

# THONG GUAN INDUSTRIES BERHAD

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

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## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2007

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### CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31 March 2007	31 March 2006	(First quarters to 31 March 2007)	(First quarters to 31 March 2006)
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	<b>115,465</b>	108,347	<b>115,465</b>	108,347
Cost of sales	(104,816)	(95,587)	(104,816)	(95,587)
<b>Gross profit</b>	<b>10,649</b>	12,760	<b>10,649</b>	12,760
Other income	1,204	370	1,204	370
Finance income	59	38	59	38
Administration and general expenses	(3,642)	(3,371)	(3,642)	(3,371)
Selling and distribution expenses	(3,296)	(3,187)	(3,296)	(3,187)
Other expenses	(410)	(390)	(410)	(390)
<b>Profit from operations</b>	<b>4,564</b>	6,220	<b>4,564</b>	6,220
Share of profit/(loss) of associate	33	9	33	9
Finance expenses	(959)	(489)	(959)	(489)
<b>Profit before taxation</b>	<b>3,638</b>	5,740	<b>3,638</b>	5,740
Taxation	(306)	(470)	(306)	(470)
<b>Net profit for the period</b>	<b>3,332</b>	5,270	<b>3,332</b>	5,270
<b>Attributable to:</b>				
Shareholders of the Company	3,332	5,270	3,332	5,270
Minority interests	-	-	-	-
<b>Net profit for the period</b>	<b>3,332</b>	5,270	<b>3,332</b>	5,270
Basic earnings per ordinary share (sen)	3.17	5.01	3.17	5.01
Diluted earnings per ordinary share (sen)	3.16	4.59	3.16	5.00

*The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.*

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## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2007

### CONDENSED CONSOLIDATED BALANCE SHEET

	As at 31 March 2007 RM'000	As at 31 December 2006 RM'000
<b>ASSETS</b>		
Property, plant & equipment	120,959	120,633
Interest in leasehold land held for own use under an operating lease	6,954	6,961
Other Investment	1,401	1,368
<b>TOTAL NON-CURRENT ASSETS</b>	<b>129,314</b>	<b>128,962</b>
Inventories	89,079	87,336
Trade and other receivables	73,667	80,710
Cash and cash equivalents	18,217	15,030
<b>TOTAL CURRENT ASSETS</b>	<b>180,963</b>	<b>183,076</b>
<b>TOTAL ASSETS</b>	<b>310,277</b>	<b>312,038</b>
<b>EQUITY</b>		
Share capital	105,205	105,205
Reserves	72,875	69,543
<b>TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>	<b>178,080</b>	<b>174,748</b>
<b>MINORITY INTEREST</b>	<b>26</b>	<b>26</b>
<b>TOTAL EQUITY</b>	<b>178,106</b>	<b>174,774</b>
<b>LIABILITIES</b>		
Loans and borrowings	8,692	9,754
Deferred tax liabilities	9,739	9,738
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>18,431</b>	<b>19,492</b>
Payable and accruals	63,350	54,841
Bank Borrowings	48,284	60,990
Current tax liabilities	2,106	1,941
<b>TOTAL CURRENT LIABILITIES</b>	<b>113,740</b>	<b>117,772</b>
<b>TOTAL LIABILITIES</b>	<b>132,171</b>	<b>137,264</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>310,277</b>	<b>312,038</b>
<i>Net assets per share (RM)</i>	<i>1.69</i>	<i>1.66</i>

*The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.*

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## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2007

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### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Non-distributable →			Distributable		Minority Interest	Total Equity
	Share Capital	Share Premium	Exchange Fluctuation Reserve	Retained Profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	105,205	3,939	53	51,254	160,450	27	160,477
Exchange differences on translation of the financial statement of foreign entities	-	-	(1,513)	-	(1,513)	-	(1,513)
Net profit for the year	-	-	-	21,071	21,071	(1)	21,070
Dividend paid: - 2005 final 5% tax exempt	-	-	-	(5,260)	(5,260)	-	(5,260)
<b>At 31 December 2006</b>	<b>105,205</b>	<b>3,939</b>	<b>(1,460)</b>	<b>67,064</b>	<b>174,748</b>	<b>26</b>	<b>174,774</b>
Exchange differences on translation of the financial statement of foreign entities	-	-	-	-	-	-	-
Net profit for the period	-	-	-	3,332	3,332	-	3,332
<b>At 31 March 2007</b>	<b>105,205</b>	<b>3,939</b>	<b>(1,460)</b>	<b>70,397</b>	<b>178,080</b>	<b>26</b>	<b>178,106</b>

*The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006.*

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## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2007

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Three months ended 31 March 2007	Three months ended 31 March 2006
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	3,638	5,740
Adjustment for :		
Non-cash items	3,066	3,141
Non-operating items	866	429
Operating profit before working capital changes	7,570	9,310
Changes in working capital	13,918	(6,265)
Cash generated from operating activities	21,488	3,045
Interest paid	(958)	(489)
Tax paid	(250)	(1,049)
<b>Net cash generated from operating activities</b>	<b>20,280</b>	1,507
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(3,586)	(3,724)
Proceeds from disposal of fixed assets	202	32
Interest received	59	38
<b>Net cash used in investing activities</b>	<b>(3,325)</b>	(3,654)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of term loans	-	5,180
Repayment of term loans	(1,983)	(977)
Short term bank borrowings, net	(11,344)	(3,155)
Others	-	120
<b>Net cash generated from financing activities</b>	<b>(13,327)</b>	1,168
Exchange difference on translation of the financial statement of foreign entity	-	7
Net increase in cash and cash equivalents	3,627	(972)
Cash and cash equivalents at 1 January	10,537	12,045
<b>Cash and cash equivalents at 31 March</b>	<b>14,164</b>	11,073
<u>Note :</u>		
Cash and cash equivalents in the consolidated cash flow statement comprise the following :-		
Short term deposit with licensed bank	6,484	6,481
Cash and bank balances	11,733	9,823
Bank overdrafts	(4,053)	(5,231)
	<b>14,164</b>	11,072

*The Condensed Consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.*

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## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2007

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### 1. Basis of preparation

This interim financial report is unaudited and has been prepared in compliance with FRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) 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 2006.

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 2006.

#### 2. Changes in accounting policies

The accounting policies and methods of computation adopted for this interim financial report are consistent with those adopted for the audited financial report for the year ended 31 December 2006, except for the adoption of the following new / revised Financial Accounting Reporting Standards ("FRS") effective for the financial year beginning 1 January 2007:

FRS 124	Related Party Disclosure
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#### 3. Audit qualification

The audit report of the Group in respect of the annual financial statements for the year ended 31 December 2006 was not subject to audit qualification.

#### 4. 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.

#### 5. 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.

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## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2007

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### 6. 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.

#### 7. 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.

#### 8. Dividends paid

No dividend was paid during the current financial quarter.

#### 9. Segment information

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

	3 months ended 31 Mar 2007	
	Revenue	Profit
	RM'000	before tax RM'000
Plastic products	142,646	4,352
Food and beverages	5,698	110
Others	2,206	43
	<u>150,550</u>	<u>4,505</u>
Inter-segment elimination	<u>(35,085)</u>	<u>-</u>
	115,465	4,505
Interest expenses		(959)
Interest income		59
Unallocated other income		60
Share of profit of associate		33
	<u>115,465</u>	<u>3,638</u>

# **THONG GUAN INDUSTRIES BERHAD**

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## **INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

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### **NOTES TO THE INTERIM FINANCIAL REPORT**

#### **10. 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.

#### **11. Material events subsequent to the balance sheet date**

There were no material events subsequent to the end of the financial period ended 31 March 2007 that have not been reflected in the financial statements as at the date of this report.

#### **12. Changes in the composition of the Group**

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

#### **13. Changes in contingent liabilities or contingent assets**

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

#### **14. Review of performance**

Group revenue for the three months ended 31 March 2007 was RM115.465 million compared with RM108.347 million for the three months ended 31 March 2006, an increase of 6.57%. Group profit before taxation for the period ended 31 March 2007 was RM3.638 million, a decrease of 36.62% over the RM5.740 million registered in the corresponding period in 2006.

Revenue increases was mainly due to the increase of sales from the Group's expansion programs in China and Malaysia, and increase in the price of plastic raw material compare to the first quarter 2006 which translate to higher selling price. The drop in profit was mainly due to the higher cost of raw materials, higher freight cost, increased interest expense, increased in other cost such as electricity, and operation loss suffered by a newly established subsidiary company in China.

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## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2007

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### 15. Variation of results against preceding quarter

The Group registered a net profit of RM3.332 million in the current quarter, an increase of 23.82% as compared to the preceding quarter of RM2.691 million. The higher profit was mainly due to higher provision for taxation and doubtful debts in the preceding quarter.

#### 16. 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 2007, the Group will be able to achieve satisfactory performance in both its turnover and profitability.

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

Not applicable

#### 18. Taxation

	Current Quarter 3 months ended 31 March 2007 RM'000	Year-to-date 3 months ended 31 March 2007 RM'000
Current tax expense		
Malaysian - current	192	192
- prior year	-	-
Overseas - current	114	114
- prior year	-	-
	<u>306</u>	<u>306</u>
Deferred tax	-	-
	<u>306</u>	<u>306</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.

#### 19. 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.



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## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2007

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### 20. Quoted investments

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

#### 21. 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.

#### 22. Group borrowings

	31 March 2007 RM'000
<b>Current</b>	
<b><u>Secured</u></b>	
Term loans	165
Overdrafts	1,166
Bankers' acceptances	4,261
Others	222
	5,814
<b><u>Unsecured</u></b>	
Term loans	5,500
Revolving credit	4,377
Overdrafts	2,887
Onshore foreign currency loans	29,707
	42,471
	<u>48,285</u>
<b>Non-current</b>	
<b><u>Secured</u></b>	
Others	427
<b><u>Unsecured</u></b>	
Term loans	8,265
	<u>8,692</u>

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## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2007

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### NOTES TO THE INTERIM FINANCIAL REPORT

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

#### 23. Off balance sheet financial instruments

As at 15<sup>th</sup> May 2007, 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	75,000	72,099	2,136	30/04/07 – 30/07/07
Singaporean Dollar	1,150	1,133	2,586	25/05/07 – 29/08/07
US Dollar	3,120	2,623	9,063	15/05/07 – 26/10/07
Australian Dollar	1,150	1,150	3,235	30/04/07 – 28/09/07

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 and US Dollar. 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.

#### 24. Material litigation

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

#### 25. Dividend

The Board of Directors has proposed a final dividend of 3% tax exempt amounting to RM3,156,135/= for the financial year ended 31 December 2006. This is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

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## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2007

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### 26. 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:-

	<b>Current Quarter 3 months ended 31 March 2007</b>	<b>Year-to-date 3 months ended 31 March 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Group's profit after taxation attributable to ordinary shareholders	3,332	3,332
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares	105,205	105,205

##### 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:-

	<b>Current Quarter 3 months ended 31 March 2007</b>	<b>Year-to-date 3 months ended 31 March 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Group's profit after taxation attributable to ordinary shareholders	3,332	3,332
<b>Weighted average number of ordinary shares (diluted) :-</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares	105,205	105,205
Effect of share options	115	115
	<u>105,320</u>	<u>105,320</u>

By Order of the Board

Lam Voon Kean (MIA 4793)  
Company Secretary

DATED THIS 31 MAY 2007