

THONG GUAN INDUSTRIES BERHAD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2009

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 2008.

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 2008.

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 statements for the year ended 31 December 2008.

3. Audit qualification

The audit report of the Group in respect of the annual financial statements for the year ended 31 December 2008 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 normally 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 for the quarter.

6. Changes in estimates

There were no changes in estimates of amount reported which have a material effect in the current financial quarter.

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

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

There were no dividends paid in the quarter under review.

9. Segment information

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

	3 months ended 31 March 2009	
	Revenue	Profit
	RM'000	before tax RM'000
Plastic products	81,533	2,671
Food and beverages	5,233	144
Others	1,233	(15)
	<u>87,999</u>	<u>2,800</u>
Interest expenses	-	(426)
Interest income	-	3
	<u><u>87,999</u></u>	<u><u>2,377</u></u>

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.

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

11. Material events subsequent to the balance sheet date

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period under review.

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 2009 was RM88.00 million compared with RM136.93 million for the three months ended 31 March 2008, a decrease of 35.73%. Group profit before taxation for the period ended 31 March 2009 was RM2.38 million, a decrease of 27.66% over the RM3.29 million registered in the corresponding period in 2008.

Revenue decreased was mainly due to the decrease in the price of plastic raw materials which translated to lower selling prices. The decrease in profit was mainly due to the lower revenue and a more competitive quarter due to the general slow down of the economy.

15. Variation of results against preceding quarter

The Group registered a profit before taxation of RM2.38 million in the current quarter, compared to the preceding quarter's loss before taxation of RM10.10 million. The written down in the value of the Group's inventories to its net realisable value in the preceding year contributed to the loss before taxation in the preceding quarter.

16. Prospects

The Board of Directors is optimistic that for the financial year 2009, the Group will be able to achieve satisfactory performance in both its turnover and profitability.

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17. Variance of actual profit from profit forecast

Not applicable.

18. Taxation

	Current Quarter 3 months ended 31 March 2009 RM'000	Year-to-date 3 months ended 31 March 2009 RM'000
Current tax expense		
Malaysian - current	917	917
- prior year	-	-
Overseas - current	-	-
- prior year	-	-
	<hr/>	<hr/>
	917	917
Deferred tax	-	-
	<hr/>	<hr/>
	917	917
	<hr/> <hr/>	<hr/> <hr/>

The Group's effective tax rates for the cumulative year-to-date are higher than the statutory tax rate.

19. Unquoted investments

There were no purchases or disposal of unquoted investments 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 and not completed as at the date of this announcement.

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22. Group borrowings

	31 March 2009 RM'000
Current	
<u>Secured</u>	
Term loans	97
Overdrafts	602
Bankers' acceptances	5,986
Finance lease liability	202
	6,887
<u>Unsecured</u>	
Term loans	1,042
Revolving credit	7,424
Overdrafts	889
Bankers' acceptances	4,079
Onshore foreign currency loans	2,605
	16,039
	<u>22,926</u>
Non-current	
<u>Secured</u>	
Finance lease liability	<u>256</u>

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

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

23. Off balance sheet financial instruments

As at 14th May 2009, 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	75,000	70,566	2,743	18/03/09 – 18/08/09
Singaporean Dollar	942	942	2,270	02/07/09 – 18/06/09
US Dollar	1,550	1,113	4,032	30/04/09 – 18/06/09
AUD	320	178	441	24/04/09 – 29/05/09
EURO	50	50	241	18/06/09

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 currency 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 currency contracts.

24. Material litigation

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

25. Dividend

A first and final tax exempt dividend of 2 sen per share for the financial year ended 31 December 2008 has been proposed by the Directors for approval by shareholders (previous corresponding year ended 31 December 2007- 3 sen). The proposed first and final tax exempt dividend, if approved shall be paid on a date to be announced later.

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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

26. Earnings per share

Basic / diluted earnings per share

The calculation of basic / 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 March 2009	Year-to-date 3 months ended 31 March 2009
	RM'000	RM'000
Group's profit after taxation attributable to ordinary shareholders	1,460	1,460
	'000	'000
Weighted average number of ordinary shares	105,205	105,205

By Order of the Board

Lam Voon Kean (MIA 4793)
Company Secretary

DATED THIS 21 May 2009