

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

INTERIM FINANCIAL REPORT FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2010
The figure have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENT
For the Quarter Ended 30 SEPTEMBER 2010
(Financial Year Ending 31 December 2010)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	2010 Quarter Ended 30-09-10 RM'000	2009 Quarter Ended 30-09-09 RM'000	2010 Quarter Ended 30-09-10 RM'000	2009 Quarter Ended 30-09-09 RM'000
Revenue	96,201	48,468	218,642	157,637
Cost of Sales	<u>(87,187)</u>	<u>(44,035)</u>	<u>(191,734)</u>	<u>(147,540)</u>
Gross Profit	9,014	4,433	26,908	10,097
Other income	867	1,277	3,473	3,250
Negative goodwill	5,103	0	5,103	0
Administrative expenses	(3,677)	(976)	(5,885)	(4,348)
Selling and marketing expenses	(275)	(709)	(2,500)	(2,298)
Share of results of associate	(1)	0	(1)	0
Finance costs	(337)	(102)	(710)	(404)
Profit Before Tax	10,694	3,923	26,388	6,297
Income tax expenses	<u>(1,146)</u>	<u>67</u>	<u>(3,537)</u>	<u>67</u>
Profit For The Period	<u>9,548</u>	<u>3,990</u>	<u>22,851</u>	<u>6,364</u>
Attributable to:				
Equity holder of the parent	8,371	3,537	18,472	2,784
Minority interest	<u>1,177</u>	<u>453</u>	<u>4,379</u>	<u>3,580</u>
	<u>9,548</u>	<u>3,990</u>	<u>22,851</u>	<u>6,364</u>
Earnings per share attributable to equity holders of the parent:				
Basic, for profit for the period (sen)	<u>6.57</u>	<u>2.78</u>	<u>14.50</u>	<u>2.18</u>
Diluted, for profit for the period (sen)	<u>6.57</u>	<u>2.78</u>	<u>14.50</u>	<u>2.18</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 SEPTEMBER 2010
(Financial Year Ending 31 December 2010)

	(Unaudited) 30 September 2010 RM'000	(Audited) 31 December 2009 RM'000 (Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	126,244	94,205
Investment in an associate	64,895	0
	191,139	94,205
Current assets		
Inventories	145,608	84,068
Trade and other receivables	54,109	19,532
Current tax asset	326	2,498
Cash and bank balances	80,848	155,331
	280,891	261,429
TOTAL ASSETS	472,030	355,634
 EQUITY AND LIABILITIES		
Share capital	127,430	127,430
Treasury shares	(230)	(63)
Other reserves	(126)	760
Retained earnings	164,453	152,246
Equity attributable to equity holders of the parent	291,527	280,373
Minority interest	73,345	29,542
Total equity	364,872	309,915
 Non-current liability		
Deferred tax liability	4,688	2,729
Borrowings	32	0
	4,720	2,729
 Current Liabilities		
Borrowings	94,199	30,694
Trade and other payables	6,401	12,293
Financial liabilities at fair value through profit or loss	528	0
Current tax payable	1,310	3
	102,438	42,990
TOTAL EQUITY AND LIABILITIES	472,030	355,634
 Net assets per share attributable to ordinary equity holders of the parent (sen)		
	229	220

(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 SEPTEMBER 2010
(Financial Year Ending 31 December 2010)

	2010 9 months Ended 30 September RM'000	2009 9 months Ended 30 September RM'000
Net cash (used in)/ generated from operating activities	(24,332)	44,238
Net cash used in investing activities	(91,086)	(13,853)
Net cash generated from/ (used in) financing activities	<u>42,012</u>	<u>(19,006)</u>
Net (decrease)/ increase in cash and cash equivalents	(73,406)	11,379
Effect of exchange rate changes	(1,189)	940
Cash and cash equivalents at beginning of financial period	155,331	144,917
Cash and cash equivalents at end of financial period	<u>80,736</u>	<u>157,236</u>

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

	As at 30 September 2010 RM'000	As at 30 September 2009 RM'000
Cash and bank balances	80,848	157,236
Bank overdraft	<u>(112)</u>	<u>-</u>
	<u>80,736</u>	<u>157,236</u>

(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 SEPTEMBER 2010
(Financial Year Ending 31 December 2010)

	Attributable to Equity Holders of the Parent						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)	Distributable Retained Earnings (RM'000)		
At 1 January 2010	127,430	0	(63)	760	0	152,246	29,542	309,915
Financial assets at fair value through profit or loss	0	0	0	0	0	105	0	105
At 1 January 2010 (As restated)	127,430	0	(63)	760	0	152,351	29,542	310,020
Total comprehensive income	0	0	0	(886)	0	18,472	4,077	21,663
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	(6,370)	0	(6,370)
Changes in composition of the Group	0	0	0	0	0	0	0	0
Purchase of treasury shares	0	0	(167)	0	0	0	39,726	39,726
At 30 September 2010	<u>127,430</u>	<u>0</u>	<u>(230)</u>	<u>(126)</u>	<u>0</u>	<u>164,453</u>	<u>73,345</u>	<u>364,872</u>
At 1 January 2009	127,430	0	(63)	(71)	0	150,206	24,647	302,149
Total comprehensive income	0	0	0	540	0	2,784	4,119	7,443
Issue of ordinary shares	0	0	0	0	0	0	0	0
Payment of dividend	0	0	0	0	0	(6,370)	0	(6,370)
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 30 September 2009	<u>127,430</u>	<u>0</u>	<u>(63)</u>	<u>469</u>	<u>0</u>	<u>146,620</u>	<u>28,766</u>	<u>303,222</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 SEPTEMBER 2010
(Financial Year Ending 31 December 2010)

	2010 9 months Ended 30 September RM'000 (Unaudited)	2009 9 months Ended 30 September RM'000 (Unaudited and restated)
Profit for the period	22,851	6,364
Currency translation differences arising from consolidation	(1,188)	1,079
Total comprehensive income	21,663	7,443
Total comprehensive income attributable to:		
Equity holders of the Company	17,586	3,324
Minority interest	4,077	4,119
	21,663	7,443

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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 Amendments to FRS 139

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(RM'000)	Previously reported	Effect of FRS 139	As restated
Assets			
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
Assets			
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, except for recognition of negative goodwill of RM 5,102,893 arose from acquisition of Tong Heer Aluminium Industries Sdn. Bhd. (formerly known as Metech Aluminium Industries Sdn. Bhd.)

A5. Changes in estimates

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

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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 except for the following:

(i) Repurchased a total of 11,000 and 83,000 ordinary shares of its issued share capital from the open market during the current financial quarter and current financial year todate, at an average cost of RM 1.72 and RM 1.77 per share respectively. The total repurchase consideration, including transaction costs during the current financial quarter and current financial year todate amounted to RM 19,058 and RM 148,212 respectively and were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act, 1965.

As at 30 September 2010, the number of treasury shares held was 118,000 ordinary shares.

A7. Dividend paid

No dividend was paid by the Company during the financial quarter ended 30 September 2010.

Todate, a 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

By Geographical Location of Assets	Individual Quarter		Cumulative Quarter	
	Revenue	Profit Before Tax	Revenue	Profit Before Tax
	<u>3 months ended 30 September 2010</u>		<u>9 months ended 30 September 2010</u>	
	RM'000	RM'000	RM'000	RM'000
Malaysia	64,193	8,350	142,572	17,614
Thailand	32,008	2,344	76,070	8,774
	<u>96,201</u>	<u>10,694</u>	<u>218,642</u>	<u>26,388</u>

A9. Changes in the composition of the Group

Tong Heer Resources Berhad ('THR') shareholders have approved the acquisition of 51% equity interest in Metech Aluminium Industries Sdn. Bhd. ('Metech') at the Extraordinary General Meeting held on 17 August 2010 and the acquisition was duly completed on 23 August 2010. As a result, Metech has become a subsidiary company of THR.

Metech was incorporated in Malaysia and is principally involved in the business of manufacturing aluminium extrusion and the related products.

Metech changed its name to Tong Heer Aluminium Industries Sdn Bhd on 21 September 2010.

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.

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A11. Capital commitment

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

	As at <u>30/09/2010</u> RM'000
<u>Property, plant and equipment</u>	
Contracted but not provided for	<u>7,801</u>

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

There was no item, transaction or event of a material or unusual in nature during the period from the end of the quarter under review to 24 November 2010.

A13. Contingent liabilities

	As at <u>30/09/2010</u> RM'000	As at <u>30/09/2009</u> RM'000
Financial guarantees given to financial institutions for credit facilities granted to subsidiary companies	<u>219,029</u>	<u>243,000</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 a revenue of RM96.20 million and profit before taxation of RM10.69 million for the current quarter as compared to revenue of RM48.47 million and profit before taxation of RM3.92 million for the corresponding quarter in previous year.

The increase in revenue as compared to the preceding year corresponding quarter is due to increasing demand, and consolidation of the newly acquired subsidiary, Tong Heer Aluminium Industries Sdn Bhd and its subsidiaries.

The higher profit before taxation in this reporting quarter as compared to the corresponding quarter in the previous year is due to higher selling price for finished goods produced. In addition, profit for the quarter also include adjustment for negative goodwill of RM 5.10 million, being recognition of excess of fair value of Tong Heer Aluminium Industries Sdn Bhd and its subsidiaries' identifiable assets, liabilities and contingent liabilities over the cost of investment.

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

The Group reported revenue of RM96.20 million and profit before taxation of RM10.69 million for the current reporting quarter as compared to revenue of RM63.56 million and profit before taxation of RM10.02 million in the preceding quarter.

The slightly higher profit before taxation in the current reporting quarter as compared to the preceding quarter is due to contribution from newly acquired subsidiary, Tong Heer Aluminium Industries Sdn Bhd and recognition of negative goodwill amounted RM 5.10 million, which resulted from the acquisition of Tong Heer Aluminium Industries Sdn Bhd. This has offsetted with higher cost of raw materials and cost containment measures undertaken.

3. Prospects for the current financial year

The underlying economic is expected to strengthen with improvement in global manufacturing activities reported recently. Nevertheless, the pace of recovery remains unclear as there are several negative economic impacts associated with historically high unemployment rate in the United States. The higher unemployment rate may lead to individuals having less disposable income and a further reduction in demand for goods and services. In view of this, the Board will streamline the corporate strategy and continue its marketing and cost containment efforts in order to remain competitive. Barring any unforeseen circumstances, the Group expects its business prospects for the current financial year to remain positive.

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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 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current taxation	1,146	-	3,537	-
Deferred taxation	-	67	-	67
	1,146	67	3,537	67
Taxation over/(under) provided in prior year	-	-	-	-
	1,146	67	3,537	67

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 material 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.

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8. Group borrowings and debt securities

The Group borrowings are as follows:

	As at end of 09/30/10 RM'000	As at end of 12/31/09 RM'000
<u>Bank borrowings - unsecured</u>		
Onshore foreign currency loans		
Trust receipts	65,497	30,136
Bankers acceptances	15,284	558
Hire purchase	13,261	-
Bank overdraft	77	-
	112	-
	<u>94,231</u>	<u>30,694</u>

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

	As at end of 09/30/10 RM'000	As at end of 12/31/09 RM'000
<u>Bank borrowings - unsecured</u>		
US Dollars	65,497	
Ringgit Malaysia	13,450	30,694
Thai Baht	15,284	-
	-	-
	<u>94,231</u>	<u>30,694</u>

9. Material pending litigation

The Group is not engaged in any material litigation as at 17th November 2010 (the latest practicable date which is not earlier than 7 days from the date of this quarterly report).

10. Financial instruments

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

Type of derivative	Contract value RM'000	Fair value RM'000
<u>Forward exchange contract</u>		
- Less than 1 year		
(i) used to hedge receivables	7,303	7,831
(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.

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11. Dividend

No dividend was paid by the Company during the financial quarter ended 30 September 2010.

Todate, a 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.

12. Earnings per share

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended 30 September	
	30 September			
	<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	8,371	3,537	18,472	2,784
Weighted average number of original shares ('000)	127,375	127,406	127,375	127,406
Basic Earnings Per Share (sen)	6.57	2.78	14.50	2.19
(b) <u>Diluted earnings per share</u>				
Net profit attributable to shareholders	8,371	3,537	18,472	2,784
Weighted average number of ordinary shares ('000)	127,375	127,406	127,375	127,406
Adjustment for ESOS ('000)	-	-	-	-
Weighted average number of ordinary shares ('000)	127,375	127,406	127,375	127,406
Diluted Earnings Per Share(sen)	6.57	2.78	14.50	2.19

BY ORDER OF THE BOARD

Tsai Ming Ti
Managing Director

Dated this 24 November 2010