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 2013 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 2013.

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 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
• Amendments to MFRS 136, Impairment of Asset - Recoverable Amount Disclosures for Non -Financial Assets
• Amendments to MFRS 139, Financial Instruments : Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
• IC Interpretation 21, Levies*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014
• Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
• Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010-2012 Cycle)#
• Amendments to MFRS 3, Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
• Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)
• Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
• Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
• Amendments to MFRS 119, Employee Benefits - Defined Benefit Plans: Employee Contributions
• Amendments to MFRS 124, Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
• Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010-2012 Cycle)#
• Amendments to MFRS 140, Investment Properties (Annual Improvements 2011-2013 Cycle)#

MFRSs, Interpretations and amendments effective for a date yet to be confirmed
• MFRS 9, Financial Instruments (2009)
• MFRS 9, Financial Instruments (2010)
• MFRS 9, Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139#
• Amendments to MFRS 7, Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures

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

• 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 and the Company.

• 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 July 2014, except for those marked "#" which are not applicable to the Group and the Company.

The initial application of the standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below :

MFRS 9, Financial Instruments
MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

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 periods.

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

Other than as disclosed under note 21(a), 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 2014.

7 Dividends paid

A tax exempt interim dividend of 3% (3 sen per share) in respect of the financial year ending 31 December 2014 was paid on 18 November 2014 for the current quarter.

8 Segment information

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

Segment information for the year ended 31 December 2014 are as follow:

	Plastic Products	Food, Beverages and Other Consumable Products	Consolidated
2014	RM'000	RM'000	RM'000
Revenue			
Revenue from external customers	690,289	42,301	732,590
Segment profit	16,898	1,925	18,823
Included in the measure of segment profit are:			
-Depreciation and amortisation	17,763	586	18,349
Segment assets	466,742	80,137	546,879
Included in the measure of segment assets is:			
-Capital expenditure	29,229	771	30,000

Segment information for the year ended 31 December 2013 are as follow:

	Plastic Products	Food, Beverages and Other Consumable Products	Consolidated
2013	RM'000	RM'000	RM'000
Revenue			
Revenue from external customers	680,752	39,524	720,276
Segment profit	30,139	1,698	31,837
Included in the measure of segment profit are:			
-Depreciation and amortisation	16,701	694	17,395
Segment assets	410,632	36,902	447,534
Included in the measure of segment assets is:			
-Capital expenditure	16,740	214	16,954

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 current quarter ended 31 December 2014.

12 Contingent liabilities

The Company has provided financial support to certain subsidiaries to enable them to continue operating as a going concern.

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	
	31.12.2014 RM'000	**31.12.2013 RM'000**	**31.12.2014 RM'000**	**31.12.2013 RM'000**
Revenue				
Plastic Products	157,243	174,099	690,289	680,752
Food, Beverages and Other Consumable Products	9,738	10,487	42,301	39,524
Group	166,981	184,586	732,590	720,276
Profit before tax				
Plastic Products	(4,184)	4,075	16,898	30,139
Food, Beverages and Other Consumable Products	(329)	297	1,925	1,698
Group	(4,513)	4,372	18,823	31,837

Group

Group revenue for the twelve months ended 31 December 2014 was RM732.590 million compared with RM720.276 million for the twelve months ended 31 December 2013, an increase of 1.71%. The increase in revenue was mainly due to higher average prices of raw materials which translated to higher selling prices during the first three quarters as compared to the corresponding year in 2013. Group profit before tax for the year ended 31 December 2014 was RM18.823 million, a decrease of 40.88% over the RM31.837 million registered in the corresponding year in 2013. The decrease in profit before tax was mainly due to higher provision for doubtful debts, realised and unrealised foreign exchange losses, losses suffered at the group's China based operations and higher operating expenses.

For the fourth quarter ended 31 December 2014, Group revenue decreased by 9.54% from RM184.586 million to RM166.981 million as compared to the corresponding quarter in 2013 and the Group suffered a loss of RM4.513 million. The decrease in revenue was mainly due to lower average prices of raw materials which translated to lower selling prices as compared to the corresponding period in 2013. The decrease in profit before tax was mainly due to higher provision for doubtful debts, realised and unrealised foreign exchange losses, losses suffered at the group's China based operations and higher operating expenses.

Plastic Products

For the twelve months ended 31 December 2014, revenue increased by 1.40% from RM680.752 million to RM690.289 million while profit before tax decreased by 43.93% from RM30.139 million to RM16.898 million as compared to the preceding year in 2013.
The increase in revenue was mainly due to higher average selling prices in the first three quarters as compared to the corresponding year in 2013. The decrease in profit before tax was mainly due to higher provision for doubtful debts, realised and unrealised foreign exchange losses, losses suffered at the group's China based operations and higher operating expenses as compared to the corresponding year in 2013.

For the fourth quarter ended 31 December 2014, revenue decreased by 9.68% from RM174.099 million to RM157.243 million as compared to the corresponding quarter in 2013 while the Group suffered a loss of RM4.184 million as compared to the corresponding quarter in 2013. The decrease in revenue was mainly due to lower average prices of raw materials which translated to lower selling prices as compared to the corresponding period in 2013. The decrease in profit before tax was mainly due to higher provision for doubtful debts, realised and unrealised foreign exchange losses, losses suffered at the group's China based operations and higher operating expenses.

Food, Beverages and Other Consumable Products

For the twelve months ended 31 December 2014, revenue increased by 7.03% from RM39.524 million to RM42.301 million while profit before tax increased by 13.37% from RM1.698 million to RM1.925 million as compared to the corresponding year in 2013.
The increase in revenue was mainly due to higher demand of tea and snack food compared to the corresponding year in 2013. The increase in profit before tax was mainly due to the increase in revenue, higher margin of tea and coffee products compared to the corresponding year in 2013.

For the fourth quarter ended 31 December 2014, revenue decreased by 7.14% from RM10.487 million to RM9.738 million while the segment suffered a loss of RM0.329 million as compared to the corresponding quarter in 2013. The decrease in revenue was mainly due to lower demand of curry powder, instant beverage products and biscuits compared to the corresponding period in 2013. The loss before taxation was mainly due to the write off of obsolete stock at the China based operations.

14 Comparison with immediate preceding quarter's results

	Individual quarter ended			
	31.12.2014 RM'000	30.09.2014 RM'000	Variance RM'000	Variance %
Revenue	166,981	191,875	(24,894)	(12.97)
(Loss)/ profit before tax	(4,513)	4,398	(8,911)	(202.61)

The revenue for the quarter ended 31 December 2014 decreased by RM24.894 million or 12.97% as compared to the preceding quarter while the Group suffered a loss before taxation of RM4.513 million. The decrease in revenue was mainly due to lower prices of raw materials which translated to lower selling prices during the current quarter. The decrease in profit before tax was mainly due to provision for doubtful debts and translation losses on foreign currency loan compared to the preceeding quarter.

15 Prospect

In 2014, the Group has completed its first phase of capital expenditures with the funds raised from its right issue of ICULS with the successful installation of its unique thin stretch film machines with in-line prestretching capability, 4 additional lines of the PVC food wrap machines and machines in its compounding division. The Group believes that these investment will contribute positively to its growth and profitability in 2015. The Group's capital expenditure plan will continue in 2015 with the installation of the 33-layer nano-technology stretch film line and a state of art blown film line as well as the setting up of its first of its kind in Asia Pacific research & development centre. Upon completion of this, the Group expect to differentiate its products and services to its customers and move further up the value chain to achieve better profit margin.

The food, beverage and other consumable business unit is expected to continue its steady progress in 2015 with more effort on marketing and promotional activities.

On the impact of external factor, the Group is of the view that the sharp decreased in crude oil price which had led to lower raw material cost and lower selling prices for its products will auger well in terms of increased demand. The depreciation of the Malaysian Ringgit will also benefit the Group in terms of lower labour, electricity and other input costs as the Group's sales are mostly denominated in USD.

Barring any unforeseen circumstances, the Group expect to recover from the current quarter losses and record sustainable higher profit in the financial year ended 31 December 2015.

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	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
After charging:				
Bad debt written off	7	-	8	4
Depreciation of property, plant and equipment	4,803	4,331	18,101	17,132
Amortisation of prepaid lease payments	70	66	248	263
Property, plant and equipment written off	-	-	-	2
Provision for and write off of inventories	279	-	279	-
Impairment loss on receivables	5,520	26	5,520	26
Impairment loss on other investments	141	210	668	607
Loss on foreign exchange				
- realised	1,706	269	1,297	-
- unrealised	2,425	2,007	2,642	1,147
Unrealised loss on derivatives	97	19	44	118
and crediting:				
Gain on disposal of plant and equipment	89	-	89	285
Gain on foreign exchange				
- realised	-	-	-	1,359
Reversal of impairment loss on receivables	1	5	26	9

18 Income tax expense

	Individual quarter		Cumulative period	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Income tax in respect of				
- Current period	379	(2,475)	2,768	3,165
- Prior year	5	22	(104)	(279)
Deferred tax expense	(676)	546	(2,242)	111
	(292)	(1,907)	422	2,997

The Group's effective tax rate was lower than the statutory corporate tax rate due to the availability of certain tax incentives to certain subsidiary companies within 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

(a) The Group had completed its Rights Issue of ICULS with Warrants on 15 October 2014, following the listing of and quotation for 52,602,250 ICULS and 26,301,106 Warrants on the Main Market of Bursa Malaysia Securities Berhad.

(b) Status of utilisation of Proceeds
As at the date of this report, the utilisation of the proceeds raised from the Rights Issue is as follow:-

	Purpose of utilisation	Estimated timeframe for utilisation from date of listing	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000
i.	Purchase of machineries and other ancillary facilities	12 months	33,000	(18,788)	14,212
ii.	Working capital	12 months	18,002	(18,002)	-
iii.	Renovation and refurbishment of existing factory building	12 months	800	(800)	-
iv.	Estimated expenses in relation to the Rights Issue	6 months	800	(800)	-

22 Group borrowings and debt securities

	31.12.2014 RM'000
Current	
Secured	
Term loans	1,051
Overdrafts	252
Bankers' acceptances	642
Finance lease liability	558
	2,503
Unsecured	
Term loans	2,795
Revolving credit	3,000
Overdrafts	2,810
Bankers' acceptances	3,076
Onshore foreign currency loans	59,597
	71,278
	73,781
Non-current	
Secured	
Finance lease liability	845
Unsecured	
Term loans	10,612
	11,457

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 2014 are set out below:

Type of derivatives	Contract/ Notional Value RM'000	Fair Value RM'000
Foreign Exchange Contracts		
- Less than 1 year	5,669	5,713
- 1 year to 3 years	-	-
- More than 3 years	-	-
Total	5,669	5,713

24 Realised and unrealised retained earnings

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Total retained earnings of Thong Guan Industries Berhad and its subsidiaries		
- Realised	187,068	183,690
- Unrealised	(3,880)	(7,613)
	183,188	176,077
Less: Consolidation adjustments	(10,249)	(9,050)
Total group retained earnings	172,939	167,027

25 Changes in material litigation

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

26 Dividends

The Board of Directors proposes to recommend for shareholders' approval at the forthcoming Annual General Meeting a final single-tier tax-exempt dividend of 4 sen per ordinary share in respect of the financial year ended 31 December 2014, to be paid on a date to be determined.

Shall it approved by the shareholders, the total dividends for the current financial year ended 31 December 2014 is 7 sen (2013: 8 sen) per ordinary share.

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	
	31.12.2014	**31.12.2013**	**31.12.2014**	**31.12.2013**
(Loss)/ profit attributable to ordinary equity owners of the Company (RM'000)	(4,168)	6,270	17,485	28,180
Weighted average number of ordinary share in issue (units'000)	105,206	105,205	105,206	105,205
Basic (loss)/ earnings per ordinary share (sen)	(3.96)	5.96	16.62	26.79

(b) Diluted earnings per ordinary share

	Individual quarter		Cumulative period	
	31.12.2014	**31.12.2013**	**31.12.2014**	**31.12.2013**
(Loss)/ profit attributable to ordinary equity owners of the Company (RM'000)	(4,168)	6,270	17,485	28,180
Weighted average number of ordinary share in issue (units'000)	110,408	N/A	110,408	N/A
Diluted (loss)/ earnings per ordinary share (sen)	(3.78)	N/A	15.84	N/A

The ICULS can only be converted into new TGIB Shares in the second (2nd) anniversary (15 October 2016) of the date of issue of the ICULS.

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 26 FEBRUARY 2015