

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2000

1. Group's Accounting Policies

There are no changes in the Group's accounting policies and methods of computations used in this quarterly financial statement as compared with the most recent annual financial statements.

2. Exceptional Items

There were no exceptional items for the financial periods under review

3. Extraordinary Items

There were no extraordinary items for the financial periods under review.

4. Taxation

The tax charge for the current quarter as well as six months ended 30 June 2000 is in respect of current taxation and is higher than standard tax rate due to tax incentive available from subsidiaries of the Group. There was no tax charge for the corresponding period as 1999 was a tax waiver year in respect of business income earned by the Group.

5. Pre-acquisition Profit

There were no pre-acquisition profits for the current financial year.

6. Profit on sale of investments and/or properties

There were no profits on sale of investments and/or properties for the current financial year.

7. Quoted Shares

There were no purchases or disposals of quoted shares for the financial year.

8. Changes in Composition of the Group

There were no changes in the composition of the Group during the financial year.

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NOTES TO FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2000 (Cont'd)

9. Status of Corporate Proposals

There were no material corporate proposals that have been announced by the Company but not completed as at the date of this announcement except for the following :-

i) On 30 May 2000, Arab-Malaysian Merchant Bank Berhad on behalf of the Board of Directors of the Group announced the following proposals of the Group to the Kuala Lumpur Stock Exchange:-

- Proposed Bonus Issue of up to 14,850,000 new ordinary shares of RM 1.00 each to be credited as fully paid to the existing shareholder of the Company, on the basis of one (1) new ordinary share of RM 1.00 for every two (2) existing shares held; and
- Proposed Rights Issue of up to 44,550,000 new ordinary shares of RM 1.00 each at an issue price of RM 1.00 per share payable in full upon application on the basis of three (3) new shares for every two (2) existing shares held prior to the Proposed Bonus Issue

And that an application would be submitted to the Securities Commission for the above mentioned proposals within three (3) months from the date of the announcement.

On 25 August 2000, Arab-Malaysian Merchant Bank Berhad on behalf of the Board of Directors of the Group announced to the Kuala Lumpur Stock Exchange that the Board of Directors of the Group had proposed to revise the basis of the Proposed Rights issue to one (1) new shares for every one (1) existing share held. The Proposed Bonus Issue will remain unchanged.

On 29 August 2000, Arab-Malaysian Merchant Bank Berhad on behalf of the Board of Directors of the Group announced to the Kuala Lumpur Stock Exchange that the submission to the Securities Commission is deferred due to the revision in the Proposed Rights Issue as announced on 25 August 2000 and pending completion of the due diligence as a result of the revision. The Group expects to submit an application to the Securities Commission within two (2) months from 25 August 2000.

ii) On 29 June 1999, the Extraordinary General Meeting of the Company approved the Employee Share Option Scheme of the Group. As at to date, 331,000 shares has been exercised and allotted to employees of the Group.

10. Seasonal or Cyclical Factors

The Group traditionally performed better during the second half of the financial year as sales will pick up during the third and fourth quarter.

11. Equity Structure

There were no issuance and repayment of debt and equity stocks, stock buy-backs, stock cancellations, stocks held as treasury stocks and resale of treasury stocks for the current financial year.

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NOTES TO FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2000 (Cont'd)

12. Group Borrowings

30 June 2000

RM'000

Long term borrowings, secured	
<i>Analysis of repayment</i>	
Between 1 - 2 years	1,491
Between 2 - 5 years	2,736
Above 5 years	-
	<hr/>
	4,227
	<hr/>
Short term borrowings	
<i>Secured</i>	
Bank overdrafts	2,230
Short term loans	1,355
Other borrowings	3,749
	<hr/>
	9,334
	<hr/>
<i>Unsecured</i>	
Bank overdrafts	-
Short term loans	-
Other borrowings	4,109
	<hr/>
	4,109
	<hr/>

13. Contingent Liabilities

Secured

Bills discounted

RM'000

1,089

The bills discounted are secured by fixed charges over all the fixed assets of the subsidiary company for which facility is granted.

14. Off Balance Sheet Financial Instruments

The group does not have any financial instruments with off balance sheet risk as at 22 June 2000, the latest practicable date which is not earlier than 7 days from the date of the issuance of his quarterly report.

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NOTES TO FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2000 (Cont'd)

15. Material Litigation

Neither Thong Guan Industries Berhad nor any of its subsidiary companies are engaged in any material litigation, either as plaintiff or defendant and the Director are not aware of any proceedings pending or threatened against the company or any of its subsidiary companies or of any facts likely to give rise to any proceedings which might materially affect the position or business of the company or any of its subsidiary companies, financially or otherwise.

16. Segmental Reporting

*Financial data by industry segment
for the Group*

	Turnover RM'000	Profit Before Taxation RM'000	Gross Assets Employed RM'000
Manufacturing	46,115	6,055	78,482
Trading	20,850	2,087	27,930
Investment Holding	-	148	495
	<hr/> 66,965	<hr/> 8,290	<hr/> 106,907

17. Material Change in the Profit Before Taxation compared to the results of the preceding quarter

There is no material change in Profit Before Taxation for the current quarter compared to the preceding quarter.

18. Review of Performance of the Company and its Principal Subsidiaries

The Group's profit after tax increased by 67.1% to RM 7.1 million while turnover grew 49.5% to RM 66.9 million for the six months ended 30 June 2000 as compares to the corresponding period in 1999. The substantial increase in profit and turnover are mainly due to the full production of the Group's newly commissioned second stretch film line as well as a surge in demand from its local customers.

19. Prospects for the Current Financial Year

Bearing any unforeseen circumstances, the Group expects to maintain its steady growth for the current financial year.

20. Variance of Actual Profit from Forecast Profit

Not Applicable.

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NOTES TO FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2000 (Cont'd)

21. Dividend

The Board of Directors has approved the payment of an interim dividend of 5% tax exempt totalling RM1,366,550 (based on the existing share capital of 27,331,000 ordinary shares of RM1.00 each), for the year ending 31 December 2000.

The dividend will be paid on a date to be determined later.

By Order of the Board

Lam Voon Kean (MIA 4793)
Company Secretary

DATED THIS 29 AUGUST 2000

