

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

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2010  
The figure have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENT  
For the Quarter Ended 31 March 2010  
(Financial Year Ending 31 December 2010)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	2010 Quarter Ended 31-03-10 RM'000	2009 Quarter Ended 31-03-09 RM'000	2010 Quarter Ended 31-03-10 RM'000	2009 Quarter Ended 31-03-09 RM'000
Revenue	58,880	64,278	58,880	64,278
Cost of Sales	(51,598)	(59,912)	(51,598)	(59,912)
<b>Gross Profit</b>	<b>7,282</b>	<b>4,366</b>	<b>7,282</b>	<b>4,366</b>
Other income	793	1,043	793	1,043
Administrative expenses	(1,224)	(2,289)	(1,224)	(2,289)
Selling and marketing expenses	(1,023)	(835)	(1,023)	(835)
Finance costs	(149)	(291)	(149)	(291)
<b>Profit Before Tax</b>	<b>5,679</b>	<b>1,994</b>	<b>5,679</b>	<b>1,994</b>
Income tax expenses	(938)	0	(938)	0
<b>Profit For The Period</b>	<b>4,741</b>	<b>1,994</b>	<b>4,741</b>	<b>1,994</b>
Attributable to:				
Equity holder of the parent	3,750	116	3,750	116
Minority interest	991	1,878	991	1,878
	<b>4,741</b>	<b>1,994</b>	<b>4,741</b>	<b>1,994</b>
Earnings per share attributable to equity holders of the parent:				
Basic, for profit for the period (sen)	<u>2.94</u>	<u>0.09</u>	<u>2.94</u>	<u>0.09</u>
Diluted, for profit for the period (sen)	<u>2.94</u>	<u>0.09</u>	<u>2.94</u>	<u>0.09</u>

(The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the audited financial statement for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statement.)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010  
(Financial Year Ending 31 December 2010)

	(Unaudited) 31 MARCH 2010 RM'000	(Audited) 31 DECEMBER 2009 RM'000 (Restated)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	95,075	94,205
	<u>95,075</u>	<u>94,205</u>
<b>Current assets</b>		
Inventories	68,003	84,068
Trade and other receivables	21,331	19,534
Financial assets at fair value through profit or loss	139	0
Current tax asset	277	2,498
Cash and bank balances	171,014	155,331
	<u>260,764</u>	<u>261,430</u>
<b>TOTAL ASSETS</b>	<u><b>355,839</b></u>	<u><b>355,635</b></u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	127,430	127,430
Share premium	0	0
Treasury shares	(63)	(63)
Other reserves	283	760
Retained earnings	156,102	152,246
<b>Equity attributable to equity holders of the parent</b>	<u>283,752</u>	<u>280,374</u>
Minority interest	30,059	29,542
<b>Total equity</b>	<u><b>313,811</b></u>	<u><b>309,916</b></u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	2,729	2,729
	<u>2,729</u>	<u>2,729</u>
<b>Current Liabilities</b>		
Borrowings	31,998	30,694
Trade and other payables	7,298	12,293
Current tax payable	3	3
<b>Total liabilities</b>	<u>39,299</u>	<u>42,990</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>355,839</b></u>	<u><b>355,635</b></u>
<b>Net assets per share attributable to ordinary equity holders of the parent (sen)</b>	<u><b>223</b></u>	<u><b>220</b></u>

(The Unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial

**TONG HERR RESOURCES BERHAD**  
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE QUARTER ENDED 31 MARCH 2010**  
 (Financial Year Ending 31 December 2010)

	2010 3 months Ended 31 March RM'000	2009 3 months Ended 31 March RM'000
Net cash from operating activities	17,296	32,745
Net cash used in investing activities	(2,555)	(7,730)
Net cash (used in) / generated from financing activities	<u>1,304</u>	<u>(21,730)</u>
Net (decrease)/ increase in cash and cash equivalents	16,045	3,285
Effect of exchange rate changes	(362)	719
Cash and cash equivalents at beginning of financial period	155,331	144,917
Cash and cash equivalents at end of financial period	<u>171,014</u>	<u>148,922</u>

Cash and cash equivalents at end of financial period comprise the following:

	As at 31 March 2010 RM'000	As at 31 March 2009 RM'000
Cash and bank balances	171,014	148,922
Bank overdrafts	<u>-</u>	<u>-</u>
	<u>171,014</u>	<u>148,922</u>

(The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statement for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.)

TONG HERR RESOURCES BERHAD  
(Company No.432139-W)  
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AND ITS SUBSIDIARY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 31 MARCH 2010  
(Financial Year Ending 31 December 2010)

	Attributable to Equity Holders of the Parent					Total (RM'000)	Minority Interest (RM'000)	Total Equity (RM'000)
	Share Capital (RM'000)	Share Premium (RM'000)	Treasury Shares (RM'000)	Non-Distributable Reserves (RM'000)	Held for Sale (RM'000)			
At 1 January 2010	127,430	0	(63)	760	0	280,374	29,542	309,916
Financial assets at fair value through profit or loss	0	0	0	0	0	105	0	105
At 1 January 2010 (As restated)	0	0	(63)	760	0	280,479	29,542	310,021
Total comprehensive income	0	0	0	(477)	0	3,273	517	3,790
Issue of ordinary shares	0	0	0	0	0	0	0	0
Capitalisation of bonus issue	0	0	0	0	0	0	0	0
Payment of dividend	0	0	0	0	0	0	0	0
Purchase of treasury shares	0	0	0	0	0	0	0	0
At 31 March 2010	127,430	0	(63)	283	0	283,752	30,059	313,811
At 1 January 2009	127,430	0	(63)	(71)	0	277,502	24,647	302,149
Total comprehensive income	0	0	0	808	0	924	2,684	3,608
Issue of ordinary shares	0	0	0	0	0	0	0	0
Payment of dividend	0	0	0	0	0	0	0	0
Purchase of treasury shares	0	0	0	0	0	0	0	0
Minority Interest's contribution of capital	0	0	0	0	0	0	0	0
At 31 March 2009	127,430	0	(63)	737	0	278,426	27,331	305,757

(The Unaudited Condensed Consolidated Statements of Changes In Equity should be read in conjunction with the audited financial statement for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statement)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2010  
(Financial Year Ending 31 December 2010)

RM'000	2010	2009
	3 months Ended 31 March Unaudited	3 months Ended 31 March Unaudited and not restated
Profit for the period	4,741	1,994
Currency translation differences arising from consolidation	(951)	1,614
<b>Total comprehensive income</b>	<b>3,790</b>	<b>3,608</b>
Total comprehensive income attributable to:		
Equity holders of the Company	3,273	924
Minority Interest	517	2,684
	<b>3,790</b>	<b>3,608</b>

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 31 MARCH 2010  
(Financial Year Ending 31 December 2010)

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 2009.

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 2009. Except for the adoption of the following new Financial reporting Standards (FRSs) and IC Interpretations with effect from 1 January 2010.

Standard/Interpretation	Effective for financial periods beginning on or after
Amendments to FRS 1 <i>First-time Adoption of Financial Reporting Standards</i> and FRS 127 <i>Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2010
Amendments to FRS 2 <i>Share-based Payment: Vesting Conditions and Cancellations</i>	1 January 2010
Amendments to FRS 132 <i>Financial Instruments: Presentation</i>	1 January 2010
Amendments to FRS 117 <i>Leases</i>	1 January 2010
Amendments to FRS 139 <i>Financial Instruments: Recognition and Measurement</i> , FRS 7 <i>Financial Instruments: Disclosures</i> and IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 January 2010
Amendments to FRSs contained in the document entitled " <i>Improvements to FRSs (2009)</i> "	1 January 2010
FRS 4 <i>Insurance Contracts</i>	1 January 2010
FRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8 <i>Operating Segments</i>	1 July 2009
FRS 101 <i>Presentation of Financial Statements</i> (revised in 2009)	1 January 2010
FRS 123 <i>Borrowing Costs</i>	1 January 2010
FRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	1 January 2010
IC Interpretation 11 <i>FRS 2 - Group and Treasury Share Transactions</i>	1 January 2010
IC Interpretation 13 <i>Customer Loyalty Programmes</i>	1 January 2010
IC Interpretation 14 <i>FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1 January 2010

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 31 MARCH 2010  
(Financial Year Ending 31 December 2010)

**Comparative**

In accordance with the transitional provisions of FRS 139, the changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 January 2010.

(RM'000)	Previously reported	Effect of FRS 139	As restated
<b>Assets</b>			
Financial assets at fair value through profit and loss	-	105	105
Retained profit brought forward	152,246	105	152,351

The Group has adopted the Amendments to FRS 117. All the leasehold land of the Group which are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendments.

The reclassification does not affect the basic and diluted earning per ordinary share for current and prior periods.

The following comparative figures have been restated following the adoption of the Amendment to FRS 117.

(RM'000)	As at 31 December 2009		
	Previously reported	Effect of FRS 117	As restated
<b>Assets</b>			
Property, plant and equipment	85,132	9,073	94,205
Prepaid lease payment	9,073	(9,073)	-

**2. Qualification of Financial Statements**

The auditors' report dated 12 April 2010 in respect of the audited financial statements for the year ended 31 December 2009 was not subject to any qualification.

**3. Seasonal or cyclical factors**

The Group performance is normally not affected by the seasonal and cyclical factors

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 31 MARCH 2010  
(Financial Year Ending 31 December 2010)

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 31 March 2010.

The Board has proposed a Tax Exempt Final Dividend of 5 sen per share in respect of the financial year ended 31 December 2009, subject to shareholders approval at the forthcoming Annual General Meeting.

**8. Segmental reporting**

By Geographical Location of Assets	Individual Quarter		Cumulative Quarter	
	Revenue	Profit Before Tax	Revenue	Profit Before Tax
	3 months ended 31 Mar 2010		3 months ended 31 Mar 2010	
	RM'000	RM'000	RM'000	RM'000
Malaysia	40,089	3,255	40,089	3,255
Thailand	18,791	1,982	18,791	1,982
	<u>58,880</u>	<u>5,507</u>	<u>58,880</u>	<u>5,507</u>

**9. Property, plant and equipment**

The valuations of land and buildings have been brought forward, without amendment from the previous annual report. In the opinion of directors, the fair value of property, plant and



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 (Company No.432139-W)  
 (Incorporated in Malaysia)  
 AND ITS SUBSIDIARY COMPANIES

NOTES TO THE UNAUDITED  
 INTERIM FINANCIAL REPORT FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010  
 (Financial Year Ending 31 December 2010)

equipment is not significant different from the carrying amount.

**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 <u>31/03/2010</u> RM'000
Property, plant and equipment Contracted but not provided for in the financial statements	15,099

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

As at 1<sup>st</sup> April 2010, the Company had fully subscribed of 37.04% equity interest with USD19,999,440 (equivalent to approximately RM68,488,000).in Fuco International Ltd. which in turn holds 90% of the equity interest in Fuco Steel Corporation Ltd., a corporation incorporated in Vietnam and principally engaged in the manufacture of steel billets.

As at 14<sup>th</sup> May 2010, the Company had entered into a conditional sale and purchase agreement with Metech Group Berhad to acquire 51% equity interest in Metech Aluminium Industries Sdn. Bhd. Comprising 5,100,000 'A' class shares for a cash consideration of RM35,132,880.

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

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

**Contingent liabilities**

	As at <u>31/03/2010</u> RM'000	As at <u>31/12/09</u> RM'000
Financial guarantees granted for subsidiaries' credit facilities	219,029	219,029

## **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 RM58.88 million and profit before taxation of RM5.68 million for the current quarter as compared to revenue of RM64.28million and profit before taxation of RM1.99 million respectively compared to the Group revenue for the same quarter in previous year.

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

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

The Group recorded revenue of RM58.88 million and profit before income tax of RM5.68 million in this reporting quarter compared to revenue of RM53.92 million and loss before tax of RM8.4 million respectively, as recorded in the preceding quarter.

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

### **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

Cumulative Quarter

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 31 MARCH 2010  
(Financial Year Ending 31 December 2010)

	3 months ended 31 March		3 months ended 31 March	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current taxation	938	-1,460	938	-1,460
Deferred taxation	-	-	-	-
Tax over/(under) provided in prior year	-	-	-	-
	<u>938</u>	<u>-1,460</u>	<u>938</u>	<u>-1,460</u>

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:

	As at end of 31. Mar. 2010 RM'000	As at end of 31. Dec. 2009 RM'000
Bank borrowings - unsecured		
Bankers' acceptances	31,998	30,694

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 31 MARCH 2010  
(Financial Year Ending 31 December 2010)

**10. Financial instrument**

The outstanding derivatives as at the period ended 31-March-2010 as follow :

Type of derivative	Contract value RM'000	Fair value RM'000
Foreign exchange contract		
- Less than 1 year	3,083	139
- 1 year to 3 years	-	-
- More than 3 years	-	-

**11. Material pending litigation**

The Group was not engaged in any material litigation as at 24<sup>th</sup> May 2010 (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 31 March 2010.

The Board has proposed a Tax Exempt Final Dividend of 5 sen per share in respect of the financial year ended 31 December 2009, subject to shareholders approval at the forthcoming Annual General Meeting.

**13. Earnings Per Share**

	Individual Quarter 3 months ended 31March		Cumulative Quarter 3 months ended 31 March	
	<u>2010</u> RM'000	<u>2009</u> RM'000	<u>2010</u> RM'000	<u>2009</u> RM'000
(a) Basic earnings per share				
Net profit attributable to shareholders	3,750	116	3,750	116
Weighted number of ordinary shares ('000)	127,406	127,406	127,406	127,406
Basic Earnings Per Share (sen)	2.94	0.09	2.94	0.09

(b) Diluted earnings per share

TONG HERR RESOURCES BERHAD  
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AND ITS SUBSIDIARY COMPANIES

NOTES TO THE UNAUDITED  
INTERIM FINANCIAL REPORT FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010  
(Financial Year Ending 31 December 2010)

Net profit attributable to shareholders	3,750	116	3,750	116
Weighted number of ordinary shares ('000)	127,406	127,406	127,406	127,406
Adjustment for ESOS ('000)	-	-	-	-
Weighted number of ordinary shares ('000)	127,406	127,406	127,406	127,406
Diluted Earnings Per Share(sen)	2.94	0.09	2.94	0.09

BY ORDER OF THE BOARD

Tsai Ming Ti  
Managing Director

Dated this 31<sup>st</sup> May 2010