



BUSINESS

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Thong Guan expands output

By DAVID TAN

Thong Guan Industries has bagged so many orders that it is now busy building up its production capacity. It sees a bright outlook globally for polyethylene-based products.

THONG Guan Industries Bhd, the largest exporter of garbage bags to Japan, is expanding its production capacity in Suzhou, China, to accommodate new orders worth US\$12mil per year from Japan.

Thong Guan exports yearly 36,000 tonnes of garbage bags to Japan, which is about 12% of the 300,000 tonnes of garbage bags consumed annually in Japan.

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Ang Poon Chuan (left) and executive director Ang Poon Khim

Group managing director Ang Poon Chuan told *StarBiz* that the existing plant in Suzhou was currently not able to cope with new orders from Japan.

“The new orders from Japan, for 600 tonnes per month, were signed a few months ago. The unexpected new orders were the result of Thong Guan's reputation of delivering quality products over the past 15 years,” he said.

Thong Guan's garbage bag plant in Sungai Petani, which has not expanded since 2000, has taken up 200 tonnes of the new orders while the China operations secure the rest.

“To enable us to cope with the increasing demand, we will have to build another factory next to the existing plant on the 17-acre site which we bought two years ago,” Ang said.

Thong Guan's existing plant on the site was completed in 2005.

“The new factory should be operational by the end of the year and should increase our production of garbage bags in China to 2,500 tonnes per month from the present 1,500,” he said.

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The stretch film production line in the Sungai Petani plant.

Ang said the company was investing about RM6mil in the new Suzhou plant.

“We have also recently added four production lines to the Sungai Petani plant to raise the monthly output of garbage bags to 900 from 600 tonnes,” he said.

Ang said the group was also building another plant on the 17-acre site to produce 500 tonnes of small tidy kitchen bags per month. This will be completed in mid-2007, with additional investment of RM7mil in plant and machinery over the next three years.

Currently the group produces 80 tonnes of small bags per month.

Thong Guan is looking at acquiring a six-acre land in Ho Chi Minh City, Vietnam, at a cost of RM3mil to expand the production of plastic packaging products.

“The reason for going to Vietnam is to serve our existing Japanese and local customers there. The market in Vietnam for plastic packaging products is growing at double digits yearly, making it one of the largest growth markets in the region,” he explained.

Ang said the global outlook for the polyethylene-based products such as garbage bags and stretch film products was bright.

At present, there is a shortage of polyethylene in the global market to meet the demand of 60 million tonnes a year.

“Due to the shortage, the price of a tonne of polyethylene is now US \$1,300 compared with about US\$600 in 2004.

“But from 2008 onwards, we expect the shortage situation to be corrected due to the new polyethylene production facilities being built, especially in the Middle-East,” he said.

“By 2010, we expect there will be an additional 20 million tonnes of new polyethylene supply in the global market.”

Ang said the price of polyethylene would then be expected to drop and stabilise, thus stimulating more demand for polyethylene-based products.

Currently, the revenue from garbage bags contributes 25% to group revenue, while stretch films and industrial bags bring in 70%.

The remaining 5% is from the group's tea and coffee business.

The group exports its plastic products to more than 40 countries, mainly to Japan, South Korea, Europe, the Asean region and Australia.

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