

# THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

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## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2005

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### 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 Bursa Malaysia Securities Berhad'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.

#### 6. Debt and equity securities

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.

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#### 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.

	6 months ended 30 Jun 2005	
	Revenue	Profit
	RM'000	before tax
		RM'000
Plastic products	202,021	12,866
Food and beverages	7,721	881
Others	3,326	1,146
	<u>213,068</u>	<u>14,893</u>
Inter-segment elimination	<u>(39,214)</u>	<u>-</u>
	173,854	14,893
Interest expense		(764)
Interest income		59
Share of loss of associate		(78)
	<u>173,854</u>	<u>14,110</u>

#### 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 30 June 2005 that have not been reflected in the financial statements as at the date of this report.

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### NOTES TO THE INTERIM FINANCIAL 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 six months ended 30 June 2005 was RM173.85 million compared with RM149.34 million for the six months ended 30 June 2004, an increase of 16.41%. Group profit before taxation for the period ended 30 June 2005 was RM14.11 million, an increase of 8.37% over the RM13.02 million registered in the corresponding period in 2004.

For the six months second quarter ended 30 June 2005, Group revenue grew by 15.26% from RM78.63 million to RM90.63 million while profit before taxation increased by 4.90% from RM6.94 million to RM7.28 million as compared to the corresponding quarter in 2004.

Revenue increases was mainly due to the increase in the price of plastic raw material which translate to higher selling price, higher sales achieved for the Group's plastic products especially from export sales and higher contribution from its China based subsidiary company. 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 RM7.28 million in the current quarter, an increase of 6.59% as compared to the preceding quarter of RM6.83 million. The higher profit was mainly due to the higher turnover achieved during the current quarter.

#### 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.

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### 16. Variance of actual profit from profit forecast

Not applicable

#### 17. Taxation

	<b>Current Quarter 3 months ended 30 Jun 2005 RM'000</b>	<b>Year-to-date 6 months ended 30 Jun 2005 RM'000</b>
Current tax expense		
Malaysian - current	521	958
- prior year	-	-
Overseas - current	146	474
- prior year	-	-
	<u>667</u>	<u>1,432</u>
Deferred tax	-	-
	<u>667</u>	<u>1,432</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.

#### 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.

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### 21. Group borrowings

	30 Jun 2005 RM'000
<b>Current</b>	
<b><u>Secured</u></b>	
Term loans	2,131
Overdrafts	4,761
Bankers' acceptances	19,358
Onshore foreign currency loans	4,124
Others	223
	30,597
<b><u>Unsecured</u></b>	
Term loans	702
Revolving credit	7,584
Overdrafts	6
Onshore foreign currency loans	8,662
	16,954
	<u>47,551</u>
<b>Non-current</b>	
<b><u>Secured</u></b>	
Term loans	-
Others	141
	141
<b><u>Unsecured</u></b>	
Term loans	582
	<u>723</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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### NOTES TO THE INTERIM FINANCIAL REPORT

#### 22. Off balance sheet financial instruments

As at 21 August 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	21,500	11,121	395	21/10/05 – 07/12/05
Singapore Dollar	492	373	840	14/09/05 – 14/02/06
US Dollar	15,900	14,019	52,647	30/09/05 – 14/07/06
Australian Dollar	139	90	258	15/02/06 – 17/02/06

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 30 June 2005 (previous corresponding quarter ended 30 June 2004 – Nil).

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### 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 30 Jun 2005	Year-to-date 6 months ended 30 Jun 2005
	RM'000	RM'000
Group's profit after taxation attributable to ordinary shareholders	6,615	12,678
	'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 25 AUGUST 2005