43.187	
Tsai, Jane-Rong	-	-	61,191,043	39.859	-	-	61,191,043	43.187	
Tsai Chia Chen	51,300	0.033	49,044,307	31.947	51,300	0.036	49,044,307	34.615	
<u>Major shareholders</u>									
Allrich Corp	61,191,043	39.859	-	-	61,191,043	43.187	-	-	
Richard Holdings Limited	49,044,307	31.947	-	-	49,044,307	34.615	-	-	

Based on the issued shares of 157,430,000 ordinary shares less 3,912,300 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 Effects 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 18 May 2020	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 Share 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 10 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 2020.

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 876,000 ordinary shares of its issued share capital from the open market, using internally generated funds, as detailed below:

	Number of shares	Unit cost			Total cost RM
		Lowest RM	Highest RM	Average RM	
August 2019	85,400	2.48	2.48	2.48	212,577*
September 2019	184,400	2.50	2.55	2.53	468,778*
October 2019	239,900	2.50	2.52	2.51	604,618*
November 2019	306,000	2.43	2.53	2.50	768,553*
December 2019	60,300	2.20	2.21	2.21	133,730*

* The consideration for the shares purchased is inclusive of brokerage, clearing house fee and service tax.

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 are as follows:

	Highest (RM)	Lowest (RM)
2019		
June	2.93	2.61
July	2.73	2.58
August	2.68	2.47
September	2.59	2.47
October	2.60	2.50
November	2.57	2.32
December	2.36	2.18
2020		
January	2.29	2.18
February	2.25	2.00
March	2.05	1.23
April	1.76	1.43
May	1.86	1.72

Last transacted market price as at 18 May 2020 was (being the last practical date prior to the printing of this Statement) was RM1.75.

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 18 May 2020, the public shareholding spread of the Company was approximately 25.44%. 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-Third 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 2018 and 2019 respectively.

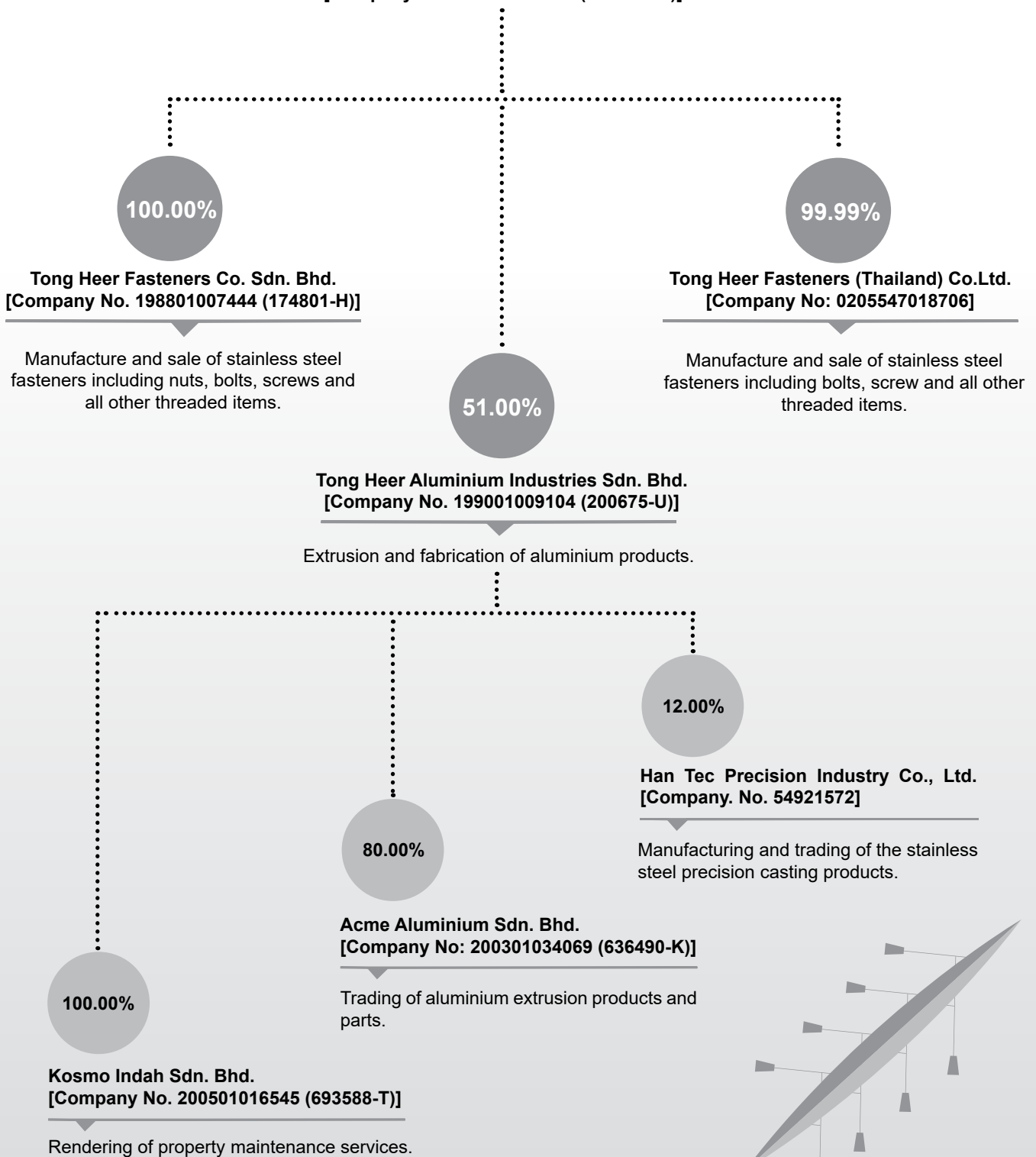
17. Other Information

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.

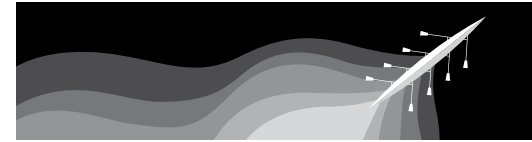
GROUP STRUCTURE



TONG HERR RESOURCES BERHAD
[Company No. 199701016642 (432139-W)]



DIRECTORS' PROFILE



TSAI MING TI

Taiwanese, male, aged 60, was appointed to the Board of THR as Executive Director on 20 July 1999. He has 43 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 a major shareholder of THR by virtue of his shareholding in Allrich Corp ("Allrich").

TSAI PEI CHEN

Taiwanese, female, aged 32, 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 with effect from 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.

TSAI YI TING

Taiwanese, male, aged 30, 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 was also appointed as Director of THF on 13 June 2019. He graduated from the Purdue University, United States with a Bachelor of Science. He was appointed as Managing Director in THFT in April 2013 and General Manager in THF in April 2019.

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").

TAN BAN LEONG

Malaysian, male, aged 61, 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.

DIRECTORS' PROFILE (Cont'd)

TSAI, HUNG-CHUAN

Taiwanese, male, aged 43, 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.

FAZRIN AZWAR BIN DATO' HJ. MD. NOR

Malaysian, aged 54, 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.

TSAI, CHIA-YEN

Taiwanese, female, aged 39, 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.

MEGAT ABDUL MUNIR

Malaysian, male, aged 50, 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.

DIRECTORS' PROFILE (Cont'd)



TEH ENG HIN

Malaysian, male, aged 52, 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 have:*
 - *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 61, 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 graduated with a Diploma in Material Engineering from Provincial Taipei Institute of Technology.

SOO SIO BENG

Malaysian, male, aged 51, 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:

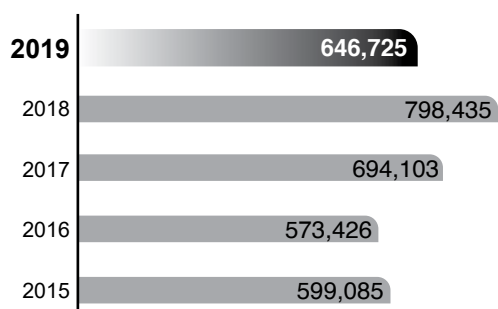
- *any directorship in public companies and listed issuers,*
- *any family relationship with any Directors and/or substantial shareholders of the Company,*
- *any conflict of interest with the Company,*
- *any conviction for offences (other than traffic offences) within the past 5 years, and/or any public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

5-YEAR GROUP FINANCIAL HIGHLIGHTS

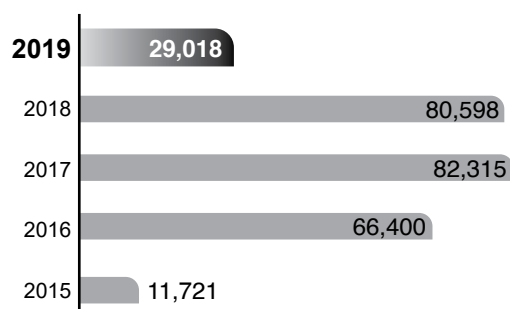


	2015	2016	2017	2018	2019
FINANCIAL RESULTS (RM'000)					
Revenue	599,085	573,426	694,103	798,435	646,725
Profit Before Tax	11,721	66,400	82,315	80,598	29,018
Profit After Tax	2,628	55,185	66,142	65,852	24,048
Profit/(Loss) attributable to:					
- Owners of the Company	(3,109)	45,231	57,414	60,879	19,766
- Non-controlling Interests	5,737	9,954	8,728	4,973	4,282
FINANCED BY (RM'000)					
Paid-Up Capital	127,430	157,430	185,930	185,930	185,930
Shareholders' Fund attributable to Owners of the Company	350,866	433,225	430,119	454,556	469,460
Total Assets Employed	640,378	610,181	611,708	666,734	665,876
Net Assets	458,535	473,006	473,628	498,138	515,999
STATISTICS					
Net Assets Per Share attributable to Owners of the Company (RM)	2.80	2.80	2.78	2.94	3.06
Basic Earnings/(Loss) Per Share (Sen)	(2.47)	34.47	37.13	39.41	12.81
Gross Dividend Paid Per Share (Sen)	6.00	20.00	38.00	26.00	12.00

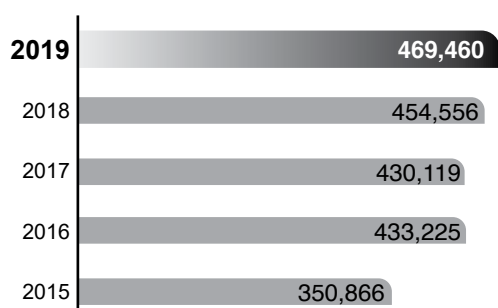
REVENUE



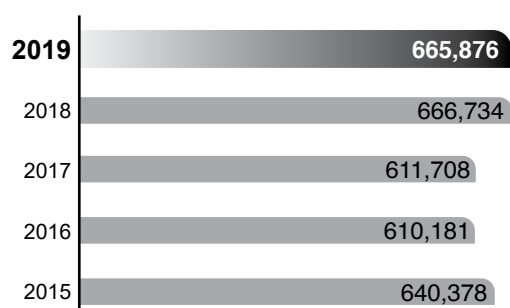
PROFIT BEFORE TAX



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 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 aluminium segment only has one (1) manufacturing operation which is located in Malaysia and almost 70% of its turnover is generated from the domestic market.

Overview of Business Environment

Global economic growth in 2019 recorded its weakest pace since the global financial crisis a decade ago, reflecting common influences across countries and country-specific factors. The economy in Malaysia has been weakening in the final quarter of 2019. GDP grew 3.6% in annual terms in the fourth quarter, down from Q3’s 4.4% expansion and marking the worst performance since the global financial crisis in 2009. In quarter-on-quarter seasonally-adjusted terms, GDP growth decelerated to 0.6% in Q4 from 0.9% in Q3.

With the slowdown in world economic growth, the fasteners industry has also suffered a certain impact. Demand of fasteners markets is expected to grow 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.

The aluminium industry, on the other hand is facing challenges such as increase in competition from substitutes and fluctuations in prices of raw materials. These factors are limiting the growth of aluminium market. 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 4.6% (2018: 4.7%).

To remain competitive, the Company continues to focus on the importance of quality and productivity, operational efficiency and control of expenses to ensure overall cost reduction. As for our downstream businesses, we continue to strengthen them with more quality products.

Review of Financial Performance

Profitability

	FYE 31.12.2019 RM’000	FYE 31.12.2018 RM’000	Variance %
Revenue	646,725	798,435	-19.00%
Gross profit (“GP”)	48,101	101,318	-52.52%
Profit before tax (“PBT”)	29,018	80,598	-64.00%
Profit after tax	24,048	65,852	-63.48%
Net profit attributable to Owners of the Company	19,766	60,879	-67.53%
Earnings per share (sen)	12.81	39.41	-67.50%
GP margin	7.44%	12.69%	
PBT margin	4.49%	10.09%	
Net profit margin	3.72%	8.25%	

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)



Review of Financial Performance (Cont'd)

Profitability (Cont'd)

For the financial year ended 31 December 2019, the Group had recorded revenue of RM646.73million, which had decreased by 19.00% as compared to RM798.44million in 2018. The decrease in revenue was mainly due to overall lower sales volume and average selling prices. Both fasteners and aluminium segments are continuously affected by the market uncertainties and adverse impact from the trade war between US and China, which has exerted the pressure on the product demand and pricing.

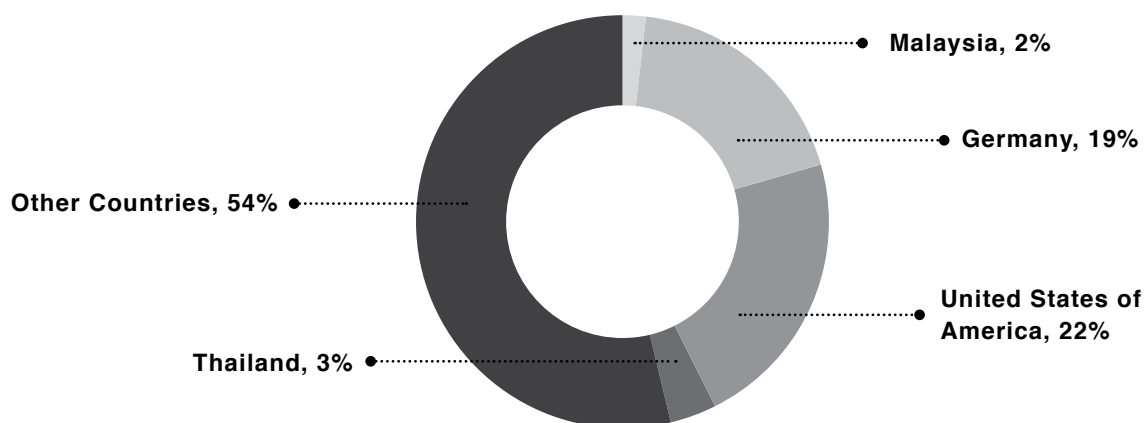
The breakdown of revenue and profit after tax for both Fasteners and Aluminium segment were as below:

	Fasteners Segment		Aluminium Segment	
	FY 2019 RM'000	FY 2018 RM'000	FY 2019 RM'000	FY 2018 RM'000
Revenue	492,378	610,773	154,347	187,662
Profit after tax	15,690	56,010	8,614	10,103

The average raw material consumed for productions of both fasteners and aluminium segment were relatively lower as compared with previous financial year. The recently weakened economy has affected the total revenue of both segments. The total revenue of fasteners segment recorded a decline of 19.38% as compared to 2018; meanwhile the aluminium segment has a decrease of 17.75% of its total revenue as compared to the previous financial year.

During FY 2019, 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 31.12.2019 RM'000	FYE 31.12.2018 RM'000	Variance
Total asset	665,876	666,734	-0.13%
Total liabilities	149,877	168,596	-11.10%
Equity attributable to Owners of the Company	469,460	454,556	3.28%
Net assets per share attributable to Owners of the Company (sen)	306	294	4.08%
Current ratio	3.90	3.29	
Debt-to-equity	0.22 : 1	0.26 : 1	

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Review of Financial Performance (Cont'd)

Financial Position (Cont'd)

The Group was able to maintain a healthy Financial Position as at 31 December 2019. The equity attributable to owners of the Company has increased by RM14million to RM469million as compared with previous financial year.

The Group incurred RM43.47million of capital expenditure ("CAPEX") in FY2019 compared with RM17.18million in FY2018. Apart from the THFT's 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 2019 was recorded at RM112.58 million, which has decreased by RM15.85million as compared to previous financial year.

The net assets per share attributable to owners of the Company stood at 306 sen per share while the cash and cash equivalents of the Group stood at RM137.62 million as at 31 December 2019 (2018: RM118.17million).

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 2019, the Group had maintained a debt-to-equity ratio of 0.22:1.

The Group is currently 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 Group's main raw materials are wire rod (fasteners segment), billet and ingot (aluminium segment). The volatility of prices in these main raw materials will affect the Group's product cost as well as short term profit margin. The Group monitors the raw materials' prices constantly and the selling price will be adjusted accordingly. We also practice to source our raw materials from other alternate suppliers thus we do not rely only on one single supplier.

Market competition

The Group strives to remain competitive by focusing on product developments to ensure good quality products and also on time delivery in order to fulfill customers' satisfaction in dealing with market competition. Nevertheless, the Group will continue to seek for opportunities in order to broaden our customer base and expand the existing markets.

Uncertainties of major economies

The uncertainties of the major economies development policy which includes the geopolitical crisis and ongoing US China trade war may dampen consumers' confidence and affect the Group's performance since the Group's main revenue is dependent on the export demand. In order to mitigate the risk, the Group will continue to explore for more opportunities 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

Credit risk is the risk of a financial loss to the Company. The Group's exposure to credit risk arises mainly from receivables, derivatives, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)



Risks Analysis and Strategic Business Direction (Cont'd)

Liquidity risk

Liquidity risk management relates to how the Company manages sufficient cash to meet the obligations as and when they fall due. The management of liquidity is important to ensure a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Company. 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.

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 financial year, the Company paid a final single tier dividend of 12 sen per share amounting to RM18,534,000 in respect of the financial year ended 31 December 2018.

The Directors have also recommended a final single tier dividend of 10 sen per share for shareholders' approval at the Company's Twenty-Third Annual General Meeting on 25 June 2020.

Outlook

The Group expects the future economic outlook in year 2020 to remain challenging due to the global slowdown and financial market volatility. The downbeat of the economic growth in year 2019 has caused the delay of THFT's third factory's operation.

Year 2020 is set to be another challenging year for both fasteners and aluminium market. The current geo-political and economic situation certainly poses some challenges ahead. Furthermore, the Covid-19 has harmed communities and disrupted economic activity in many countries and Malaysia has not been spared. We expect downward trend to continue in year 2020 in view of the current unfavourable condition of Covid-19. In addition, the Malaysian government has made the announcement on 16 March 2020 to implement Movement Control Order for the entire country. Both the fasteners and aluminium factories in Malaysia had to stop their operations during this period until both have obtained the approval from MITI to resume their operations during end of April. The Group will ensure that all the relevant standard operating procedures and guidelines issued by relevant competent authority will be strictly complied.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of THR (“the Board”) is committed to ensure high standards of corporate governance are in place and practiced with integrity, transparency and professionalism throughout the Group, in order to protect and enhance the long-term interest of the shareholders and the relevant stakeholders.

The Board will continue its effort in evaluating its governance practices in response to evolve 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”) which is available on the Company’s website: www.tong.com.my as well as via the Company’s announcement made to Bursa Securities. The CG Report is prepared in compliance with the MMLR.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

I. **BOARD RESPONSIBILITIES**

Roles and Responsibilities of the Board

The Board plays a vital 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. The Board also established goals for management and monitors 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 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 corporate strategic plans and policies for the Group to guide and set the pace for its current operations and future improvement.
- b) Identifying principal risks and establish the appropriate systems of risk management.
- c) Ensure that succession plan for senior management is in place.
- d) Oversee the conduct of Company’s business and delegating authority to management, monitor and evaluate the implementation of policies, strategies and business plans.
- e) Maintain a good system of internal control and management information systems.
- f) Maintaining an effective investors’ and shareholders’ communication policy for the Company.
- 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 accurate, timely and clear 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 Chairman position 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 segregation 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 suitably qualified and competent Company Secretaries who are qualified, experienced and competent to 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 Secretaries 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) Circulate 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 participate actively 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) 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 accountability to the Company and its shareholders; and
- To ensure 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 2019. The Whistleblowing Policy is designed to encourage employees to raise genuine concerns 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 Company is managed by a well-balanced Board. The Directors are from various backgrounds of professionals and entrepreneurs, which allow a mix of qualifications, skills integrity, competence and experience. 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. A brief profile of each Director is presented from pages 17 to 19 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.

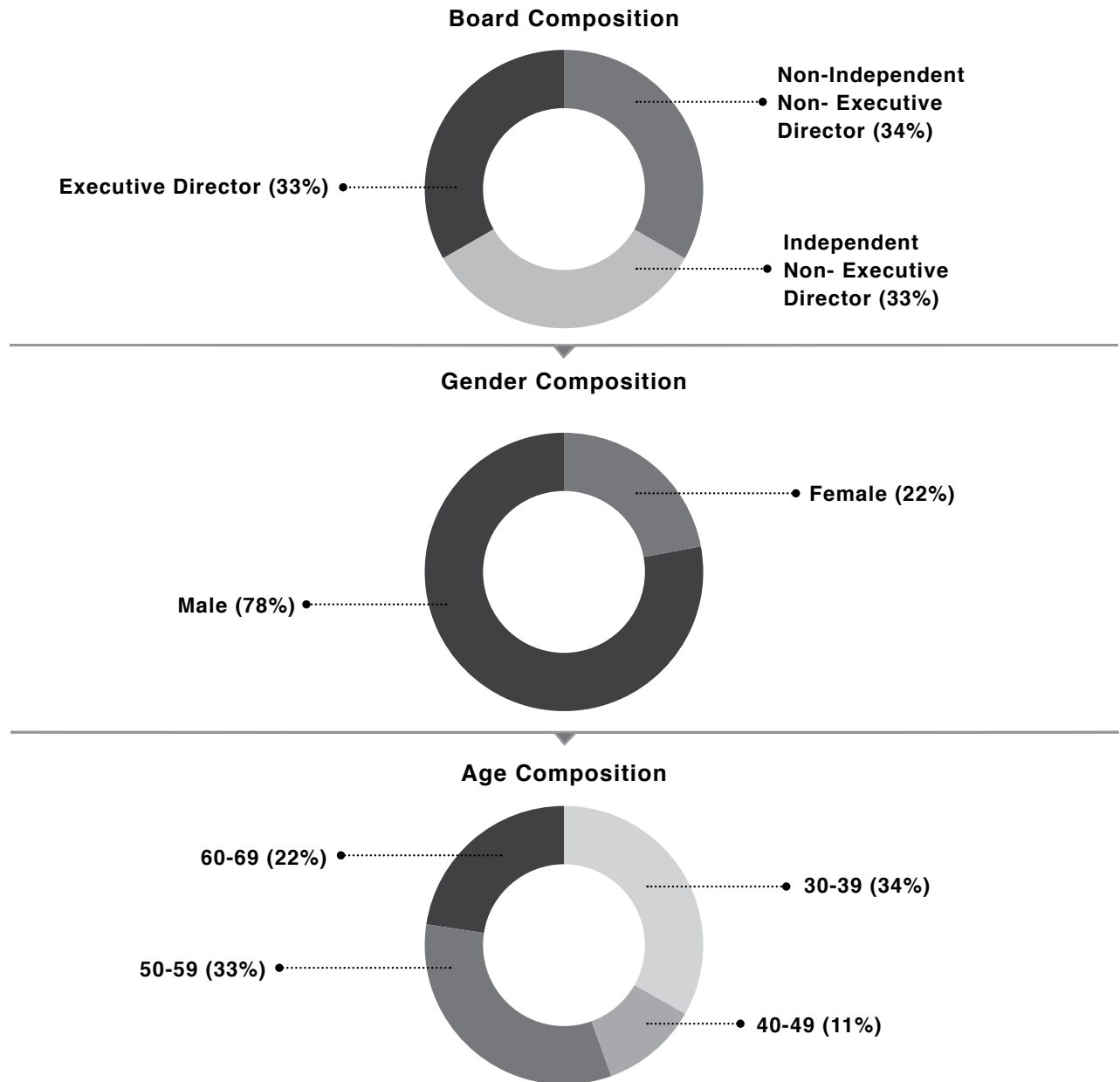
The Nominating Committee and the Board does not set any gender diversity policy in the composition of the Board. However, the Board will remain mindful of the MCGG's Principle on the gender diversity policy for boardroom. In relation to the Group's diversity, there are 2 female Directors who are Non-Independent 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 Terms of Reference ("TOR") can be found in the Group website. The present members and record of attendance are as follows:

		No. of Meetings 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 recommendations, 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"> • <i>Performance of the Board and Board Committees - composition, structure, processes and principal responsibilities</i> • <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> <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. During the current financial year, the Directors' meeting attendance record has scored full attendance. 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 2019, 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 Secretaries.

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 2019 was as follows:

Name of Directors	No. of Meetings Attended	Percentage (%)
<u>Executive Directors</u>		
Tsai Ming Ti	4/4	100
Tan Ban Leong	4/4	100
Tsai Yi Ting	4/4	100
<u>Non-Independent Non-Executive Directors</u>		
Tsai, Hung-Chuan	4/4	100
Tsai, Chia-Yen	4/4	100
Tsai Pei Chen	4/4	100
<u>Independent Non-Executive Directors</u>		
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 efficiently 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	27-28 June 2019	LEAN Transformation Consulting
	17-18 July 2019	
	15-16 August 2019	
	11-12 September 2019	
	15-16 October 2019	
2. Tsai Yi Ting	27-28 June 2019	LEAN Transformation Consulting
	17-18 July 2019	
	15-16 August 2019	How the Director Supervise the Company in Risk and Crisis Management
	11-12 September 2019	
	15-16 October 2019	
08 August 2019	Budget 2020 : Key Updates and Changes for Corporate Accountants	
07 November 2019		
3. Tsai Pei Chen	27-28 June 2019	LEAN Transformation Consulting
	17-18 July 2019	
	15-16 August 2019	
	11-12 September 2019	
	15-16 October 2019	
4. Tsai, Hung-Chuan	08 August 2019	How the Director Supervise the Company in Risk and Crisis Management
5. Tsai, Chia-Yen	23 January 2019	Bank of China Financial Services Seminar
6. Tan Ban Leong	02 April 2019	Global Market Outlook
	23 October 2019	National Tax Seminar 2019
7. Fazrin Azwar Bin Dato' Hj. Md. Nor	07 March 2019	Corporate Governance Symposium 2019 – Building a Governance Eco-System
	15 April 2019	Audit Committee Conference 2019
	05 September 2019	Risk Management Conference 2019
8. Megat Abdul Munir	26-27 January 2019	Advocacy Training Course (ATC)
	23-24 March 2019	
	23-24 August 2019	
	29 February 2019	PJH talk entitled "CIPAA and You!"
	18 April 2019	Case Study Workshop for Independent Directors
31 October 2019	Knowledge Sharing Session with Sime Darby on Litigation, Arbitration & Adjudication	

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

II. BOARD COMPOSITION (Cont'd)

Continuing Education Program (Cont'd)

Details of seminar/training attended by the Directors during the financial year were as follows (Cont'd):

Name of Directors	Date	Seminar / Training Course Title
9. Teh Eng Hin	23 January 2019	Tax Issues For SMEs
	31 January 2019	Analysis of Recent Tax cases
	05-06 March 2019	Audit Quality Enhancement Programme for SMPs 2019
	11 June 2019	Latest Updates on Practical Tax issues
	19 August 2019	Half Year Tax Updates for 2019
	23 October 2019	National Tax Seminar 2019

III. REMUNERATION

Remuneration Committee

The MCCG 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 Independent Non-Executive Directors' remuneration packages but do not participate in decisions on their own remuneration packages. In doing so, the component 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 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 2019 were categorised into appropriate components as below:

Category	Fees RM'000	Salaries and other emoluments RM'000	Benefits in kind RM'000	Total RM'000
Executive Directors				
Tsai Ming Ti	60	603	28	691
Tsai Yi Ting	30	434	21	485
Tan Ban Leong	30	170	17	217
	120	1,207	66	1,393

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



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

III. REMUNERATION (Cont'd)

Details of Directors' Remuneration (Cont'd)

The aggregate remuneration paid to the Directors for the financial year ended 31 December 2019 were categorised into appropriate components as below (Cont'd):

Non-Executive Directors				
Tsai Pei Chen*	30	229	9	268
Tsai, Hung-Chuan	30	-	-	30
Tsai, Chia-Yen	30	-	-	30
Megat Abdul Munir	30	2	-	32
Fazrin Azwar Bin Dato' Hj. Md. Nor	30	2	-	32
Teh Eng Hin	30	1	-	31
	180	234	9	423

* Tsai Pei Chen was re-designated from Executive Director to Non-Executive Director on 12 April 2019.

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	-
RM250,001 to RM300,000	-	1
RM450,001 to RM500,000	1	-
RM650,001 to RM700,000	1	-

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The Audit Committee comprises 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"). The detailed TOR can be found in the Group website. 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 41 to 42 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 recognizes 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.

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. The outcome of the AGM will be released to Bursa Securities on the same day.

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 18 May 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITIES



The Board of Directors (“the Board”) are responsible to prepare audited financial statements that give a true and fair view of the state of affairs, including the cash flows and financial results of the Group and of the Company at the end of each financial year end 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 2019, the Board has:

- applied appropriate accounting policies on a consistent basis;
- made judgements and estimates that are reasonable and prudent; and
- prepare financial statements on a going concern basis.

The Board is also responsible for ensuring that the Group and the Company maintain a proper accounting and the relevant records are kept to sufficiently explain the transactions and the financial position and also 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.

This statement was made in accordance with a Board of Directors’ Resolution dated 18 May 2020.

SUSTAINABILITY STATEMENT

The Board believes that sustainability development of the Group will help to achieve its short-term goal without compromising its long-term resources. This will enable the Company to sustain its business and stakeholders' recognition in long run.

The Board is pleased to present this detailed Sustainability Statement ("Statement") for the year ended 31 December 2019 pursuant to Practice Note 9 of the MMLR, in particular, Part III on sustainability statement, which sets out what the Board considers as material sustainability risks and opportunities to the operations of the Group and how they are managed.

The Group has considered the material aspects and its associated risks and opportunities in order to enable the Group to prioritize 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 approaches 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

The Group believes that maintaining a good degree of communication and understanding with all the stakeholders is important, as this could maintain good corporate governance and reputable sustainable business entity. Therefore, the Group recognises the importance to conduct a continuous dialogue and information sharing with the relevant stakeholders in a timely, effective and transparent manner.

Summary below is an overview of the Group engagement with stakeholders through various channels and the outcomes achieved. The Group will continue to have transparent and open communications with stakeholders to understand their expectations and address the arising issues.

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

Stakeholders Group	Frequency	Engagement Platform	Outcome
Employees	Regularly	<ul style="list-style-type: none"> In-house and On-site training Internal communications Employee engagement activities 	<ul style="list-style-type: none"> Build up relationship between employers and employees Code of conduct Higher retention level of employees Better Group performance
Investors & Shareholders	Annually	<ul style="list-style-type: none"> Announcement via Bursa Malaysia Annual General Meeting Quarterly Report Annual Report 	<ul style="list-style-type: none"> Enhance relationship between the Group and their shareholders

SUSTAINABILITY STATEMENT (Cont'd)



Stakeholders Engagement (Cont'd)

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

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

ECONOMIC

The Group believes that the impact of the business activities to the long-term economic growth is related to the community. The Group has been involved in the contribution to the community development, such as practicing procurement by sourcing locally without compromising on the quality and value.

The Group performs annual audits and surveillances for certifications such as ISO 9001:2015 to ensure the operations and products comply and meet the standards' requirements and the 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 continuous improvement.

On top of that, the Group always look for local staff recruitment to fill vacant position(s), whenever possible. The Group has also encouraged walk-in interview for local operator's position(s) during the financial year by putting the recruitment banner in front of the factory to reduce the reliance on foreign workers. 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 look 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 understands that it is important to reduce wastage and conserve the energy and environment. The Group is also aware about the operations impact towards the environment during the production process. The Group continuously strives to manage and reduce the impact through effective and efficient management of resources, which includes emission control, energy and waste management practice.

Nonetheless, the on-site air emission monitoring as well as industrial effluent discharge monitoring are conducted regularly to ensure the emission and effluent discharged do 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. Papers that have been printed only on one side are encouraged to be reused as internal draft documents. Used materials such as one side papers, paper cartons and cardboard boxes are reused, where possible, or sent to recycling centers. Employees also practice light-off during lunch hour for energy saving purpose. Besides, THF also provides free vegetarian meals to all its employees on every working day. Collectively, the company provided more than 50,000 free vegetarian meals to the employees in a year.

SUSTAINABILITY STATEMENT (Cont'd)

ENVIRONMENTAL (Cont'd)

A 998.3kW industrial scale Solar Photovoltaic (PV) System has been installed at THF's factory during the financial year 2019. Solar energy is renewable and clean energy; it is free from greenhouse gas emission during operation, and able to generate clean energy (electricity) to support operations. Such installation is estimated to generate up to 1,415,000 kWh of electricity annually. In this circumstance, it is believed that the energy generated from the PV system could offset 948.05 tons of carbon dioxide emission annually; the saving is also equivalent to carbon dioxide absorbed by 28,300 trees in one year.

SOCIAL

Employee health and safety remain as the Group top priority and the Group 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).

The management also emphasized 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 to charitable organizations. During the financial year, the Group has donated RM13,000 to the following charitable organizations based in Penang to help those who are in need:

- Pure Lotus Society Hospice
- Rumah Kanak-Kanak Taman Bakti Kepala Batas
- Happy Retirement Home
- Pertubuhan Hemodialysis Seberang Perai Selatan
- Yayasan Kelab Kelab Rotary



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



The Board is pleased to present the Statement on Risk Management and Internal Control of the Group for the financial year 31 December 2019, pursuant to Paragraph 15.26(b) of MMLR, Principle B of the Malaysian Code on Corporate Governance 2017, with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Board Responsibility

The Board has the 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 Board believes the risk management and internal control systems in place are designed mainly to manage, rather than eliminate, the risk of failure arising from non-achievement of the Group's policies, goals and objectives. In addition, it should be noted that any system can provide only reasonable, but not absolute assurance against material misstatement or loss.

Risk Management Framework

An effective risk management process would help the Company to achieve its performance and targets by providing risk information to enable better decisions, both in the setting of the Company's strategy and in daily decision making. 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 objectives. 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 RM39,000.

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 had 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 2019 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 18 May 2020.

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 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 ("TOR")

The Audit Committee's TOR can be viewed from our website at www.tong.com.my.

4. Meetings

The Audit Committee met on four (4) occasions during year 2019 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 it necessary.

5. Authority

Certain responsibilities are delegated to Board Committees through clearly defined 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 seek 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 MCGG 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

Internal audit function is carried out to assess the adequacy and integrity of the internal control system of the Group based on the internal audit plan reviewed and approved by the Audit Committee. 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 assist the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives. With the internal audit function being put in place, remedial actions can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units. The setting up of the internal audit function is geared towards increasing efficiency and better management of resources in all aspects of the Group's operations.

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 MCGG and the statement of internal controls.
- g) Visited the subsidiaries and the head office to perform internal audit in accordance with the internal audit plan FY2019.
- h) Performing any other relevant duties assigned by the Board of Directors.

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 2019.

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 2019.

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 2019 were as follows:

	Group (RM)	Company (RM)
Audit Services Rendered	155,000	45,000
Non Audit Services Rendered	35,500	9,500

EMPLOYEE SHARE SCHEME

There was no Employee Share Scheme implemented during the financial year ended 31 December 2019.

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 22nd Annual General Meeting of the Company held on 27 May 2019 to 18 May 2020, 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 by THF from TME	Tsai, Ching-Tung ^{(a)(e)} Tsai Chen, Su-Kan ^(f) Tsai, Hung-Chuan ^{(a)(d)} Tsai, Jane-Rong ⁽ⁱ⁾ Tsai Chia-Yen ^(j) Tsai Ming Ti ^(c) Tsai Liao Chin Yeh ^(f) Tsai Yi Ting ^(b) Tsai Pei Chen ^(g) Tsai Chia Chen ^(h) Allrich Corp (Allrich) ^(k) Richard Holdings Limited (RHL) ^(k)	-
Winlink Fasteners Co Ltd (WFC)	THF	Purchase of goods by THF from WFC		5,241,471
Tong Win International Co. Ltd (TWI)	THF	Sales of goods by THF to TWI		3,592,834
WFC	THFT	Purchase of goods by THFT from WFC		2,252,812
TWI	THFT	Sales of goods by THFT to TWI		81,288,317

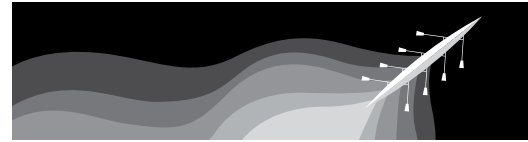
ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

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

Notes:

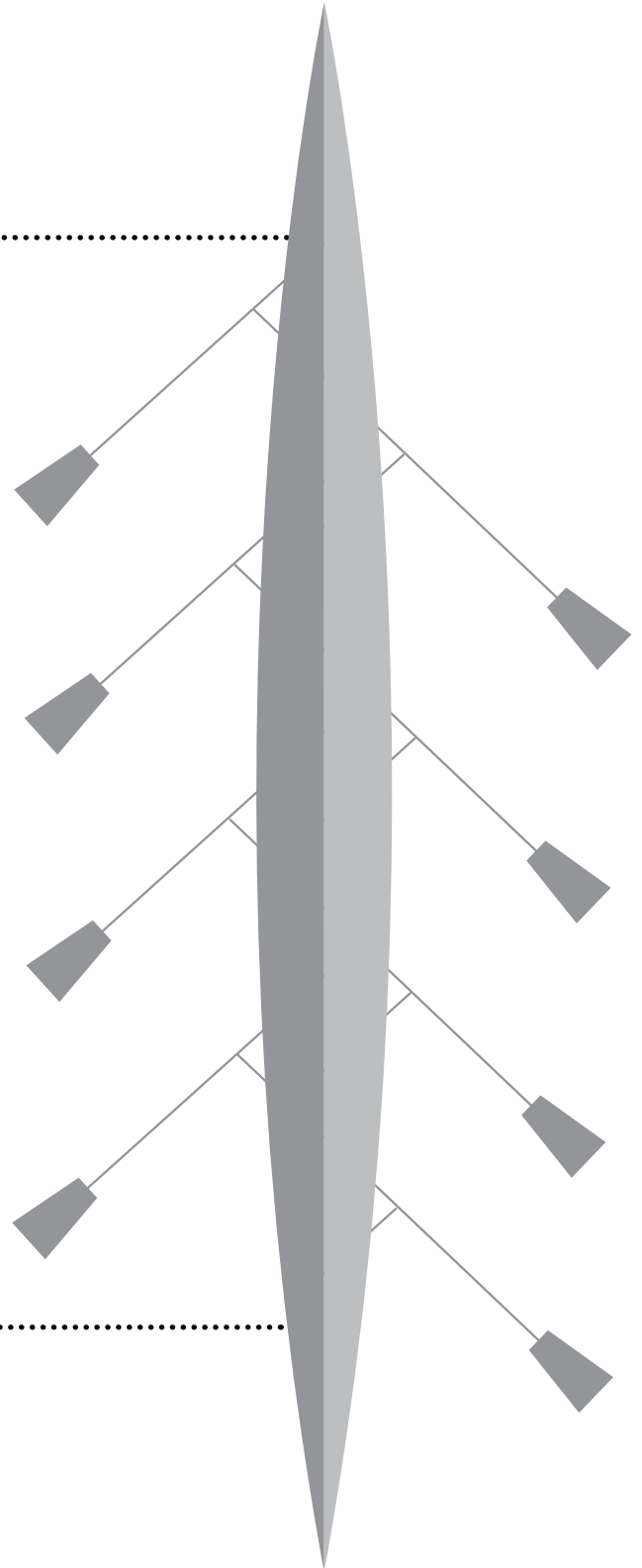
- (a) Major Shareholder of THR Group by virtue of his interest in Allrich, a Major Shareholder of THR, and also a Shareholder of TMEC, the holding company of Mandated Related Parties.
- (b) Managing Director and Major Shareholder of THR Group by virtue of his interest in RHL, a Major Shareholder of THR, 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. She is also a Director of TME.
- (k) Director and Major Shareholder of THR and a deemed Major Shareholder of THR Group.

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



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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 2019. 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 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year attributable to:		
- Owners of the Company	19,766	31,046
- Non-controlling interests	4,282	0
	<u>24,048</u>	<u>31,046</u>

DIVIDENDS

During the financial year, the Company paid a final single tier dividend of 12 sen per share amounting to RM18,534,000 in respect of the financial year ended 31 December 2018.

A final single tier dividend of 10 sen per share in respect of the financial year ended 31 December 2019 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.

DIRECTORS' REPORT (Cont'd)



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

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' REPORT (Cont'd)

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 1.1.2019	Direct interest		Balance at 31.12.2019	Deemed interest	
		Bought	(Sold)		Balance at 1.1.2019	Balance at 31.12.2019
Tsai Ming Ti	1,955,402	65,000	0	2,020,402	50,101,357	50,178,357
Tsai, Hung-Chuan	0	0	0	0	61,191,043	61,191,043
Tsai Yi Ting	198,000	0	0	198,000	49,044,307	49,044,307
Tsai Pei Chen	731,100	0	0	731,100	49,044,307	49,044,307
Tsai, Chia-Yen	0	0	0	0	61,191,043	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

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 23 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 28 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, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 22 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 15 MAY 2020

Tsai Yi Ting

Tan Ban Leong

STATEMENT BY DIRECTORS



In the opinion of the directors, the financial statements set out on pages 55 to 102 give a true and fair view of the financial position of the Group and the Company as at 31 December 2019 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 15 MAY 2020

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 102 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 15 May 2020

Woo Mei Chiao

Before me

Shamini A/P M Shanmugam
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 2019 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 102.

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 2019, 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.

We have determined that there are no key audit matters to communicate in our report.

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.

INDEPENDENT AUDITORS' REPORT

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



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

Responsibilities of the directors for the financial statements (Cont'd)

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.

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

201906000005 (LLP0018817-LCA) & AF 1018

Chartered Accountants

Date: 15 May 2020

Penang

Chan Kheng Hoe

02979/03/2022 J

Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019



	Note	2019 RM'000	2018 RM'000
Non-current assets			
Property, plant and equipment	4	162,717	136,189
Prepaid lease payments	5	0	5,541
Right-of-use assets	6	13,959	0
Other investment	8	7,300	7,579
Deferred tax assets	9	246	0
		184,222	149,309
Current assets			
Inventories	10	275,065	314,636
Receivables	11	64,698	82,678
Derivatives	12	156	379
Prepayments		1,952	1,477
Current tax assets		2,168	89
Cash and cash equivalents	13	137,615	118,166
		481,654	517,425
Current liabilities			
Derivatives	12	27	25
Payables	14	30,046	30,312
Loans and borrowings	15	92,150	121,829
Lease liabilities	16	256	0
Current tax liabilities		1,133	5,244
		123,612	157,410
Net current assets		358,042	360,015
Non-current liabilities			
Deferred tax liabilities	9	4,481	4,589
Loans and borrowings	15	20,427	6,597
Lease liabilities	16	542	0
Retirement benefits	17	815	0
		26,265	11,186
Net assets		515,999	498,138

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019 (Cont'd)

	Note	2019 RM'000	2018 RM'000
Equity			
Share capital	18	185,930	185,930
Treasury shares	18	(8,070)	(5,881)
Legal reserve		5,993	4,465
Currency translation reserve		46,849	30,988
Retained profits		<u>238,758</u>	<u>239,054</u>
Equity attributable to owners of the Company		469,460	454,556
Non-controlling interests	19	<u>46,539</u>	<u>43,582</u>
Total equity		<u>515,999</u>	<u>498,138</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2019



	Note	2019 RM'000	2018 RM'000
Revenue	20	646,725	798,435
Cost of goods sold		(598,624)	(697,117)
Gross profit		48,101	101,318
Interest income		2,706	2,917
Other income		8,257	7,777
Distribution costs		(13,628)	(13,633)
Administrative and general expenses		(14,038)	(14,271)
Finance costs		(2,447)	(2,770)
Impairment gains/(losses) on financial assets	21	67	(468)
Loss on derecognition of financial assets measured at amortised cost		0	(272)
Profit before tax	22	29,018	80,598
Tax expense	24	(4,970)	(14,746)
Profit for the financial year		24,048	65,852
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
- Currency translation differences for foreign operation		15,861	4,307
Other comprehensive income for the financial year		15,861	4,307
Comprehensive income for the financial year		39,909	70,159
Profit for the financial year attributable to:			
- Owners of the Company		19,766	60,879
- Non-controlling interests	19	4,282	4,973
		24,048	65,852
Comprehensive income for the financial year attributable to:			
- Owners of the Company		35,627	65,186
- Non-controlling interests		4,282	4,973
		39,909	70,159
Earnings per share:	25		
- Basic (sen)		12.81	39.41
- Diluted (sen)		12.81	39.41

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2019

	Non-distributable			Distributable		Equity attributable to owners of the Company		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Legal reserve* RM'000	Currency translation reserve RM'000	Retained profits RM'000	RM'000	Non-controlling interests RM'000	
Balance at 1 January 2018	185,930	(5,290)	3,292	26,681	219,506	430,119	43,509	473,628
Dividends to owners of the Company (Note 26)	0	0	0	0	(40,158)	(40,158)	0	(40,158)
Dividends to non-controlling interests	0	0	0	0	0	0	(4,900)	(4,900)
Purchase of own shares	0	(591)	0	0	0	(591)	0	(591)
Total transactions with owners	0	(591)	0	0	(40,158)	(40,749)	(4,900)	(45,649)
Profit for the financial year	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	4,307	0	4,307	0	4,307
Comprehensive income for the financial year	0	0	0	4,307	60,879	65,186	4,973	70,159
Transfer to legal reserve	0	0	1,173	0	(1,173)	0	0	0
Balance at 31 December 2018	185,930	(5,881)	4,465	30,988	239,054	454,556	43,582	498,138
Dividend to owners of the Company (Note 26)	0	0	0	0	(18,534)	(18,534)	0	(18,534)
Dividends to non-controlling interests	0	0	0	0	0	0	(1,325)	(1,325)
Purchase of own shares	0	(2,189)	0	0	0	(2,189)	0	(2,189)
Total transactions with owners	0	(2,189)	0	0	(18,534)	(20,723)	(1,325)	(22,048)
Profit for the financial year	0	0	0	0	19,766	19,766	4,282	24,048
Currency translation differences for foreign operation (representing other comprehensive income for the financial year)	0	0	0	15,861	0	15,861	0	15,861
Comprehensive income for the financial year	0	0	0	15,861	19,766	35,627	4,282	39,909
Transfer to legal reserve	0	0	1,528	0	(1,528)	0	0	0
Balance at 31 December 2019	185,930	(8,070)	5,993	46,849	238,758	469,460	46,539	515,999

* 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 2019



	Note	2019 RM'000	2018 RM'000
Cash flows from operating activities			
Profit before tax		29,018	80,598
Adjustments for:			
Amortisation and depreciation		16,746	16,100
Fair value losses on financial instruments		150	366
Gain on disposal of property, plant and equipment		(2)	(39)
Impairment (gains)/losses on financial assets		(67)	468
Interest expense		2,447	2,770
Interest income		(2,706)	(2,917)
Inventories written down		0	5,561
Loss on derecognition of financial assets measured at amortised cost		0	272
Property, plant and equipment written off		2	0
Provision for retirement benefits		798	0
Reversal of inventories written down		(2,884)	0
Unrealised gain on foreign exchange		(1,173)	(558)
Operating profit before working capital changes		42,329	102,621
Changes in:			
Inventories		42,455	(30,809)
Receivables		17,745	(2,667)
Derivatives		354	(184)
Prepayments		(475)	145
Payables		(290)	(590)
Cash generated from operations		102,118	68,516
Tax paid		(11,584)	(13,755)
Tax refunded		70	43
Net cash from operating activities		90,604	54,804
Cash flows from investing activities			
Acquisition of property, plant and equipment		(43,468)	(17,175)
Acquisition of right-of-use assets	27	(8)	0
Interest received		2,706	2,917
Proceeds from disposal of property, plant and equipment		2	55
Net cash used in investing activities		(40,768)	(14,203)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2019 (Cont'd)

	Note	2019 RM'000	2018 RM'000
Cash flows from financing activities			
Dividends paid to non-controlling interests		(1,265)	(6,370)
Dividends paid to owners of the Company		(18,534)	(40,158)
Drawdown of term loans	27	18,697	7,311
Interest paid		(2,501)	(2,751)
Net (decrease)/increase in short-term loans and borrowings	27	(33,040)	25,834
Payment of lease liabilities	27	(245)	0
Purchase of own shares		(2,189)	(591)
Repayment of hire purchase obligations	27	0	(38)
Repayment of term loans	27	(482)	0
Net cash used in financing activities		(39,559)	(16,763)
Currency translation differences		9,201	2,105
Net increase in cash and cash equivalents		19,478	25,943
Cash and cash equivalents brought forward		118,137	92,194
Cash and cash equivalents carried forward	13	137,615	118,137

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

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019



	Note	2019 RM'000	2018 RM'000
Non-current assets			
Investments in subsidiaries	7	190,233	190,233
Current assets			
Receivables	11	7,277	2
Current tax assets		17	51
Cash and cash equivalents	13	3,371	302
		10,665	355
Current liabilities			
Payables	14	171	184
		171	184
Net current assets		10,494	171
Net assets		200,727	190,404
Equity			
Share capital	18	185,930	185,930
Treasury shares	18	(8,070)	(5,881)
Retained profits		22,867	10,355
Total equity		200,727	190,404

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

STATEMENT OF COMPREHENSIVE INCOME

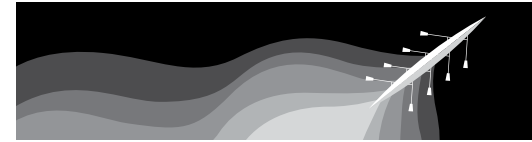
for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Dividend income		31,302	36,957
Interest income		40	53
Other income		61	0
Administrative and general expenses		(354)	(300)
Profit before tax	22	31,049	36,710
Tax expense	24	(3)	(14)
Profit for the financial year		31,046	36,696
Other comprehensive income for the financial year		0	0
Comprehensive income for the financial year		31,046	36,696

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

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2019



	Share capital RM'000	Treasury shares RM'000	Retained profits RM'000	Total equity RM'000
Balance at 1 January 2018	185,930	(5,290)	13,817	194,457
Dividends (Note 26)	0	0	(40,158)	(40,158)
Purchase of own shares	0	(591)	0	(591)
Total transactions with owners	0	(591)	(40,158)	(40,749)
Profit (representing comprehensive income) for the financial year	0	0	36,696	36,696
Balance at 31 December 2018	185,930	(5,881)	10,355	190,404
Dividend (Note 26)	0	0	(18,534)	(18,534)
Purchase of own shares	0	(2,189)	0	(2,189)
Total transactions with owners	0	(2,189)	(18,534)	(20,723)
Profit (representing comprehensive income) for the financial year	0	0	31,046	31,046
Balance at 31 December 2019	185,930	(8,070)	22,867	200,727

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

STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Cash flows from operating activities			
Profit before tax		31,049	36,710
Adjustments for:			
Dividend income		(31,302)	(36,957)
Interest income		(40)	(53)
Unrealised loss on foreign exchange		58	0
Operating loss before working capital changes		(235)	(300)
Change in payables		(13)	44
Cash absorbed by operations		(248)	(256)
Tax paid		(2)	(75)
Tax refunded		33	0
Net cash used in operating activities		(217)	(331)
Cash flows from investing activities			
Dividends received		24,027	38,487
Interest received		40	53
Net cash from investing activities		24,067	38,540
Cash flows from financing activities			
Dividends paid		(18,534)	(40,158)
Purchase of own shares		(2,189)	(591)
Net cash used in financing activities		(20,723)	(40,749)
Currency translation differences		(58)	0
Net increase/(decrease) in cash and cash equivalents		3,069	(2,540)
Cash and cash equivalents brought forward		302	2,842
Cash and cash equivalents carried forward	13	3,371	302

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019



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 7.

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 60 together with the notes thereto cover the Company and its subsidiaries ("Group"). The separate financial statements of the Company set out on pages 61 to 64 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 in accordance with a resolution of the directors dated 15 May 2020.

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 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019

The initial application of the above MFRSs did not have any significant impacts on the financial statements except as disclosed in Note 2.2.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements.

2.2 Changes in accounting policies

The initial application of MFRS 16 *Leases*, which replaces MFRS 117 *Leases* and other related interpretations, has resulted in certain changes in accounting policies for lessees. MFRS 16 eliminates the distinction between finance and operating leases for lessees and introduces a single lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with certain recognition exemptions. 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 has elected to apply the new requirements of MFRS 16 from 1 January 2019 with the following cumulative effects of initial application recognised at that date without restating the comparative information:

	Note	Brought forward from preceding year RM'000	Effect of adopting MFRS 16 RM'000	Adjusted RM'000
Consolidated statement of financial position as at 1 January 2019 (extract)				
Property, plant and equipment	(i)	136,189	(8,082)	128,107
Prepaid lease payments	(ii)	5,541	(5,541)	0
Right-of-use assets	(i)(ii)	0	14,381	14,381
Loans and borrowings	(i)	128,426	(11)	128,415
Lease liabilities	(i)(ii)	0	769	769
Total equity		<u>498,138</u>	<u>0</u>	<u>498,138</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Changes in accounting policies (Cont'd)

- (i) For leases that were previously classified as finance leases in accordance with MFRS 117, the carrying amounts of the right-of-use assets and lease liabilities at 1 January 2019 were those brought forward from 31 December 2018 measured applying MFRS 117. The underlying assets and liabilities were reclassified from property, plant and equipment and loans and borrowings respectively, and would be accounted for in accordance with MFRS 16 from 1 January 2019.
- (ii) For leases that were previously classified as operating leases in accordance with MFRS 117, the Group recognised and measured the right-of-use assets and lease liabilities at 1 January 2019 at the present value of the remaining lease payments, discounted using a weighted average incremental borrowing rate of 5.19% per annum. As a practical expedient, the Group has elected not to apply the transition requirements to leases for which the lease term would end within 12 months of 1 January 2019.

2.3 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Basis of consolidation (Cont'd)

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7. 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.

2.4 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 2.7.

Freehold land and capital work-in-progress are not depreciated. Leasehold land was 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.5 Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Initial recognition and measurement

When the Group acts as a lessee, it recognises 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) at the commencement date. The Group has elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

Subsequent measurement

A right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.7.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term.

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

Previous financial years

Prior to 1 January 2019, the Group classified each lease as either an operating lease or a finance lease. A finance lease transferred substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, whereas an operating lease did not.

A finance lease, including hire purchase, was 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 were 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 was consistent with that for equivalent owned assets.

Lease payments under an operating lease were recognised as an expense on a straight-line basis over the lease term.

2.6 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 2.7.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.7 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 deferred tax assets and 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.

2.8 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.

2.9 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 2.14). 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.9 Financial assets (Cont'd)

Subsequent measurement (Cont'd)

(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.

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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.10 Financial liabilities (Cont'd)

Derecognition

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

2.11 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.

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.

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.13 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.

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).

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.14 Revenue from contracts with customers (Cont'd)

- (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.

2.15 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.

2.16 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"). 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.

Defined benefit plans

As required by law, the Group's foreign subsidiary operates an unfunded final salary defined benefit plan for its employees. The liability in respect of the defined benefit plan is the present value of the future benefits that employees have earned in return for their services rendered in the current and prior periods. The calculation is performed using the projected unit credit method, with actuarial valuations being carried out with sufficient regularity at an interval of not more than three years such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period. All components of defined benefit costs are recognised in profit or loss in the period in which they are incurred, except for remeasurement of the defined benefit liability which is recognised in other comprehensive income.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.18 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.

2.19 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.

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 11).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group

Group	Cost							Total RM'000
	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	
Balance at 1 January 2018	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
Balance at 1 January 2019	29,226	12,408	74,017	211,292	8,527	8,286	14,151	357,907
- Brought forward from preceding year	0	(12,408)	0	0	0	(105)	0	(12,513)
- Effect of adopting MFRS 16	29,226	0	74,017	211,292	8,527	8,181	14,151	345,394
- Adjusted	0	0	237	3,635	250	0	39,346	43,468
Additions	0	0	0	0	0	105	0	105
Transfer from right-of-use assets	0	0	0	(14,324)	(25)	0	0	(14,349)
Disposals/Write-offs	0	0	0	3,747	0	0	(3,747)	0
Reclassifications	2,282	0	2,616	5,884	165	204	1,704	12,855
Currency translation differences	31,508	0	76,870	210,234	8,917	8,490	51,454	387,473
Balance at 31 December 2019								

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (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
Accumulated depreciation								
Balance at 1 January 2018	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
Balance at 1 January 2019								
- Brought forward from preceding year	0	4,373	33,178	170,289	7,778	6,100	0	221,718
- Effect of adopting MFRS 16	0	(4,373)	0	0	0	(58)	0	(4,431)
- Adjusted	0	0	33,178	170,289	7,778	6,042	0	217,287
Depreciation	0	0	2,952	12,066	271	793	0	16,082
Transfer from right-of-use assets	0	0	0	0	0	65	0	65
Disposals/Write-offs	0	0	0	(14,323)	(24)	0	0	(14,347)
Currency translation differences	0	0	1,116	4,239	141	173	0	5,669
Balance at 31 December 2019	0	0	37,246	172,271	8,166	7,073	0	224,756
Carrying amount								
Balance at 1 January 2018	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
Balance at 31 December 2019	31,508	0	39,624	37,963	751	1,417	51,454	162,717

As at 31 December 2018, the carrying amount of motor vehicle under hire purchase financing was RM47,000.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

5. PREPAID LEASE PAYMENTS

Group

	Leasehold land RM'000
Cost	
Balance at 1 January 2018 / 31 December 2018	<u>6,900</u>
Balance at 1 January 2019	
- Brought forward from preceding year	6,900
- Effect of adopting MFRS 16	<u>(6,900)</u>
- Adjusted	0
Movement	<u>0</u>
Balance at 31 December 2019	<u>0</u>
Accumulated amortisation	
Balance at 1 January 2018	1,196
Amortisation	<u>163</u>
Balance at 31 December 2018	<u>1,359</u>
Balance at 1 January 2019	
- Brought forward from preceding year	1,359
- Effect of adopting MFRS 16	<u>(1,359)</u>
- Adjusted	0
Movement	<u>0</u>
Balance at 31 December 2019	<u>0</u>
Carrying amount	
Balance at 1 January 2018	<u>5,704</u>
Balance at 31 December 2018	<u>5,541</u>
Balance at 31 December 2019	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



6. RIGHT-OF-USE ASSETS

Group

	Leasehold land RM'000	Building RM'000	Motor vehicles RM'000	Total RM'000
Cost				
Balance at 1 January 2019				
- Brought forward from preceding year	0	0	0	0
- Effect of adopting MFRS 16	19,308	0	863	20,171
- Adjusted	19,308	0	863	20,171
Additions	0	282	0	282
Transfer to property, plant and equipment	0	0	(105)	(105)
Balance at 31 December 2019	19,308	282	758	20,348
Accumulated depreciation				
Balance at 1 January 2019				
- Brought forward from preceding year	0	0	0	0
- Effect of adopting MFRS 16	5,732	0	58	5,790
- Adjusted	5,732	0	58	5,790
Depreciation	395	94	175	664
Transfer to property, plant and equipment	0	0	(65)	(65)
Balance at 31 December 2019	6,127	94	168	6,389
Carrying amount				
Balance at 1 January 2019				
- Adjusted	13,576	0	805	14,381
Balance at 31 December 2019	13,181	188	590	13,959

The Group acquired the rights to use the leasehold land as its principal places of business for 43 to 896 years. It also leases a branch office and motor vehicles from third parties for 3 to 5 years.

7. INVESTMENTS IN SUBSIDIARIES

Company

	2019 RM'000	2018 RM'000
Unquoted shares - at cost	190,233	190,233

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

The details of the subsidiaries are as follows:

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2019	2018	
Tong Heer Fasteners Co. Sdn. Bhd.	Malaysia	100.00%	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	99.99%	99.99%	Manufacture and sale of stainless steel fasteners including bolts, screws and all other threaded items
Tong Heer Aluminium Industries Sdn. Bhd. ("THAI")	Malaysia	51.00%	51.00%	Extrusion and fabrication of aluminium products
<u>Subsidiaries of THAI</u>				
Acme Aluminium Sdn. Bhd.	Malaysia	40.80%	40.80%	Trading of aluminium extrusion products and parts
Kosmo Indah Sdn. Bhd.	Malaysia	51.00%	51.00%	Rendering of property maintenance services

8. OTHER INVESTMENT

Group

	2019 RM'000	2018 RM'000
Unquoted shares - at fair value	7,300	7,579

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).

9. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Group

	2019 RM'000	2018 RM'000
Balance at 1 January	(4,589)	(5,504)
Deferred tax income relating to origination and reversal of temporary differences	340	915
Deferred tax liabilities overprovided in prior year	14	0
Balance at 31 December	(4,235)	(4,589)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



9. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (Cont'd)

	2019 RM'000	2018 RM'000
Disclosed as:		
- Deferred tax assets	246	0
- Deferred tax liabilities	<u>(4,481)</u>	<u>(4,589)</u>
	<u>(4,235)</u>	<u>(4,589)</u>
In respect of (taxable)/deductible temporary differences of:-		
- Property, plant and equipment	(3,197)	(4,073)
- Prepaid lease payments	0	(864)
- Right-of-use assets	(1,722)	0
- Inventories	274	275
- Financial instruments	55	73
- Lease liabilities	192	0
- Retirement benefits	<u>163</u>	<u>0</u>
	<u>(4,235)</u>	<u>(4,589)</u>

10. INVENTORIES

Group

	2019 RM'000	2018 RM'000
Raw materials	100,987	147,419
Work-in-progress	51,603	43,769
Finished goods	80,261	85,986
Consumables	26,984	23,673
Goods-in-transit	<u>15,230</u>	<u>13,789</u>
	<u>275,065</u>	<u>314,636</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

11. RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables:				
- Related party*	2,441	4,522	0	0
- Unrelated parties	59,656	74,883	0	0
	62,097	79,405	0	0
- Loss allowance	(534)	(715)	0	0
	61,563	78,690	0	0
Other receivables	3,135	3,988	2	2
Dividend receivable from subsidiary	0	0	7,275	0
	64,698	82,678	7,277	2

*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 2019, 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	
	2019 RM'000	2018 RM'000
Malaysia	21,872	24,628
Germany	7,256	12,222
Italy	8,456	6,408
United States of America	12,052	14,964
Others	12,461	21,183
	62,097	79,405

The credit terms of trade receivables range from 30 to 150 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	
	2019 RM'000	2018 RM'000
Not past due	48,249	51,794
1 to 30 days past due	8,260	23,898
31 to 60 days past due	3,754	1,914
61 to 90 days past due	810	1,005
More than 90 days past due	1,024	794
	62,097	79,405

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



11. 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
2019							
Gross carrying amount	48,249	8,260	3,754	810	891	133	62,097
Average credit loss rate	0.05%	0.18%	2.69%	7.16%	22.90%	100.00%	0.86%
Loss allowance	23	15	101	58	204	133	534
2018							
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 36 (2018 : 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	
	2019 RM'000	2018 RM'000
Balance at 1 January	715	247
Impairment (gains)/losses	(67)	468
Write-offs	(114)	0
Balance at 31 December	534	715

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

12. DERIVATIVES

Group

	2019 RM'000	2018 RM'000
Forward exchange contracts - at fair value		
- Current assets	156	379
- Current liabilities	(27)	(25)
	129	354

Forward exchange contracts are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 31 December 2019, the Group had contracts with financial institutions due within 1 year to deal with the following currencies at contractual forward rates:

	2019		2018	
	To buy '000	To sell '000	To buy '000	To sell '000
Contract I	USD5,258	EUR4,700	USD5,643	EUR4,851
Contract II	RM10,529	EUR2,250	RM2,884	EUR600
Contract III	0	0	THB11,640	EUR300
Contract IV	USD950	RM3,909	USD1,424	RM5,920

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).

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Highly liquid investments in money market funds	71,509	58,369	678	285
Term deposits	18,896	11,177	2,682	5
Cash and bank balances	47,210	48,620	11	12
	137,615	118,166	3,371	302

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 2019 ranged from 1.50% to 3.35% (2018 : 0.25% to 3.62%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



13. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and cash equivalents	137,615	118,166	3,371	302
Bank overdraft	0	(29)	0	0
	137,615	118,137	3,371	302

14. PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables:				
- Related parties*	753	1,096	0	0
- Unrelated parties	16,983	16,319	0	0
	17,736	17,415	0	0
Other payables	12,250	12,897	171	184
Dividend payable to non-controlling interests	60	0	0	0
	30,046	30,312	171	184

* 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

15. LOANS AND BORROWINGS

Group

	2019 RM'000	2018 RM'000
Secured		
Hire purchase payables	0	11
Unsecured		
Bank overdraft	0	29
Banker acceptances	900	8,522
Onshore foreign currency loans	36,401	34,091
Trust receipts	49,662	78,462
Term loans	25,614	7,311
	<u>112,577</u>	<u>128,426</u>
Disclosed as:		
- Current liabilities	92,150	121,829
- Non-current liabilities	20,427	6,597
	<u>112,577</u>	<u>128,426</u>

Hire purchase payables were secured against the asset acquired thereunder (Note 4).

The effective interest rates of loans and borrowings as at 31 December 2019 ranged from 0.35% to 4.12% (2018 : 2.55% to 8.07%) per annum.

Except for term loans, 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.

Term loans

Term loans are repayable over 4 years. The repayment analysis is as follows:-

	2019 RM'000	2018 RM'000
Gross loan instalments:		
- Within 1 year	5,780	905
- 1 to 5 years	21,269	6,792
Total contractual undiscounted cash flows	27,049	7,697
Future finance charges	(1,435)	(386)
Present value of term loans	<u>25,614</u>	<u>7,311</u>

The fair values of term loans 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 term loans.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



16. LEASE LIABILITIES

Group

	2019 RM'000	2018 RM'000
Gross lease liabilities:		
- Within 1 year	290	0
- 1 to 5 years	573	0
Total contractual undiscounted cash flows	863	0
Future finance charges	(65)	0
Present value of lease liabilities	<u>798</u>	<u>0</u>
Disclosed as:		
- Current liabilities	256	0
- Non-current liabilities	542	0
	<u>798</u>	<u>0</u>

The incremental borrowing rates applied to lease liabilities as at 31 December 2019 ranged from 5.19% to 5.55% per annum.

17. RETIREMENT BENEFITS

Group

	2019 RM'000	2018 RM'000
Present value of defined benefit obligations:		
- Balance at 1 January	0	0
- Defined benefit costs	798	0
- Currency translation differences	17	0
- Balance at 31 December	<u>815</u>	<u>0</u>

The components of defined benefit costs are as follows:

	2019 RM'000	2018 RM'000
Current service cost	785	0
Interest expense	13	0
	<u>798</u>	<u>0</u>

The principal actuarial assumptions used to determine the present value of the defined benefit obligations are as follows:

	2019 %	2018 %
Discount rates	2.04 to 2.13	n/a
Future salary growth	<u>5.00</u>	<u>n/a</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

17. RETIREMENT BENEFITS (Cont'd)

The following table demonstrates the sensitivity of the defined benefit obligations to changes in each principal actuarial assumption that were reasonably possible at the end of the reporting period, with all other variables held constant:

	Increase/(Decrease) in defined benefit obligations	
	2019 RM'000	2018 RM'000
Increase in discount rate by 1%	(115)	n/a
Decrease in discount rate by 1%	142	n/a
Increase in future salary growth by 1%	132	n/a
Decrease in future salary growth by 1%	<u>(109)</u>	<u>n/a</u>

As at 31 December 2019, the weighted average duration of the defined benefit obligations was 22 years.

18. SHARE CAPITAL

	2019 RM'000	2018 RM'000
Issued and fully paid		
157,430,000 ordinary shares with no par value	<u>185,930</u>	<u>185,930</u>

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:

	2019		2018	
	No. of ordinary shares '000	Cost RM'000	No. of ordinary shares '000	Cost RM'000
Balance at 1 January	2,977	5,881	2,790	5,290
Shares purchased	<u>876</u>	<u>2,189</u>	<u>187</u>	<u>591</u>
Balance at 31 December	<u>3,853</u>	<u>8,070</u>	<u>2,977</u>	<u>5,881</u>
Average unit cost for the year (RM)		<u>2.50</u>		<u>3.16</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



18. SHARE CAPITAL (Cont'd)

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

	2019 No. of ordinary shares '000	2018 No. of ordinary shares '000
Balance at 1 January	154,453	154,640
Shares purchased	<u>(876)</u>	<u>(187)</u>
Balance at 31 December	<u>153,577</u>	<u>154,453</u>

19. NON-CONTROLLING INTERESTS ("NCI")

Group

	Accumulated NCI		Profit allocated to NCI	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Tong Heer Fasteners (Thailand) Co., Ltd.	*0	*0	*0	*0
Tong Heer Aluminium Industries Sdn. Bhd. and its subsidiaries	<u>46,539</u>	<u>43,582</u>	<u>4,282</u>	<u>4,973</u>
	<u>46,539</u>	<u>43,582</u>	<u>4,282</u>	<u>4,973</u>

* 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
		2019	2018	
Tong Heer Fasteners (Thailand) Co., Ltd. ("THFT")	Thailand	0.01%	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	49.00%	49.00%	Extrusion and fabrication of aluminium products
<u>Subsidiaries of THAI</u>				
Acme Aluminium Sdn. Bhd.	Malaysia	59.20%	59.20%	Trading of aluminium extrusion products and parts
Kosmo Indah Sdn. Bhd.	Malaysia	49.00%	49.00%	Rendering of property maintenance services

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

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

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:

	2019 RM'000	2018 RM'000
Non-current assets	25,219	26,027
Current assets	106,428	92,528
Current liabilities	(35,263)	(28,765)
Non-current liabilities	(2,214)	(1,634)
Net assets	94,170	88,156
Revenue	154,347	187,662
Profit (representing comprehensive income)	8,614	10,103
Dividends declared to NCI	1,325	4,900
Net cash from operating activities	21,732	3,359
Net cash used in investing activities	(102)	(400)
Net cash used in financing activities	(3,291)	(7,716)
Currency translation differences	0	(11)
Net cash inflow/(outflow)	<u>18,339</u>	<u>(4,768)</u>

20. REVENUE

Group

	2019 RM'000	2018 RM'000
Revenue from sale of goods	<u>646,725</u>	<u>798,435</u>
Disaggregated by major products:		
- Stainless steel fasteners	492,378	610,773
- Aluminium products	<u>154,347</u>	<u>187,662</u>
	<u>646,725</u>	<u>798,435</u>
Disaggregated by geographical areas:		
- Malaysia	139,155	179,317
- Germany	93,137	127,144
- United States of America	111,868	122,351
- Others	<u>302,565</u>	<u>369,623</u>
	<u>646,725</u>	<u>798,435</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



21. IMPAIRMENT GAINS/(LOSSES) ON FINANCIAL ASSETS

Group

	2019 RM'000	2018 RM'000
Trade receivables from contracts with customers	<u>67</u>	<u>(468)</u>

22. PROFIT BEFORE TAX

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax is arrived at after charging:				
Amortisation of prepaid lease payments	0	163	0	0
Auditors' remuneration	155	180	45	45
Depreciation of property, plant and equipment	16,082	15,937	0	0
Depreciation of right-of-use assets	664	0	0	0
Employee benefits expense (Note 23)	36,720	36,496	124	124
Fee expense for financial instruments not measured at fair value through profit or loss	426	537	0	0
Interest expense for financial liabilities not measured at fair value through profit or loss	2,399	2,770	0	0
Interest expense for lease liabilities	48	0	0	0
Inventories written down	0	5,561	0	0
Lease expense relating to:				
- Short-term leases	404	0	0	0
- Leases of low-value assets (other than short-term leases)	19	0	0	0
- Others	0	395	0	0
Loss on foreign exchange:				
- Realised	450	588	0	6
- Unrealised	80	0	58	0
Property, plant and equipment written off	2	0	0	0

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

22. PROFIT BEFORE TAX (Cont'd)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
and crediting:				
Fair value gains on financial instruments mandatorily measured at fair value through profit or loss	376	551	0	0
Gain on disposal of property, plant and equipment	2	39	0	0
Gain on foreign exchange:				
- Realised	5,692	4,991	61	0
- Unrealised	1,253	558	0	0
Interest income for financial assets measured at amortised cost	2,706	2,917	40	53
Reversal of inventories written down	2,884	0	0	0

23. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company:				
- Fees	300	270	120	120
- Other short-term employee benefits	1,210	1,557	4	4
- Defined contribution plans	120	138	0	0
	1,630	1,965	124	124
Directors of subsidiaries:				
- Fees	60	0	0	0
- Other short-term employee benefits	1,623	1,827	0	0
- Defined contribution plans	123	150	0	0
	1,806	1,977	0	0
Other employees:				
- Short-term employee benefits	31,124	31,203	0	0
- Defined contribution plans	1,362	1,351	0	0
- Defined benefit plans	798	0	0	0
	33,284	32,554	0	0
	36,720	36,496	124	124

The estimated money value of benefits received or receivable by certain directors otherwise than in cash from the Group amounted to RM73,000 (2018 : RM73,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



24. TAX EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Tax based on results for the year:				
- Current tax	5,372	15,619	5	6
- Deferred tax	(340)	(915)	0	0
	<u>5,032</u>	<u>14,704</u>	<u>5</u>	<u>6</u>
Tax (over)/under provided in prior year:				
- Current tax	(48)	42	(2)	8
- Deferred tax	(14)	0	0	0
	<u>4,970</u>	<u>14,746</u>	<u>3</u>	<u>14</u>

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	
	2019 %	2018 %	2019 %	2018 %
Applicable tax rate	24.00	24.00	24.00	24.00
Non-deductible expenses	1.17	0.65	0.28	0.20
Non-taxable income	(4.17)	(4.78)	(24.26)	(24.18)
Tax incentive claimed	(3.04)	0.00	0.00	0.00
Effect of differential tax rates	(0.62)	(1.63)	0.00	0.00
Average effective tax rate	<u>17.34</u>	<u>18.24</u>	<u>0.02</u>	<u>0.02</u>

25. 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:

	2019	2018
Profit for the financial year attributable to owners of the Company (RM'000)	<u>19,766</u>	<u>60,879</u>
Number of shares in issue at 1 January ('000)	154,453	154,640
Effect of shares purchased ('000)	(171)	(146)
Weighted average number of shares in issue ('000)	<u>154,282</u>	<u>154,494</u>
Basic earnings per share (sen)	<u>12.81</u>	<u>39.41</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

26. DIVIDENDS

Group and Company

	2019 RM'000	2018 RM'000
Final single tier dividend of 18 sen per share in respect of financial year ended 31 December 2017	0	27,802
Interim single tier dividend of 8 sen per share in respect of financial year ended 31 December 2018	0	12,356
Final single tier dividend of 12 sen per share in respect of financial year ended 31 December 2018	<u>18,534</u>	<u>0</u>
	<u>18,534</u>	<u>40,158</u>

A final single tier dividend of 10 sen per share in respect of the financial year ended 31 December 2019 will be proposed for shareholders' approval at the forthcoming annual general meeting.

27. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Group

Acquisition of right-of-use assets

	2019 RM'000	2018 RM'000
Cost of right-of-use assets acquired	282	0
Acquisition by means of leases	<u>(274)</u>	<u>0</u>
Net cash disbursed	<u>8</u>	<u>0</u>

Term loans

	2019 RM'000	2018 RM'000
Balance at 1 January	7,311	0
Drawdowns	18,697	7,311
Repayments	(482)	0
Currency translation differences	<u>88</u>	<u>0</u>
Balance at 31 December (Note 15)	<u>25,614</u>	<u>7,311</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



27. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

Short-term loans and borrowings

	2019 RM'000	2018 RM'000
Balance at 1 January	121,075	96,547
Net cash flow changes	(33,040)	25,834
Currency translation differences	(1,018)	(1,325)
Other changes	(54)	19
Balance at 31 December	<u>86,963</u>	<u>121,075</u>
Represented by:		
- Banker acceptances (Note 15)	900	8,522
- Onshore foreign currency loans (Note 15)	36,401	34,091
- Trust receipts (Note 15)	49,662	78,462
	<u>86,963</u>	<u>121,075</u>

Lease liabilities

	2019 RM'000	2018 RM'000
Balance at 1 January		
- Brought forward from preceding year	0	0
- Effect of adopting MFRS 16	769	0
- Adjusted	769	0
Additions	274	0
Payments	(245)	0
Balance at 31 December (Note 16)	<u>798</u>	<u>0</u>

The total cash outflow for leases is as follows:

	2019 RM'000	2018 RM'000
Operating activities		
Lease expense recognised in profit or loss (Note 22)	423	n/a
Investing activities		
Acquisition of right-of-use assets	8	n/a
Financing activities		
Interest portion of lease liabilities (Note 22)	48	n/a
Principal portion of lease liabilities	245	n/a
	<u>724</u>	<u>n/a</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

27. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

Hire purchase payables

	2019 RM'000	2018 RM'000
Balance at 1 January		
- Brought forward from preceding year	11	49
- Effect of adopting MFRS 16	(11)	0
- Adjusted	0	49
Repayments	0	(38)
Balance at 31 December (Note 15)	<u>0</u>	<u>11</u>

28. RELATED PARTY DISCLOSURES

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Key management personnel compensation:				
- Short-term employee benefits	3,326	3,787	124	124
- Defined contribution plans	248	294	0	0
	<u>3,574</u>	<u>4,081</u>	<u>124</u>	<u>124</u>
Dividends declared from subsidiaries	0	0	31,302	36,957
Acquisition of property, plant and equipment from other related party*	20	63	0	0
Purchase of goods from other related parties*	10,490	9,471	0	0
Sale of goods to other related parties*	<u>90,434</u>	<u>75,372</u>	<u>0</u>	<u>0</u>

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

29. 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

31 December 2019 (Cont'd)



29. 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
2019				
Statement of financial position				
Segment assets	530,839	131,647	3,390	665,876
Included in the measure of segment assets are:				
Additions to non-current assets	42,904	846	0	43,750
Segment liabilities	112,229	37,477	171	149,877
Statement of comprehensive income				
Segment profit/(loss)	15,690	8,614	(256)	24,048
Included in the measure of segment profit/ (loss) are:				
- External revenue	492,378	154,347	0	646,725
- Interest income	2,195	471	40	2,706
- Non-cash income	4,080	395	0	4,475
- Interest expense	1,775	672	0	2,447
- Depreciation	14,615	2,131	0	16,746
- Other non-cash expenses	963	280	58	1,301
- Tax expense	2,130	2,837	3	4,970

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

29. 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
2018				
Statement of financial position				
Segment assets	547,824	118,555	355	666,734
Included in the measure of segment assets are:				
Additions to non-current assets	16,135	1,040	0	17,175
Segment liabilities	138,013	30,399	184	168,596
Statement of comprehensive income				
Segment profit/(loss)	56,010	10,103	(261)	65,852
Included in the measure of segment profit/(loss) are:				
- External revenue	610,773	187,662	0	798,435
- Interest income	2,234	630	53	2,917
- Non-cash income	806	131	0	937
- Interest expense	2,107	663	0	2,770
- Amortisation and depreciation	14,053	2,047	0	16,100
- Other non-cash expenses	5,877	1,169	0	7,046
- Tax expense	11,328	3,404	14	14,746

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



29. SEGMENT REPORTING (Cont'd)

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	139,155	179,317	56,968	57,485
Thailand	17,050	19,136	119,708	84,245
Germany	93,137	127,144	0	0
United States of America	111,868	122,351	0	0
Others	285,515	350,487	0	0
	646,725	798,435	176,676	141,730

Major customers

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

30. CONTRACTUAL COMMITMENTS

Group

	2019 RM'000	2018 RM'000
Acquisition of property, plant and equipment	2,153	36,470

31. 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 RM245,468,000 (2018 : RM244,324,000). The total utilisation of these credit facilities as at 31 December 2019 amounted to RM124,247,000 (2018 : RM76,774,000). No maturity analysis is presented for the financial guarantee contracts as the entire amount could be called at any time in the event of default by the subsidiaries.

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 2.10. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

32. 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 31.

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 11. 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.

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Receivables	25,014	36,121	14,031	16,208
Cash and cash equivalents	34,279	23,379	13,892	15,209
Payables	(11,459)	(9,584)	(11)	(7)
Loans and borrowings	(100,374)	(112,553)	(2,175)	0
	<u>(52,540)</u>	<u>(62,637)</u>	<u>25,737</u>	<u>31,410</u>

	Company	
	Denominated in USD	
	2019 RM'000	2018 RM'000
Cash and cash equivalents	<u>2,685</u>	<u>6</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)



32. FINANCIAL RISK MANAGEMENT (Cont'd)

Currency risk (Cont'd)

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		Company	
	Increase/ (Decrease) in profit 2019 RM'000	Increase/ (Decrease) in profit 2018 RM'000	Increase/ (Decrease) in profit 2019 RM'000	Increase/ (Decrease) in profit 2018 RM'000
Appreciation of USD against RM by 10%	(1,677)	(1,709)	268	1
Depreciation of USD against RM by 10%	1,677	1,709	(268)	(1)
Appreciation of USD against THB by 10%	(2,322)	(3,162)	0	0
Depreciation of USD against THB by 10%	2,322	3,162	0	0
Appreciation of EUR against RM by 10%	1,263	1,304	0	0
Depreciation of EUR against RM by 10%	(1,263)	(1,304)	0	0
Appreciation of EUR against THB by 10%	714	1,122	0	0
Depreciation of EUR against THB by 10%	(714)	(1,122)	0	0

Interest rate risk

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

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 follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate instruments				
Financial assets	18,896	11,177	2,682	5
Financial liabilities	(87,761)	(121,086)	0	0
Floating rate instruments				
Financial liabilities	(25,614)	(7,340)	0	0

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019 (Cont'd)

32. FINANCIAL RISK MANAGEMENT (Cont'd)

Interest rate risk (Cont'd)

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 2019 RM'000	Increase/ (Decrease) in profit 2018 RM'000
Increase in interest rates by 50 basis points	(102)	(29)
Decrease in interest rates by 50 basis points	<u>102</u>	<u>29</u>

33. 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 interest-bearing debts 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 interest-bearing debts divided by total equity as follows:

	Group	
	2019 RM'000	2018 RM'000
Loans and borrowings	112,577	128,426
Lease liabilities	<u>798</u>	<u>0</u>
Total interest-bearing debts	113,375	128,426
Total equity	<u>515,999</u>	<u>498,138</u>
Total capital	<u>629,374</u>	<u>626,564</u>
Debt-to-equity ratio	<u>22%</u>	<u>26%</u>

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

TOP 10 PROPERTIES OF THE GROUP



Location	Year of Acquisition / * Valuation	Description	Approximate Land Area (square metres)	Age of Building (years)	Tenure	Carrying Amount at 31.12.2019 (RM'000)
2515 Tingkat Perusahaan 4A Perai Free Trade Zone 13600 Perai	* 26 Jun 1995	Industrial Land	49,127	-	Leasehold (60 years)	4,043
2517 Tingkat Perusahaan 4A Perai Free Trade Zone 13600 Perai	20 Sep 2006 398 mths to expiry incl. Sep 2006	Industrial Land	22,356	-	Leasehold (60 years)	2,784
	1 Jan 2010	New factory building	13,602	10	-	7,966
Amata Nakorn Industrial Estate 700/553 Moo 7, Thambon Don Hua Roh Amphur Muang Chonburi 20000 Thailand	17 Jan 2005	Industrial Land	25,136	15	Freehold	6,234
	1 Aug 2006	Factory Building	7,020	14	-	3,123
	1 Dec 2009	Factory Building Phase II	7,020	10	-	3,131
Pinthong Industrial Estate (Laem chabang) 150, Moo 9 Nong-Kham Sriracha, Chonburi 20110 Thailand	9 Feb 2011	Industrial Land	120,429	-	Freehold	23,823
	1 Apr 2013	Factory Building	13,935	7	-	11,497
Plot 17A Jalan Perusahaan Prai Industrial Estate 13600 Perai	23 Aug 2010 398 mths to expiry incl. May 1991	Industrial Land	26,749	-	Leasehold (60 years)	5,378
	23 Aug 2010	Factory Building	14,265	27	-	6,503
Total						74,482

SHAREHOLDINGS STATISTICS

as at 18 May 2020

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

* Including 3,912,300 ordinary shares as treasury shares.

Breakdown of shareholdings

Size of shareholdings	No. of shareholders	No. of Ordinary Shares	% of issued share capital
1 - 99	52	1,767	0.001
100 - 1,000	496	379,250	0.247
1,001 - 10,000	2,124	8,267,428	5.385
10,001 - 100,000	517	15,254,751	9.936
100,001 - 7,675,884	57	19,379,154	12.623
7,675,885 and above	2	110,235,350	71.806
	<u>3,248</u>	<u>153,517,700</u>	<u>100.000</u>

Thirty largest shareholders

Name	No. of Ordinary Shares	% of issued share capital
1 ALLRICH CORP	61,191,043	39.859
2 RICHARD HOLDINGS LIMITED	49,044,307	31.947
3 CARTABAN NOMINEES (TEMPATAN) SDN BHD ICAPITAL.BIZ BERHAD	2,045,000	1.332
4 NEOH CHOO EE & COMPANY, SDN. BERHAD	1,600,000	1.042
5 TSAI MING TI	1,497,150	0.975
6 AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	944,700	0.615
7 TSAI LIAO CHIN YEH	927,100	0.603
8 THEN YOON YIN	625,000	0.407
9 TSAI PEI CHEN	574,200	0.374
10 TSAI MING TI	523,252	0.340
11 DYNAQUEST SDN. BHD.	520,000	0.338
12 LEE HAU HIAN	468,000	0.304
13 NAHOORAMMAH A/P SITHAMPARAM PILLAY	400,000	0.260
14 PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE YOCK CHEM @ LEE YORK SOO (E-PKG)	399,000	0.259
15 AFFIN HWANG NOMINEES (ASING) SDN BHD DBS VICKERS SECS (S) PTE LTD FOR ASIA HUMANISTIC CAPITAL INC	385,000	0.250
16 TAN ENG PIOW	358,100	0.233

SHAREHOLDINGS STATISTICS

as at 18 May 2020 (Cont'd)



Name	No. of shares	% of issued share capital
17 DENVER CAPITAL SDN BHD	330,000	0.214
18 LAI CHEE SIEW	328,200	0.213
19 WONG YOON CHYUAN	324,000	0.211
20 WONG YOON TET	305,000	0.198
21 HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG HOON HO	296,402	0.193
22 YAU LI ZA	279,000	0.181
23 CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM CHIEN CH'ENG (PBCL-0G0252)	230,000	0.149
24 LIEW SWEE MIO @ LIEW HOI FOO	220,000	0.143
25 BARBARA ELIZABETH NG	213,000	0.138
26 TSAI LIAO CHIN YEH	206,950	0.134
27 CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SOON SEONG KEAT (PB)	200,000	0.130
28 LIN HAI MOH @ LIN SEE YAN	200,000	0.130
29 LOH LOON TEIK SDN.BHD.	200,000	0.130
30 MAYBANK NOMINEES (TEMPATAN) SDN BHD LEM HON SAN	200,000	0.130
	125,034,404	81.446

Substantial shareholders

Name	Direct interest	%	Indirect interest	%
1 Allrich Corp	61,191,043	39.859	-	-
2 Richard Holdings Limited	49,044,307	31.947	-	-
3 Tsai Ming Ti	2,020,402	1.316	50,178,357 ¹	32.686
4 Tsai Liao Chin Yeh	1,134,050	0.739	51,064,709 ²	33.263
5 Tsai Yi Ting	198,000	0.129	49,044,307 ³	31.947
6 Tsai Pei Chen	731,100	0.476	49,044,307 ³	31.947
7 Tsai Chia Chen	51,300	0.033	49,044,307 ³	31.947
8 Tsai, Ching-Tung	-	-	61,191,043 ⁴	39.859
9 Tsai Chen, Su-Kan	-	-	61,191,043 ⁴	39.859
10 Tsai, Jane-Rong	-	-	61,191,043 ⁴	39.859
11 Tsai, Hung-Chuan	-	-	61,191,043 ⁴	39.859
12 Tsai, Chia-Yen	-	-	61,191,043 ⁴	39.859

SHAREHOLDINGS STATISTICS

as at 18 May 2020 (Cont'd)

Directors' Shareholding as at 18 May 2020

Name	Direct interest in shares	% of issued capital	Indirect interest in shares	% of issued capital
1 Tsai Ming Ti	2,020,402	1.316	50,178,357 ¹	32.686
2 Tsai Yi Ting	198,000	0.129	49,044,307 ³	31.947
3 Tsai Pei Chen	731,100	0.476	49,044,307 ³	31.947
4 Tsai, Hung-Chuan	-	-	61,191,043 ⁴	39.859
5 Tsai, Chia-Yen	-	-	61,191,043 ⁴	39.859
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	0.023	-	-
9 Teh Eng Hin	4,500	0.002	-	-

Notes:

¹ Deemed interested by virtue of his shareholdings in Richard Holdings Limited and his spouse, Tsai Liao Chin Yeh's shareholding in THR

² Deemed interested by virtue of her spouse, Tsai Ming Ti shareholdings in Richard Holdings Limited and THR

³ Deemed interested by virtue of his/her shareholdings in Richard Holdings Limited

⁴ Deemed interested by virtue of his/her shareholdings in Allrich Corp



TONG HERR RESOURCES BERHAD

[Company No. 199701016642 (432139-W)]
(Incorporated in Malaysia)

Proxy Form

NO. OF ORDINARY SHARES HELD

I/We _____ (*NRIC No./ Company No. _____) of _____ being a member/members of **TONG HERR RESOURCES**

BERHAD hereby appoint *the Chairman of the meeting or _____ (*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-Third Annual General Meeting of the Company to be held at No. 2515 Tingkat Perusahaan 4A, Perai Free Trade Zone, 13600 Perai, Penang on Thursday, 25 June 2020, at 10.00 a.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 10 sen per share for the year ended 31 December 2019.		
2. To re-elect the following Directors retiring under the Article 95(1) of the Constitution of the Company, and who, being eligible had offered themselves for re-election: Mr. Tsai Yi Ting		
3. Mr. Tsai, Hung-Chuan		
4. Ms. Tsai Pei Chen		
5. To appoint Messrs. Crowe Malaysia PLT as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Board of Directors to determine their remuneration.		
6. To pass the following resolutions as Special Business: ORDINARY RESOLUTIONS 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. Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue and Trading Nature		
10. New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue and Trading Nature		
11. Continuing in Office for Encik Megat Abdul Munir as Independent Non-Executive Director		
12. Continuing in Office for Encik Fazrin Azwar Bin Dato' Hj. Md. Nor as Independent Non-Executive Director		
13. Continuing in Office for Mr. Teh Eng Hin as Independent Non-Executive Director		

(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 Named Proxy : _____ %
 Second Named Proxy : _____ %
100 %

* Strike out whichever is not desired.

As witness my hand this day of....., 2020.

.....
Signature of Member(s)

Notes:

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

The appointment of a proxy may be made in a hard copy form or by electronic means. In the case of an appointment made in hard copy form, 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. In the case of appointment by electronic form, the proxy form must be electronically lodged with the Company's Share Registrar, Tricor via TIIH Online at <https://tiih.online> (applicable to individual shareholders only). Please refer to the Annexure to Proxy Form on the procedures for electronic lodgement of proxy form via TIIH Online.

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

Affix
Stamp
Here

TONG HERR RESOURCES BERHAD

[Company No. 199701016642 (432139-W)]

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

Fold here

**ELECTRONIC SUBMISSION OF PROXY FORM
VIA TIIH ONLINE**






Dear shareholders,

We are pleased to inform that you as a shareholder can have the option to submit your proxy forms by electronic means through our system, TIIH Online (“e-Proxy”).

TIIH Online is an application that provides an online platform for shareholders (*individuals only*) to submit document/form electronically which includes proxy form in paperless form (“e-Submission”). Once you have successfully submitted your e-proxy form, you are no longer required to complete and submit the physical proxy form to the company or Tricor office.









To assist you on how to engage with e-Proxy, kindly read and follow the guidance notes which are detailed below:

1. Sign up as user of TIIH Online

-  Using your computer, access our website at <https://tiih.online>
-  Sign up as a user by completing the registration form, registration is free
-  Upload a softcopy of your MyKad (front and back) or your passport
-  Administrator will approve your registration within one working day and notify you via email
-  Activate your account by re-setting your password

- Notes:**
- (i) *If you are already a user of TIIH Online, you are not required to sign up again*
 - (ii) *An email address is allowed to be used once to register as a new user account, and the same email cannot be used to register another user account*
 - (iii) *At this juncture, only individual security holders are offered to register as user and participate in e-Proxy*

2. Proceed with submission of e-Proxy

-  After the release of the Notice of Meeting by the Company, login with your user name (i.e. e-mail address) and password
-  Select the corporate event: **“Submission of Proxy Form”**
-  Read and agree to the Terms & Conditions and confirm the Declaration
-  Select/insert the CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf
-  Appoint your proxy(s) or chairman and insert the required details of your proxy(s)
-  Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote
-  Review & confirm your proxy(s) appointment
-  Print e-proxy for your record

Should you need assistance on our e-Submission, please contact us. Thank you.

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, Malaysia

Telephone No: 03-27839299
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TONG HERR RESOURCES BERHAD

[Company No. 199701016642 (432139-W)]

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

T : +604 - 3903970 F : +604 - 3900840

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your Stockbroker, Bank Manager, Solicitor, Accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad [200301033577 (635998-W)] (“**Bursa Securities**”) Bursa Securities takes no responsibility for the contents of this Circular, 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 Circular.

Bursa Securities has only perused the proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature on a limited review basis pursuant to the provisions of Practice Note 18 of Bursa Securities' Main Market Listing Requirements.



TONG HERR RESOURCES BERHAD

[Company No. 199701016642 (432139-W)]
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

**PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT
RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE
[PROPOSED SHAREHOLDERS' MANDATE]**

The resolutions in respect of the above proposals will be tabled at the Twenty-Third (23rd) Annual General Meeting of the Company, which will be held at No. 2515 Tingkat Perusahaan 4A, Perai Free Trade Zone, 13600 Perai, Penang on Thursday, 25 June 2020 at 10.00 a.m.. Notice of the 23rd Annual General Meeting of the Company together with the Form of Proxy are set out in the Annual Report 2019 of the Company.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to vote for and on his behalf. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to vote for and on his behalf. The appointment of a proxy may be made in a hard copy form or by electronic means. In the case of an appointment made in hard copy form, 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. In the case of appointment by electronic form, the proxy form must be electronically lodged with the Company's Share Registrar, Tricor via TIIH Online at <https://tiih.online> (applicable to individual shareholders only). Please refer to the Annexure to Proxy Form on the procedures for electronic lodgement of proxy form via TIIH Online attached in Annual Report 2019.

The last day and time for you to lodge the Form of Proxy is on Tuesday, 23 June 2020 at 10.00 a.m.

This Circular is dated 27 May 2020

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**NOTICE OF
TWENTY-THIRD AGM
AND FORM OF PROXY**

**ENCLOSED
IN THE
ANNUAL REPORT 2019**

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

- “AASB” : Acme Aluminium Sdn. Bhd. [200301034069 (636490-K)]
- “Act” : The Companies Act, 2016 including all amendments made from time to time and any re-enactment thereof
- “AGM” : Annual General Meeting
- “Allrich” : Allrich Corp (73100)
- “Board” : The Board of Directors of THR
- “Bursa Securities” : Bursa Malaysia Securities Berhad [200301033577 (635998-W)]
- “Circular” : This circular dated 27 May 2020
- “Director” : Has the meaning given in Section 2(1) of Capital Markets and Services Act 2007. For the purpose of the Proposed Shareholders’ Mandate, this includes any person who is or was within the preceding six (6) months of the date on which the terms of transaction were agreed upon, a Director or Chief Executive Officer of THR Group or its subsidiary or holding company
- “KISB” : Kosmo Indah Sdn. Bhd. [200501016545 (693588-T)]
- “Listing Requirements” : Main Market Listing Requirements of Bursa Securities as amended from time to time and any re-enactment thereof
- “LPD” : 18 May 2020 being the latest practicable date prior to the printing of this Circular
- “Mandated Related Parties” : Tongming Enterprise Co., Ltd. (TME), Tong Win International Co. Ltd. (TWI) and Winlink Fasteners Co. Ltd. (WFC)
- “Major Shareholder” : A person who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:
- (a) 10% or more of the total number of voting shares in the Company; or
 - (b) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company.

For the purpose of this definition, “interest” shall have meaning of “interest in shares” given in Section 8 of the Act.

This includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of the Company as defined above or any other corporation which is its subsidiary or holding company.

DEFINITIONS (CONTINUED...)

- “Person Connected” : In relation to any person (referred to as “said Person”) means such person who falls under any one of the following categories:-
- (i) a family* member of the said Person;
 - (ii) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary;
 - (iii) a partner# of the said Person;
 - (iv) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;
 - (v) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act;
 - (vi) a body corporate in which the said Person, or persons connected with the said Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or
 - (vii) a body corporate which is a related corporation of the said Person

Notes:-

* *Family in relation to a person means such person who falls within any one of the following categories:-*

- (i) *spouse;*
- (ii) *parent;*
- (iii) *child including an adopted child and step-child;*
- (iv) *brother or sister; and*
- (v) *spouse of the persons referred to in subparagraphs (iii) and (iv) above.*

Partner in relation to any person (referred to as “said Person”), means such person who falls within any one of the following categories:-

- (i) *a person with whom the said Person, is in or proposes to enter into partnership with. “Partnership” for this purpose refers to a “partnership” as defined in section 3 of the Partnership Act 1961 or “limited liability partnership” as defined in section 2 of the Limited Liability Partnerships Act 2012, as the case may be; or*

DEFINITIONS (CONTINUED...)

“Person Connected” (Continued...)	:	# (ii) a person with whom the said Person has entered or proposes to enter into a joint venture, whether incorporated or not.
“Proposed Shareholders’ Mandate”	:	Proposed renewal of and new shareholders’ mandate for RRPT to be entered into by THR Group from the date of the forthcoming AGM to the next AGM
“Related Party(ies)”	:	Director(s), Major Shareholder(s) of THR Group or Person(s) Connected with such Director(s) or Major Shareholder(s). For the purpose of this definition, Director and Major Shareholder shall have the same meaning as given in Paragraph 10.02 of the Listing Requirements
“RHL”	:	Richard Holdings Limited (1925083)
“RRPT”	:	Recurrent Related Party Transactions of a revenue or trading nature which are necessary for THR Group’s day-to-day operations and are entered into by THR Group in the ordinary course of business which involves the interest, direct or indirect, of Related Parties
“Share(s)”	:	Ordinary share(s) in THR
“THA”	:	Tong Heer Aluminium Industries Sdn. Bhd. [199001009104 (200675-U)]
“THF”	:	Tong Heer Fasteners Co. Sdn. Bhd. [198801007444 (174801-H)]
“THFT”	:	Tong Heer Fasteners (Thailand) Co. Ltd. (0205547018706)
“THR” or “the Company”	:	Tong Herr Resources Berhad [199701016642 (432139-W)]
“THR Group” or “the Group”	:	THR and its subsidiaries which are involved in the RRPT, collectively
“TME”	:	Tong Ming Enterprise (JiaXing) Co., Ltd. (2008/0156)
“TMEC”	:	Tong Ming Enterprise Co., Ltd. (233975)
“TWI”	:	Tong Win International Co. Ltd. (54760)
“WFC”	:	Winlink Fasteners Co. Ltd. (97046185)

Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations.

Any reference to a time of day shall be a reference to Malaysian time, unless otherwise stated.



TONG HERR RESOURCES BERHAD
[Company No. 199701016642 (432139-W)]
(Incorporated in Malaysia)

Registered Office :-
Suite S-21-H, 21st Floor
Menara Northam,
55, Jalan Sultan Ahmad Shah,
10050 George Town, Penang
Date: 27 May 2020

Board of Directors :-

Mr. Tsai Ming Ti (Executive Chairman)
Mr. Tsai Yi Ting (Managing Director)
Mr. Tan Ban Leong (Executive Director)
Ms. Tsai Pei Chen (Non-Independent Non-Executive Director)
En. Fazrin Azwar Bin Dato' Hj. Md. Nor (Independent Non-Executive Director)
En. Megat Abdul Munir (Independent Non-Executive Director)
Mr. Teh Eng Hin (Independent Non-Executive Director)
Mr. Tsai, Hung-Chuan (Non-Independent Non-Executive Director)
Ms. Tsai, Chia-Yen (Non-Independent Non-Executive Director)

To : The Shareholders of Tong Herr Resources Berhad

Dear Sir/Madam,

PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE

1. INTRODUCTION

At the Company's 22nd AGM held on 27 May 2019, the Company had obtained the shareholders' mandate to allow the THR Group to enter into RRPTs. The aforesaid existing shareholder mandate shall, in accordance with the Listing Requirements lapse at the conclusion of the forthcoming AGM unless the renewal of the shareholders' mandate is obtained at the forthcoming AGM.

In connection thereto, the Board has on 7 April 2020 announced that the Company intends to seek shareholders' approval for the Proposed Renewal of and New Shareholders' Mandate (Proposed Shareholders' Mandate) at the forthcoming AGM to be convened on Thursday, 25 June 2020. The purpose of this Circular is to provide you with the relevant information on the Proposed Shareholders' Mandate and to seek your approval for the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the Company's forthcoming AGM.

The Ordinary Resolution in respect of the Proposed Shareholders' Mandate is set out in Appendix II of this Circular.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION TO BE TABLED AT THE FORTHCOMING 23RD AGM OF OUR COMPANY.

2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE

2.1 Provisions under the Listing Requirements

Pursuant to Paragraph 10.09(2) of the Listing Requirements, the Company may seek a shareholders' mandate subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where in relation to Company with a share capital of RM60 million and above:
 - (i) the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transactions (RRPT) is RM 1 million or more; or
 - (ii) the percentage ratios of such RRPT is 1% or more,whichever is higher;
- (c) the Company's circular to shareholders for the shareholders' mandate includes the information as may be prescribed by Bursa Securities;
- (d) in a meeting to obtain shareholders' or unit holders' mandate, the RRPT must comply with the requirements set out in Paragraph 10.08(7) of the Listing Requirements; and
- (e) the Company to immediately announce to Bursa Securities when the actual value of a RRPT entered into by the Company, exceeds the estimated value of the RRPT disclosed in the Circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

Where the Company has procured a shareholders' mandate pursuant to the above, the provision of Paragraph 10.08 of the Listing Requirements shall not apply with regard to transactions as detailed in this section.

The Proposed Shareholders' Mandate, if approved by the shareholders of the Company at the forthcoming AGM, will be subject to annual renewal and shall continue to be in force until :-

- (a) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed Shareholders' Mandate is approved, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) 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 the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE (CONTINUED...)

2.1 Provisions under the Listing Requirements (Continued...)

Accordingly, the Company proposes to seek the approval from its shareholders for the Proposed Shareholders' Mandate as set out in Section 2.4 for the THR Group to enter into transactions with Mandated Related Parties which are of a revenue or trading nature and necessary for its day-to-day operations at arms' length and on terms not more favourable to the Mandated Related Parties than those generally available to the public and are not to the detriment of the Company's minority shareholders.

2.2 Principal Activities of THR Group

THR is principally an investment holding company while the details and principal activities of its subsidiaries are as follows:-

No	Name of Companies	Principal Activity	THR's Direct Shareholding (%)
1.	THF	Manufacturing and sale of stainless steel fasteners including nuts, bolts, screws and all other threaded items	100.00
2.	THA	Extrusion and fabrication of aluminium product	51.00
	Subsidiaries of THA		
	-KISB	Rendering of property maintenance services	100.00 (Indirect)
	-AASB	Trading of aluminium extrusion products and parts	80.00 (Indirect)
3.	THFT	Manufacturing and sale of stainless steel fasteners including nuts, bolts, screws and all other threaded items	99.99

2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE (CONTINUED...)

2.3 Principal Activities of Mandated Related Parties

The principal activities of Mandated Related Parties which are not part of THR Group that are involved in the RRPT with the THR Group are set out below:-

Mandated Related Parties	Principal Activity
TME	Manufacture and sale of stainless steel, drawn wire rod, bolts and screws
TWI	Trading of standard stainless steel fasteners
WFC	Trading of screws and machinery parts

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2.4 Details of RRPT

The details of the nature and estimated annual value of the RRPT in respect of which THR Group is seeking mandate from its shareholders as contemplated under the Proposed Shareholders' Mandate are as follows:-

Nature of transaction	Company in THR Group	Mandated Related Parties	Interested Related Parties	2020 Proposed Mandate	2019 Mandate		
				(A) Estimated value of transactions pursuant to 2020 Mandate *	(B) Estimated value of transaction disclosed in 2019 Mandate	(C) Actual value of transaction conducted pursuant to 2019 Mandate to LPD	Deviation between values in (B) and (C)
				(RM)	(RM)	(RM)	(%)
Purchase of goods ⁽¹⁾ by THF from TME	THF	TME	Tsai, Ching-Tung ^{(a)(e)} Tsai Chen, Su-Kan ^(f) Tsai, Hung-Chuan ^{(a)(d)} Tsai, Jane-Rong ⁽ⁱ⁾ Tsai Chia-Yen ⁽ⁱ⁾ Tsai Ming Ti ^(c) Tsai Liao Chin Yeh ^(f) Tsai Yi Ting ^(b) Tsai Pei Chen ^(g) Tsai Chia Chen ^(h) Allrich Corp ^(k) Richard Holdings Limited ^(k)	2,500,000	2,500,000	-	-
Purchase of goods ⁽²⁾ by THF from WFC	THF	WFC		7,000,000	7,000,000	5,241,471	-
Sales of goods ⁽³⁾ by THF to TWI	THF	TWI		10,000,000	10,000,000	3,592,834	-
Purchase of goods ⁽²⁾ by THFT from WFC	THFT	WFC		5,000,000	5,000,000	2,252,812	-
Sales of goods ⁽³⁾ by THFT to TWI	THFT	TWI		100,000,000	100,000,000	81,288,317	-
Purchase of goods ⁽¹⁾ by THFT from TME	THFT	TME		3,000,000	-	-	-

Notes:-

- (1) *Raw material which is drawn wire rod.*
 - (2) *Packing materials and indirect materials, which are moulds and tools and machinery parts for manufacture of nuts, bolts, screws and threaded items.*
 - (3) *Finished goods which are nuts, bolts, screws and threaded items.*
 - (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. She is also a Director of TME.*
 - (k) *Major Shareholder of THR and a deemed Major Shareholder of THR Group.*
- * *The estimated value of the transactions for the period from the date of the 22nd AGM to the date of the next AGM in year 2020 are based on information available at the point of estimation. Due to the nature of the transactions, the actual value of the transactions may vary from the estimated aggregate value disclosed above.*

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2.5 Review methods or procedures for RRPT

There are procedures established by the THR Group to ensure that RRPT are undertaken on an arm's length basis and on the THR Group's normal commercial terms and on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders, consistent with the THR Group's usual business practices and policies, which are generally no more favourable to the Mandated Related Parties than those extended to unrelated third parties and are not to the detriment of the minority shareholders.

THR Group will observe the following procedures to supplement existing internal procedures for general transactions to ensure that the RRPT are undertaken on an arm's length basis and on normal commercial terms and on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders.

- (i) An approved list of related parties will be circulated to the THR Group and each related party to notify that all RRPT are required to be undertaken on an arm's length basis and on normal commercial terms and on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders;
- (ii) All RRPT will be reviewed by one (1) senior management and the Managing Director. Senior Management consists of Manager/Assistant Manager;
- (iii) Record all RRPT which are entered into pursuant to the Proposed Shareholders' Mandate in a register maintained by the Company;
- (iv) The annual internal audit plan shall incorporate a review of all RRPT entered into pursuant to the Proposed Shareholders' Mandate to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to;
- (v) The Audit Committee and the Board shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor RRPT have been complied with and the review shall be done at every quarter together with the review of quarterly results;
- (vi) The Audit Committee and the Board have reviewed the procedures and shall continue to review the procedures as and when required, with the authority to sub-delegate to individuals or committees within the Company as they deem appropriate. If a member of the Board or Audit Committee has an interest in the transaction to be reviewed by the Board or the Audit Committee as the case may be, he will abstain from any decision making by the Board or the Audit Committee in respect of that transaction;

2.5 Review methods or procedures for RRPT (Continued...)

- (vii) Surveys will be undertaken to gather information to compare the price quoted by third parties and related parties for the purpose of determining the competitive market price of materials and goods. It is our policy to purchase materials or goods from related parties when the prices are competitive with prices obtained from third parties. Other factors such as reliability of supply, delivery, services and quality of material or goods will also be taken into consideration for evaluation purpose;
- (viii) The cost plus method will be used to determine the transaction price. This method determines the arm's length price by adding an appropriate mark-up to the cost of production. The appropriate mark-up is the percentage earned by the Company on the RRPT/sales. Sales to related parties will not be on more favourable terms than those extended to unrelated third parties;
- (ix) At least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the Mandated Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities;
- (x) In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be based on the cost plus method as described in item 2.5(viii). Otherwise they are subject to the approval of the Board of the transaction entities;
- (xi) There is no specific threshold for approval of the RRPT within the Group.

2.6 Amount Owing and Due under RRPT

As at the LPD, there were no amounts due and owing to our Group under the RRPT which exceeded the credit term.

The outstanding amounts under the Group as at 31 December 2019 were as below:

Due from TWI	-	RM2,440,847
Due to WFC	-	RM752,829
Due to TME	-	RM -

2.7 Audit Committee's Statement

The Audit Committee of the Company has considered the procedures mentioned in Section 2.5 above and is satisfied that:-

- (a) THR Group has in place adequate procedures and processes to monitor, track and identify RRPT on a quarterly basis and in a timely and orderly manner and these procedures and processes are reviewed as and when required; and
- (b) the procedures above are sufficient to ensure the terms of the RRPT are fair, reasonable and on normal commercial terms, are not more favourable to the related parties than those generally available to the public and the RRPT are not detrimental to the minority shareholders and are in the best interest of the THR Group.

3. RATIONALE AND BENEFITS OF THE PROPOSED SHAREHOLDERS' MANDATE

THR Group has a long-standing business relationship with the Mandated Related Parties. The Mandated Related Parties are good customers of THR Group as well as reliable suppliers of raw materials and goods required by THR Group for its business. The raw materials and goods provided by the Mandated Related Parties are priced competitively and all transactions between THR Group and the Mandated Related Parties are carried out on an arms-length basis and on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders. The raw materials and goods can also be obtained from the Mandated Related Parties even when short notice is given to them, in order to meet the tight orders of the Group's customers. THR Group can also obtain various products, which are out of the product range of the Group, from the Mandated Related Parties, to meet the order of its customers.

Although THR Group also sources similar raw materials and goods from third parties, THR would like to seek approval for the Proposed Shareholders' Mandate as the close co-operation between THR Group and the Mandated Related Parties has reaped mutual benefits and has been and is expected to continue to be of benefit to the business of THR Group. The Mandated Related Parties are engaged in the same activity with THR Group, hence the Group can enjoy the lowest cost through bulk purchases arrangement and obtain the materials at short notice while maintaining at prevailing market prices, in order to meet customers' tight orders. Also due to the orders from customers of various range of product which is out of the product range of the Group, the Group entered into transactions with the Mandated Related Parties and hence will be able to supply additional range of products when required. Therefore, the Group will reap additional profit.

Shareholders' approval on an annual basis would eliminate the need to convene separate general meeting from time to time to seek shareholders' approval as and when potential RRPT with Related Parties arise, thereby reducing substantial administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the THR Group.

The Proposed Shareholders' Mandate is intended to facilitate transactions in the normal course of business of the THR Group which are transacted from time to time with the Mandated Related Parties.

4. DISCLOSURE IN ANNUAL REPORT 2019

Disclosure is made in the annual report of the Company on the breakdown of the aggregate value of RRPT made pursuant to the existing shareholders' mandate during the financial year ended 31 December 2019.

5. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate is not expected to have any effect on the share capital, and is not expected to have any material effect on the earnings per share, net assets per share and gearing of the THR Group.

6. APPROVAL REQUIRED

The Proposed Shareholders' Mandate is subject to the approval of the shareholders of the Company at the forthcoming AGM to be convened or at any adjournment thereof.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND / OR PERSONS CONNECTED TO THEM

As at LPD, the direct and indirect interests of the Interested Directors, Major Shareholders of THR and Person Connected with them, in respect of the Proposed Shareholders' Mandate, are as follows:

	No. of Ordinary Shares held in THR			
	Direct	% [^]	Indirect	% [^]
Interested Directors and/or Major Shareholders				
Tsai Ming Ti	2,020,402	1.32	50,178,357 ^(a)	32.69
Tsai Yi Ting	198,000	0.13	49,044,307 ^(c)	31.95
Tsai, Hung-Chuan	-	-	61,191,043 ^(b)	39.86
Tsai Pei Chen	731,100	0.48	49,044,307 ^(c)	31.95
Tsai, Chia-Yen	-	-	61,191,043 ^(b)	39.86
Allrich	61,191,043	39.86	-	-
RHL	49,044,307	31.95	-	-
Person Connected with Interested Directors and/or Major Shareholders				
Tsai, Ching-Tung	-	-	61,191,043 ^(b)	39.86
Tsai Chen, Su-Kan	-	-	61,191,043 ^(b)	39.86
Tsai Liao Chin Yeh	1,134,050	0.74	51,064,709 ^(d)	33.26
Tsai, Jane-Rong	-	-	61,191,043 ^(b)	39.86
Tsai Chia Chen	51,300	0.03	49,044,307 ^(c)	31.95

Notes :

(a) Deemed interested by virtue of his interest in RHL and Shares held by his spouse, Tsai Liao Chin Yeh

(b) Deemed interested by virtue of his/her interest in Allrich

(c) Deemed interested by virtue of his/her interest in RHL

(d) Deemed interested by virtue of her indirect interest in RHL and Shares held by her spouse, Tsai Ming Ti

[^] Based on the total paid-up capital of RM185,930,000.00 divided into 157,430,000 Shares excluding 3,912,300 Shares held as treasury shares as at LPD.

.7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND / OR PERSONS CONNECTED TO THEM (CONTINUED...)

The abovenamed Directors, who are interested in the Proposed Shareholders' Mandate have abstained and will continue to abstain from all deliberations and voting on the RRPT involving them, as set out in the Proposed Shareholders' Mandate, at the relevant Board meetings and will also abstain from voting on the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM to be convened or at any adjournment thereof.

Accordingly, the Major Shareholders will also abstain from voting on the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM. The abovenamed Interested Directors and Major Shareholders have undertaken to ensure that the Person(s) Connected with them will abstain from voting, deliberating or approving the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM to be convened or at any adjournment thereof.

Save as disclosed above, none of the other Directors and/or Major Shareholder or Person Connected with them have any interest, directly or indirectly in the Proposed Shareholders' Mandate.

8. DIRECTORS' RECOMMENDATION

The Board (save and except for Tsai Ming Ti, Tsai, Hung-Chuan, Tsai Yi Ting, Tsai Pei Chen and Tsai, Chia-Yen who are deemed interested in the Proposed Shareholders' Mandate), having considered all aspects of the Proposed Shareholders' Mandate, is of the opinion that the Proposed Shareholders' Mandate is in the best interest of the Company and accordingly, recommends that you vote in favour of the resolution pertaining to the Proposed Shareholders' Mandate under Special Business to be tabled at the forthcoming AGM.

9. AGM

The 23rd AGM, the Notice of which is enclosed in Annual Report 2019, will be held at No. 2515 Tingkat Perusahaan 4A, Perai Free Trade Zone, 13600 Perai, Penang on Thursday, 25 June 2020 at 10.00 a.m., for the purpose of considering and, if thought fit, passing the ordinary resolution so as to give effect to the Proposed Shareholders' Mandate.

If you are unable to attend and vote in person at the 23rd AGM, you are requested to complete, sign and return the Form of Proxy enclosed in the Annual Report 2019 in accordance with the instructions printed therein. The Form of Proxy must be lodged at the Registered Office of the Company not less than forty-eight (48) hours before the time fixed for the AGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

10. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix I contained in this Circular for further information.

Yours faithfully
For and on behalf of the Board of
Tong Herr Resources Berhad

Megat Abdul Munir
Independent Non-Executive Director

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular 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 other facts, the omission of which would make any statement herein misleading.

2. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by THR and/or its subsidiaries within the past two (2) years preceding the LPD of this Circular.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Neither THR nor any of its subsidiary companies are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Board is not aware and do not have any knowledge of any preceding pending or threatened against the Company and/or its subsidiaries or of any facts likely to give rise to any proceeding which may materially or affect the financial position or business of THR Group.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal office hours (except public holidays) at the Registered Office of THR at Suite S-21-H, 21st Floor, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 George Town, Penang from the date of this Circular up to and including the date of the forthcoming AGM:

- (a) the Constitution of THR; and
- (b) the Audited Financial Statements of THR for the past two (2) financial years ended 31 December 2018 and 2019 respectively.

TONG HERR RESOURCES BERHAD
[Company No. 199701016642 (432139-W)]
(Incorporated in Malaysia)

EXTRACT OF NOTICE OF TWENTY-THIRD AGM

ORDINARY RESOLUTION 9

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

“THAT subject to the Companies Act 2016, provisions of the Constitution of the Company and the requirements of Bursa Malaysia Securities Berhad (“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 27 May 2020 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”).

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

- 5.4.1 the conclusion of the next Annual General Meeting (“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 Companies Act 2016 (“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.”

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EXTRACT OF NOTICE OF TWENTY-THIRD AGM (CONTINUED...)

ORDINARY RESOLUTION 10

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

“THAT subject to the Companies Act 2016, provisions of the Constitution of the Company and the requirements of Bursa Malaysia Securities Berhad (“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 new recurrent related party transactions as specified in Section 2.4 of the Circular to the shareholders dated 27 May 2020 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 New Shareholders’ Mandate”).

AND THAT the Proposed New Shareholders’ Mandate shall continue to be in force until: -

- 5.5.1 the conclusion of the next Annual General Meeting (“AGM”) of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, the authority is renewed; or
- 5.5.2 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 Companies Act 2016 (“Act”) (but must not extend to such extension as may be allowed pursuant to section 340(4) of Act); or
- 5.5.3 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 New Shareholders’ Mandate.”

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