

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 2009  
(Financial Year Ending 31 December 2009)  
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 2008.

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 2008.

**2. Qualification of Financial Statements**

The auditors' report dated 3 April 2009 in respect of the audited financial statements for the year ended 31 December 2008 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**

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current financial quarter under review.

**7. Dividend paid**

No dividend was paid by the Company during the financial quarter ended 30 September 2009.

**8. Segmental reporting**

	Individual Quarter		Cumulative Quarter	
	Revenue	Profit Before Tax	Revenue	Profit Before Tax
<b>By Geographical Location of Assets</b>	<u>3 months ended 30 September 2009</u>		<u>9 months ended 30 September 2009</u>	
	RM'000	RM'000	RM'000	RM'000
Malaysia	39,219	3,019	107,683	(864)
Thailand	9,249	904	49,954	7,162
	48,468	3,923	157,637	6,298

**9. Property, plant and equipment**

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

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**10. Capital commitment**

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

	As at 30/09/09 RM'000
Property, plant and equipment Contracted but not provided for in the financial statements	17,521

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

The company had obtained the shareholders' approval via the Extraordinary General Meeting held on 16<sup>th</sup> October 2009 on the joint venture between Tong Heer Resources Berhad with Tsai, Ching-Tung, Tsai Ming Ti, Tsai, Hung-Chuan and Tsai Yi Ting in Fuco International Ltd., a company incorporated in the British Virgin Islands, which in turn holds 90% in Fuco Steel Corporation Ltd., a company incorporated in Vietnam, for the construction of a steel billet manufacturing plant in Vietnam for an investment amounting to USD19,999,440.00

As at 18<sup>th</sup> November 2009 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) Tong Heer Resources Berhad has not yet make any capital contribution for the proposed project.

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

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

**13. Contingent liabilities**

	As at 30/09/2009 RM'000	As at 30/09/2008 RM'000
Financial guarantees granted for subsidiaries' credit facilities	243,000	243,000

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**A. 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 RM48.47 million and profit before taxation of RM3.92 million for the current quarter as compared to revenue of RM103.26million and profit before taxation of RM10.18 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 higher cost of raw materials purchased in the preceding quarters.

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

The Group recorded revenue of RM48.47 million and profit before income tax of RM3.92 million in this reporting quarter compared to revenue of RM44.89million and loss before tax of RM381 thousand respectively, as recorded in the preceding quarter.

The higher profit before income tax in this reporting quarter as compared to the results in preceding quarter are due to lower raw material cost.

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

Despite of the current global economic uncertain, the Board will take necessary steps towards the Group's operation to strive in the competitive market and control the expenses. The Group will also further focus on core business and continuing to improve operating efficiency.

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

Not applicable.

**5. Taxation**

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

	Individual Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current taxation	-	(2,228)	-	(6,749)
Deferred taxation	67	(40)	67	(203)
	<u>67</u>	<u>(2,268)</u>	<u>67</u>	<u>(6,952)</u>
Tax over/(under) provided in prior year	-	(863)	-	(863)
	<u>67</u>	<u>(3,131)</u>	<u>67</u>	<u>(7,815)</u>

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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**

The company had obtained the shareholders' approval via the Extraordinary General Meeting held on 16<sup>th</sup> October 2009 on the joint venture between Tong Heer Resources Berhad with Tsai, Ching-Tung, Tsai Ming Ti, Tsai, Hung-Chuan and Tsai Yi Ting in Fuco International Ltd., a company incorporated in the British Virgin Islands, which in turn holds 90% in Fuco Steel Corporation Ltd., a company incorporated in Vietnam, for the construction of a steel billet manufacturing plant in Vietnam for an investment amounting to USD19,999,440.00

As at 18<sup>th</sup> November 2009 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) Tong Heer Resources Berhad has not yet make any capital contribution for the propose project.

**9. Group borrowings and debt securities**

The Group borrowings and debt securities are as follows:

	As at end of 30 September 2009	As at end of 31 December 2008
	RM'000	RM'000
Bank borrowings - unsecured		
Bankers' acceptances	32,513	45,148

**10. Off balance sheet financial instruments**

As at 18<sup>th</sup> November 2009 (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 19 day to 120 days, to purchase RM10.62 million and Usd1.18 million in foreign currency (EUR2.9million) 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 18<sup>th</sup> November 2009 (the latest practicable date which is not earlier than 7 days from the date of this quarterly report).

**12. Dividend**

No dividend was paid by the Company during the financial quarter ended 30 September 2009.

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**13. Earnings Per Share**

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended 30 September	
	30 September			
	<u>2009</u> RM'000	<u>2008</u> RM'000	<u>2009</u> RM'000	<u>2008</u> RM'000
(a) Basic earnings per share				
Net profit attributable to shareholders	3,537	6,223	2,784	20,788
Weighted number of ordinary shares ('000)	127,406	127,407	127,406	127,419
Basic Earnings Per Share (sen)	2.78	4.88	2.19	16.31
(b) Diluted earnings per share				
Net profit attributable to shareholders	3,537	6,223	2,784	20,788
Weighted number of ordinary shares ('000)	127,406	127,407	127,406	127,419
Adjustment for ESOS ('000)	-	-	-	-
Weighted number of ordinary shares ('000)	127,406	127,407	127,406	127,419
Diluted Earnings Per Share(sen)	2.78	4.88	2.19	16.31

BY ORDER OF THE BOARD

Tsai Ming Ti  
Managing Director

Dated this 25<sup>th</sup> November 2009