

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2005

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with MASB 26, Interim Financial Reporting and Paragraph 9.22 of Kuala Lumpur Stock Exchange's Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with the most recent annual audited financial statements for the year ended 31 December 2004

2. Audit qualification

The audit report of the Group in respect of the annual financial statements for the year ended 31 December 2004 was not subject to any audit qualification.

3. 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.

4. Unusual items affecting the assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

5. Changes in estimates

There were no changes in estimates of amount reported in prior financial quarters of the current financial year or in prior financial year which have a material effect in the current financial quarter.

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6. Debt and equity securities

During the financial quarter, the issued and fully paid-up capital of the Company was increased from RM66,803,000 to RM105,204,500 as follows:

- i) bonus issue of 33,401,500 shares of RM1.00 each on the basis of 1 new ordinary share for every 2 existing shares held in the Company; and
- ii) new placement of 5,000,000 shares of RM1.00 each at an issue price of RM1.76 per share

Other than the above, there were no issuance or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter and financial year-to-date.

7. Dividends paid

No dividend was paid during the current financial quarter.

8. Segment information

Segment information is presented in respect of the Group's business segment.

	3 months ended 31 Mar 2005	
	Revenue	Profit
	RM'000	before tax RM'000
Plastic products	99,467	6,409
Food and beverages	3,774	417
Others	1,911	389
	105,152	7,215
Inter-segment elimination	(21,923)	-
	83,229	7,215
Interest expense		(392)
Interest income		22
Share of loss of associate		(17)
	83,229	6,828

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9. Valuation of property, plant and equipment

Land and buildings of the Group have not been revalued since certain properties were first revalued in 1995. The Directors have not adopted a policy of regular revaluation of such assets. As permitted under the transitional provisions of International Accounting Standard No. 16 (Revised): Property, Plant and Equipment adopted by the Malaysian Accounting Standard Board, these assets are stated at their respective valuation less accumulated depreciation.

10. Material events subsequent to the balance sheet date

There were no material events subsequent to the end of the financial period ended 31 March 2005 that have not been reflected in the financial statements as at the date of this report.

11. Changes in the composition of the Group

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

12. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets as at the end of the current financial quarter.

13. Review of performance

Group revenue for the three months ended 31 March 2005 was RM83.23 million compared with RM70.70 million for the three months ended 31 March 2004, an increase of 17.72%. Group profit before taxation for the period ended 31 March 2005 was RM6.83 million, an increase of 12.34% over the RM6.08 million registered in the corresponding period in 2004.

Turnover increases was mainly due to the contribution from its China based subsidiary company, higher sales achieved for the Group's plastic products especially from export sales and the increase in the price of plastic products. The increase in profit was mainly due to the higher turnover achieved as compared to the corresponding periods in 2004.

14. Variation of results against preceding quarter

The Group registered a profit before tax of RM6.83 million in the current quarter, a decrease of 38.69% as compared to the preceding quarter of RM11.14 million. The lower profit was mainly due to the lower turnover achieved and lesser working days during the current quarter.

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15. Prospects for the current financial year

With the continued strong demand for its products and further plant expansions in Malaysia and China, the Board of Directors is optimistic that for the financial year ending 31 December 2005, the Group will be able to achieve satisfactory improvements in both its turnover and profitability.

16. Variance of actual profit from profit forecast

Not applicable

17. Taxation

	Current Quarter 3 months ended 31 Mar 2005 RM'000	Year-to-date 3 months ended 31 Mar 2005 RM'000
Current tax expense		
Malaysian - current	437	437
- prior year	-	-
Overseas - current	328	328
- prior year	-	-
	<u>765</u>	<u>765</u>
Deferred tax	-	-
	<u>765</u>	<u>765</u>

The Group's effective tax rates for the current quarter and cumulative year-to-date are lower than the statutory tax rate due to the availability of tax incentives to certain subsidiary companies.

18. Unquoted investments and/or properties

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

19. Quoted investments

There were no purchases or disposal of quoted securities for the current financial quarter and financial year-to-date.

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20. Status on 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.

21. Group borrowings

	31 Mar 2005 RM'000
Current	
<u>Secured</u>	
Term loans	667
Overdrafts	3,900
Bankers' acceptances	4,349
Onshore foreign currency loans	3,907
Others	242
	13,065
<u>Unsecured</u>	
Term loans	1,058
Revolving credit	7,884
Overdrafts	4
Onshore foreign currency loans	17,628
	26,574
	<u>39,639</u>
Non-current	
<u>Secured</u>	
Term loans	111
Others	187
	298
<u>Unsecured</u>	
Term loans	622
	<u>920</u>

The above borrowings are denominated in Ringgit Malaysia except for Revolving Credit and Onshore Foreign Currency Loans which are denominated in US Dollar.

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22. Off balance sheet financial instruments

As at 12 May 2005, the Group had entered into the following forward foreign currency contracts to hedge its committed sales in foreign currencies (FC) :-

Foreign Currency	Contract	Outstanding Contract		Maturity Date
	Amount FC '000	Amount FC '000	Amount RM'000	
Japanese Yen	84,500	70,020	2,504	17/05/05 – 05/11/05
Singapore Dollar	1,126	1,061	2,454	24/05/05 – 12/11/05
US Dollar	4,500	4,500	17,050	04/04/05 – 15/05/05
Australian Dollar	163	130	231	08/09/05 – 21/09/05

Foreign currency contracts are entered into to hedge the Group's confirmed sales and purchases in foreign currencies. The contracted rates will be used to convert the foreign currency amounts into Ringgit Malaysia. The maturity period for each contract depends on the terms of receipts or payments agreed with trade customers and suppliers. The purpose of hedging is to preserve the values of trade receivables and payables against market risk.

The contracts are short-term in nature, as such the difference between the contracted rates and the spot rates are not taken up in the income statement.

The Group does not foresee any significant credit and market risks associated with the above forward foreign exchange contracts as these contracts are entered into with credit worthy financial institutions.

Besides a small fee, there are no other cash outlay requirements for the above forward foreign exchange contracts.

23. Material litigation

There were no material litigation pending as at the date of this quarterly report.

24. Dividend

No dividend has been proposed for the current financial quarter ended 31 March 2005 (previous corresponding quarter ended 31 March 2004 – Nil).

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25. Earnings per share

a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders and weighted average number of shares outstanding as follows:-

	Current Quarter 3 months ended 31 Mar 2005	Year-to-date 3 months ended 31 Mar 2005
	RM'000	RM'000
Group's profit after taxation attributable to ordinary shareholders	6,063	6,063
	'000	'000
Weighted average number of ordinary shares	105,205	105,205

b) Diluted earnings per share

Diluted earnings per share is not presented as the Group has no potential ordinary share in issue as at the balance sheet date.

By Order of the Board

Lam Voon Kean (MIA 4793)

Company Secretary

DATED THIS 18 MAY 2005