

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE 1ST QUARTER ENDED 31 MARCH 2010

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134, INTERIM FINANCIAL REPORTING

1 Basis of Preparation

The unaudited interim financial report has been prepared in accordance with the requirements of Chapter 9, Continuing Disclosure, Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and in compliance with Financial Reporting Standards (“FRSs”) 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board (MASB), and should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2009.

The unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes which provide an explanation of the events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2009. The unaudited condensed consolidated financial statements and explanatory notes thereon do not include all of the information required for full set of financial statements to be prepared in accordance with Financial Reporting Standards (FRSs).

2 Changes in Accounting Policies

The significant accounting policies, methods of computation and basis of consolidation adopted by the Group for the preparation of the unaudited interim financial report are consistent with those adopted in the annual audited financial statements for the year ended 31 December 2009.

The Group has adopted the following FRSs, amendments and interpretations that have been issued by the MASB, except for FRS 4, IC Interpretation 13 and 14 which are not applicable to the Group.

(a) FRS 4	Insurance Contracts
(b) FRS 7	Financial Instruments : Disclosures
(c) FRS 8	Operating Segments
(d) FRS 101	Presentation of Financial Statements (revised)
(e) FRS 123	Borrowing Cost (revised)
(f) FRS 139	Financial Instruments : Recognition and Measurement
(g) Amendments to FRS 1	First-time Adoption of Financial Reporting Standard
(h) Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
(i) Amendments to FRS 7	Financial Instruments : Disclosures
(j) Amendments to FRS 101	Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
(k) Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
(l) Amendments to FRS 132	Financial Instruments : Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation -Separation of Compound Instruments
(m) Amendments to FRS 139	Financial Instruments : Recognition and Measurement - Reclassification of Financial Assets -Collective Assessment of Impairment for Banking Institutions
(n) Improvements to FRSs (2009)	
(o) IC Interpretation 9	Reassessment of Embedded Derivatives
(p) IC Interpretation 10	Interim Financial Reporting and Impairment
(q) IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
(r) IC Interpretation 13	Customer Loyalty Programmes
(s) IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The above FRSs, amendments and interpretations do not have significant impact on the financial statements of the Group other than the additional disclosures as required by the relevant FRS.

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The Group has not adopted the following FRSs, amendments and interpretations that have been issued by the MASB but are not yet effective.

(a) FRS 1	First-time Adoption of Financial Reporting Standards (revised)
(b) FRS 3	Business Combination (revised)
(c) FRS 127	Consolidated and Separate Financial Statements (revised)
(d) Amendments to FRS 1	First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
(e) Amendments to FRS 2	Share-based Payment
(f) Amendments to FRS 5	Non-current Assets Held for Sales and Discontinued Operations
(g) Amendments to FRS 7	Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments
(h) Amendments to FRS 138	Intangible Assets
(i) Amendment to IC Interpretation 9	Reassessment of Embedded Derivatives
(j) IC Interpretation 12	Service Concession Arrangements
(k) IC Interpretation 15	Agreements for the Construction of Real Estate
(l) IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
(m) IC Interpretation 17	Distributions of Non-cash Assets to Owners

The FRSs' amendments and interpretations above are expected to have no significant impact on the financial statements of the Group upon their initial application, except for Amendments to FRS 138 and IC Interpretation 12, 15, 16, and 17 which are not applicable to the Group.

3 Seasonal or Cyclical Factors

The cyclical nature of the manufacturing sector is generally correlated to the global economy while seasonally demand will normally peak for the year-end festive seasons.

4 Unusual Items Due To Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial year-to-date as a consequence of their nature, size or incidence.

5 Changes in Estimates

There were no material changes in estimates of amount reported in either the prior interim period of the current financial year or prior financial years that have a material effect on the results during the current quarter and financial year-to-date.

6 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.

7 Dividends Paid

There were no dividends paid in the quarter under review.

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8 Segment information

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

	3 months ended 31 March 2010	
	Revenue RM'000	Profit before tax RM'000
Plastic products	107,323	6,193
Food and beverages	5,347	243
Others	1,424	-
	114,094	6,436
Interest expenses	-	(127)
Interest income	-	21
	114,094	6,330

9 Revaluation 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.

10 Material Post Balance Sheet Events

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements as the date of this report.

11 Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial quarter.

12 Contingent Liabilities

There were no contingent liabilities or assets as at the end of the current financial quarter.

13 Capital Commitment

A subsidiary of the group entered into a contract to purchase a warehouse with an attached double storey office building for RM 6.2 million. The transaction was completed on 19 May 2010.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

14 Review of Performance

Comparison with Previous Year Corresponding Quarter's Results

Group revenue for the three months ended 31 March 2010 was RM114.094 million compared with RM87.999 million for the three months ended 31 March 2009, an increase of 29.65%. Group profit before taxation for the year ended 31 March 2010 was RM6.330 million, an increase of 166.30% over the RM2.377 million registered in the corresponding period in 2009. The increase in revenue was mainly due to the higher demand for the group's plastic packaging products subsequent to the strong economic recovery in some asian countries. The increase in profit before taxation was mainly due to the higher revenue achieved and better margins due to the higher demand.

15 Comparison with Immediate Preceding Quarter's Results

	Individual Quarter Ended		Variance RM '000	Variance %
	31.03.2010 RM '000	31.12.2009 RM '000		
Revenue	114,094	109,458	4,636	4.24%
Profit before tax	6,330	3,846	2,484	64.59%

The revenue for the quarter ended 31 March 2010 increased by RM4.636 million or 4.24% while profit before taxation increased by RM2.484 million or 64.59% as compared to the preceding quarter. The increase in revenue and margin was mainly due to the stronger demand for the group's plastic packaging products primarily in the asia pacific region.

16 Current Year Prospect

The Board of Directors is optimistic that for the financial year ending 2010, the Group will be able to achieve satisfactory performances for both its turnover and profitability.

17 Variance of Actual Profit from Forecast Profit

Not applicable.

18 Income Tax Expense

	Quarter Ended		Cumulative Period Ended	
	31.03.2010 RM'000	31.03.2009 RM'000	31.03.2010 RM'000	31.03.2009 RM'000
Income tax in respect of				
Current period	757	917	757	917
(Over)/Under provision in prior year	63	-	63	-
Deferred tax income	(91)	-	(91)	-
	729	917	729	917

The effective tax rates are lower than the statutory tax rates mainly due to the tax incentives available to certain subsidiary companies of the Group.

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19 Sale of Unquoted Investments and/or Properties

There were no purchases or disposals of unquoted investments for the current financial quarter and financial period-to-date.

20 Quoted Securities

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

21 Status of Corporate Proposals Announced

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 and Debt Securities

	31 March 2010 RM'000
Current	
<i><u>Secured</u></i>	
Term loans	-
Overdrafts	1,076
Bankers' acceptances	5,481
Finance lease liability	438
Onshore foreign currency loans	-
	6,995
<i><u>Unsecured</u></i>	
Term loans	-
Revolving credit	2,625
Overdrafts	2,205
Bankers' acceptances	3,793
Onshore foreign currency loans	2,857
	11,480
	18,475
 Non-current	
<i><u>Secured</u></i>	
Finance lease liability	203

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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23 Financial Instruments with Off Balance Sheet Risk

The Group did not have any financial instruments with off balance sheet risk as at 24 May 2010, the latest practicable date that shall not be earlier than 7 days from the date of issue of the quarterly report.

24 Changes in Material Litigation

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

25 Dividends

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.

26 Earnings Per Ordinary Share

(a) Basic earnings per ordinary share

Basic earnings per ordinary share amounts are calculated by dividing profit attributable to the ordinary equity shareholders by the weighted average number of ordinary shares in issue during the financial period, excluding treasury shares held by the Company.

	Quarter Ended		Cumulative Period Ended	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Profit attributable to ordinary equity shareholders (RM'000)	5,601	1,460	5,601	1,460
Weighted average number of ordinary share in issue (units'000)	105,205	105,205	105,205	105,205
Basic earnings per ordinary share (sen)	<u>5.32</u>	<u>1.39</u>	<u>5.32</u>	<u>1.39</u>

(b) Diluted earnings per ordinary 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.

27 Auditors' Report on Preceding Annual Financial Statements

The auditors' report of the Group's most recent annual audited financial statements did not contain any qualification.

By Order of the Board

Lam Voon Kean (MIA 4793)
Company Secretary

DATED THIS 27 May 2010