

Thong Guan expects new capacity to propel earnings after strong Q1 results

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KUALA LUMPUR: Packaging maker THONG GUAN INDUSTRIES BHD posted a higher net profit in the first quarter ended March 31 boosted by higher sales of stretch film, industrial bags & films and courier bags.

The company also benefitted from the weaker ringgit and the lower price of raw material.

Thong Guan, in a filing with Bursa Malaysia today, registered a 36% jump in net profit to RM17.46mil compared with RM12.82mil made a year ago.

Revenue increased to RM244mil from RM217mil previously. Pre-tax profit was RM22.58mil.

"The improvement of profit before tax for the current quarter for plastic packaging products is in line with the increase in sales volume, more premium products mix, favourable exchange rate for its export sales and lower raw material price compared to the corresponding period of 1Q19," it said.

The group, in its outlook for the year, said the world economic condition will continue to be challenging with uncertainties surrounding the new normal as a consequent from the COVID-19 virus outbreak worldwide.

"This has affected the sales and production activities of the Group due to the travel restrictions and also the movement control order," it said.

Despite this, the Group has been working hard to adapt to the new normal and is optimistic to continue its market growth both locally and internationally.

"The commissioning of an additional premium stretch film line and a new blown film line from Germany is expected to be delayed due to COVID-19 travel restrictions," it said.

The Group is looking forward to the additional capacity coming on stream to continue to propel its upward trend in sales volume and profitability.

"Barring any unforeseen circumstances, the Group expects to continue its growth plans for all its business units," Thong Guan said.