

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

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

1 Basis of preparation

This interim financial report is unaudited and is prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") No 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read together with the Group's Audited Financial Statement for the year ended 31 December 2011. For the periods up and including the financial year ended 31 December 2011, the Group prepared its financial statements in accordance with the Financial Reporting Standards ("FRS").

The group has adopted the MFRS framework issued by Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge the Malaysian's existing FRS framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board.

The group has applied MFRS 1 First Time Adoption of MFRS in the preparation of this interim financial report. In preparing the opening MFRS Statement of Financial Positions as at 1 January 2011, the Group has adjusted the amounts previously reported in its financial statements prepared in accordance with FRS.

There has been no material impact to the Group's financial statements upon the adoption of the MFRS.

2 Changes in accounting policies

The Group has adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2012. The adoption of these new and revised MFRSs and IC Interpretations did not result in any changes to the significant accounting policies adopted by the Group except for the foreign currency translation reserve.

Under FRS, the Group recognised translation differences on foreign operations as a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be nil as at the date of transition to MFRS. Accordingly, at the date of transition to MFRS, the cumulative foreign currency translation differences as at 1 January 2011 amounting to RM1,351,000 was adjusted to retained earnings as at that date as well as 31 December 2011.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by Group and the Company :

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to MFRS 101, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (2011)
- MFRS 127, Separated Financial Statements
- MFRS 128, Investments in Associates and Joint Ventures
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendments to MFRS 7, Financial Instruments :Disclosures - Offsetting Financial Assets and Financial Liabilities

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 132, Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, Financial Instruments (2009)
- MFRS 9, Financial Instruments (2010)
- Amendments to MFRS 7, Financial Instruments : Disclosures - Mandatory Date of MFRS 9 and Transition Disclosures

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

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 ended 31 December 2012.

7 Dividends paid

There were no dividend paid in the quarter under review.

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

8 Segment information

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

Segment information for the year ended 31 December 2012 are as follow

	<u>Food, Beverages and Other Consumable Products</u>		<u>Consolidated</u>
	<u>Plastic Products</u>	<u>Products</u>	
<u>2012</u>	RM'000	RM'000	RM'000
Revenue			
Revenue from external customers	595,149	36,004	631,153
Segment profit	26,948	2,380	29,328
Included in the measure of segment profit are:			
-Depreciation and amortisation	16,396	718	17,114
-Non-cash expenses other than depreciation and amortisation	4	(11)	(7)
Segment assets	362,834	29,798	392,632
Included in the measure of segment assets is:			
-Capital expenditure	8,590	960	9,550

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

	<u>Food, Beverages and Other Consumable Products</u>		<u>Consolidated</u>
	<u>Plastic Products</u>	<u>Products</u>	
<u>2011</u>	RM'000	RM'000	RM'000
Revenue			
Revenue from external customers	506,578	33,435	540,013
Segment profit	25,953	2,104	28,057
Included in the measure of segment profit are:			
-Depreciation and amortisation	15,792	709	16,501
-Non-cash expenses other than depreciation and amortisation	(21)	38	17
Segment assets	342,765	25,732	368,497
Included in the measure of segment assets is:			
-Capital expenditure	32,565	971	33,536

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

There were no changes in the composition of the Group for the quarter ended 31 December 2012.

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 2012

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	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Revenue				
Plastic Products	168,874	134,664	595,149	506,578
Food, Beverages and Other Consumable Products	9,302	9,142	36,004	33,435
Group	<u>178,176</u>	<u>143,806</u>	<u>631,153</u>	<u>540,013</u>
Profit before tax				
Plastic Products	8,218	6,286	26,948	25,953
Food, Beverages and Other Consumable Products	321	42	2,380	2,104
Group	<u>8,539</u>	<u>6,328</u>	<u>29,328</u>	<u>28,057</u>

Group

Group revenue for the twelve months ended 31 December 2012 was RM 631.153 million compared with RM540.013 million for the twelve months ended 31 December 2011, an increase of 16.88%. The increase in revenue was mainly due to the increase in export and contributions from two new subsidiary companies compared to the corresponding period in 2011. Group profit before tax for the year ended 31 December 2012 was 29.328 million, an increase of 4.53% over the RM28.057 million registered in the corresponding period in 2011. The increase in profit before tax was mainly due partly to the new contributions of the two new subsidiary companies and the increase in revenue compared to the corresponding period in 2011.

For the three months fourth quarter ended 31 December 2012, Group revenue grew by 23.90% from RM143.806 million to RM178.176 million while profit before taxation increased by 34.94% from RM6.328 million to RM8.539 million as compared to the corresponding quarter in 2011. The increase in revenue was mainly due to the increase in export volume and the higher average prices of raw materials which translated to higher selling prices in the current quarter compared to the corresponding period in 2011. The increase in profit before tax was mainly due to the new contributions of the two subsidiary companies and also the increase in revenue compared to the corresponding period in 2011.

Plastic Products

For the twelve months ended 31 December 2012, revenue increased by 17.48% from 506.578 million to RM595.149 million while profit before tax increased by 3.83% from 25.953 million to 26.948 million as compared to the preceding year corresponding period in 2011.

The increase in revenue was mainly due to the increase in export volume and contribution from two new subsidiary companies compared to the corresponding period in 2011. The increase in profit before tax was mainly due to the contributions from the two new subsidiary companies and the increase in revenue compared to the corresponding period in 2011.

For the three months fourth quarter ended 31 December 2012, revenue grew by 25.40% from RM134.664 million to RM168.874 million while profit before taxation increased by 30.73% from RM6.286 million to RM8.218 million as compared to the corresponding quarter in 2011. The increase in revenue and profit before tax were mainly due to the increase in export of stretch film and contributions from the two new subsidiary companies in the current quarter compared to the corresponding period in 2011.

Food, Beverages and Other Consumable Products

For the twelve months ended 31 December 2012, revenue increased by 7.68% from 33.435 million to RM36.004 million while profit before tax increased by 13.12% from 2.104 million to 2.380 million as compared to the preceding year corresponding period in 2011.

The increase in revenue was mainly due to higher demand of tea, instant beverage products and snack food compared to the corresponding period in 2011. The increase in profit before tax was mainly due to higher margin of tea as compared to the preceding year corresponding period in 2011.

For the three months fourth quarter ended 31 December 2012, revenue increased by 1.75% from RM9.142 million to RM9.302 million while profit before taxation increased by 664.29% from RM 0.042 million to RM 0.321 million as compared to the corresponding quarter in 2011. The increase in revenue was mainly due to higher demand of tea, instant beverage products and snack food compared to the corresponding period in 2011. The increase in profit before tax was mainly due to higher margin of tea as compared to the preceding year corresponding period in 2011.

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

14 Comparison with immediate preceding quarter's results

	Individual quarter ended		Variance	Variance
	31.12.2012	30.09.2012		
	RM'000	RM'000	RM'000	%
Revenue	178,176	155,350	22,826	14.69
Profit before tax	8,539	6,413	2,126	33.15

The revenue for the quarter ended 31 December 2012 increased by RM22.826 million or 14.69 % and profit before taxation increased by RM2.126 million or 33.15% for the current quarter as compared to the preceding quarter. The increase in revenue was mainly due to higher export of stretch film and contributions from the two new subsidiary companies in the current quarter compared to the preceding quarter. The increase in profit before tax was mainly due to higher scrap sales and gains on foreign exchange as the USD depreciated markedly against the RM in the current quarter compared to the preceding quarter.

15 Current year prospect

The Group's stretch film division which was boosted by the installation of two new European cast stretch film lines in the end of 2011 has not performed as expected due to stiff competition and price pressure. Efforts has been made to optimise its contribution.

The new PVC food wrap division had seen much improvements in profitability since the full operations of the second line.

The Group's new subsidiary company, TGSH Plastic Industries Sdn Bhd has turned the corner to record significant improvements to its bottom line with its more aggressive pricing strategy. The recently installed new machineries at TGSH is expected to further boost TGSH's contribution to the Group in 2013.

Its garbage bag divisions in both Malaysia and China has continued its steady contributions while the industrial bags division has seen much improvements in contributions in 2012.

The Group has also installed its fourth and fifth production lines for its compounding division which is expected to further boost the division's contributions to Group results.

The Group's operations in Sabah has also been profitable in 2012 and is expected to progress in 2013.

The food, beverage and other consumable business unit has experienced continued growth and is expected to continue its steady progress in 2013.

The Group is confident of the continuous progressive contributions from its business units and has chartered further growth path in 2013.

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	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
After charging:				
Bad debts written off	11	68	19	18
Depreciation of property, plant and equipment	4,259	4,443	16,858	16,277
Amortisation of prepaid lease payments	64	52	256	224
Property, plant and equipment written off	3	29	23	35
Impairment loss on receivables	189	5	189	2
Impairment loss on other investments	139	53	216	128
Loss on foreign exchange				
- unrealised	-	2,443	270	-
Unrealised loss on derivatives	305	-	-	90
and crediting:				
Gain on foreign exchange				
- realised	327	862	2,552	1,247
- unrealised	233	-	-	48
Reversal of impairment loss on receivables	-	106	25	19
Reversal of impairment loss on property, plant and equipment	-	8	-	-
Unrealised gain on derivatives	-	1,041	46	-

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

18 Income tax expense

	Individual quarter		Cumulative period	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Income tax in respect of				
- Current period	1,187	(1,722)	2,483	1,720
- Prior year	(30)	395	101	(268)
Deferred tax expense	(1,562)	(213)	(1,316)	(520)
	<u>(405)</u>	<u>(1,540)</u>	<u>1,268</u>	<u>932</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 2012

22 Group borrowings and debt securities

	<u>31.12.2012</u> <u>RM'000</u>
Current	
<i><u>Secured</u></i>	
Term loans	920
Overdrafts	553
Bankers' acceptances	1,843
Finance lease liability	472
	3,788
<i><u>Unsecured</u></i>	
Term loans	1,529
Overdrafts	3,103
Bankers' acceptances	2,461
Onshore foreign currency loans	20,558
	27,651
	31,439
 Non-current	
<i><u>Secured</u></i>	
Term loans	1,577
Finance lease liability	361
	1,938
<i><u>Unsecured</u></i>	
Term loans	9,250
	11,188

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 2012 are set out below:

Type of derivatives	Contract/ Notional Value RM'000	Fair Value RM'000
Foreign Exchange Contracts		
- Less than 1 year	3,744	3,698
- 1 year to 3 years	-	-
- More than 3 years	-	-
Total	3,744	3,698

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

24 Realised and unrealised retained earnings

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000 (Restated)
Total retained profits of Thong Guan Industries Berhad and its subsidiaries		
- Realised	160,161	137,768
- Unrealised	(6,444)	(6,929)
	153,717	130,839
Less: Consolidation adjustments	(7,446)	(5,533)
Total group retained profits as per consolidated accounts	146,271	125,306

The retained earnings as at 31 December 2011 has been restated upon the adoption of MFRS.

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 7 sen per share in respect of the financial year ended 31 December 2012 (previous corresponding financial year ended 31 December 2011 – 6 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 shareholders by the weighted average number of ordinary shares in issue during the financial period, excluding treasury shares held by the Company.

	Individual quarter		Cumulative period	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Profit attributable to ordinary equity owners of the Company (RM'000)	8,458	7,704	27,278	27,036
Weighted average number of ordinary share in issue (units'000)	105,205	105,205	105,205	105,205
Basic earnings per ordinary share (sen)	8.04	7.32	25.93	25.70

(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 21 FEBRUARY 2013