

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2002

1. Group's Accounting Policies

The financial statements of the Group and of the Company are prepared in compliance with applicable approved accounting standards in Malaysia. 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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date (One quarter to 30 Jun. 2002)	Preceding Year Corresponding Period (One quarter to 30 Jun. 2001)
	30 Jun. 2002 RM'000	30 Jun. 2001 RM'000	30 Jun. 2002 RM'000	30 Jun. 2001 RM'000
Income tax				
Current year	287	399	644	723
(Over)/Under provision in prior year	-	-	-	-
	<u>287</u>	<u>399</u>	<u>644</u>	<u>723</u>
Deferred tax	-	-	-	-
	<u>287</u>	<u>399</u>	<u>644</u>	<u>723</u>

The tax charge provided for the current quarter is in respect of current taxation and is lower than statutory tax rate due to tax incentives available to certain subsidiary companies of the Group.

5. Pre-acquisition Profit

There were no pre-acquisition profits/losses for the current quarter and financial year-to-date.

6. Profit/Loss on sale of investments and/or properties

There were no sale of investments and/or properties for the current quarter and financial year-to-date.

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2002 (Cont'd)

7. Quoted Shares

There were no purchases or disposals of quoted shares for the financial quarter under review.

8. Changes in Composition of the Group

There were no changes in the composition of the Group for the financial quarter under review.

9. Status of Corporate Proposals

There were no material corporate proposals that have been announced but not completed as at the date of this announcement.

10. Seasonal or Cyclical Factors

The Group has traditionally performed better during the second half of the financial year as sales will pick up for the year end festive season

11. Equity Structure

For the current quarter under review, 35,420,000 new shares were issued pursuant to the Company's 5 for 4 Bonus Issue.

Other than the above, 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 quarter and financial year-to-date

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2002 (Cont'd)

12. Group Borrowings

30 June 2002

RM'000

Long term borrowings, secured	
<i>Analysis of repayment</i>	
Between 1 - 2 years	3,114
Between 2 - 5 years	5,568
Above 5 years	-
	<hr/>
	8,682
	<hr/>
Short term borrowings	
<i>Secured</i>	
Bank overdrafts	6,354
Short term loans	4,536
Other borrowings	4,114
	<hr/>
	14,292
	<hr/>
<i>Unsecured</i>	
Bank overdrafts	343
Short term loans	-
Other borrowings	4,114
	<hr/>
	4,457
	<hr/>

13. Contingent Liabilities

RM'000

Bills discounted	1,458
------------------	-------

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

The Company has also issued corporate guarantee for banking facilities to its subsidiary companies and to its trade suppliers for the purchase of raw materials by its subsidiary companies amounting to RM 78.9 million and RM 9.5 million respectively, of which RM26.3 million and RM8.7 million respectively have been utilised as at 30 June 2002.

Other than the above, there were no contingent liabilities pending at the date of this report.

14. Off Balance Sheet Financial Instruments

The group does not envisage any material financial instruments with off balance sheet risk as at 19 August 2002, the latest practicable date which is not earlier than 7 days from the date of the issuance of this quarterly report.

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2002 (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	54,876	5,171	102,962
Trading	23,061	1,282	34,304
Investment Holding	-	17	8,209
	<u>77,937</u>	<u>6,470</u>	<u>145,475</u>

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

The Group registered a 2.6% higher turnover of RM 39.5 million during the current quarter compares to the preceding quarter of RM 38.5 million whilst pre-tax profit was 8.8% lower at RM 3.1 million compared to the preceding quarter of RM 3.4 million. The lower pre-tax profit was attributable to the higher level of competition experienced in the local market during the quarter which eroded margin slightly.

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

The Group's pre-tax profit increased by 40.9% to RM 3.1 million while turnover grew by 16.6% to RM 39.5 million for the three months ended 30 June 2002 as compares to the corresponding period in 2001. The increase in profit compares to the corresponding period in 2001 is mainly due to the higher turnover achieved and the lower Ringgit exchange rates which boost profit margin from export.

19. Prospects for the Current Financial Year

The Group has grown to be one of the largest producer of pallet stretch film in Asia and a leader in the plastic packaging industry in the region. The Board of Directors believes the Group has considerable strength; experience and resilience to propel it through the current challenging period and continue to register satisfactory profit level for the rest of the current financial year.

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS FOR THREE MONTHS ENDED 30 JUNE 2002 (Cont'd)

20. Variance of Actual Profit from Forecast Profit

Not relevant

21. Dividend

No interim dividend is proposed for the quarter ended 30 June 2002.

For the financial year ended 31 December 2001, a final 5% tax exempt dividend was approved by the shareholders and payable on 27 September 2002.

By Order of the Board

Lam Voon Kean (MIA 4793)

Company Secretary

DATED THIS 22 AUGUST 2002