

**QUARTERLY REPORT**

FOR THE FIRST QUARTER ENDED 31 MARCH 2016

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE (UNAUDITED)	PRECEDING YEAR CORRESPONDING PERIOD (UNAUDITED)
		31.03.2016	31.03.2015	31.03.2016	31.03.2015
Revenue	A7	179,670	160,788	179,670	160,788
Cost of goods sold		(148,452)	(141,225)	(148,452)	(141,225)
<b>Gross profit</b>		<b>31,218</b>	<b>19,563</b>	<b>31,218</b>	<b>19,563</b>
Other income		1,123	1,960	1,123	1,960
Selling and distribution expenses		(6,241)	(5,553)	(6,241)	(5,553)
Administrative expenses		(7,194)	(6,295)	(7,194)	(6,295)
Other expenses		(3,344)	(5,965)	(3,344)	(5,965)
<b>Results from operating activities</b>	B5	<b>15,562</b>	<b>3,710</b>	<b>15,562</b>	<b>3,710</b>
Interest income		382	413	382	413
Finance costs		(229)	(355)	(229)	(355)
<b>Profit before tax</b>	A7	<b>15,715</b>	<b>3,768</b>	<b>15,715</b>	<b>3,768</b>
Tax expense	B6	(1,989)	573	(1,989)	573
<b>Profit for the period</b>		<b>13,726</b>	<b>4,341</b>	<b>13,726</b>	<b>4,341</b>
<b>Other comprehensive income/(expense), net of tax</b>					
Fair value of available-for-sale financial assets		-	-	-	-
Foreign currency translation differences for foreign operations		(7,966)	4,601	(7,966)	4,601
<b>Total comprehensive income for the period</b>		<b>5,760</b>	<b>8,942</b>	<b>5,760</b>	<b>8,942</b>
<b>Profit attributable to:</b>					
Owners of the Company		13,066	4,629	13,066	4,629
Non-controlling interests		660	(288)	660	(288)
		<b>13,726</b>	<b>4,341</b>	<b>13,726</b>	<b>4,341</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		5,100	9,230	5,100	9,230
Non-controlling interests		660	(288)	660	(288)
		<b>5,760</b>	<b>8,942</b>	<b>5,760</b>	<b>8,942</b>
<b>Earnings per ordinary share (sen)</b>					
- Basic	B15	12.42	4.40	12.42	4.40
- Diluted	B15	10.97	4.13	10.97	4.13

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 2015 and the accompanying explanatory notes attached to the interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>UNAUDITED AS AT 31.03.2016 RM'000</b>	<b>AUDITED AS AT 31.12.2015 RM'000</b>
	<b>Note</b>		
<b>ASSETS</b>			
Property, plant and equipment	A8	138,907	133,187
Prepaid lease payments		12,193	12,825
Other investments		567	567
Deferred tax assets		3,639	3,850
Fixed deposit with a licensed bank		30	30
<b>Total non-current assets</b>		<b>155,336</b>	<b>150,459</b>
Other investments		-	2,523
Inventories		132,986	158,618
Trade and other receivables		112,889	122,087
Current tax assets		165	845
Cash and cash equivalents		113,547	103,896
<b>Total current assets</b>		<b>359,587</b>	<b>387,969</b>
<b>TOTAL ASSETS</b>		<b>514,923</b>	<b>538,428</b>
<b>EQUITY</b>			
Share capital		105,271	105,212
Reserves		289,613	284,488
<b>Total equity attributable to owners of the Company</b>		<b>394,884</b>	<b>389,700</b>
<b>Non-controlling interests</b>		<b>7,456</b>	<b>6,796</b>
<b>Total equity</b>		<b>402,340</b>	<b>396,496</b>
Long term borrowings		14,963	16,834
Deferred tax liabilities		4,658	5,412
<b>Total non-current liabilities</b>		<b>19,621</b>	<b>22,246</b>
Short term borrowings		29,346	34,758
Trade and other payables		62,036	84,694
Current tax liabilities		1,580	234
<b>Total current liabilities</b>		<b>92,962</b>	<b>119,686</b>
<b>Total LIABILITIES</b>		<b>112,583</b>	<b>141,932</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>514,923</b>	<b>538,428</b>
<b>Net Assets per share attributable to the owners of the Company (RM)</b>		<b>3.75</b>	<b>3.70</b>

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 2015 and the accompanying explanatory notes attached to the interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to owners of the Company							Distributable Retained earnings	Total	Non-controlling interests	Total equity
	Non-distributable										
	Share capital	Share premium	Equity component of ICULS	Warrant reserve	Translation reserve	Fair value reserve	Statutory reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>3 months year ended 31.03.2015</b>											
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	-	-	-	-	4,601	-	-	4,629	9,230	(288)	8,942
<b>At 31 March 2015</b>	<b>105,212</b>	<b>3,946</b>	<b>26,296</b>	<b>17,024</b>	<b>17,101</b>	<b>23</b>	<b>4,141</b>	<b>177,566</b>	<b>351,309</b>	<b>5,125</b>	<b>356,434</b>
<b>3 months year ended 31.03.2016</b>											
At 1 January 2016	105,212	3,946	26,296	17,024	25,837	5	4,141	207,239	389,700	6,796	396,496
Total comprehensive income for the period	-	-	-	-	(7,966)	(5)	-	13,066	5,095	660	5,755
Exercise of warrants	59	68	-	(38)	-	-	-	-	89	-	89
<b>At 31 March 2016</b>	<b>105,271</b>	<b>4,014</b>	<b>26,296</b>	<b>16,986</b>	<b>17,871</b>	<b>-</b>	<b>4,141</b>	<b>220,305</b>	<b>394,884</b>	<b>7,456</b>	<b>402,340</b>

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 2015 and the accompanying explanatory notes attached to the interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	3 months ended	
	UNAUDITED 31.03.2016 RM'000	AUDITED 31.03.2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	15,715	3,768
Adjustments for:		
Depreciation of property, plant and equipment	3,819	4,802
Amortisation of prepaid lease payments	66	74
Gain on disposal of property, plant and equipment	(19)	(119)
Written off of property, plant and equipment	91	-
Gain on disposal of short term other investment	(5)	-
Interest income	(382)	(413)
Interest expense	229	355
Operating profit before changes in working capita	19,514	8,467
Changes in working capital:		
Trade and other receivables	4,888	11,471
Inventories	23,345	27,174
Trade and other payables	(20,697)	(39,777)
Cash generated from operations	27,050	7,335
Income taxes paid	(505)	(990)
<b>Net cash generated from operating activities</b>	<b>26,545</b>	<b>6,345</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceed from disposal of short term other investments	2,523	-
Acquisition of property, plant and equipment	(11,739)	(1,143)
Additions to prepaid lease payments	(15)	(11)
Proceeds from disposal of property, plant and equipment	265	135
Interest received	382	413
<b>Net cash used in investing activities</b>	<b>(8,584)</b>	<b>(606)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(229)	(355)
Repayment of finance lease liabilities	(5)	(494)
Repayment of term loans, net	(1,995)	(631)
Other bank borrowings, net	(5,259)	4,821
Proceeds from issuance of ICULS & warrants, net	89	-
<b>Net cash (used in)/ generated from financing activities</b>	<b>(7,399)</b>	<b>3,341</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>10,562</b>	<b>9,080</b>
Effects of exchange rate fluctuations on cash held	(747)	467
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>103,026</b>	<b>88,497</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>112,841</b>	<b>98,044</b>
<b>REPRESENTED BY:-</b>		
Cash and bank balances	65,872	28,618
Short-term deposits	47,675	70,253
Bank overdrafts	(706)	(827)
	<b>112,841</b>	<b>98,044</b>

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 2015 and the accompanying explanatory notes attached to the interim financial report.

**PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134****A1 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 2015 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 2015, except for the adoption of the following:

Description	Effective date
MFRS 14, Regulatory Deferral Accounts	1 January 16
Amendments to MFRS 5, Non-current Assets Held for Sale and Discontinued Operations	1 January 16
Amendments to MFRS 7, Financial Instruments: Disclosures	1 January 16
Amendments to MFRS 10, Consolidated Financial Statements	1 January 16
MFRS 12, Disclosure of Interests in Other Entities	1 January 16
MFRS 128, Investments in Associates and Joint Ventures	1 January 16
Amendments to MFRS 11, Joint Arrangements	1 January 16
Amendments to MFRS 101, Presentation of Financial Statements – Disclosure Initiative	1 January 16
Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets	1 January 16
Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture	1 January 16
Amendments to MFRS 119, Employee Benefits	1 January 16
Amendments to MFRS 127, Separate Financial Statements	1 January 16
Amendments to MFRS 134, Interim Financial Reporting	1 January 16

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

**A2 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.

**A3 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.

**A4 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.

**A5 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 March 2016.

**A6 Dividends paid**

There were no dividend paid in the quarter under review.

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**A7 Segment information**

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

Segment information for the year ended 31 March 2016 are as follow:

	<u>Plastic and petroleum products</u> RM'000	<u>Food, beverages and other consumable products</u> RM'000	<u>Consolidated</u> RM'000
<b>2016</b>			
<b>Revenue</b>			
Revenue from external customers	167,005	12,665	179,670
<b>Segment profit</b>	14,360	1,355	15,715
Included in the measure of segment profit is:			
-Depreciation and amortisation	3,728	157	3,885
<b>Segment assets</b>	472,117	42,806	514,923
Included in the measure of segment assets is:			
-Capital expenditure	10,795	1,099	11,894

Segment information for the year ended 31 March 2015 are as follow:

	<u>Plastic and petroleum products</u> RM'000	<u>Food, beverages and other consumable products</u> RM'000	<u>Consolidated</u> RM'000
<b>2015</b>			
<b>Revenue</b>			
Revenue from external customers	149,849	10,939	160,788
<b>Segment profit</b>	2,432	1,336	3,768
Included in the measure of segment profit is:			
-Depreciation and amortisation	4,719	157	4,876
<b>Segment assets</b>	434,366	85,187	519,553
Included in the measure of segment assets is:			
-Capital expenditure	1,421	63	1,484

**A8 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.

**A9 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.

**A10 Changes in the composition of the Group**

There were no changes in the composition of the Group for the current quarter ended 31 March 2016.

**A11 Contingent liabilities**

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

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF  
BURSA MALAYSIA SECURITIES BERHAD**
**B1 Review of performance**

	Individual quarter			
	31.03.2016 RM'000	31.03.2015 RM'000	Variance RM'000	Variance %
<b>Revenue</b>				
Plastic and petroleum products	167,005	149,849	17,156	11.4
Food, beverages and other consumable products	12,665	10,939	1,726	15.8
<b>Group</b>	<u>179,670</u>	<u>160,788</u>	<u>18,882</u>	<u>11.7</u>
<b>Profit before tax</b>				
Plastic and petroleum products	14,360	2,432	11,928	490.5
Food, beverages and other consumable products	1,355	1,336	19	1.4
<b>Group</b>	<u>15,715</u>	<u>3,768</u>	<u>11,947</u>	<u>317.1</u>
	Cumulative period			
	31.03.2016 RM'000	31.03.2015 RM'000	Variance RM'000	Variance %
<b>Revenue</b>				
Plastic and petroleum products	167,005	149,849	17,156	11.4
Food, beverages and other consumable products	12,665	10,939	1,726	15.8
<b>Group</b>	<u>179,670</u>	<u>160,788</u>	<u>18,882</u>	<u>11.7</u>
<b>Profit before tax</b>				
Plastic and petroleum products	14,360	2,432	11,928	490.5
Food, beverages and other consumable products	1,355	1,336	19	1.4
<b>Group</b>	<u>15,715</u>	<u>3,768</u>	<u>11,947</u>	<u>317.1</u>

**Group**3 months first quarter

The increase in revenue compared to the previous year corresponding period was mainly due to the increase in sales volume of its plastic products and higher average prices of raw materials which translated to higher selling prices.

The increase in profit before tax was in line with the increase of plastic products revenue and the higher margin mainly from its export sales.

**Plastic and petroleum products**3 months first quarter

The increase in revenue compared to the previous year corresponding period was mainly due to the increase in sales volume of its plastic products and higher average prices of raw materials which translated to higher selling prices.

The increase in profit before tax was mainly due to the higher contribution from its stretch films, industrial bags, garbage bags and PVC food wraps divisions. Its China based operation has also turned profitable compared to the corresponding quarter in 2015.

**Food, beverages and other consumable products**3 months first quarter

The increase in revenue compared to the previous year corresponding period was mainly due to the higher demand for coffee, tea and instant beverages products. Its newly acquired organic noodle making subsidiary company has started to contribute to the group's revenue.

The increase in profit before tax was mainly due to the higher margin recorded by coffee and tea products.

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**B2 Comparison with immediate preceding quarter's results**

	<u>Individual quarter ended</u>		<u>Variance</u> RM'000	<u>Variance</u> %
	<u>31.03.2016</u> RM'000	<u>31.12.2015</u> RM'000		
Revenue	179,670	195,724	(16,054)	(8.2)
Profit before tax	15,715	18,133	(2,418)	(13.3)

The decrease in revenue was mainly due to the lower average prices of raw materials which translated to lower selling prices. The lower profit before taxation was mainly due to the lower sales volume and higher unrealised foreign exchange losses as compared to the preceding quarter.

**B3 Prospect**

In the first quarter of 2016, the Group has successfully commissioned its 33-layer nano-technology stretch film line, its 5-layer blown film line, its automatic continuous organic noodle production line as well as its R&D centre. The Group has now positioned itself on a growth trajectory. It is pleasing to report that all operating divisions within the group has been profitable in the current quarter and is charting further growth. The Group is also currently looking at acquiring stretch film and PVC food wrap lines. Further growth on both volume and value is expected from plastic products and food & beverages in year 2016.

Barring any unforeseen circumstances, the Group is confident of the continuous progressive contributions from all its business units.

**B4 Variance of actual profit from forecast profit**

Not applicable.



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**B5 Results from operating activities**

Results from operating activities are arrived at:

	Individual quarter		Cumulative period	
	31.03.2016 RM'000	31.03.2015 RM'000	31.03.2016 RM'000	31.03.2015 RM'000
After charging:				
Bad debt written off	6	-	6	-
Depreciation of property, plant and equipment	3,819	4,802	3,819	4,802
Amortisation of prepaid lease payments	66	74	66	74
Property, plant and equipment written off	91	-	91	-
Loss on foreign exchange				
- realised	-	3,425	-	3,425
- unrealised	3,334	778	3,334	778
Unrealised loss on derivatives	-	179	-	179
and crediting:				
Gain on disposal of plant and equipment	19	72	19	72
Gain on foreign exchange				
- realised	399	-	399	-
Reversal of impairment loss on receivables	3	4	3	4

**B6 Income tax expense**

	Individual quarter		Cumulative period	
	31.03.2016 RM'000	31.03.2015 RM'000	31.03.2016 RM'000	31.03.2015 RM'000
Income tax in respect of				
- Current period	2,532	445	2,532	445
Deferred tax expense	(543)	(1,018)	(543)	(1,018)
	<u>1,989</u>	<u>(573)</u>	<u>1,989</u>	<u>(573)</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.

**B7 Sale of unquoted investments and/or properties**

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

**B8 Quoted securities**

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

**B9 Status of corporate proposals announced**

There were no other material corporate proposals announced and not completed as at date of this report.

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**B10 Group borrowings and debt securities**

	<u>31.03.2016</u> <u>RM'000</u>
<b>Current</b>	
<u>Secured</u>	
Overdrafts	345
Bankers' acceptances	1,361
Finance lease liability	427
	<u>2,133</u>
<u>Unsecured</u>	
Term loans	3,431
Overdrafts	361
Bankers' acceptances	2,677
Onshore foreign currency loans	18,312
Liability component of ICULS	2,432
	<u>27,213</u>
	<u>29,346</u>
<b>Non-current</b>	
<u>Secured</u>	
Finance lease liability	688
<u>Unsecured</u>	
Term loans	7,605
Liability component of ICULS	6,670
	<u>14,963</u>

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.

**B11 Disclosure of derivatives**

There were no derivatives in the quarter under review.

**B12 Realised and unrealised retained earnings**

	<u>As at</u> <u>31.03.2016</u> <u>RM'000</u>	<u>As at</u> <u>31.12.2015</u> <u>RM'000</u>
Total retained earnings of Thong Guan Industries Berhad and its subsidiaries		
- Realised	235,862	216,084
- Unrealised	(4,353)	1,850
	<u>231,509</u>	<u>217,934</u>
Less: Consolidation adjustments	(11,204)	(10,695)
Total group retained earnings	<u>220,305</u>	<u>207,239</u>

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**B13 Changes in material litigation**

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

**B14 Dividends**

The Board of Directors proposes to recommend for shareholders' approval at the forthcoming Annual General Meeting a final single-tier dividend of 9 sen per ordinary share in respect of the financial year ended 31 December 2015, to be paid on 18 August 2016 if approved.

**B15 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	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Profit attributable to ordinary equity owners of the Company (RM'000)	13,066	4,629	13,066	4,629
Weighted average number of ordinary share in issue (units'000)	105,222	105,212	105,222	105,212
Basic earnings per ordinary share (sen)	12.42	4.40	12.42	4.40

**(b) Diluted earnings per ordinary share**

	Individual quarter		Cumulative period	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Profit attributable to ordinary equity owners of the Company (RM'000)	13,066	4,629	13,066	4,629
Weighted average number of ordinary share in issue (units'000)	119,121	111,980	119,121	111,980
Diluted earnings per ordinary share (sen)	10.97	4.13	10.97	4.13

The ICULS can only be converted into new TGIB Shares in the second (2nd) anniversary (10 October 2016) of the date of issue of the ICULS.

**B16 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 MAY 2016