

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2025

EXPLANATORY NOTES AS PER MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements (Condensed Reports) are unaudited and have been prepared in accordance with MFRS 134: *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. This Condensed Report also complies with IAS34: *Interim Financial Reporting* issued by the International Accounting Standards Board (IASB) and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2024.

The significant accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 31 December 2024 except for the adoption of the following new/revised MFRSs:-

MFRS (issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
MFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
Amendments to MFRS 9 and MFRS 7 <i>Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
Amendments to MFRS 9 and MFRS 7 <i>Contracts Referencing Nature-dependent Electricity</i>	1 January 2026
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 121 <i>Lack of Exchangeability</i>	1 January 2025
Annual Improvements to MFRS Accounting Standards - Volume 11	1 January 2026

The adoption of the above new/revised MFRSs and IC Interpretations have not resulted in any material impact on the financial statements of the Group.

A2. Qualification of Financial Statements

The auditors' report dated 9 April 2025 in respect of the audited financial statements for the year ended 31 December 2024 was not subject to any qualification.

A3. Seasonal or cyclical factors

The Group performance for the financial period under review was not materially affected by any major seasonal and cyclical factors.

A4. Extraordinary and exceptional items

There were no extraordinary and exceptional items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial period under review.

A5. Changes in estimates

There were no material changes in the nature and amount of estimates during the financial period under review.

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A6. Issuance and repayment of debts and equity securities etc

There were no issuances, cancellation, resale and repayment of debts and equity securities during the financial period under review.

A7. Dividend paid

A final single tier dividend of 3.3 sens per share, amounting to RM5,066,084 in respect of the financial year ended 31 December 2024, was approved in the AGM held on 29 May 2025, which had been paid on 18 June 2025 subsequently.

A8. Segment reporting

a. Operating segment

	Manufacture and sale of stainless steel fasteners RM'000	Manufacture and sale of aluminium and its related products RM'000	Unallocated non- operating segments RM'000	Total RM'000
31 December 2025				
Segment assets	513,163	138,657	2,612	654,432
Segment liabilities	40,603	24,283	188	65,075
External revenue	415,803	144,960	0	560,763
Segment profit/(loss)	3,217	5,681	(187)	8,711

	Manufacture and sale of stainless steel fasteners RM'000	Manufacture and sale of aluminium and its related products RM'000	Unallocated non- operating segments RM'000	Total RM'000
31 December 2024				
Segment assets	529,379	148,636	6,339	684,354
Segment liabilities	55,212	36,703	193	92,108
External revenue	373,915	162,465	0	536,380
Segment profit/(loss)	(3,915)	11,760	(222)	7,623

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b. Geographical information

In RM'000	External revenue		Non-current assets	
	31/12/2025	31/12/2024	31/12/2025	31/12/2024
Malaysia	130,218	148,214	53,173	53,104
Thailand	16,433	20,128	81,028	87,820
Germany	19,502	41,991	0	0
Taiwan	109,162	84,221	0	0
United States of America	176,591	146,685	0	0
Other countries	108,857	95,141	0	0
	<u>560,763</u>	<u>536,380</u>	<u>134,291</u>	<u>140,924</u>

A9. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter.

A10. Property, plant and equipment

The valuations of land and buildings have been brought forward, with no amendment from the previous annual report in the current quarter under review.

In the opinion of the directors, the fair value of property, plant and equipment is not significantly different from the carrying value.

A11. Capital commitment

Authorised capital expenditure not provided for in the interim financial report is as follows:

	31/12/2025 RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>2,730</u>

A12. Material events subsequent to the reported period

There was no item, transaction or event of a material or unusual in nature during the year from the end of the financial period under review to 19 February 2026.

A13. Contingent liabilities

	31/12/2025 RM'000	31/12/2024 RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiaries	<u>244,810</u>	<u>271,437</u>

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B. ADDITIONAL INFORMATION REQUIRED UNDER BURSA MALAYSIA LISTING REQUIREMENTS

1. Review of the performance of the Company and its principal subsidiaries

	Individual Period (4th quarter)		Changes		Cumulative Period		Changes	
	31/12/25	31/12/24			31/12/25	31/12/24		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	120,583	134,765	(14,182)	(10.52)	560,763	536,380	24,383	4.55
Gross Profit	5,652	4,106	1,546	37.65	33,455	29,455	4,000	13.58
(Loss)/Profit Before Interest and Tax	(701)	6,584	(7,285)	(110.65)	12,622	11,385	1,237	10.87
(Loss)/Profit Before Tax	(1,246)	6,330	(7,576)	(119.68)	9,676	10,496	(820)	(7.81)
(Loss)/Profit After Tax	(414)	7,115	(7,529)	(105.82)	8,711	7,623	1,088	14.27
(Loss)/Profit attributable to owners of the Company	(1,290)	6,644	(7,934)	(119.24)	5,756	1,682	4,074	242.24

The Group recorded revenue of RM120,58 million for current quarter as compared to RM134.77 million in previous year corresponding quarter. Lower revenue was mainly due to lower sales volume contributed from Fasteners and Aluminium segment.

The gross profit for cumulative period increased by RM4 million or 13.58% to RM33.46 million. The gross profit margin for the cumulative period had been improved from 5.49% to 5.97% was mainly due to the increase in sales volume while the cost of sales remain constant.

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

	Current Quarter	Immediate Preceding Quarter	Changes	
	31/12/25	30/09/25	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	120,583	141,685	(21,102)	(14.89)
Gross Profit	5,652	7,329	(1,677)	(22.88)
(Loss)/Profit Before Interest and Tax	(701)	2,393	(3,094)	(129.29)
(Loss)/Profit Before Tax	(1,246)	1,521	(2,767)	(181.92)
(Loss)/Profit After Tax	(414)	1,291	(1,705)	(132.07)
(Loss)/Profit attributable to owners of the Company	(1,290)	321	(1,611)	(501.87)

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

The Group reported revenue of RM120.58 million and loss before tax of RM1.25 million for the current quarter as compared to the revenue of RM141.69 million and profit before tax of RM1.52 million in the immediate preceding quarter. Slightly decrease of the revenue were mainly resulted from the decrease in selling price form Fasteners segments. The decrease in revenue also resulted in the decrease in gross profit by RM1.67 million from RM7.33 million to RM5.65 million.

3. Prospects for the current financial year

The global economy remains challenging, driven by geopolitical tensions, foreign exchange volatility, energy-driven inflation, and regional instability, which may disrupt supply chains and affect the operations of Tong Herr in certain markets.

In addition, ongoing uncertainties that may derail the pace of economic recovery, including commodity price volatility, currency fluctuations, and evolving policies in advanced economies. In particular, the recently announced and anticipated tariff increases by the United States, along with retaliatory measures by its trading partners, present additional downside risks to global trade and sentiment.

The Group has taken continuous effort to sustain its operations and seize business opportunities in this dynamic yet challenging market. The Group will remain resilient and vigilant in addressing these challenges in its' business activities moving forward.

4. Variance of actual profit from forecast profit

Not applicable.

5. Tax expense

The tax expense for continuing operations comprises:

	Individual Quarter 3 months ended 31 December		Cumulative Quarter ended 31 December	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Tax based on results for the year:-				
Current tax	134	697	1,901	4,381
Real property gain tax	0	25	0	25
Deferred tax	(714)	(1,251)	(684)	(1,277)
	<u>(580)</u>	<u>(529)</u>	<u>1,217</u>	<u>3,129</u>
Tax (over)/under provided in prior year:-				
Current tax	(71)	(267)	(71)	(267)
Deferred tax	(181)	11	(181)	11
	<u>(832)</u>	<u>(785)</u>	<u>965</u>	<u>2,873</u>

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6. Group borrowings and debt securities

The Group's loans and borrowings are as follows:

	31/12/2025	31/12/2024
	RM'000	RM'000
<u>Unsecured</u>		
Short term borrowings		
Bankers' acceptance	6,445	14,764
Onshore foreign currency loans	7,127	9,101
Foreign currency trust receipts	12,715	17,312
Total	<u>26,287</u>	<u>41,177</u>
Disclosed as:-		
- Current liabilities	26,287	41,177
- Non-current liabilities	0	0
	<u>26,287</u>	<u>41,177</u>

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

	31/12/2025	31/12/2024
	RM'000	RM'000
<u>Bank loans and borrowings</u>		
US Dollars	19,842	26,413
Malaysian Ringgit	6,445	14,764
	<u>26,287</u>	<u>41,177</u>

7. Material pending litigation

The Group is not engaged in any material litigation as at 19 February 2026 (the latest practicable date which is not earlier than 7 days from the date of this quarterly report).

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8. Financial instruments

As at 31 December 2025, the outstanding forward exchange contracts are as follows:

	31/12/2025		31/12/2024	
	To sell '000	To buy '000	To sell '000	To buy '000
Contract I	EUR 660	USD 760	EUR 2,015	USD 2,226
Contract II	USD 758	MYR 3,160	-	-
Contract III	-	-	EUR 400	MYR 2,031
Contract IV	-	-	MYR 6,529	USD 1,507

The maturity of the abovementioned foreign exchange contracts are less than 1 year.

Forward exchange contracts were entered into by subsidiaries in currencies other than the functional currency to manage the exposure to the foreign exchange rates fluctuation.

All exchange gains/losses arising on the hedge instruments are recognised in the Statement of Comprehensive Income on settlement of the forward exchange contract.

9. Dividend

A final single tier dividend of 3.3 sens per share, amounting to RM5,066,084 in respect of the financial year ended 31 December 2024, was approved in the AGM held on 29 May 2025, which had been paid on 18 June 2025 subsequently.

10. Earnings per share

	Individual Quarter 3 months ended		Cumulative Quarter Ended	
	31 December		31 December	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
(Loss)/Profit for the year attributable to owners of the Company (RM'000)	<u>(1,290)</u>	<u>6,644</u>	<u>5,756</u>	<u>1,682</u>
Number of shares in issue at 1 January /31 December ('000)	<u>153,518</u>	<u>153,518</u>	<u>153,518</u>	<u>153,518</u>
Basic earnings per share (sen)	<u>(0.84)</u>	<u>4.33</u>	<u>3.75</u>	<u>1.10</u>
Diluted earnings per share (sen)	<u>(0.84)</u>	<u>4.33</u>	<u>3.75</u>	<u>1.10</u>

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11. Notes to the Condensed Consolidated Statement of Comprehensive Income

	Current Quarter	Current Year To Date
	RM'000	RM'000
Interest income	539	1,092
Interest expense	545	2,946
Depreciation and amortization	3,782	15,379
Foreign exchange loss	(2,247)	1,638
Fair value gain on financial instruments mandatorily measured at fair value through profit or loss	2,216	1,177

BY ORDER OF THE BOARD

Tsai Yi Ting
Managing Director
Dated this 26 FEBRUARY 2026