

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134, 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.

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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.

7. Dividends paid

A final dividend of 5% tax exempt amounting to RM5,260,225 for the year ended 31 December 2004 was paid on 8 August 2005.

8. Segment information

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

	12 months ended 31 Dec 2004	
	Revenue	Profit
	RM'000	before tax RM'000
Plastic products	450,660	25,601
Food and beverages	16,015	1,318
Others	12,551	989
	<u>479,226</u>	<u>27,908</u>
Inter-segment elimination	(98,852)	-
	<u>380,374</u>	<u>27,908</u>
Interest expenses		(1,613)
Interest income		121
Share of loss of associate		(331)
	<u>380,374</u>	<u>26,085</u>

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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 December 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

During the financial quarter, the Group has incorporated a new 100% owned subsidiary company, TGP Plaspak (Suzhou) Co. Ltd. in Suzhou, China to expand its business especially into the local market in China and to take advantage of taxation and other incentives offered by the Chinese Government.

Other than as disclosed, there were no changes in the composition of the Group.

12. Changes in contingent liabilities or contingent assets

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

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13. Review of performance

Group revenue for the twelve months ended 31 December 2005 was RM380.37 million compared with RM321.70 million for the twelve months ended 31 December 2004, an increase of 18.23%. Group profit before taxation for the period ended 31 December 2005 was RM26.39 million, a decrease of 12.27% over the RM30.08 million registered in the corresponding period in 2004.

For the three months fourth quarter ended 31 December 2005, Group revenue grew by 19.13% from RM91.10 million to RM108.53 million while profit before taxation decreased by 42.46% from RM11.14 million to RM6.41 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 decrease in profit was mainly due to the higher cost of raw materials which takes time to be passed on to the customers. Higher freight cost and increasing interest rate on borrowings also contributed to the drop in profit.

14. Variation of results against preceding quarter

The Group registered a profit before tax of RM6.41 million in the current quarter, an increase of 8.83% as compared to the preceding quarter of RM5.89 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 2006, 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

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17. Taxation

	Current Quarter 3 months ended 31 Dec 2005 RM'000	Year-to-date 12 months ended 31 Dec 2005 RM'000
Current tax expense		
Malaysian - current	376	1,702
- prior year	(301)	(301)
Overseas - current	325	960
- prior year	-	-
	<u>400</u>	<u>2,361</u>
Deferred tax	<u>1,115</u>	<u>1,115</u>
	<u><u>1,515</u></u>	<u><u>3,476</u></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

During the financial year, the Group sold a plantation land known as Lot 646, 647 & 648, Geran Mukim No. GM 5276, 5277 & 5278, Mukim Sungai Petani, Daerah Kuala Muda, Kedah for a cash consideration of RM1,385,844.

Other than as disclosed, 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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21. Group borrowings

	31 Dec 2005 RM'000
Current	
<u>Secured</u>	
Term loans	278
Overdrafts	1,343
Bankers' acceptances	4,743
Others	188
	6,552
<u>Unsecured</u>	
Term loans	3,262
Revolving credit	12,532
Overdrafts	2,269
Bankers' acceptances	25,495
Onshore foreign currency loans	9,039
	52,597
	<u>59,149</u>
Non-current	
<u>Secured</u>	
Others	49
<u>Unsecured</u>	
Term loans	503
	<u>552</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 14 February 2006, 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	RM'000	
Japanese Yen	55,000	26,933	863	16/02/06 – 16/07/06
Singaporean Dollar	450	450	1,028	16/02/05 – 06/03/06
US Dollar	7,650	7,388	27,676	14/02/06 – 14/07/06
Australian Dollar	560	482	1,342	22/05/06 – 18/07/06

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

The Board of Directors has proposed a final 5% tax exempt dividend for the financial year ended 31 December 2005, subject to member's approval. The dividend will be paid on a date to be announced later. (previous corresponding quarter ended 31 December 2004 – final dividend of 5% tax exempt).

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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 Dec 2005	Year-to-date 12 months ended 31 Dec 2005
	RM'000	RM'000
Group's profit after taxation attributable to ordinary shareholders	4,900	22,916
	'000	'000
Weighted average number of ordinary shares	105,205	104,371

b) Diluted earnings per share

The calculation of diluted 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 Dec 2005	Year-to-date 12 months ended 31 Dec 2005
	RM'000	RM'000
Group's profit after taxation attributable to ordinary shareholders	4,900	22,916
Weighted average number of ordinary shares (diluted) :-	'000	'000
Weighted average number of ordinary shares	105,205	104,371
Effect of share options	1,500	1,500
	<u>106,705</u>	<u>105,871</u>

By Order of the Board

Lam Voon Kean (MIA 4793)
Company Secretary

DATED THIS 27 FEBRUARY 2006