

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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

		INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER 30.06.2016	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2015	CURRENT YEAR TO DATE (UNAUDITED) 30.06.2016	PRECEDING YEAR CORRESPONDING PERIOD (UNAUDITED) 30.06.2015
Revenue	A7	183,521	173,229	363,191	334,017
Cost of goods sold		(157,574)	(152,454)	(306,026)	(293,679)
Gross profit		25,947	20,775	57,165	40,338
Other income		3,630	1,620	4,753	3,580
Selling and distribution expenses		(6,865)	(5,701)	(13,106)	(11,254)
Administrative expenses		(5,767)	(6,312)	(12,961)	(12,607)
Other expenses		1,068	(1,975)	(2,276)	(7,940)
Results from operating activities	B5	18,013	8,407	33,575	12,117
Interest income		453	469	835	882
Finance costs		(397)	(347)	(626)	(702)
Profit before tax	A7	18,069	8,529	33,784	12,297
Tax expense	B6	(3,068)	(1,071)	(5,057)	(498)
Profit for the period		15,001	7,458	28,727	11,799
Other comprehensive income/(expense), net of tax					
Fair value of available-for-sale financial assets		(5)	5	(5)	5
Foreign currency translation differences for foreign operations		503	1,309	(7,463)	5,910
Total comprehensive income for the period		15,499	8,772	21,259	17,714
Profit attributable to:					
Owners of the Company		14,529	7,101	27,595	11,730
Non-controlling interests		472	357	1,132	69
		15,001	7,458	28,727	11,799
Total comprehensive income attributable to:					
Owners of the Company		15,027	8,415	20,127	17,645
Non-controlling interests		472	357	1,132	69
		15,499	8,772	21,259	17,714
Earnings per ordinary share (sen)					
- Basic	B15	13.81	6.75	26.22	11.15
- Diluted	B15	11.89	6.41	22.59	10.58

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

	Note	UNAUDITED AS AT 30.06.2016 RM'000	AUDITED AS AT 31.12.2015 RM'000
ASSETS			
Property, plant and equipment	A8	141,019	133,187
Prepaid lease payments		12,243	12,825
Other investments		567	567
Deferred tax assets		3,349	3,850
Fixed deposit with a licensed bank		30	30
Total non-current assets		157,208	150,459
Other investments		-	2,523
Inventories		128,314	158,618
Trade and other receivables		121,966	122,087
Current tax assets		244	845
Cash and cash equivalents		137,706	103,896
Total current assets		388,230	387,969
TOTAL ASSETS		545,438	538,428
EQUITY			
Share capital		105,271	105,212
Reserves		304,644	284,488
Total equity attributable to owners of the Company		409,915	389,700
Non-controlling interests		7,928	6,796
Total equity		417,843	396,496
Long term borrowings		13,358	16,834
Deferred tax liabilities		4,732	5,412
Total non-current liabilities		18,090	22,246
Short term borrowings		24,482	34,758
Trade and other payables		81,418	84,694
Current tax liabilities		3,605	234
Total current liabilities		109,505	119,686
Total LIABILITIES		127,595	141,932
TOTAL EQUITY AND LIABILITIES		545,438	538,428
Net Assets per share attributable to the owners of the Company (RM)		3.89	3.70

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	Non- controlling interests	Total equity	
	Non-distributable										
	Share capital	Share premium	Equity component of ICULS	Warrant reserve	Translation reserve	Fair value reserve	Statutory reserve	Total			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
6 months year ended 30.06.2015											
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
6 months year ended 30.06.2016											
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	-	-	-	-	(7,463)	(5)	-	27,595	20,127	1,132	21,259
Exercise of warrants	59	67	-	(38)	-	-	-	-	88	-	88
At 30 June 2016	105,271	4,013	26,296	16,986	18,374	-	4,141	234,834	409,915	7,928	417,843

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**

	6 months ended	
	UNAUDITED 30.06.2016 RM'000	UNAUDITED 30.06.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	33,784	12,297
Adjustments for:		
Depreciation of property, plant and equipment	7,822	9,784
Amortisation of prepaid lease payments	132	147
Gain on disposal of property, plant and equipment	(2,040)	(119)
Written off of property, plant and equipment	22	-
Gain on disposal of short term other investment	(4)	(59)
Interest income	(835)	(882)
Interest expense	626	702
Reversal of impairment on other investments	-	(116)
Operating profit before changes in working capital	39,507	21,754
Changes in working capital:		
Trade and other receivables	(3,955)	3,334
Inventories	28,136	53,446
Trade and other payables	(1,419)	(43,473)
Cash generated from operations	62,269	35,061
Income taxes paid	(1,263)	(1,720)
Net cash generated from operating activities	61,006	33,341
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of short term investments	-	(89)
Proceed from disposal of short term other investments	2,523	99
Acquisition of property, plant and equipment	(17,486)	(2,586)
Additions to prepaid lease payments	(16)	(23)
Proceeds from disposal of property, plant and equipment	2,087	137
Interest received	835	882
Net cash used in investing activities	(12,057)	(1,580)
CASH FLOWS FROM FINANCING ACTIVITIES		
ICULS interest paid	(1,229)	(1,286)
Interest paid	(626)	(702)
Repayment of finance lease liabilities	2	(654)
Repayment of term loans, net	(2,433)	(1,383)
Other bank borrowings, net	(9,567)	(27,091)
Proceeds from issuance of ICULS & warrants, net	88	-
Net cash used in financing activities	(13,765)	(31,116)
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,184	645
Effects of exchange rate fluctuations on cash held	(709)	600
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	103,026	88,497
CASH AND CASH EQUIVALENTS AT END OF PERIOD	137,501	89,742
REPRESENTED BY:-		
Cash and bank balances	71,477	27,495
Short-term deposits	66,229	63,613
Bank overdrafts	(205)	(1,366)
	137,501	89,742

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 30 June 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 30 June 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
2016			
Revenue			
Revenue from external customers	337,810	25,381	363,191
Segment profit	31,053	2,731	33,784
Included in the measure of segment profit is:			
-Depreciation and amortisation	7,597	357	7,954
Segment assets	499,706	45,732	545,438
Included in the measure of segment assets is:			
-Capital expenditure	19,180	3,110	22,290

Segment information for the year ended 30 June 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
2015			
Revenue			
Revenue from external customers	311,740	22,277	334,017
Segment profit	9,886	2,411	12,297
Included in the measure of segment profit is:			
-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

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 30 June 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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FOR THE SECOND QUARTER ENDED 30 JUNE 2016


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

	Individual quarter			
	30.06.2016 RM'000	30.06.2015 RM'000	Variance RM'000	Variance %
Revenue				
Plastic and petroleum products	170,805	161,891	8,914	5.5
Food, beverages and other consumable products	12,716	11,338	1,378	12.2
Group	<u>183,521</u>	<u>173,229</u>	<u>10,292</u>	<u>5.9</u>
Profit before tax				
Plastic and petroleum products	16,693	7,454	9,239	123.9
Food, beverages and other consumable products	1,376	1,075	301	28.0
Group	<u>18,069</u>	<u>8,529</u>	<u>9,540</u>	<u>111.9</u>
	Cumulative period			
	30.06.2016 RM'000	30.06.2015 RM'000	Variance RM'000	Variance %
Revenue				
Plastic and petroleum products	337,810	311,740	26,070	8.4
Food, beverages and other consumable products	25,381	22,277	3,104	13.9
Group	<u>363,191</u>	<u>334,017</u>	<u>29,174</u>	<u>8.7</u>
Profit before tax				
Plastic and petroleum products	31,053	9,886	21,167	214.1
Food, beverages and other consumable products	2,731	2,411	320	13.3
Group	<u>33,784</u>	<u>12,297</u>	<u>21,487</u>	<u>174.7</u>

Group**6 months ended & 3 months second quarter**

The increase in revenue was mainly due to the increase in sales volume of its plastic products, food, beverages and other consumable products.

The increase in profit before tax was in line with the increase in revenue and higher margin was recorded in its export sales of plastic which are mostly denominated in USD.

Plastic and petroleum products**6 months ended & 3 months second quarter**

The increase in revenue was mainly due to the increase in sales volume of its plastic products.

The increase in profit before tax was mainly due to the higher revenue and contribution from its garbage bags and PVC food wraps division. It's China based operation has also turned in sterling profit compared to the losses recorded in the corresponding quarter in 2015. The appreciation of USD and Japanese Yen have contributed to the higher margin for export products.

Food, beverages and other consumable products**6 months ended & 3 months second quarter**

The increase in revenue compared to the previous year corresponding period was mainly due the higher demand for tea and coffee. It's organic noodle making subsidiary company has also started to contribute to the group's revenue.

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

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B2 Comparison with immediate preceding quarter's results

	Individual quarter ended		Variance RM'000	Variance %
	30.06.2016 RM'000	31.03.2016 RM'000		
Revenue	183,521	179,670	3,851	2.1
Profit before tax	18,069	15,715	2,354	15.0

The increase in revenue was mainly due to the increase in export volume for its plastic products.

The profit before tax for the current quarter include gain on disposal of fixed assets and gain on foreign exchange as compared to preceeding quarter's losses of foreign exchange. The results of the stretch film and industrial film division was lower and was affected by higher depreciation charges, higher production wastages due to testing and commissioning of new machines and also depreciating USD.

B3 Prospect

For the first half of 2016, the Group has experienced a steadily growth both in revenue and profit before tax. The improvement from its China based operation couple with the profit growth from PVC food wrap and garbage bags divisions was the main contributor for the current quarter. During the current quarter, the Group has also placed order for two more PVC food wrap lines which it will take delivery in last quarter of 2016 and first quarter of 2017 respectively. Continuing growth on both volume and value from all of its operating divisions within the group is expected for the remaining quarters in 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	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
After charging:				
Bad debt written off	9	-	15	-
Depreciation of property, plant and equipment	4,003	4,982	7,822	9,784
Amortisation of prepaid lease payments	66	73	132	147
Property, plant and equipment written off	-	-	22	-
Loss on foreign exchange				
- realised	-	2,098	-	5,523
- unrealised	-	-	2,203	-
Unrealised loss on derivatives	-	15	-	194
and crediting:				
Gain on disposal of plant and equipment	2,021	47	2,040	119
Gain on foreign exchange				
- realised	1,018	-	1,417	-
- unrealised	1,131	1,268	-	490
Reversal of impairment loss on receivables	2	9	5	13
Reversal of impairment loss on other investments	-	-	-	116

B6 Income tax expense

	Individual quarter		Cumulative period	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Income tax in respect of				
- Current period	2,704	733	5,236	1,178
Deferred tax expense	364	338	(179)	(680)
	<u>3,068</u>	<u>1,071</u>	<u>5,057</u>	<u>498</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 material corporate proposals announced and not completed as at date of this report.

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B10 Group borrowings and debt securities

	<u>30.06.2016</u> <u>RM'000</u>
Current	
<u>Secured</u>	
Bankers' acceptances	1,536
Finance lease liability	428
	<u>1,964</u>
<u>Unsecured</u>	
Term loans	3,431
Overdrafts	205
Bankers' acceptances	2,186
Onshore foreign currency loans	14,321
Liability component of ICULS	2,375
	<u>22,518</u>
	<u>24,482</u>
Non-current	
<u>Secured</u>	
Finance lease liability	694
<u>Unsecured</u>	
Term loans	7,167
Liability component of ICULS	5,497
	<u>13,358</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>30.06.2016</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	250,599	216,084
- Unrealised	(3,585)	1,850
	<u>247,014</u>	<u>217,934</u>
Less: Consolidation adjustments	(12,180)	(10,695)
Total group retained earnings	<u>234,834</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 final single tier dividend of 9 sen per ordinary share in respect of the financial year ended 31 December 2015 was approved at the Company's 21st Annual General Meeting on 26 May 2016 and will be paid on 18 August 2016 to depositors registered in the Record of Depositor on 29 July 2016.

The Board of Directors of the Company has decided to declare a single tier interim dividend of 6% (6 sen per share) in respect of the financial year ending 31 December 2016. The entitlement date has been fixed on 28 September 2016 and payment will be made on 28 October 2016.

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	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Profit attributable to ordinary equity owners of the Company (RM'000)	14,529	7,101	27,595	11,730
Weighted average number of ordinary share in issue (units'000)	105,237	105,212	105,237	105,212
Basic earnings per ordinary share (sen)	13.81	6.75	26.22	11.15

(b) Diluted earnings per ordinary share

	Individual quarter		Cumulative period	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Profit attributable to ordinary equity owners of the Company (RM'000)	14,529	7,101	27,595	11,730
Weighted average number of ordinary share in issue (units'000)	122,147	110,856	122,147	110,856
Diluted earnings per ordinary share (sen)	11.89	6.41	22.59	10.58

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 25 AUGUST 2016