

TONG HERR RESOURCES BERHAD
(Company No.432139-W)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE UNAUDITED
INTERIM FINANCIAL REPORT FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2008
(Financial Year Ending 31 December 2008)

A. EXPLANATORY NOTES AS PER FRS 134

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2007.

The significant accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the financial year ended 31 December 2007.

2. Qualification of Financial Statements

The auditors' report dated 16 April 2008 in respect of the audited financial statements for the year ended 31 December 2007 was not subject to any qualification.

3. Seasonal or cyclical factors

The Group performance is normally not affected by the seasonal and cyclical factors except during the first quarter whereby production time is shorter due to festive seasons and holidays.

4. Extraordinary and exceptional items

There were no extraordinary and exceptional items during the financial quarter under review.

5. Changes in estimates

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

6. Issuance and repayment of debt and equity securities etc

For the current period ended 30 September 2008, there were no issuance of debt and equity securities, share cancellations and resale of treasury shares except for the buyback of 19,000 shares by the company for the amount of RM43,445.72 held as treasury shares.

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7. Dividend paid

No dividend was paid by the Company during the financial quarter ended 30 September 2008.

8. Segmental reporting

By Geographical Location of Assets	Revenue	Profit Before Tax	Cumulative Quarter	
	3 months ended 30 Sep 2008	9 months ended 30 Sep 2008	Revenue	Profit Before Tax
	RM'000	RM'000	RM'000	RM'000
Malaysia	83,771	8,531	243,482	25,856
Thailand	19,485	1,646	62,362	5,492
	103,256	10,177	305,844	31,348

9. Property, plant and equipment

The valuations of land and buildings have been brought forward, without amendment from the previous annual report.

10. Capital commitment

There were no capital commitments in respect of capital expenditure at the end of the financial period reported except as below:

	<u>As at 30/9/08</u> RM'000
Property, plant and equipment Contracted but not provided for in the financial statements	28,152

11. Material events subsequent to the end of the period reported

There were no material events subsequent to the end of the financial period reported.

12. Changes in the composition of the Group

There were no changes in the composition of the Group during the financial period under review.

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13. Contingent liabilities

	<u>As at 30/9/08</u> RM'000	<u>As at 31/12/07</u> RM'000
Financial guarantees granted for subsidiaries' credit facilities	<u>214,000</u>	<u>206,000</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

The Group reported revenue of RM103.26 million and profit before taxation of RM10.18 million for the current quarter as compared to RM139.11million and RM21.59 million respectively compared to the Group revenue for the same quarter in previous year.

The lower profit before income tax in this reporting quarter as compared to the results in corresponding period last year are due to the high cost of raw materials purchased.

2. Material changes in the Quarterly Results compared to the results of the preceding quarter

The Group recorded revenue of RM103.26 million and profit before income tax of RM10.18 million in this reporting quarter compared to RM102.95 million and RM14.95 million respectively, as recorded in the preceding quarter.

The higher revenue and lower profit before income tax for this quarter are due to higher higher cost of raw materials purchased in the preceding quarters.

3. Prospects for the next financial year

The Group will further focus on the core business besides continuing to improve operating efficiency and implement cost control measures in order to improve performance as well as to seek out new areas to market the product.

4. Variance of actual profit from forecast profit

Not applicable.

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5. Taxation

The taxation of the financial periods under review is as follows:

	3 months ended		9 months ended	
	30 September		30 September	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Current taxation	(2,228)	(4,911)	(6,749)	(19,376)
Deferred taxation	(40)	246	(203)	-
	(2,268)	(4,665)	(6,952)	(19,376)
Tax over/(under) provided in prior year	(863)	13	(863)	13
	(3,131)	(4,652)	(7,815)	(19,363)

There were no material variance between the effective and statutory rate for the current quarter and cumulative financial year to date.

6. Profit/(losses) on sale of unquoted investment and/or properties

There were no sales of unquoted investment and/or properties for the financial period under review.

7. Quoted securities

There were no purchases or disposals of quoted shares for the current financial period to date.

8. Status of corporate proposals

There are no corporate proposals during the period under review.

9. Group borrowings and debt securities

The Group borrowings and debt securities are as follows:

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	As at end of 30 September 2008 RM'000	As at end of 31 December 2007 RM'000
Bank borrowings - unsecured		
Bankers' acceptances	72,133	29,453

10. Off balance sheet financial instruments

As at 22nd Nov 2008 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), the Group had contract maturing in the next 6 day to 76 days, to purchase RM25.11million in foreign currency (EUR220 thousand and USD7.1 million) at the spot rate on that date.

The Group has no significant concentrations of interest rate risk, credit risk and liquidity and cash flow risk in relation to the above off balance sheet financial instruments as the board is of the opinion that the net exposure is not significant.

11. Material pending litigation

The Group was not engaged in any material litigation as at 22nd Nov 2008 (the latest practicable date which is not earlier than 7 days from the date of this quarterly report).

12. Dividend

No dividends have been declared and paid during the quarter under review.

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13. Earnings Per Share

	3 months ended 30 September		9 months ended 30 September	
	<u>2008</u>	<u>2007</u>	(Restated)	
	RM'000	RM'000	<u>2008</u>	<u>2007</u>
	RM'000	RM'000	RM'000	RM'000
(a) Basic earnings per share				
Net profit attributable to shareholders	6,223	15,232	20,788	58,886
Weighted number of ordinary shares ('000)	127,407	127,425	127,419	127,425
Basic Earnings Per Share (sen)	4.88	11.95	16.31	46.21
(b) Diluted earnings per share				
Net profit attributable to shareholders	6,223	15,232	20,788	58,886
Weighted number of ordinary shares ('000)	127,407	127,425	127,419	127,425
Adjustment for ESOS ('000)	-	-	-	-
Weighted number of ordinary shares ('000)	127,407	127,425	127,419	127,425
Diluted Earnings Per Share(sen)	4.88	11.95	16.31	46.21

The calculation of earnings per share for the 9 months ended 30 Sep 2007 has been adjusted retrospectively to reflect the changes in the number of share as a result of the bonus issue during financial year ended 31 December 2007.

BY ORDER OF THE BOARD

Tsai Ming Ti
Managing Director
Dated this 26th November 2008