

*THONG GUAN INDUSTRIES BERHAD ( COMPANY NO. : 324203-K )*  
*NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*  
*FOR THE SECOND QUARTER ENDED 30 JUNE 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.

	<b>6 months ended 30 June 2010</b>	
	<b>Revenue</b>	<b>Profit</b>
	<b>RM'000</b>	<b>before tax</b>
		<b>RM'000</b>
Plastic products	211,835	10,552
Food and beverages	10,926	354
Others	2,400	44
	<u>225,161</u>	<u>10,950</u>
Interest expenses	-	(255)
Interest income	-	43
	<u><u>225,161</u></u>	<u><u>10,738</u></u>

**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.

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

**13 Review of Performance**

Group revenue for the six months ended 30 June 2010 was RM225.161 million compared with RM190.138 million for the six months ended 30 June 2009, an increase of 18.42%. Group profit before taxation for the period ended 30 June 2010 was RM10.738 million, an increase of 32.86% over the RM8.082 million registered in the corresponding period in 2009. The increase in revenues were mainly due to the higher average prices of raw materials which translated to higher selling prices as well as the increase in export volume of the group's products compared to the corresponding period in 2009.

For the three months second quarter ended 30 June 2010, Group revenue grew by 8.74% from RM102.139 million to RM111.067 million while profit before taxation decreased by 22.73% from RM5.705 million to RM4.408 million as compared to the corresponding quarter in 2009. The increase in revenues were mainly due to the higher average prices of raw materials compared to the corresponding period in 2009 which translated to higher selling prices. The drop in profit before taxation was mainly due to lower profit margin compared to the corresponding quarter in 2009.

**14 Comparison with Immediate Preceding Quarter's Results**

	Individual Quarter Ended		Variance RM '000	Variance %
	30.06.2010	31.03.2010		
Revenue	111,067	114,094	(3,027)	-2.65%
Profit before tax	4,408	6,330	(1,922)	-30.36%

The revenue for the quarter ended 30 June 2010 decreased by RM3.027 million or 2.65% while profit before taxation decreased by RM1.922 million or 30.36% as compared to the preceding quarter. The decrease in revenue and profit before tax was mainly due to the drop in average prices of raw material during the current quarter compared to the preceding quarter which also resulted in lower demand for the group's plastic packaging products.

**15 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.

**16 Variance of Actual Profit from Forecast Profit**

Not applicable.

**17 Income Tax Expense**

	Quarter Ended		Cumulative Period Ended	
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	RM'000	RM'000	RM'000	RM'000
Income tax in respect of				
Current period	448	1,140	1,205	2,057
(Over)/Under provision in prior year	5	-	68	-
Deferred tax (income)/ expense	(265)	34	(356)	34
	<u>188</u>	<u>1,174</u>	<u>917</u>	<u>2,091</u>

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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**18 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.

**19 Quoted Securities**

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

**20 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.

**21 Group Borrowings and Debt Securities**

	<b>30 June 2010</b> <b>RM'000</b>
<b>Current</b>	
<i><u>Secured</u></i>	
Overdrafts	1,595
Bankers' acceptances	5,359
Finance lease liability	520
	7,474
<i><u>Unsecured</u></i>	
Revolving credit	2,599
Overdrafts	2,311
Onshore foreign currency loans	18,405
	23,315
	30,789
<b>Non-current</b>	
<i><u>Secured</u></i>	
Term loans	4,650
Finance lease liability	493
	5,143

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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**22 Financial Instruments with Off Balance Sheet Risk**

The Group did not have any financial instruments with off balance sheet risk as at 20 August 2010, the latest practicable date that shall not be earlier than 7 days from the date of issue of the quarterly report.

**23 Changes in Material Litigation**

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

**24 Dividends**

A first and final tax exempt dividend of 4 sen per share in respect of the financial year ended 31 December 2009 (previous corresponding financial year ended 31 December 2008 – 2 sen) was approved at the Company's Fifteenth Annual General Meeting on 24 June 2010 and was paid on 18 August 2010 to depositors registered in the Record of Depositor on 28 July 2010. No interim dividend has been declared for the financial period ended 30 June 2010.

**25 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	
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
Profit attributable to ordinary equity shareholders (RM'000)	4,220	4,531	9,821	5,991
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>4.01</u>	<u>4.31</u>	<u>9.34</u>	<u>5.69</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.

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**26 Disclosure of derivatives**

Details of derivative financial instruments outstanding as at 30 June 2010 are set out below:

<b>Type of derivatives</b>	<b>Contract/Notional Value RM'000</b>	<b>Fair Value RM'000</b>
<b>Foreign Exchange Contracts</b>		
-Less than 1 year	3,678	3,652
-1 year to 3 years	-	-
-More than 3 years	-	-

**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 26 August 2010**