

# THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

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## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2008

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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 2007.

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 2007.

#### 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 2007.

#### 3. Audit qualification

The audit report of the Group in respect of the annual financial statements for the year ended 31 December 2007 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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### 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

A final dividend of 3% tax exempt amounting to RM3,156,135/= for the year ended 31 December 2007 was paid on 8 August 2008.

#### 9. Segment information

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

	<b>6 months ended 30 June 2008</b>	
	<b>Revenue</b>	<b>Profit</b>
	<b>RM'000</b>	<b>before tax</b>
		<b>RM'000</b>
Plastic products	266,400	10,987
Food and beverages	11,607	800
Others	2,356	106
	<u>280,363</u>	<u>11,893</u>
Interest expenses		(1,547)
Interest income		81
	<u>280,363</u>	<u>10,427</u>

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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 December 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 2008 was RM280.363 million compared with RM242.049 million for the six months ended 30 June 2007, an increase of 15.83%. Group profit before taxation for the period ended 30 June 2008 was RM10.427 million, an increase of 41.44% over the RM7.372 million registered in the corresponding period in 2007.

Revenue increases was mainly due to the increase in the average price of plastic raw material in 2008 compare to the average price in 2007 which translated to higher selling price and also the increase of export sales from the Group's plant in China and Malaysia. The increase in profit was mainly due to the higher turnover achieved and better selling price.

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### NOTES TO THE INTERIM FINANCIAL REPORT

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

The Group registered a net profit of RM5.809 million in the current quarter, an increase of 76.66% as compared to the preceding quarter of RM3.307 million. The higher profit was mainly due to higher sales and better operating margin achieved from better selling price during the current quarter.

#### 16. Prospects for the current financial year

With the continued strong demand for its products, the Board of Directors is optimistic that for the current financial year ending 31 December 2008, 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

	<b>Current Quarter 6 months ended 30 June 2008 RM'000</b>	<b>Year-to-date 6 months ended 30 June 2008 RM'000</b>
Current tax expense		
Malaysian - current	1,366	1,901
- prior year	-	-
Overseas - current	-	-
- prior year	-	-
	<u>1,366</u>	<u>1,901</u>
Deferred tax	(40)	(320)
	<u>1,326</u>	<u>1,581</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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### 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

Term loans	179
Overdrafts	1,009
Bankers' acceptances	-
Others	6,213
	7,401
<b><u>Unsecured</u></b>	
Term loans	1,023
Revolving credit	10,368
Overdrafts	2,414
Bankers' acceptances	-
Onshore foreign currency loans	24,260
	38,065
	<u>45,466</u>
<b>Non-current</b>	
<b><u>Secured</u></b>	
Term loans	52
Others	313
<b><u>Unsecured</u></b>	
Term loans	3,236
	<u>3,601</u>

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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> August 2008, 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	10,000	10,000	306	18/08/08 – 18/08/08
Singaporean Dollar	1,900	1,856	4,401	21/08/08 – 03/10/08
US Dollar	5,900	5,849	19,301	19/08/08 – 12/02/09
Australian Dollar	100	19	60	18/08/08 – 25/08/08

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 2008 (previous corresponding quarter ended 30 June 2007- Nil)

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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 30 June 2008</b>	<b>Year-to-date 6 months ended 30 June 2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Group's profit after taxation attributable to ordinary shareholders	5,809	8,846
	<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 30 June 2008</b>	<b>Year-to-date 6 months ended 30 June 2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Group's profit after taxation attributable to ordinary shareholders	5,809	8,846
<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	-	-
	<u>105,205</u>	<u>105,205</u>

By Order of the Board

Lam Voon Kean (MIA 4793)  
Company Secretary

DATED THIS 21 AUGUST 2008