

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

INTERIM FINANCIAL REPORT FOR THE 2ND QUARTER ENDED 30 JUNE 2010

The figure have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Quarter Ended 30 JUNE 2010  
(Financial Year Ending 31 December 2010)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	2010 Quarter Ended 30-06-10 RM'000	2009 Quarter Ended 30-06-09 RM'000	2010 Quarter Ended 30-06-10 RM'000	2009 Quarter Ended 30-06-09 RM'000
Revenue	63,560	44,891	122,441	109,169
Cost of Sales	(52,949)	(43,593)	(104,547)	(103,505)
<b>Gross Profit</b>	<u>10,611</u>	<u>1,298</u>	<u>17,894</u>	<u>5,664</u>
Other income	1,813	931	2,606	1,973
Administrative expenses	(983)	(1,083)	(2,207)	(3,372)
Selling and marketing expenses	(1,202)	(754)	(2,225)	(1,588)
Finance costs	(224)	(11)	(373)	(302)
<b>Profit Before Tax</b>	<u>10,015</u>	<u>381</u>	<u>15,694</u>	<u>2,375</u>
Income tax expenses	(1,453)	0	(2,391)	0
Profit For The Period	<u><u>8,562</u></u>	<u><u>381</u></u>	<u><u>13,303</u></u>	<u><u>2,375</u></u>
Attributable to:				
Equity holder of the parent	6,350	(869)	10,101	(753)
Minority interest	<u>2,212</u>	<u>1,250</u>	<u>3,202</u>	<u>3,128</u>
	<u><u>8,562</u></u>	<u><u>381</u></u>	<u><u>13,303</u></u>	<u><u>2,375</u></u>
Earnings per share attributable to equity holders of the parent:				
Basic, for profit for the period (sen)	<u><u>4.98</u></u>	<u><u>-0.68</u></u>	<u><u>7.93</u></u>	<u><u>-0.59</u></u>
Diluted, for profit for the period (sen)	<u><u>4.98</u></u>	<u><u>-0.68</u></u>	<u><u>7.93</u></u>	<u><u>-0.59</u></u>

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

TONG HERR RESOURCES BERHAD  
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010  
(Financial Year Ending 31 December 2010)

	(Unaudited) 30 JUNE 2010 RM'000	(Audited) 31 DECEMBER 2009 RM'000 (Restated)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	94,202	94,205
Investment in an associate	65,468	0
	<u>159,671</u>	<u>94,205</u>
<b>Current assets</b>		
Inventories	82,893	84,068
Trade and other receivables	26,408	19,534
Financial assets at fair value through profit or loss	6	0
Current tax asset	146	2,498
Cash and bank balances	99,153	155,331
	<u>208,607</u>	<u>261,430</u>
<b>TOTAL ASSETS</b>	<u><b>368,278</b></u>	<u><b>355,635</b></u>
 <b>EQUITY AND LIABILITIES</b>		
Share capital	127,430	127,430
Treasury shares	(63)	(63)
Other reserves	86	760
Retained earnings	156,083	152,246
<b>Equity attributable to equity holders of the parent</b>	<u>283,535</u>	<u>280,374</u>
<b>Minority interest</b>	<u>32,074</u>	<u>29,542</u>
<b>Total equity</b>	<u><b>315,609</b></u>	<u><b>309,916</b></u>
 <b>Non-current liability</b>		
Deferred tax liability	2,729	2,729
	<u>2,729</u>	<u>2,729</u>
 <b>Current Liabilities</b>		
Borrowings	44,246	30,694
Trade and other payables	5,062	12,293
Current tax payable	632	3
	<u>49,940</u>	<u>42,990</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>368,278</b></u>	<u><b>355,635</b></u>
 <b>Net assets per share attributable to ordinary equity holders of the parent (sen)</b>		
	<u><u>223</u></u>	<u><u>220</u></u>

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

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TONG HERR RESOURCES BERHAD  
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE QUARTER ENDED 30 JUNE 2010  
(Financial Year Ending 31 December 2010)

	2010 6 months Ended 30 JUNE RM'000	2009 6 months Ended 30 JUNE RM'000
Net cash from operating activities	4,410	43,468
Net cash used in investing activities	(68,215)	(10,530)
Net cash (used in) / generated from financing activities	7,181	(20,233)
Net (decrease)/ increase in cash and cash equivalents	(56,623)	12,705
Effect of exchange rate changes	445	918
Cash and cash equivalents at beginning of financial period	155,331	144,917
Cash and cash equivalents at end of financial period	99,153	158,540

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

	As at 30 JUNE 2010 RM'000	As at 30 JUNE 2009 RM'000
Cash and bank balances	99,153	158,540
Bank overdraft	-	-
	99,153	158,540

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

TONG HERR RESOURCES BERHAD  
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 30 JUNE 2010  
(Financial Year Ending 31 December 2010)

	Attributable to Equity Holders of the Parent					Distributable Retained Earnings (RM'000)	Total (RM'000)	Minority Interest (RM'000)	Total Equity (RM'000)
	Share Capital (RM'000)	Share Premium (RM'000)	Treasury Shares (RM'000)	Other Reserves (RM'000)	Held for Sale (RM'000)				
<b>At 1 January 2010</b>	127,430	0	(63)	760	0	152,246	280,374	29,542	309,916
Financial assets at fair value through profit or loss	0	0	0	0	0	105	105	0	105
At 1 January 2010 (As restated)	127,430	0	(63)	760	0	152,351	280,475	29,542	310,021
Total comprehensive income	0	0	0	(675)	0	10,102	9,430	2,532	11,958
Issue of ordinary shares	0	0	0	0	0	0	0	0	0
Capitalisation of bonus issue	0	0	0	0	0	0	0	0	0
Payment of dividend	0	0	0	0	0	(6,370)	(6,370)	0	(6,370)
Purchase of treasury shares	0	0	0	0	0	0	0	0	0
<b>At 30 June 2010</b>	<u>127,430</u>	<u>0</u>	<u>(63)</u>	<u>86</u>	<u>0</u>	<u>156,083</u>	<u>283,535</u>	<u>32,074</u>	<u>315,609</u>
<b>At 1 January 2009</b>	127,430	0	(63)	(71)	0	150,206	277,502	24,647	302,149
Total comprehensive income	0	0	0	1,059	0	(753)	306	4,187	4,493
Issue of ordinary shares	0	0	0	0	0	0	0	0	0
Payment of dividend	0	0	0	0	0	(6,370)	(6,370)	0	(6,370)
Purchase of treasury shares	0	0	0	0	0	0	0	0	0
Minority Interest's contribution of capital	0	0	0	0	0	0	0	0	0
<b>At 30 June 2009</b>	<u>127,430</u>	<u>0</u>	<u>(63)</u>	<u>988</u>	<u>0</u>	<u>143,083</u>	<u>271,438</u>	<u>28,834</u>	<u>300,272</u>

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

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TONG HERR RESOURCES BERHAD  
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED 30 JUNE 2010  
(Financial Year Ending 31 December 2010)

	2010 6 months Ended 30 June RM'000 (Unaudited)	2009 6 months Ended 30 June RM'000 (Unaudited and restated)
Profit for the period	13,303	2,375
Currency translation differences arising from consolidation	(1,341)	2,118
Total comprehensive income	11,962	4,493
Total comprehensive income attributable to:		
Equity holders of the Company	9,430	306
Minority interest	2,532	4,187
	11,962	4,493

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NOTES TO THE UNAUDITED  
INTERIM FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010  
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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.

## EXPLANATORY NOTES AS PER FRS 134

### A1. Basis of preparation

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 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 117 <i>Leases</i>	1 January 2010
Amendments to FRS 132 <i>Financial Instruments: Presentation</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 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

### Comparatives

In accordance with the transitional provisions of FRS 139 and FRS 117, the changes are applied prospectively and the comparatives as at 31 December 2009 were not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 January 2010.

The Group has adopted the Amendments to FRS 139.

The following comparative figures have been restated following the adoption of the

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Amendments to FRS 139 (RM'000)	Previously reported	Effect of FRS 139	As restated
<b>Assets</b>			
Financial assets at fair value through profit or 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 lease, have been reclassified 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 earnings per ordinary share for the current and prior periods.

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

(RM'000)	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)	-

**A2. 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.

**A3. Seasonal or cyclical factors**

The Group performance for the financial quarter 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 quarter under review.

**A5. Changes in estimates**

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

**A6. Issuance and repayment of debts and equity securities etc**

There were no issuance, cancellation, share buy-back, resale and repayment of debts and equity securities during the financial quarter under review.

**A7. Dividend paid**

The final tax exempt dividend of 5 sen per share in respect of the financial year ended 31 December 2009, was paid on 21 June 2010.

**A8. Segmental reporting**

Individual Quarter

Cumulative Quarter

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By Geographical Location of Assets	Revenue	Profit Before Tax	Revenue	Profit Before Tax
	6 months ended 30 June 2010 RM'000	6 months ended 30 June 2010 RM'000	6 months ended 30 June 2010 RM'000	6 months ended 30 June 2010 RM'000
Malaysia	38,290	5,567	78,379	9,264
Thailand	25,270	4,448	44,062	6,430
	<u>63,560</u>	<u>10,015</u>	<u>122,441</u>	<u>15,694</u>

**A9. Changes in the composition of the Group**

On 6 May 2010, the Company has completed the acquisition of 18,518 ordinary shares of US\$ 1,080 each, which representing 37.04% of the equity interest in Fuco International Ltd (Fuco International), for a total consideration of USD19,999,440. Fuco International is an investment holding corporation incorporated in the British Virgin Islands, which in turn holds 90% of the equity interest in Fuco Steel Corporation Ltd (Fuco Steel), a corporation incorporated in Vietnam and principally engaged in the manufacture of steel billets.

Following the acquisition, Fuco International is now an associate company of Tong Herr Resources Berhad. As Fuco Steel is yet to commence its commercial operations, the acquisition is not expected to have any material impact on the results of the Group for the financial quarter under review. Accordingly, the post acquisition result of one month is not accounted for in the consolidated financial statements for the current financial 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 financial 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:

	As at <u>30/06/2010</u> RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>1,579</u>

**A12. Material events subsequent to the end of the period reported**

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.

Further to the announcement made on 14<sup>th</sup> May 2010, the Company and Metech Group



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Berhad have on 16 July 2010 agreed to extent the cut off date for the proposed acquisition to 23 July 2010

**A13. Contingent liabilities**

	As at <u>30/06/2010</u> RM'000	As at <u>30/06/2009</u> RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiary companies	<u>219,029</u>	<u>219,029</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 RM63.56 million and profit before taxation of RM10.02 million for the current quarter as compared to revenue of RM44.89 million and profit before taxation of RM0.38 million for the corresponding quarter in previous year.

The higher profit before taxation in this reporting quarter as compared to the corresponding quarter in the previous year is due to lower cost of raw materials and higher selling price for products produced.

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

The Group reported revenue of RM63.56 million and profit before taxation of RM10.02 million for the current reporting quarter as compared to revenue of RM58.88 million and profit before taxation of RM5.68 million in the preceding quarter.

The higher profit before taxation in the current reporting quarter as compared to the preceding quarter is due to lower cost of raw materials and a result of cost containment measures undertaken.

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

With the business and operating environment expected to be increasingly challenging and volatile following global economic crisis, the Board will review its product pricing to factor in fluctuation in steel rod costs and continue its efforts to contain operational costs in order to remain competitive. Barring any unforeseen circumstances, the Group expects its business prospects for the current financial year to remain positive.

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

Not applicable.

**5. Taxation**

The taxation for the financial period under review is as follows:

	Individual Quarter		Cumulative Quarter	
	6 months ended		6 months ended	
	30 June		30 June	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current taxation	1,453	-	2,391	
Deferred taxation	-	-	-	-

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	1,453	-	2,391	-
Taxation over/(under) provided in prior year		-		-
	1,453	-	2,391	-

There is no material variance between the effective and statutory rates for the current quarter and cumulative financial period to date.

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

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

**7. Quoted securities**

There was no purchase or disposal of quoted shares for the current financial period under review.

**8. Status of corporate proposals**

The status of corporate proposal announced but not completed as at 9 August 2010 is as follows:

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.

Further to the announcement made on 14 May 2010, the Company and Metech Group Berhad have on 16 July 2010 agreed to extent the cut off date for the proposed acquisition to 23 July 2010

**9. Group borrowings and debt securities**

The Group borrowings are as follows:

	As at end of 06/30/10 RM'000	As at end of 12/31/09 RM'000
<u>Bank borrowings - unsecured</u>		
Onshore foreign currency loans	39,793	
Trust receipts	4,453	30,136
	44,246	30,694
		558

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

	As at end of 06/30/10 RM'000	As at end of 12/31/09 RM'000
<u>Bank borrowings - unsecured</u>		
Ringgit Malaysia	39,793	30,136
Thai Baht	4,453	558

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44,246

30,694

**10. Material pending litigation**

The Group is not engaged in any material litigation as at 9<sup>th</sup> August 2010 (the latest practicable date which is not earlier than 7 days from the date of this quarterly report).

**11. Financial instruments**

As at 30 June 2010, the outstanding forward exchange contracts are as follows:

Type of derivative	Contract value RM'000	Fair value RM'000
Forward exchange contract		
- Less than 1 year		
(i) used to hedge receivables	6,402	6,396
(ii) used to hedge payables	-	-
- 1 year to 3 years	-	-
- More than 3 years	-	-

Forward exchange contracts were entered into by a subsidiary company 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 income statement on settlement of the forward exchange contract.

**12. Dividend**

The final tax exempt dividend of 5 sen per share in respect of the financial year ended 31 December 2009, was paid on 21 June 2010.

**13. Earnings per share**

	Individual Quarter 6 months ended		Cumulative Quarter 6 months ended 30 June	
	30 June			
	<u>2010</u> RM'000	<u>2009</u> RM'000	<u>2010</u> RM'000	<u>2009</u> RM'000
(a) <u>Basic earnings per share</u>				
Net profit attributable to original equity holder	6,350	-869	10,101	-753
Weighted average number of original shares ('000)	127,406	127,406	127,406	127,406
Basic Earnings Per Share (sen)	4.98	-0.68	7.93	-0.59

(b) Diluted earnings per share

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Net profit attributable to shareholders	6,350	-869	10,101	-753
Weighted average number of ordinary shares ('000)	127,406	127,406	127,406	127,406
Adjustment for ESOS ('000)	-	-	-	-
Weighted average number of ordinary shares ('000)	127,406	127,406	1,27,406	127,406
Diluted Earnings Per Share(sen)	4.98	-0.68	7.93	-0.59

BY ORDER OF THE BOARD

Tsai Ming Ti  
 Managing Director

Dated this 17 August 2010