

THONG GUAN INDUSTRIES BERHAD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 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.

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2009

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 current quarter under review.

9. Segment information

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

	6 months ended 30 June 2009	
	Revenue	Profit
	RM'000	before tax RM'000
Plastic products	177,247	8,363
Food and beverages	10,460	279
Others	2,431	5
	<u>190,138</u>	<u>8,647</u>
Interest expenses	-	(579)
Interest income	-	14
	<u>190,138</u>	<u>8,082</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.

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2009

NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

11. Material events subsequent to the balance sheet date

Subsequent to the balance sheet date of 30 June 2009, on 11 August 2009, a subsidiary company of the Group has entered into a sale and purchase agreement (“SPA”) for the acquisition of a piece of land with factory building for a total cash consideration of RM6,200,000 with a company in which certain Directors of the Group have substantial financial interest. As at the date of this announcement, the completion of the acquisition is still pending the fulfillment of certain conditions stipulated in the SPA.

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 2009 was RM190.138 million compared with RM280.363 million for the six months ended 30 June 2008, a decrease of 32.2%. Group profit before taxation for the period ended 30 June 2009 was RM8.082 million, a decrease of 22.5% over the RM10.427 million registered in the corresponding period in 2008.

For the three months second quarter ended 30 June 2009, Group revenue weakened by 28.8% from RM143.431 million to RM102.139 million while profit before taxation decreased by 20.0% from RM7.135 million to RM5.705 million as compared to the corresponding quarter in 2008.

The decreases in revenues were mainly due to the significantly lower average prices of raw materials compared to the corresponding period in 2008 which translated to lower selling prices. The drop in profit before taxation was mainly due to the slower demand and more competitive market due to the general slow down of the global economy.

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2009

NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

15. Comparison with preceding quarter's results

	3 months ended	3 months ended	Variance	
	30 Jun 2009	31 March 2009	RM'000	%
	RM'000	RM'000		
Revenue	102,139	87,999	14,140	16.1%
Profit before taxation	5,705	2,377	3,328	140.0%

The revenue for the quarter ended 30 June 2009 increased by RM14.140 million or 16.1% as compared to the preceding quarter. The higher revenue recorded in the current quarter was mainly due to the relative higher selling prices as a result of higher raw material prices and also increased demand for the Group's products. The increase in revenue, correspondingly improved the profit before tax by 140.0% to RM5.705 million.

16. Prospects

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

17. Variance of actual profit from profit forecast

Not applicable.

18. Taxation

	Current Quarter	Year-to-date
	3 months ended	6 months ended
	30 June 2009	30 June 2009
	RM'000	RM'000
Current tax expense		
Malaysian - current	1,140	2,057
- prior year	-	-
Overseas - current	-	-
- prior year	-	-
	<hr/>	<hr/>
	1,140	2,057
Deferred tax	34	34
	<hr/>	<hr/>
	1,174	2,091
	<hr/> <hr/>	<hr/> <hr/>

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2009

NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

The Group's effective tax rates for the current quarter and cumulative year-to-date are 20.6% and 25.9% respectively. The higher effective tax rate for the cumulative year-to-date was mainly due to losses suffered by certain subsidiary companies during the first quarter which pulled down the base figure of profit before tax. The effective tax rate for the current quarter is lower than the statutory tax rate mainly due to the tax incentives available to certain subsidiary companies of the Group.

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.

22. Group borrowings

	30 June 2009
	RM'000
Current	
<u>Secured</u>	
Term loans	52
Overdrafts	1,085
Bankers' acceptances	3,513
Finance lease liability	309
	4,959
<u>Unsecured</u>	
Term loans	-
Revolving credit	3,832
Overdrafts	1,675
Bankers' acceptances	1,114
Onshore foreign currency loans	2,947
	9,568
	<u>14,527</u>
Non-current	
<u>Secured</u>	
Finance lease liability	316

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2009

NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

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.

23. Off balance sheet financial instruments

As at 15th August 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 FC '000	Amount FC '000	RM'000	
Japanese Yen	45,000	36,698	1,389	18/08/09 – 16/09/09
Singaporean Dollar	1,390	1,390	3,380	03/09/09 – 03/12/09
US Dollar	100	100	357	20/08/09
AUD	230	230	670	24/07/09 – 18/09/09
EURO	140	133	660	24/09/09 – 30/09/09

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.

THONG GUAN INDUSTRIES BERHAD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2009

NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

25. Dividend

A first and final dividend of 2 sen per share in respect of the financial year ended 31 December 2008 (previous corresponding financial year ended 31 December 2007 – 3 sen) was approved at the Company's Fourteenth Annual General Meeting on 29 June 2009 and was paid on 7 August 2009 to depositors registered in the Record of Depositor on 17 July 2009. No interim dividend has been declared for the financial period ended 30 June 2009.

26. Earnings per share

	Current quarter 3 months ended 30 Jun 2009	Year-to-date 6 months ended 30 Jun 2009
Profit for the period (RM'000)	4,531	5,991
Amount attributable to minority interests (RM'000)	-	-
Net profit attributable to shareholders (RM'000)	<u>4,531</u>	<u>5,991</u>
Basic earnings per share		
Weighted average number of ordinary shares ('000)	105,205	105,205
Basic earnings per share (sen)	4.31	5.69

Diluted earnings per share

There are no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the current quarter and financial period-to-date.

By Order of the Board

Lam Voon Kean (MIA 4793)
Company Secretary

DATED THIS 20 August 2009