

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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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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 first and final tax exempt dividend of 2% (2 sen per share) amounting to RM 2,104,090 in respect of the financial year ended 31 December 2008 was paid on 7 August 2009.

9. Segment information

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

	12 months ended 31 Dec 2009	
	Revenue	Profit
	RM'000	before tax RM'000
Plastic products	376,807	17,976
Food and beverages	21,314	308
Others	4,939	11
	<u>403,060</u>	<u>18,295</u>
Interest expenses	-	(831)
Interest income	-	45
	<u>403,060</u>	<u>17,509</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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11. Material events subsequent to the balance sheet date

There were no material events subsequent to the end of the financial year ended 31 December 2009 that have not been reflected in the financial statements as 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 twelve months ended 31 December 2009 was RM403.060 million compared with RM564.558 million for the twelve months ended 31 December 2008, a decrease of 28.61%. Group profit before taxation for the year ended 31 December 2009 was RM17.509 million, an increase of 359% over the RM3.815 million registered in the corresponding period in 2008. The decrease in revenue was 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 increase in profit before taxation was mainly due to the written down in the value of the Group's inventories to its net realizable value in the preceding year.

For the three months fourth quarter ended 31 December 2009, Group revenue weakened by 1.76% from RM111.419 million to RM109.458 million while profit before taxation increased by RM13.972 million from a loss before taxation of RM10.126 million to a profit before taxation of RM3.846 million as compared to the corresponding quarter in 2008. The lower revenue recorded in the fourth quarter was mainly due to lower selling prices while the increase in profit before taxation was mainly due to the written down in the value of the Group's inventories to its net realizable value in the preceding year.

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15. Comparison with preceding quarter's results

	3 months ended 31 Dec 2009 RM'000	3 months ended 30 Sept 2009 RM'000	Variance	
			RM'000	%
Revenue	109,458	103,464	5,994	5.79
Profit before taxation	3,846	5,581	-1,735	-31.09

The revenue for the quarter ended 31 December 2009 increased by RM5.994 million or 5.79% while profit before taxation decreased by RM1.735 million or 31.09% 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 price. However, lower profit before taxation recorded in the fourth quarter was mainly due to lower profit margin.

16. Prospects

The Board of Directors is optimistic that for the financial year 2010, 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 3 months ended 31 Dec 2009 RM'000	Year-to-date 12 months ended 31 Dec 2009 RM'000
Current tax expense		
Malaysian - current	(107)	1,761
- prior year	(218)	(218)
Overseas - current	-	-
- prior year	271	271
	<hr/>	<hr/>
	(54)	1,814
Deferred tax	799	1,486
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	745	3,300
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The Group's effective tax rates for the current quarter and cumulative year-to-date are 19.37% and 18.85% respectively. Effective tax rates are lower than the statutory tax rates 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

	31 Dec 2009 RM'000
Current	
<u>Secured</u>	
Term loans	-
Overdrafts	1,189
Bankers' acceptances	9,495
Finance lease liability	345
Onshore foreign currency loans	3,199
	14,228
<u>Unsecured</u>	
Term loans	-
Revolving credit	5,154
Overdrafts	2,950
Bankers' acceptances	-
Onshore foreign currency loans	-
	8,104
	<u>22,332</u>
Non-current	
<u>Secured</u>	
Finance lease liability	<u>207</u>

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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 19 February 2010, 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	20,000	15,346	596	02/02/10-16/03/10
Singaporean Dollar	410	345	845	05/11/09-11/03/10
US Dollar	300	300	1,031	11/03/10-21/04/10

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.

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25. Dividend

The Board of Directors has proposed a final 4% tax exempt dividend for the financial year ended 31 December 2009, subject to the member's approval at the forthcoming Annual General Meeting. The proposed dividend will be paid on a date to be announced later (previous corresponding year ended 31 December 2008 – final dividend of 2% tax exempt).

26. Earnings per share

	Current quarter 3 months ended 31 Dec 2009	Year-to-date 12 months ended 31 Dec 2009
Profit for the period (RM'000)	3,101	14,209
Amount attributable to minority interests (RM'000)	-	-
Net profit attributable to shareholders (RM'000)	<u>3,101</u>	<u>14,209</u>
Basic earnings per share		
Weighted average number of ordinary shares ('000)	105,205	105,205
Basic earnings per share (sen)	2.95	13.51

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 25 February 2010