

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2015

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30.06.2015 RM'000	30.06.2014 RM'000	30.06.2015 RM'000	30.06.2014 RM'000
Revenue	7	173,229	195,974	334,017	373,734
Cost of goods sold		(152,454)	(175,009)	(293,679)	(331,476)
Gross profit		20,775	20,965	40,338	42,258
Other income		1,620	563	3,580	2,400
Selling and distribution expenses		(5,701)	(6,319)	(11,254)	(12,252)
Administrative expenses		(6,312)	(5,752)	(12,607)	(11,439)
Other expenses		(1,975)	(272)	(7,940)	(1,789)
Results from operating activities	16	8,407	9,185	12,117	19,178
Interest income		469	72	882	253
Finance costs		(347)	(257)	(702)	(493)
Profit before tax	7	8,529	9,000	12,297	18,938
Tax expense	17	(1,071)	(570)	(498)	(1,514)
Profit for the period		7,458	8,430	11,799	17,424
Other comprehensive income, net of tax					
Fair value of available-for-sale financial assets		5	-	5	-
Foreign currency translation differences for foreign operations		1,309	(429)	5,910	(2,630)
Total comprehensive income for the period		8,772	8,001	17,714	14,794
Profit attributable to:					
Owners of the Company		7,101	8,025	11,730	16,738
Non-controlling interests		357	405	69	686
		7,458	8,430	11,799	17,424
Total comprehensive income attributable to:					
Owners of the Company		8,415	7,596	17,645	14,108
Non-controlling interests		357	405	69	686
		8,772	8,001	17,714	14,794
Earnings per ordinary share (sen)					
- Basic	26	6.75	7.63	11.15	15.91
- Diluted	26	6.41	7.63	10.58	15.91

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial report.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 30.06.2015 RM'000	AUDITED AS AT 31.12.2014 RM'000
ASSETS			
Property, plant and equipment	8	118,399	123,583
Prepaid lease payments		12,254	11,954
Other investments		464	348
Deferred tax assets		4,666	3,941
Fixed deposit with a licensed bank		30	30
Total non-current assets		135,813	139,856
Other investments		6,528	6,474
Inventories		141,527	192,830
Trade and other receivables		113,900	114,936
Current tax assets		2,836	2,080
Cash and cash equivalents		91,108	91,560
Total current assets		355,899	407,880
TOTAL ASSETS		491,712	547,736
EQUITY			
Share capital		105,212	105,212
Reserves		254,512	236,867
Total equity attributable to owners of the Company		359,724	342,079
Non-controlling interests		5,482	5,413
Total equity		365,206	347,492
Long term borrowings		18,607	20,559
Deferred tax liabilities		5,180	5,135
Total non-current liabilities		23,787	25,694
Short term borrowings		46,496	76,324
Trade and other payables		55,955	98,171
Current tax liabilities		268	55
Total current liabilities		102,719	174,550
Total LIABILITIES		126,506	200,244
TOTAL EQUITY AND LIABILITIES		491,712	547,736
Net Assets per share attributable to the owners of the Company (RM)		3.42	3.25

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial report.

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FOR SECOND QUARTER ENDED 30 JUNE 2015



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Non-distributable			Distributable				Total	Non-controlling interests	Total equity	
Share capital	Share premium	Equity component of ICULS	Warrant reserve	Translation reserve	Fair value reserve	Statutory reserve	Retained earnings				RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
6 months year ended 30.06.2014											
At 1 January 2014	105,205	3,939	-	-	9,212	-	4,141	167,026	289,523	3,598	293,121
Total comprehensive income for the period	-	-	-	-	(2,630)	-	-	16,738	14,108	686	14,794
Share issued by a subsidiary and subscribed by non-controlling interests	-	-	-	-	-	-	-	-	-	900	900
At 30 June 2014	105,205	3,939	-	-	6,582	-	4,141	183,764	303,631	5,184	308,815
6 months year ended 30.06.2015											
At 1 January 2015	105,212	3,946	26,296	17,024	12,500	23	4,141	172,937	342,079	5,413	347,492
Total comprehensive income for the period	-	-	-	-	5,910	5	-	11,730	17,645	69	17,714
At 30 June 2015	105,212	3,946	26,296	17,024	18,410	28	4,141	184,667	359,724	5,482	365,206

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial report.

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FOR SECOND QUARTER ENDED 30 JUNE 2015

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	6 months ended	
	UNAUDITED 30.06.2015 RM'000	UNAUDITED 30.06.2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	12,297	18,938
Adjustments for:		
Depreciation of property, plant and equipment	9,784	8,783
Amortisation of prepaid lease payments	147	131
Gain on disposal of property, plant and equipment	(119)	(26)
Gain on disposal of short term other investment	(59)	-
Interest income	(882)	(253)
Interest expense	702	493
Reversal of / impairment on other investments	(116)	340
Operating profit before changes in working capital	21,754	28,406
Changes in working capital:		
Trade and other receivables	3,334	(17,271)
Inventories	53,446	(10,507)
Trade and other payables	(43,473)	(17,466)
Cash generated from/ (used in) operations	35,061	(16,838)
Income taxes paid	(1,720)	(2,957)
Net cash generated from/ (used in) operating activities	33,341	(19,795)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of short term investments	(89)	(4,890)
Proceed from disposal of short term other investments	99	-
Acquisition of property, plant and equipment	(2,586)	(4,424)
Additions to prepaid lease payments	(23)	(13)
Proceeds from disposal of property, plant and equipment	137	165
Interest received	882	253
Share subscribed by non-controlling interests in an existing subsidiary	-	900
Net cash used in investing activities	(1,580)	(8,009)
CASH FLOWS FROM FINANCING ACTIVITIES		
ICULS interest paid	(1,286)	-
Interest paid	(702)	(493)
Repayment of finance lease liabilities	(654)	(66)
Repayment of term loans, net	(1,383)	5,510
Other bank borrowings, net	(27,091)	8,651
Net cash (used in)/ generated from financing activities	(31,116)	13,602
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	645	(14,202)
Effects of exchange rate fluctuations on cash held	600	(451)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	88,497	66,302
CASH AND CASH EQUIVALENTS AT END OF PERIOD	89,742	51,649
REPRESENTED BY:-		
Cash and bank balances	27,495	42,535
Short-term deposits	63,613	12,440
Bank overdrafts	(1,366)	(3,326)
	89,742	51,649

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial report.

**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 2014 and the accompanying explanatory notes.

The accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group's consolidated audited financial statements for the financial year ended 31 December 2014, except for the adoption of the following:

Description	Effective date
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to MFRS 2 Share Based Payment (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 3 Business Combinations (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 3 Business Combinations (Annual Improvements to MFRSs 2011-2013 Cycle)	1 July 2014
Amendments to MFRS 8 Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 13 Fair Value Measurement (Annual Improvements to MFRSs 2011-2013 Cycle)	1 July 2014
Amendments to MFRS 116 Property, Plant & Equipment	1 July 2014
Amendments to MFRS 138 Intangible Assets (Annual Improvements to MFRSs 2010-2013 Cycle)	1 July 2014
Amendments to MFRS 124 Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 140 Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)	1 July 2014

The adoption of the above Amendments and Annual Improvements to standard did not have any material financial impact to the Group.

2 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.

3 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.

4 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.

5 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 30 June 2015.

6 Dividends paid

There were no dividend paid in the quarter under review.

**7 Segment information**

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

Segment information for the year ended 30 June 2015 are as follow:

2015	Plastic Products	Food, Beverages and Other Consumable Products	Consolidated
	RM'000	RM'000	RM'000
Revenue			
Revenue from external customers	311,740	22,277	334,017
Segment profit	9,886	2,411	12,297
-Depreciation and amortisation	9,616	315	9,931
Segment assets	408,648	84,472	493,120
Included in the measure of segment assets is:			
-Capital expenditure	2,800	137	2,937

Segment information for the year ended 30 June 2014 are as follow:

2014	Plastic Products	Food, Beverages and Other Consumable Products	Consolidated
	RM'000	RM'000	RM'000
Revenue			
Revenue from external customers	351,107	22,627	373,734
Segment profit	16,990	1,948	18,938
-Depreciation and amortisation	8,579	335	8,914
Segment assets	415,395	41,520	456,915
Included in the measure of segment assets is:			
-Capital expenditure	4,329	312	4,641

8 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.

9 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 except the following:-

Subsequent to the quarter ended 30 June 2015, Syarikat Thong Guan Trading Sdn Bhd (STGT), the subsidiary company of the Group entered into two Share Sales Agreements on 1 August 2015 to acquire a total of 640,000 ordinary shares of RM1 each representing 40% of the total issued and fully paid-up share capital of in Everprosper Food Industries Sdn Bhd (EFI).

Concurrently with the completion of the Acquisition, STGT also entered into a Subscription Agreement with EFI and Western Square Sdn Bhd where STGT subscribed for 800,000 new ordinary shares in EFI at par for cash on 1 August 2015. Upon the completion of the Acquisition and the Subscription, STGT will hold a total of 1,440,000 ordinary shares in EFI representing 60% of the enlarged total issued and fully paid up share capital of EFI and EFI shall become a 60% owned subsidiary of the Company.

10 Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter ended 30 June 2015.

11 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**
12 Review of performance

	Individual quarter		Cumulative period	
	30.06.2015 RM'000	30.06.2014 RM'000	30.06.2015 RM'000	30.06.2014 RM'000
Revenue				
Plastic Products	161,891	184,702	311,740	351,107
Food, Beverages and Other Consumable Products	11,338	11,272	22,277	22,627
Group	173,229	195,974	334,017	373,734
Profit before tax				
Plastic Products	7,454	7,960	9,886	16,990
Food, Beverages and Other Consumable Products	1,075	1,040	2,411	1,948
Group	8,529	9,000	12,297	18,938

Group

For the six month ended 30 June 2015, Group revenue decreased by 10.63% from RM373.734 million to RM334.017 million while profit before taxation decreased by 35.07% from RM18.938 million to RM12.297 million as compared to the corresponding quarter in 2014. The decrease in revenue was partly due to lower prices of raw materials which translated to lower selling prices and also the decrease of sales to its Japanese customers as compared to the corresponding period in 2014. The decrease in profit before tax was mainly due to higher realised foreign exchange losses and lower profit contributions from its Japanese customers as compared to the corresponding period in 2014.

For the three months second quarter ended 30 June 2015, Group revenue decreased by 11.61% from RM195.974 million to RM173.229 million while profit before taxation decreased by 5.23% from RM9.000 million to RM 8.529 million as compared to the corresponding quarter in 2014. The decrease in revenue was mainly due to the decrease in export volume especially to Japan as compared to the corresponding period in 2014. The decrease in profit before tax was mainly due to the lower profit contributions from its Japanese customers.

Plastic Products

For the six month ended 30 June 2015, revenue decreased by 11.21% from RM351.107 million to RM311.740 million as compared to the corresponding quarter in 2014 while the profit before tax decreased by 41.81% from RM16.990 million to RM9.886 million as compared to the corresponding quarter in 2014. The decrease in revenue was partly due to lower prices of raw materials which translated to lower selling prices and also the decrease of sales to its Japanese customers as compared to the corresponding period in 2014. The decrease in profit before tax was mainly due to the higher realised foreign exchange losses and lower profit contributions from its Japanese customers.

For the three months second quarter ended 30 June 2015, revenue decreased by 12.35% from RM184.702 million to RM161.891 million while profit before taxation decreased by 6.36% from RM7.960 million to RM 7.454 million as compared to the corresponding quarter in 2014. The decrease in revenue was mainly due to decreased in export volume as compared to the corresponding period in 2014. The decrease in profit before tax was mainly due to lower profit contribution from its Japanese customers as compared to the corresponding period in 2014.

Food, Beverages and Other Consumable Products

For the six month ended 30 June 2015, revenue decreased by 1.55% from RM22.627 million to RM22.277 million while profit before taxation increased by 23.77% from RM1.948 million to RM2.411 million as compared to the corresponding quarter in 2014. The decrease in revenue was mainly due to lower demand of instant beverages products and biscuits compared to the corresponding period in 2014. The increase in profit before taxation was mainly due to higher margin from tea products compared to the corresponding period in 2014.

For the three months second quarter ended 30 June 2015, revenue increased by 0.59% from RM11.272 million to RM11.338 million while profit before taxation increased by 3.37% from RM1.040 million to RM 1.075 million as compared to the corresponding quarter in 2014. The performance for both quarters in terms of revenue and profit before taxation is consistent and within expectation.

**13 Comparison with immediate preceding quarter's results**

	Individual quarter ended		Variance RM'000	Variance %
	30.06.2015 RM'000	31.03.2015 RM'000		
Revenue	173,229	160,788	12,441	7.74
Profit before tax	8,529	3,768	4,761	126.35

The revenue for the quarter ended 30 June 2015 increased by RM12.441 million or 7.74% as compared to the preceding quarter. Profit before tax for the current quarter increased by RM4.761 million or 126.35% as compared to the preceding quarter. The increase in revenue was mainly due to increase in export volume and higher average prices of raw materials which translated to higher selling prices during the current quarter. The increase in profit before tax was mainly due to the higher contribution from PVC food wrap division for the current quarter.

14 Prospect

The group recently commissioned fifth and sixth PVC food wrap lines are currently running smoothly. Market efforts have been intensified to bring them to full production in the next few months. The Group plans to expand its production capacity further in 2016.

In 2015, the Group will install the 33-layer nano-technology stretch film line and a state of art blown film line as well as the setting up of its 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. The acquisition of the organic noodle manufacturing facilities and its subsequent expansion plans will contribute positively to the food division's bottom line.

On the impact of external factor, the Group is of the view that the decreased in crude oil price which had led to lower raw material prices and thus lower selling prices for its products will auger well as it will lead to 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 is confident of the continuous progressive contributions from its business units and has chartered further growth prospects.

15 Variance of actual profit from forecast profit

Not applicable.

16 Results from operating activities

Results from operating activities are arrived at:

	Individual quarter		Cumulative period	
	30.06.2015 RM'000	30.06.2014 RM'000	30.06.2015 RM'000	30.06.2014 RM'000
After charging:				
Bad debt written off	-	-	-	1
Depreciation of property, plant and equipment	4,982	4,493	9,784	8,783
Amortisation of prepaid lease payments	73	65	147	131
Impairment loss on other investments	-	340	-	340
Loss on foreign exchange				
- realised	2,098	116	5,523	28
Unrealised loss on derivatives	15	-	194	-
and crediting:				
Gain on disposal of plant and equipment	47	-	119	26
Gain on foreign exchange				
- unrealised	1,268	476	490	333
Reversal of impairment loss on receivables	9	-	13	-
Reversal of impairment loss on other	-	-	116	-
Unrealised gain on derivatives	-	57	-	195

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FOR SECOND QUARTER ENDED 30 JUNE 2015



17 Income tax expense

	Individual quarter		Cumulative period	
	30.06.2015 RM'000	30.06.2014 RM'000	30.06.2015 RM'000	30.06.2014 RM'000
Income tax in respect of				
- Current period	733	1,678	1,178	2,752
- Prior year	-	(104)	-	(104)
Deferred tax expense	338	(1,004)	(680)	(1,134)
	<u>1,071</u>	<u>570</u>	<u>498</u>	<u>1,514</u>

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.

18 Sale of unquoted investments and/or properties

There were no sale of unquoted investments for the current financial quarter and financial period-to-date.

19 Quoted securities

There were no purchases or disposals of quoted securities for the current financial quarter and financial period-to-date.

20 Status of corporate proposals announced

Other than those disclosed under note 9, there were no other material corporate proposals announced and not completed as at date of this report.



21 Group borrowings and debt securities

	30.06.2015 RM'000
Current	
<u>Secured</u>	
Term loans	115
Overdrafts	712
Bankers' acceptances	1,342
Finance lease liability	452
	2,621
<u>Unsecured</u>	
Term loans	2,795
Overdrafts	654
Discounted bills	1,764
Bankers' acceptances	2,711
Onshore foreign currency loans	33,408
Liability component of ICULS	2,543
	43,875
	46,496
Non-current	
<u>Secured</u>	
Finance lease liability	626
<u>Unsecured</u>	
Term loans	10,165
Liability component of ICULS	7,816
	18,607

The above borrowings are denominated in Ringgit Malaysia except for discounted bills, onshore foreign currency loans and unsecured term loans which are denominated in US Dollar.

22 Disclosure of derivatives

Details of derivative financial instruments outstanding as at 30 June 2015 are set out below:

Type of derivatives	Contract/ Notional Value RM'000	Fair Value RM'000
Foreign Exchange Contracts		
- Less than 1 year	7,043	7,237
- 1 year to 3 years	-	-
- More than 3 years	-	-
Total	7,043	7,237

23 Realised and unrealised retained earnings

	As at 30.06.2015 RM'000	As at 31.12.2014 RM'000
Total retained earnings of Thong Guan Industries Berhad and its subsidiaries		
- Realised	195,077	187,112
- Unrealised	(219)	(3,880)
	194,858	183,232
Less: Consolidation adjustments	(10,191)	(10,295)
Total group retained earnings	184,667	172,937

**24 Changes in material litigation**

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

25 Dividends

The final single tier dividend of 4 sen per share in respect of the financial year ended 31 December 2014 was approved at the Company's 20th Annual General Meeting on 25 June 2015 and will be paid on 18 August 2015 to depositors registered in the Record of Depositor on 29 July 2015.

The total dividends for the financial year ended 31 December 2014 is 7 sen (2013: 8 sen) per ordinary share.

26 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	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
Profit attributable to ordinary equity owners of the Company (RM'000)	7,101	8,025	11,730	16,738
Weighted average number of ordinary share in issue (units'000)	105,212	105,205	105,212	105,205
Basic earnings per ordinary share (sen)	6.75	7.63	11.15	15.91

(b) Diluted earnings per ordinary share

	Individual quarter		Cumulative period	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
Profit attributable to ordinary equity owners of the Company (RM'000)	7,101	8,025	11,730	16,738
Weighted average number of ordinary share in issue (units'000)	110,856	105,205	110,856	105,205
Diluted earnings per ordinary share (sen)	6.41	7.63	10.58	15.91

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.

27 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 19 AUGUST 2015