

QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 (AUDITED)
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
Revenue	A7	195,743	195,724	746,850	710,998
Cost of goods sold		(163,368)	(161,782)	(627,806)	(604,990)
Gross profit		32,375	33,942	119,044	106,008
Other income		4,251	989	9,750	5,496
Selling and distribution expenses		(7,238)	(7,741)	(26,556)	(25,234)
Administrative expenses		(7,849)	(7,368)	(29,384)	(26,744)
Other expenses		(2,971)	(2,245)	(3,489)	(17,140)
Results from operating activities	B5	18,568	17,577	69,365	42,386
Interest income		384	905	1,718	2,069
Finance costs		(555)	(349)	(1,384)	(1,330)
Profit before tax	A7	18,397	18,133	69,699	43,125
Tax expense	B6	(2,907)	(1,934)	(9,489)	(3,469)
Profit for the period		15,490	16,199	60,210	39,656
Other comprehensive income/(expense), net of tax					
Fair value of available-for-sale financial assets		-	(17)	(5)	(18)
Foreign currency translation differences for foreign operations		3,716	(3,922)	(1,828)	13,337
Total comprehensive income for the period		19,206	12,260	58,377	52,975
Profit attributable to:					
Owners of the Company		14,922	15,518	58,086	38,510
Non-controlling interests		568	681	2,124	1,146
		15,490	16,199	60,210	39,656
Total comprehensive income attributable to:					
Owners of the Company		18,638	11,579	56,253	51,829
Non-controlling interests		568	681	2,124	1,146
		19,206	12,260	58,377	52,975
Earnings per ordinary share (sen)					
- Basic	B15	13.90	14.75	54.11	36.60
- Diluted	B15	9.09	13.04	35.40	32.37

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.

QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	UNAUDITED AS AT 31.12.2016 RM'000	AUDITED AS AT 31.12.2015 RM'000
ASSETS			
Property, plant and equipment	A8	139,079	133,187
Prepaid lease payments		12,684	12,825
Other investments		567	567
Deferred tax assets		1,439	3,850
Fixed deposit with a licensed bank		30	30
Total non-current assets		153,799	150,459
Other investments		-	2,523
Inventories		157,209	158,618
Trade and other receivables		150,866	122,087
Current tax assets		354	845
Cash and cash equivalents		152,108	103,896
Total current assets		460,537	387,969
TOTAL ASSETS		614,336	538,428
EQUITY			
Share capital		118,306	105,212
Reserves		313,910	284,488
Total equity attributable to owners of the Company		432,216	389,700
Non-controlling interests		8,920	6,796
Total equity		441,136	396,496
Long term borrowings		11,526	16,834
Deferred tax liabilities		4,860	5,412
Total non-current liabilities		16,386	22,246
Short term borrowings		44,615	34,758
Trade and other payables		110,946	84,694
Current tax liabilities		1,253	234
Total current liabilities		156,814	119,686
Total LIABILITIES		173,200	141,932
TOTAL EQUITY AND LIABILITIES		614,336	538,428
Net Assets per share attributable to the owners of the Company (RM)		3.65	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.

QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

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

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity	
	Non-distributable			Distributable							
	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	
12 months year ended 31.12.2015											
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	-	-	-	-	13,337	(18)	-	38,510	51,829	1,146	52,975
Exercise of warrants	-	1	-	(1)	-	-	-	-	-	-	-
Share issued by a subsidiary and subscribed by non-controlling interests	-	-	-	-	-	-	-	-	-	237	237
Dividends to owners of the Company	-	-	-	-	-	-	-	(4,208)	(4,208)	-	(4,208)
At 31 December 2015	<u>105,212</u>	<u>3,947</u>	<u>26,296</u>	<u>17,023</u>	<u>25,837</u>	<u>5</u>	<u>4,141</u>	<u>207,239</u>	<u>389,700</u>	<u>6,796</u>	<u>396,496</u>
12 months year ended 31.12.2016											
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	-	-	-	-	(1,828)	(5)	-	58,086	56,253	2,124	58,377
Exercise of warrants	710	815	-	(460)	-	-	-	-	1,065	-	1,065
Convertible of ICULS	12,384	-	(6,191)	-	-	-	-	(5,203)	990	-	990
Dividends to owners of the Company	-	-	-	-	-	-	-	(15,792)	(15,792)	-	(15,792)
At 31 December 2016	<u>118,306</u>	<u>4,761</u>	<u>20,105</u>	<u>16,564</u>	<u>24,009</u>	<u>-</u>	<u>4,141</u>	<u>244,330</u>	<u>432,216</u>	<u>8,920</u>	<u>441,136</u>

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.

QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	12 months ended	
	UNAUDITED 31.12.2016 RM'000	AUDITED 31.12.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	69,699	43,125
Adjustments for:		
Depreciation of property, plant and equipment	16,428	19,509
Amortisation of prepaid lease payments	268	270
Gain on disposal of property, plant and equipment	(2,049)	(132)
Written off of property, plant and equipment	3	-
Gain on disposal of short term other investment	(34)	(107)
Interest income	(1,718)	(2,069)
Interest expense	1,384	1,330
Reversal of impairment on other investments	-	(219)
Goodwill written off	-	1,085
Operating profit before changes in working capital	83,981	62,792
Changes in working capital:		
Trade and other receivables	(29,914)	(1,445)
Inventories	793	39,296
Trade and other payables	26,838	(18,425)
Cash generated from operations	81,698	82,218
Income taxes paid	(6,427)	(1,570)
Net cash generated from operating activities	75,271	80,648
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of short term investments	(5,263)	(221)
Proceed from disposal of short term other investments	7,815	4,261
Acquisition of property, plant and equipment	(22,776)	(24,655)
Additions to prepaid lease payments	(54)	(59)
Proceeds from disposal of property, plant and equipment	2,100	185
Interest received	1,718	2,069
Acquisition of subsidiary	-	(559)
Net cash used in investing activities	(16,460)	(18,979)
CASH FLOWS FROM FINANCING ACTIVITIES		
ICULS interest paid	(2,223)	(2,623)
Dividend paid	(15,792)	(4,208)
Interest paid	(1,384)	(1,250)
Repayment of finance lease liabilities	588	(901)
Repayment of term loans, net	(2,852)	(1,426)
Other bank borrowings, net	10,591	(38,706)
Proceeds from conversion of warrants	1,065	-
Net cash used in financing activities	(10,007)	(49,114)
NET INCREASE IN CASH AND CASH EQUIVALENTS	48,804	12,555
Effects of exchange rate fluctuations on cash held	(194)	1,974
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	103,026	88,497
CASH AND CASH EQUIVALENTS AT END OF PERIOD	151,636	103,026
REPRESENTED BY:-		
Cash and bank balances	105,476	47,569
Short-term deposits	46,632	56,327
Bank overdrafts	(472)	(870)
	151,636	103,026

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 December 2016.

A6 Dividends paid

An interim single tier dividend of 6 sen per share in respect of financial year ended 31 December 2016 amounting to RM6.318 million was paid on 28 October 2016 to depository registered in the record of depository on 28 September 2016.

QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

**A7 Segment information**

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

Segment information for the year ended 31 December 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	697,458	49,392	746,850
Segment profit	66,122	3,577	69,699
Included in the measure of segment profit is:			
-Depreciation and amortisation	15,914	782	16,696
Segment assets	568,110	46,226	614,336
Included in the measure of segment assets is:			
-Capital expenditure	28,937	3,550	32,487

Segment information for the year ended 31 December 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	673,590	37,408	710,998
Segment profit	40,402	2,723	43,125
Included in the measure of segment profit is:			
-Depreciation and amortisation	19,076	703	19,779
Segment assets	455,615	78,963	534,578
Included in the measure of segment assets is:			
-Capital expenditure	23,586	1,596	25,182

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 December 2016.

A11 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**
B1 Review of performance

	Individual quarter			
	31.12.2016 RM'000	31.12.2015 RM'000	Variance RM'000	Variance %
Revenue				
Plastic and petroleum products	183,887	183,290	597	0.3
Food, beverages and other consumable products	11,856	12,434	(578)	(4.6)
Group	<u>195,743</u>	<u>195,724</u>	<u>19</u>	<u>0.0</u>
Profit before tax				
Plastic and petroleum products	18,464	18,409	55	0.3
Food, beverages and other consumable products	(67)	(276)	209	(75.7)
Group	<u>18,397</u>	<u>18,133</u>	<u>264</u>	<u>1.5</u>
	Cumulative period			
	31.12.2016 RM'000	31.12.2015 RM'000	Variance RM'000	Variance %
Revenue				
Plastic and petroleum products	697,458	673,590	23,868	3.5
Food, beverages and other consumable products	49,392	37,408	11,984	32.0
Group	<u>746,850</u>	<u>710,998</u>	<u>35,852</u>	<u>5.0</u>
Profit before tax				
Plastic and petroleum products	66,122	40,402	25,720	63.7
Food, beverages and other consumable products	3,577	2,723	854	31.4
Group	<u>69,699</u>	<u>43,125</u>	<u>26,574</u>	<u>61.6</u>

Group
12 months ended & 3 months fourth quarter

The increase in revenue was mainly due to the increase in sales volume of its plastic products and food, beverages and other consumable products. The increase in profit before tax is predominantly from higher margin contributed by export sales of its plastic products mainly premium stretch films, PVC food wrap and garbage bag which are mostly sold in USD.

Plastic and petroleum products
12 months ended & 3 months fourth quarter

The increase in revenue was mainly due to the higher sales volume of its stretch films, garbage bags and PVC food wrap. It's China operations has also continued gain strength and contributed positively to the increment in sales volume and profitability. The increase in profit before tax is mainly due to higher margin from export sales of its plastic products especially premium stretch films, PVC food wrap and garbage bag which are mostly sold in USD.

Food, beverages and other consumable products
12 months ended

The increase in revenue was mainly due to the higher demand for tea, curry powder and instant products. The increase in profit before tax was in line with the increase in revenue.

3 months fourth quarter

The slight decrease in revenue was mainly due to lower tea sales for the quarter due to the end of some promotional activities. Loss before tax was recorded for the current quarter due mainly to the losses recorded by its noodle operations.

QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016



B2 Comparison with immediate preceding quarter's results

	Individual quarter ended		Variance RM'000	Variance %
	31.12.2016 RM'000	30.09.2016 RM'000		
Revenue	195,743	187,916	7,827	4.2
Profit before tax	18,397	17,518	879	5.0

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

The increase in profit before tax was mainly due to the higher profit contributions from its stretch films, PVC food wrap and garbage bags divisions.

B3 Prospect

For the financial year ended 31 December 2016, the Group continued to achieve a double digits growth both in its sales quantities and profit before tax for both of its plastic and food and beverages divisions. The group's recently installed nano layer stretch film line is currently running at optimum capacity. It is taking delivery of the second nano layer line in the second half of the year to cope with increase sales. It has also just completed the commissioning of its 7th PVC food wrap line in February 2017. Sales has been robust and the 8th PVC food wrap line will arrive in the third quarter of 2017. It is also planning to install another 5-layer blown film line within the year. With the additional capacity, the Group is optimistic to continue its double digit growth trend in sales volume and profitability. It is also opportune to take advantage of the current favourable USD rates by focusing more effort on export sales.

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

B4 Variance of actual profit from forecast profit

Not applicable.



B5 Results from operating activities

Results from operating activities are arrived at:

	Individual quarter		Cumulative period	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
After charging:				
Bad debt written off	-	14	19	14
Depreciation of property, plant and equipment	4,145	4,499	16,428	19,509
Amortisation of prepaid lease payments	69	42	268	270
Property, plant and equipment written off	-	-	3	-
Impairment loss on receivables	3,374	703	3,374	2,759
Loss on foreign exchange				
- realised	-	1,298	-	12,750
- unrealised	-	-	-	-
and crediting:				
Gain on disposal of plant and equipment	10	67	2,049	132
Gain on foreign exchange				
- realised	1,157	-	2,778	-
- unrealised	2,658	584	2,242	3,412
Reversal of impairment loss on receivables	8	48	14	52
Reversal of impairment loss on other investments	-	255	-	219

B6 Income tax expense

	Individual quarter		Cumulative period	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Income tax in respect of				
- Current period	1,829	1,545	8,034	3,205
- Prior year	(56)	(114)	(97)	(104)
Deferred tax expense	1,134	503	1,552	368
	<u>2,907</u>	<u>1,934</u>	<u>9,489</u>	<u>3,469</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.

QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016



B10 Group borrowings and debt securities

	<u>31.12.2016</u> <u>RM'000</u>
Current	
<u>Secured</u>	
Overdrafts	96
Bankers' acceptances	10,739
Finance lease liability	566
	<u>11,401</u>
<u>Unsecured</u>	
Term loans	3,431
Overdrafts	377
Bankers' acceptances	13,825
Onshore foreign currency loans	13,637
Liability component of ICULS	1,944
	<u>33,214</u>
	<u>44,615</u>
Non-current	
<u>Secured</u>	
Finance lease liability	1,141
<u>Unsecured</u>	
Term loans	6,748
Liability component of ICULS	3,637
	<u>11,526</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>31.12.2016</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	258,311	216,084
- Unrealised	(1,179)	1,850
	<u>257,132</u>	<u>217,934</u>
Less: Consolidation adjustments	(12,802)	(10,695)
Total group retained earnings	<u>244,330</u>	<u>207,239</u>

QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

**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 6 sen per ordinary share in respect of the financial year ended 31 December 2016, to be paid on a date to be determined.

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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Profit attributable to ordinary equity owners of the Company (RM'000)	14,922	15,518	58,086	38,510
Weighted average number of ordinary share in issue (units'000)	107,340	105,212	107,340	105,212
Basic earnings per ordinary share (sen)	13.90	14.75	54.11	36.60

(b) Diluted earnings per ordinary share

	Individual quarter		Cumulative period	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Profit attributable to ordinary equity owners of the Company (RM'000)	14,922	15,518	58,086	38,510
Weighted average number of ordinary share in issue (units'000)	164,069	118,984	164,069	118,984
Diluted earnings per ordinary share (sen)	9.09	13.04	35.40	32.37

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 27 FEBRUARY 2017