

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)
QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134

1 Basis of preparation

This quarterly 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 statements for the financial year ended 31 December 2012 and the accompanying explanatory notes.

The significant accounting policies and methods adopted by the Group in this quarterly report are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2012.

2 Changes in accounting policies

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

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 (2011)**
- MFRS 128, *Investments in Associates and Joint Ventures (2011)*
- 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*

- Amendments to MFRS 1, *First-time Adoption of Financial Reporting Standards - Government Loans**
- Amendments to MFRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

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

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities#*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities#*
- 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 Effective Date of MFRS 9 and Transition Disclosures*

The Group plans to apply the abovementioned standards, amendments and interpretations

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013, except for those marked "*" which are not applicable to the Group.
- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for those marked "#" which are not applicable to the Group.
- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

The initial application of the other standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Company upon their first adoption.

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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.

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8 Segment information

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

Segment information for the year ended 31 March 2013 are as follow

	<u>Plastic Products</u>	<u>Food, Beverages and Other Consumable Products</u>	<u>Consolidated</u>
<u>2013</u>	RM'000	RM'000	RM'000
Revenue			
Revenue from external customers	158,998	9,610	168,608
Segment profit	6,693	730	7,423
Included in the measure of segment profit are:			
-Depreciation and amortisation	4,101	190	4,291
-Non-cash expenses other than depreciation and amortisation	(4)	(3)	(7)
Segment assets	360,520	28,862	389,382
Included in the measure of segment assets is:			
-Capital expenditure	2,284	19	2,303

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

	<u>Plastic Products</u>	<u>Food, Beverages and Other Consumable Products</u>	<u>Consolidated</u>
<u>2012</u>	RM'000	RM'000	RM'000
Revenue			
Revenue from external customers	136,163	9,193	145,356
Segment profit	5,784	962	6,746
Included in the measure of segment profit are:			
-Depreciation and amortisation	4,247	170	4,417
-Non-cash expenses other than depreciation and amortisation	-	3	3
Segment assets	333,099	26,069	359,168
Included in the measure of segment assets is:			
-Capital expenditure	1,368	131	1,499

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 March 2013.

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

	Individual quarter		Cumulative period	
	31.03.2013 RM'000	31.03.2012 RM'000	31.03.2013 RM'000	31.03.2012 RM'000
Revenue				
Plastic Products	158,998	136,163	158,998	136,163
Food, Beverages and Other Consumable Products	9,610	9,193	9,610	9,193
Group	<u>168,608</u>	<u>145,356</u>	<u>168,608</u>	<u>145,356</u>
Profit before tax				
Plastic Products	6,693	5,784	6,693	5,784
Food, Beverages and Other Consumable Products	730	962	730	962
Group	<u>7,423</u>	<u>6,746</u>	<u>7,423</u>	<u>6,746</u>

Group

For the three months ended 31 March 2013, Group revenue grew by 16.00% from RM145.356 million to RM168.608 million while profit before taxation increased by 10.04% from RM6.746 million to RM7.423 million as compared to the corresponding quarter in 2012. 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 2012. The increase in profit before tax was mainly due to the increase in revenue compared to the corresponding period in 2012.

Plastic Products

For the three months ended 31 March 2013, revenue grew by 16.77% from RM136.163 million to RM158.998 million while profit before taxation increased by 15.72% from RM5.784 million to RM6.693 million as compared to the corresponding quarter in 2012. The increase in revenue was mainly due to the increase in export of stretch film in the current quarter compared to the corresponding period in 2012. The increase in profit before tax was mainly due to the increase in revenue compared to the corresponding period in 2012.

Food, Beverages and Other Consumable Products

For the three months ended 31 March 2013, revenue increased by 4.54% from RM 9.193 million to RM 9.610 million while profit before taxation decreased by 24.12% from RM 0.962 million to RM 0.730 million as compared to the corresponding quarter in 2012. The increase in revenue was mainly due to higher demand of coffee and biscuits compared to the corresponding period in 2012. The decrease in profit before tax was mainly due to the drop in sales of instant beverages and curry powder products as compared to the preceeding year corresponding period in 2012.

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14 Comparison with immediate preceding quarter's results

	Individual quarter ended		Variance RM'000	Variance %
	31.03.2013	31.12.2012		
	RM'000	RM'000		
Revenue	168,608	178,176	(9,568)	(5.37)
Profit before tax	7,423	8,539	(1,116)	(13.07)

The revenue for the quarter ended 31 March 2013 decreased by RM9,568 million or 5.37% and profit before taxation decreased by RM1,116 million or 13.07% for the current quarter as compared to the preceding quarter. The decrease in revenue was mainly due to lower export in the current quarter compared to the preceding quarter. The decrease in profit before tax was mainly due to lower revenue in the current quarter compared to the preceding quarter.

15 Current year prospect

The Group's stretch film division which was boosted by the full production of two new European cast stretch film lines last year has seen the increase in production volume, however margin continue to be subdued due to stiff competition in the market. Efforts has been made to focus on more value added products to optimise its contribution.

The PVC food wrap division had seen continuous improvements in profitability since the full operations of the second line last year. The group is planning to expand its operation further.

The Group's new subsidiary company, TGS Plastic Industries Sdn Bhd has continued to turn the corner to record significant improvements to its bottom line with its more aggressive pricing strategy and contributions from newly installed machineries. Its operations will be further expanded as well.

Its garbage bag divisions in both Malaysia and China has continued its steady contributions while the industrial bags division in Malaysia has continued to contribute as well.

The Group's compounding division which was expanded last year has increased its contribution significantly. Plans are also under way to expand its operations.

The Group's operations in Sabah has not profitable in the first quarter of 2013.

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

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

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	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
After charging:				
Bad debts written off	-	13	-	13
Depreciation of property, plant and equipment	4,226	4,352	4,226	4,352
Amortisation of prepaid lease payments	65	65	65	65
Property, plant and equipment written off	1	-	1	-
Impairment loss on other investments	186	-	186	-
Loss on foreign exchange				
- realised	107	-	107	-
- unrealised	-	26	-	26
and crediting:				
Gain on foreign exchange				
- realised	-	1,156	-	1,156
- unrealised	676	-	676	-
Reversal of impairment loss on receivables	8	10	8	10
Reversal of impairment loss on other investments	-	19	-	19
Unrealised gain on derivatives	45	377	45	377

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18 Income tax expense

	Individual quarter		Cumulative period	
	31.03.2013 RM'000	31.03.2012 RM'000	31.03.2013 RM'000	31.03.2012 RM'000
Income tax in respect of				
- Current period	1,948	865	1,948	865
- Prior year	15	1	15	1
Deferred tax expense	(129)	340	(129)	340
	<u>1,834</u>	<u>1,206</u>	<u>1,834</u>	<u>1,206</u>

The Group's effective tax rates for the current quarter ended 31 March 2013 was 24.71%.

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.

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22 Group borrowings and debt securities

	31.03.2013
	RM'000
Current	
<i><u>Secured</u></i>	
Term loans	921
Overdrafts	537
Bankers' acceptances	1,388
Finance lease liability	582
	3,428
<i><u>Unsecured</u></i>	
Term loans	2,765
Overdrafts	2,725
Bankers' acceptances	3,771
Onshore foreign currency loans	18,404
	27,665
	31,093
Non-current	
<i><u>Secured</u></i>	
Term loans	1,350
Finance lease liability	1,186
	2,536
<i><u>Unsecured</u></i>	
Term loans	7,448
	9,984

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 March 2013 are set out below:

Type of derivatives	Contract/ Notional Value RM'000	Fair Value RM'000
Foreign Exchange Contracts		
- Less than 1 year	2,308	2,263
- 1 year to 3 years	-	-
- More than 3 years	-	-
Total	2,308	2,263

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24 Realised and unrealised retained earnings

	<u>As at 31.03.2013 RM'000</u>	<u>As at 31.12.2012 RM'000</u>
Total retained profits of Thong Guan Industries Berhad and its subsidiaries		
- Realised	165,749	160,295
- Unrealised	(5,387)	(6,431)
	<u>160,362</u>	<u>153,864</u>
Less: Consolidation adjustments	(8,667)	(7,654)
Total group retained profits as per consolidated accounts	<u><u>151,695</u></u>	<u><u>146,210</u></u>

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	
	<u>31.03.2013</u>	<u>31.03.2012</u>	<u>31.03.2013</u>	<u>31.03.2012</u>
Profit attributable to ordinary equity owners of the Company (RM'000)	<u>5,485</u>	<u>5,546</u>	<u>5,485</u>	<u>5,546</u>
Weighted average number of ordinary share in issue (units'000)	<u>105,205</u>	<u>105,205</u>	<u>105,205</u>	<u>105,205</u>
Basic earnings per ordinary share (sen)	<u><u>5.21</u></u>	<u><u>5.27</u></u>	<u><u>5.21</u></u>	<u><u>5.27</u></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.

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 30 MAY 2013