

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 JUNE 2007

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

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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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.

	6 months ended 30 June 2007	
	Revenue	Profit
	RM'000	before tax
		RM'000
Plastic products	227,908	8,499
Food and beverages	8,593	172
Others	5,548	332
	<u>242,049</u>	<u>9,003</u>
Interest expenses		(1,652)
Interest income		116
Unallocated other income		1,450
Share of profit of associate		(95)
	<u>242,049</u>	<u>7,372</u>

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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 30 June 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 six months ended 30 June 2007 was RM242.049 million compared with RM221.618 million for the six months ended 30 June 2006, an increase of 9.22%. Group profit before taxation for the period ended 30 June 2007 was RM7.372 million, a decrease of 43.60% over the RM13.071 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 second 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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15. Variation of results against preceding quarter

The Group registered a net profit of RM2.487 million in the current quarter, a decrease of 25.36% as compared to the preceding quarter of RM3.332 million. The lower profit was mainly due to higher raw material cost during the current 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 30 June 2007 RM'000	Year-to-date 3 months ended 30 June 2007 RM'000
Current tax expense		
Malaysian - current	1,079	1,271
- prior year	-	-
Overseas - current	168	282
- prior year	-	-
	<u>1,247</u>	<u>1,553</u>
Deferred tax	<u>-</u>	<u>-</u>
	<u>1,247</u>	<u>1,553</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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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

	30 June 2007 RM'000
Current	
<u>Secured</u>	
Term loans	172
Overdrafts	1,100
Bankers' acceptances	464
Others	6,317
	8,053
<u>Unsecured</u>	
Term loans	4,622
Revolving credit	3,644
Overdrafts	4,439
Onshore foreign currency loans	34,251
	46,956
	<u>55,009</u>
Non-current	
<u>Secured</u>	
Others	325
<u>Unsecured</u>	
Term loans	7,258
	<u>7,583</u>

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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 24th August 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	70,000	69,301	2,061	30/08/07 – 16/11/07
Singaporean Dollar	1,450	1,440	3,273	07/08/07 – 22/11/07
US Dollar	11,120	11,022	38,117	27/08/07 – 03/07/08
Australian Dollar	1,450	1,320	3,807	30/08/07 – 05/10/07

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

No dividend has been proposed for the current financial quarter ended 30 June 2007 (previous corresponding quarter ended 30 June 2006 – Nil).

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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:-

	Current Quarter 3 months ended 30 June 2007	Year-to-date 6 months ended 30 June 2007
	RM'000	RM'000
Group's profit after taxation attributable to ordinary shareholders	2,487	5,819
	'000	'000
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:-

	Current Quarter 3 months ended 30 June 2007	Year-to-date 6 months ended 30 June 2007
	RM'000	RM'000
Group's profit after taxation attributable to ordinary shareholders	2,487	5,819
	'000	'000
Weighted average number of ordinary shares (diluted) :-		
Weighted average number of ordinary shares	105,205	105,205
Effect of share options	-	-
	<u>105,205</u>	<u>105,205</u>

By Order of the Board

Lam Voon Kean (MIA 4793)
Company Secretary

DATED THIS 30 AUGUST 2007