

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPT 2008

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 period-to-date.

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

6. Changes in estimates

There were no changes in estimates of amount reported in prior financial quarters of the current financial period 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 RM3,156,135.00 for the financial 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.

	9 months ended 30 Sept 2008	
	Revenue	Profit
	RM'000	before tax RM'000
Plastic products	432,412	14,216
Food and beverages	17,336	981
Others	3,417	142
	<u>453,165</u>	<u>15,339</u>
Interest expenses		(1,554)
Interest income		131
	<u>453,165</u>	<u>13,916</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 September 2008 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 nine months ended 30 September 2008 was RM453.165 million compared with RM379.564 million for the nine months ended 30 September 2007, an increase of 19.39%. Group profit before taxation for the period ended 30 September 2008 was RM13.916 million, an increase of 9.04% over the RM12.762 million registered in the corresponding period in 2007.

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

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15. Variation of results against preceding quarter

The Group registered a net profit of RM2.721 million in the current quarter, a decrease of 53.16% as compared to the preceding quarter of RM5.809 million. The lower profit was mainly due to the following provisions made during the current quarter:-

- Provision for additional customs' duties and penalties anticipated to be imposed onto one of the Group's subsidiary in China subsequent to a detailed inquiry by the Customs Department; and
- Provision for the anticipated discounts on sales that the Group's subsidiary is negotiating with its customers due to the drastic drop in value of goods subsequent to the drastic drop of plastic raw material prices in September and October 2008.

16. Prospects for the current financial year

With the sudden sharp drop of plastic raw material prices and the recent adverse developments of the world economic conditions, the Board of Directors and Management will adopt a cautious approach on the operations and activities of the Group going forward. 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

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18. Taxation

	Current Quarter 9 months ended 30 Sept 2008 RM'000	Year-to-date 9 months ended 30 Sept 2008 RM'000
Current tax expense		
Malaysian - current	768	2,669
- prior year	-	-
Overseas - current	-	-
- prior year	-	-
	<hr/>	<hr/>
	768	2,669
Deferred tax	-	(320)
	<hr/>	<hr/>
	768	2,349
	<hr/> <hr/>	<hr/> <hr/>

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 subsidiaries.

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 period-to-date.

20. Quoted investments

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

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22. Group borrowings

	30 Sept 2008 RM'000
Current	
<u>Secured</u>	
Term loans	179
Overdrafts	1,626
Bankers' acceptances	-
Others	6,519
	8,324
<u>Unsecured</u>	
Term loans	443
Revolving credit	10,070
Overdrafts	4,188
Bankers' acceptances	4,119
Onshore foreign currency loans	35,494
	54,314
	<u>62,638</u>
Non-current	
<u>Secured</u>	
Term loans	7
Others	280
<u>Unsecured</u>	
Term loans	2,674
	<u>2,961</u>

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

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23. Off balance sheet financial instruments

As at 20th November 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	Amount		
	FC '000	FC '000	RM'000	
Japanese Yen	115,000	110,586	3,823	02/12/08 – 16/04/09
Singaporean Dollar	900	826	1,973	26/11/08 – 04/12/08
US Dollar	5,850	5,333	18,228	28/11/08 – 09/04/09

Foreign currency contracts are entered into to hedge the Group's confirmed sales 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 September 2008 (previous corresponding quarter ended 30 September 2007- Nil)

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

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 Sept 2008	Year-to-date 9 months ended 30 Sept 2008
	RM'000	RM'000
Group's profit after taxation attributable to ordinary shareholders	2,721	11,567
	'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 Sept 2008	Year-to-date 9 months ended 30 Sept 2008
	RM'000	RM'000
Group's profit after taxation attributable to ordinary shareholders	2,721	11,567
Weighted average number of ordinary shares (diluted) :-	'000	'000
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 27 NOVEMBER 2008