

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

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 Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and in compliance with Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting issued by the 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 2010.

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 2010. 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 2010.

The Group and the Company have not applied the following new/revised accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective :

Amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, Financial Instruments: Presentation - Classification of Rights Issues *

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations *
- Amendments to FRS 138, Intangible Assets *
- IC Interpretation 12, Service Concession Agreements *
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation *
- IC Interpretation 17, Distribution of Non-cash Assets to Owners *
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
 - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
 - Addition Exemption for First-time Adopters
- Amendments to FRS 2, Group Cash-settled Share Based Payment Transactions *
- Amendments to FRS 7, Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments

- IC Interpretation 4, Determining whether an arrangement contains a Lease
- IC Interpretation 18, Transfers of Assets from Customers *
- Improvements to FRSs (2010)

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

FRSs, Interpretation and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement #

FRSs, Interpretation and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, Related Party Disclosures (revised)
- IC Interpretation 15, Agreements for the Construction of Real Estate #

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for those marked “ * ” which are not applicable to the Group and the Company; and
- from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for those marked “ # ” which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The initial application of the remaining standards, improvements and amendments is not expected to have any significant impact on the Group's and the Company's financial statements.

Following the announcement by the MASB on 1 August 2008, the Group's and the Company' financial statements will be prepared in accordance with International Financial Reporting Standards (IFRS) framework for annual periods beginning on 1 January 2012. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

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.

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

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 ended 31 December 2011.

7 Dividends paid

There were no dividend paid in the quarter under review.

8 Segment information

The Group's operations can be divided into three products based operating segments.

Segment information for the year ended 31 December 2011 are as follow:

	<u>Plastic Products</u>	<u>Food and Beverages</u>	<u>Consumable products and machinery</u>	<u>Consolidated</u>
2011	RM'000	RM'000	RM'000	RM'000
Revenue				
Revenue from external customers	509,927	28,231	5,257	543,415
Segment profit	25,971	2,011	134	28,116
Included in the measure of segment profit are:				
-Depreciation and amortisation	15,792	589	119	16,500
-Non-cash expenses other than depreciation and amortisation	(20)	45	(8)	17
Segment assets	340,587	22,811	2,698	366,096
Included in the measure of segment assets is:				
-Capital expenditure	33,787	546	425	34,758

Segment information for the year ended 31 December 2010 are as follow:

	<u>Plastic Products</u>	<u>Food and Beverages</u>	<u>Consumable products and machinery</u>	<u>Consolidated</u>
2010	RM'000	RM'000	RM'000	RM'000
Revenue				
Revenue from external customers	460,396	23,445	4,758	488,599
Segment profit	21,633	977	49	22,659
Included in the measure of segment profit are:				
-Depreciation and amortisation	13,998	603	54	14,655
-Non-cash expenses other than depreciation and amortisation	98	85	13	196
Segment assets	298,959	21,688	2,529	323,176
Included in the measure of segment assets is:				
-Capital expenditure	24,465	742	42	25,249

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

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 events subsequent to the end of the financial period

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

11 Changes in the composition of the Group

The Company subscribed to 70% of the enlarged share capital of TGS Plastic Industries Sdn. Bhd. (formerly known as Yuanley Sdn. Bhd.) on 26 August 2011, thus making TGS effectively a new subsidiary company of the Group.

The Company had also on 22 December 2011 incorporated a new wholly owned subsidiary company, TG Uni'Ang (Shanghai) International Trade Co., Ltd. in the People's Republic of China to market its tea and coffee products in China.

12 Contingent liabilities

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

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

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

13 Review of performance

	Individual quarter		Cumulative period	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Revenue				
Plastic Products	134,664	130,923	509,927	460,396
Food and Beverages	7,323	7,492	28,231	23,445
Consumable products and machinery	1,819	1,071	5,257	4,758
Group	<u>143,806</u>	<u>139,486</u>	<u>543,415</u>	<u>488,599</u>
Profit before tax				
Plastic Products	6,286	8,008	25,971	21,633
Food and Beverages	377	461	2,011	977
Consumable products and machinery	(335)	(30)	134	49
Group	<u>6,328</u>	<u>8,439</u>	<u>28,116</u>	<u>22,659</u>

Group revenue for the twelve months ended 31 December 2011 was RM543.415 million compared with RM488.599 million for the twelve months ended 31 December 2010, an increase of 11.22%. The increase in revenue was mainly due to the increase in export volume of the group's products compared to the corresponding period in 2010. Group profit before taxation for the period ended 31 December 2011 was RM28.116 million, an increase of 24.08% over the RM22.659 million registered in the corresponding period in 2010. The increase in profit before tax was mainly due to the increase in revenue and better margin compared to the corresponding period in 2010.

For the three months fourth quarter ended 31 December 2011, Group revenue grew by 3.10% from RM139.486 million to RM143.806 million while profit before taxation decreased by 25.01% from RM8.439 million to RM6.328 million as compared to the corresponding quarter in 2010. The increase in revenue was mainly from the contribution of TGSH Plastic Industries Sdn Bhd, a new subsidiary company within the Group compared to the corresponding period in 2010. The decrease in profit before tax was mainly due to the effects of provision for unrealised foreign exchange gain made in the fourth quarter of 2010.

Plastic Products segment

For the twelve months ended 31 December 2011, revenue increased by 10.76% from 460.396 million to RM509.927 million while profit before tax increased by 20.05% from 21.633 million to 25.971 million as compared to the preceding year corresponding period in 2010.

The increase in revenue and profit before tax was mainly due to increase in export volume and better margin compared to the corresponding period in 2010.

Food and Beverages segment

For the twelve months ended 31 December 2011, revenue increased by 20.41% from 23.445 million to RM28.231 million while profit before tax increased by 105.83% from 0.977 million to 2.011 million as compared to the preceding year corresponding period in 2010.

The increase in revenue and profit before tax was mainly due to the increase of selling prices during the year.

Consumable products and machinery segment

For the twelve months ended 31 December 2011, revenue increased by 10.49% from 4.758 million to RM5.257 million while profit before tax increased by 173.47% from 0.049 million to 0.134 million as compared to the preceding year corresponding period in 2010.

The increase in revenue and profit before tax was mainly due to higher demand from East Malaysia.

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

14 Comparison with immediate preceding quarter's results

	Individual quarter ended		Variance RM'000	Variance %
	31.12.2011	30.09.2011		
	RM'000	RM'000		
Revenue	143,806	142,325	1,481	1.04
Profit before tax	6,328	6,297	31	0.49

The revenue for the quarter ended 31 December 2011 increased by RM1.481 million or 1.04% and profit before taxation increased by RM0.031 million or 0.49% for the current quarter as compared to the preceding quarter. The increase in profit before tax was mainly due to the increase in revenue and better margin compared to the preceding quarter.

15 Current year prospect

The Group is optimistic on 2012 as it has completed the installations of two new European cast stretch film lines which are now ready for full production. Its PVC food wrap division has turned the corner to profitability with the recent installation of a second line which offered significant economics of scale in the operations of the division. The Group's new subsidiary company, TGSH Plastic Industries Sdn Bhd is expected to be profitable for the year and plans are on the pipeline to increase its operating capacity with installation of new machinery. The Group has also installed a new third production line for its relatively new compounding division which has witnessed steady growth and is projected for further growth and profitability.

The prices of plastic resins which has moved up slightly during the first two months of 2012 is expected to stabilize during the year as new petrochemical plant come on stream during the year.

The Group will also continue to grow its food and beverage and other business units with its continued penetration into major retailers such as Tesco, Giants, Mydin and Aeon.

Barring unforeseen circumstances, the Board is optimistic that the Group will be able to outperform the performance of 2011 in 2012.

16 Variance of actual profit from forecast profit

Not applicable.

17 Results from operating activities

Results from operating activities are arrived at:

	Individual quarter		Cumulative period	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
After charging:				
Bad debts written off	68	69	76	79
Depreciation of property, plant and equipment	4,443	3,732	16,294	14,474
Amortisation of prepaid lease payments	52	50	206	181
Property, plant and equipment written off	29	2	22	73
Impairment loss on receivables	5	186	2	186
Impairment loss on other investments	53	(76)	128	51
Loss on foreign exchange				
- realised	-	592	30	2,623
- unrealised	2,443	-	869	-
Unrealised loss on derivatives	-	-	90	-
and crediting:				
Gain on foreign exchange				
- realised	862	-	1,371	-
- unrealised	-	1,948	917	152
Reversal of impairment loss on receivables	106	-	123	902
Reversal of impairment loss on property, plant and equipment	8	-	8	-
Unrealised gain on derivatives	1,041	52	-	52

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

18 Income tax expense

	Individual quarter		Cumulative period	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Income tax in respect of				
- Current period	(1,722)	1,041	1,695	3,105
- Prior year	395	124	(266)	224
Deferred tax expense	(213)	141	(643)	(465)
	<u>(1,540)</u>	<u>1,306</u>	<u>786</u>	<u>2,864</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.

19 Sale of unquoted investments and/or properties

There were no sale 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.

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

22 Group borrowings and debt securities

	<u>31.12.2011</u> <u>RM'000</u>
Current	
<i><u>Secured</u></i>	
Term loans	879
Overdrafts	487
Bankers' acceptances	1,084
Finance lease liability	242
	2,692
<i><u>Unsecured</u></i>	
Overdrafts	1,401
Bankers' acceptances	2,487
Onshore foreign currency loans	29,109
	32,997
	35,689
 Non-current	
<i><u>Secured</u></i>	
Term loans	2,498
Finance lease liability	573
	3,071

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

23 Disclosure of derivatives

Details of derivative financial instruments outstanding as at 31 December 2011 are set out below:

Type of derivatives	Contract/ Notional Value RM'000	Fair Value RM'000
Foreign Exchange Contracts		
- Less than 1 year	22,672	22,762
- 1 year to 3 years	-	-
- More than 3 years	-	-
 Total	 22,672	 22,762

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

24 Realised and unrealised retained earnings

	Unaudited	Audited
	As at	As at
	31.12.2011	31.12.2010
	RM'000	RM'000
Total retained profits of Thong Guan Industries Berhad and its subsidiaries		
- Realised	133,454	112,173
- Unrealised	(7,455)	(7,900)
	125,999	104,273
Less: Consolidation adjustments	(2,011)	(2,198)
Total group retained profits as per consolidated accounts	123,988	102,075

25 Changes in material litigation

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

26 Dividends

A first and final tax exempt dividend of 6 sen per share in respect of the financial year ended 31 December 2011 (previous corresponding financial year ended 31 December 2010 – 5 sen) has been proposed by the Board of Directors subject to the approvals of the shareholders at the Company's upcoming Annual General Meeting.

27 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

	Individual quarter		Cumulative period	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Profit attributable to ordinary equity owners of the Company (RM'000)	7,704	7,133	27,204	19,795
Weighted average number of ordinary share in issue (units'000)	105,205	105,205	105,205	105,205
Basic earnings per ordinary share (sen)	7.32	6.78	25.86	18.82

(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.

28 Auditors' report on preceding annual financial statements

There were no qualification on the auditors' report of the Group's most recent annual audited financial statements.

By Order of the Board

Dato' Ang Poon Chuan
Managing Director

DATED THIS 29 February 2012