



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

		INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER (UNAUDITED) 31.03.2017	PRECEDING YEAR CORRESPONDING QUARTER (UNAUDITED) 31.03.2016	CURRENT YEAR TO DATE (UNAUDITED) 31.03.2017	PRECEDING YEAR CORRESPONDING PERIOD (UNAUDITED) 31.03.2016
Revenue	A7	199,188	179,670	199,188	179,670
Cost of goods sold		(167,515)	(148,452)	(167,515)	(148,452)
Gross profit		31,673	31,218	31,673	31,218
Other income		1,453	1,123	1,453	1,123
Selling and distribution expenses		(7,333)	(6,241)	(7,333)	(6,241)
Administrative expenses		(7,562)	(7,194)	(7,562)	(7,194)
Other expenses		(1,752)	(3,344)	(1,752)	(3,344)
Results from operating activities	B5	16,479	15,562	16,479	15,562
Interest income		525	382	525	382
Finance costs		(306)	(229)	(306)	(229)
Profit before tax	A7	16,698	15,715	16,698	15,715
Tax expense	B6	(3,271)	(1,989)	(3,271)	(1,989)
Profit for the period		13,427	13,726	13,427	13,726
Other comprehensive income/(expense), net of tax					
Foreign currency translation differences for foreign operations		(606)	(7,966)	(606)	(7,966)
Total comprehensive income for the period		12,821	5,760	12,821	5,760
Profit attributable to:					
Owners of the Company		13,083	13,066	13,083	13,066
Non-controlling interests		344	660	344	660
		13,427	13,726	13,427	13,726
Total comprehensive income attributable to:					
Owners of the Company		12,477	5,100	12,477	5,100
Non-controlling interests		344	660	344	660
		12,821	5,760	12,821	5,760
Earnings per ordinary share (sen)					
- Basic	B15	10.91	12.42	10.91	12.42
- Diluted	B15	7.45	10.97	7.45	10.97

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 2016 and the accompanying explanatory notes attached to the interim financial report.

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FOR THE FIRST QUARTER ENDED 31 MARCH 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	UNAUDITED AS AT 31.03.2017 RM'000	AUDITED AS AT 31.12.2016 RM'000
ASSETS			
Property, plant and equipment	A8	140,558	138,905
Prepaid lease payments		20,434	12,684
Intangible asset		222	222
Other investments		567	567
Deferred tax assets		1,059	1,113
Fixed deposit with a licensed bank		30	30
Total non-current assets		162,870	153,521
Inventories		149,328	157,059
Trade and other receivables		167,857	156,034
Current tax assets		883	587
Cash and cash equivalents		161,800	152,610
Total current assets		479,868	466,290
TOTAL ASSETS		642,738	619,811
EQUITY			
* Share capital		125,065	118,307
Reserves		317,751	311,606
Total equity attributable to owners of the Company		442,816	429,913
Non-controlling interests		8,714	8,370
Total equity		451,530	438,283
Long term borrowings		10,136	11,372
Deferred tax liabilities		6,625	6,431
Total non-current liabilities		16,761	17,803
Short term borrowings		65,892	45,368
Trade and other payables		107,272	117,468
Current tax liabilities		1,283	889
Total current liabilities		174,447	163,725
Total LIABILITIES		191,208	181,528
TOTAL EQUITY AND LIABILITIES		642,738	619,811
Net Assets per share attributable to the owners of the Company (RM)		3.69	3.63

* Total number of shares as at 31 March 2017 is 120,107,998

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 2016 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 RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Equity component of ICULS RM'000	Non-distributable			Statutory reserve RM'000				
			Warrant reserve RM'000	Translation reserve RM'000	Fair value reserve RM'000						
3 months year ended 31.03.2016											
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	-	-	-	-	(7,966)	(5)	-	13,066	5,095	660	5,755
Exercise of warrants	59	68	-	(38)	-	-	-	-	89	-	89
At 31 March 2016	105,271	4,014	26,296	16,986	17,871	-	4,141	220,305	394,884	7,456	402,340
3 months year ended 31.03.2017											
At 1 January 2017	118,307	4,762	20,105	16,564	24,008	-	4,141	242,026	429,913	8,370	438,283
Total comprehensive income for the period	-	-	-	-	(606)	-	-	13,083	12,477	344	12,821
Transfer in accordance with Section 618(2) of the Companies Act 2016 (Note a)	4,762	(4,762)	-	-	-	-	-	-	-	-	-
Exercise of warrants	365	-	-	(110)	-	-	-	-	255	-	255
Convertible of ICULS	1,631	-	(816)	-	-	-	-	(644)	171	-	171
At 31 March 2017	125,065	-	19,289	16,454	23,402	-	4,141	254,465	442,816	8,714	451,530

Note a

Pursuant to the Section 618 of Companies Act 2016 ("CA2016") which came into effect on 31 January 2017, the credit amounts in the share premium account has been transferred to the share capital account. The Group may exercise its right to use the credit amounts transferred from the share premium account within 24 months after the commencement of the CA2016.

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 2016 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 31.03.2017 RM'000	UNAUDITED 31.03.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	16,698	15,715
Adjustments for:		
Depreciation of property, plant and equipment	3,802	3,819
Amortisation of prepaid lease payments	128	66
Gain on disposal of property, plant and equipment	(26)	(19)
Written off of property, plant and equipment	7	91
Gain on disposal of short term other investment	-	(5)
Interest income	(525)	(382)
Interest expense	306	229
Operating profit before changes in working capital	20,390	19,514
Changes in working capital:		
Trade and other receivables	(11,957)	4,888
Inventories	7,580	23,345
Trade and other payables	(10,205)	(20,697)
Cash generated from operations	5,808	27,050
Income taxes paid	(2,979)	(505)
Net cash generated from operating activities	2,829	26,545
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from disposal of short term other investments	-	2,523
Acquisition of property, plant and equipment	(4,370)	(11,739)
Additions to prepaid lease payments	(7,945)	(15)
Proceeds from disposal of property, plant and equipment	26	265
Interest received	525	382
Net cash used in investing activities	(11,764)	(8,584)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(306)	(229)
Drawdown of revolving credit	15,481	-
Repayment of finance lease liabilities	(1,055)	(5)
Repayment of term loans, net	(1,174)	(1,995)
Other bank borrowings, net	5,786	(5,259)
Proceeds from conversion of warrants	254	89
Net cash used in financing activities	18,986	(7,399)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,051	10,562
Effects of exchange rate fluctuations on cash held	(126)	(747)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	151,538	103,026
CASH AND CASH EQUIVALENTS AT END OF PERIOD	161,463	112,841
REPRESENTED BY:-		
Cash and bank balances	116,306	65,872
Short-term deposits	45,494	47,675
Bank overdrafts	(337)	(706)
	161,463	112,841

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 2016 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 2016 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 2016, except for the adoption of the following:

Description	Effective date
Amendments to MFRS 12, Disclosure of Interests in Other Entities	1 January 17
Amendments to MFRS 107, Statement of Cash Flows	1 January 17
Amendments to MFRS 112, Income Taxes	1 January 17

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 2017.

A6 Dividends paid

There was 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 2017 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
<u>2017</u>			
Revenue			
Revenue from external customers	186,106	13,082	199,188
Segment profit	15,841	857	16,698
Included in the measure of segment profit is:			
-Depreciation and amortisation	3,685	245	3,930
Segment assets	598,819	42,860	641,679
Included in the measure of segment assets is:			
-Capital expenditure	13,124	405	13,529

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

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 2017.

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**A11 Contingent liabilities**

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

B1 Review of performance

	Individual quarter & Cumulative period			
	31.03.2017	31.03.2016	Variance	Variance
	RM'000	RM'000	RM'000	%
Group Revenue				
Plastic and petroleum products	186,106	167,005	19,101	11.4
Food, beverages and other consumable products	13,082	12,665	417	3.3
	<u>199,188</u>	<u>179,670</u>	<u>19,518</u>	<u>10.9</u>
Group Profit before tax				
Plastic and petroleum products	15,841	14,360	1,481	10.3
Food, beverages and other consumable products	857	1,355	(498)	(36.8)
	<u>16,698</u>	<u>15,715</u>	<u>983</u>	<u>6.3</u>

Group

For the quarter ended 31 March 2017 (17Q1), the Group registered revenue of RM199.19 million as compared to RM179.67 million in 31 March 2016 (16Q1). The increase in revenue was mainly contributed from the increased in sales volume of its plastic products and higher selling price in tandem with the increase in material cost and appreciation of USD against Malaysia Ringgit over the comparative periods. The group also achieved a 3.3% increase in revenue from food, beverages and other consumable products .

The Group registered profit before taxation of RM16.70 million in 17Q1 as compared to RM15.72 million in 16Q1. The increase was in line with the increase in turnover and higher margin contributed by better margin products especially from export sales of its plastic products which are mostly denominated in USD.

Plastic and petroleum products

The increase in revenue was mainly contributed from the increased in sales volume of its stretch film, garbage bags and PVC food wrap where the Group recorded an increase of 2,100mt in total from these three products. Comparing 17Q1 with 16Q1, the material cost has averagely increased by 10% and USD has appreciated 5% against Malaysian Ringgit. On the combined basis, these two factors have contributed to the increase in revenue for plastic products. Both Malaysia and China operations have contributed to the increment in sales volume of stretch film and garbage bags. The increase in profit before tax was in line with the increase in turnover and higher margin contributed by better margin products especially from export sales of its plastic products which are mostly denominated in USD.

Food, beverages and other consumable products

The increase in revenue was mainly contributed from the increase in the sales of coffee, curry powder and other consumable products. The decrease in profit before tax was mainly due to drop in sales of tea products which normally contributed higher margin. The food & beverage division also increased its sales and promotional expenses for advertisement, sampling and products marketing during 17Q1. This has contributed to higher selling & distribution expenses for the quarter under review. The Group expects these marketing efforts to bear fruits in the subsequent quarters.

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B2 Comparison with immediate preceding quarter's results

	Individual quarter ended		Variance RM'000	Variance %
	31.03.2017 RM'000	31.12.2016 RM'000		
Revenue	199,188	195,743	3,445	1.8
Profit before tax	16,698	18,397	(1,699)	(9.2)

The increase in revenue was mainly due to the increase in the sales volume for its export of plastic products. The decrease in profit before tax was mainly due to the lower profit contributions from its industrial bags, garbage bags and compoundings divisions.

B3 Prospect

For the first quarter ended 31 March 2017, the Group has achieved a double digits growth in the sales volume of its plastic products. With the additional capacity from stretch film and PVC food wrap coming on stream in the second half of 2017, the Group is optimistic to continue its upward trend in sales volume and profitability.

Barring any unforeseen circumstances, the Group is confident of its continuous growth and 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	
	31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
After charging:				
Bad debt written off	-	6	-	6
Depreciation of property, plant and equipment	3,802	3,819	3,802	3,819
Amortisation of prepaid lease payments	128	66	128	66
Property, plant and equipment written off	7	91	7	91
Loss on foreign exchange				
- unrealised	1,752	3,334	1,752	3,334
and crediting:				
Gain on disposal of plant and equipment	26	19	26	19
Gain on foreign exchange				
- realised	1,189	399	1,189	399
Reversal of impairment loss on receivables	-	3	-	3

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B6 Income tax expense

	Individual quarter		Cumulative period	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
Income tax in respect of				
- Current period	2,325	2,532	2,325	2,532
- Prior year	752	-	752	-
Deferred tax expense	194	(543)	194	(543)
	<u>3,271</u>	<u>1,989</u>	<u>3,271</u>	<u>1,989</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.

B10 Group borrowings and debt securities

	31.03.2017
	RM'000
Current	
<u>Secured</u>	
Bankers' acceptances	1,430
Finance lease liability	638
	<u>2,068</u>
<u>Unsecured</u>	
Term loans	3,585
Revolving credit	15,481
Overdrafts	337
Bankers' acceptances	2,956
Onshore foreign currency loans	22,138
Foreign currency trust receipt	17,462
Liability component of ICULS	1,865
	<u>63,824</u>
	<u>65,892</u>
Non-current	
<u>Secured</u>	
Finance lease liability	1,227
<u>Unsecured</u>	
Term loans	5,420
Liability component of ICULS	3,489
	<u>10,136</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.

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B11 Disclosure of derivatives

There were no derivatives in the quarter under review.

B12 Realised and unrealised retained earnings

	As at 31.03.2017 RM'000	As at 31.12.2016 RM'000
Total retained earnings of Thong Guan Industries Berhad and its subsidiaries		
- Realised	274,404	255,447
- Unrealised	(7,318)	(1,169)
	<u>267,086</u>	<u>254,278</u>
Less: Consolidation adjustments	(12,621)	(12,252)
Total group retained earnings	<u><u>254,465</u></u>	<u><u>242,026</u></u>

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 18 Augusts 2017 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	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Profit attributable to ordinary equity owners of the Company (RM'000)	<u>13,083</u>	<u>13,066</u>	<u>13,083</u>	<u>13,066</u>
Weighted average number of ordinary share in issue (units'000)	<u>119,920</u>	<u>105,212</u>	<u>119,920</u>	<u>105,212</u>
Basic earnings per ordinary share (sen)	<u><u>10.91</u></u>	<u><u>12.42</u></u>	<u><u>10.91</u></u>	<u><u>12.42</u></u>

(b) Diluted earnings per ordinary share

	Individual quarter		Cumulative period	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Profit attributable to ordinary equity owners of the Company (RM'000)	<u>13,083</u>	<u>13,066</u>	<u>13,083</u>	<u>13,066</u>
Weighted average number of ordinary share in issue (units'000)	<u>175,578</u>	<u>119,121</u>	<u>175,578</u>	<u>119,121</u>
Diluted earnings per ordinary share (sen)	<u><u>7.45</u></u>	<u><u>10.97</u></u>	<u><u>7.45</u></u>	<u><u>10.97</u></u>

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.

THONG GUAN INDUSTRIES BERHAD (COMPANY NO. : 324203-K)

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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 30 MAY 2017