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If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

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Since 1942

**THONG GUAN INDUSTRIES BERHAD**

Registration No. 199401038519 (324203-K)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO THE**

**PROPOSED BONUS ISSUE OF UP TO 191,409,370 NEW ORDINARY SHARES IN THONG GUAN INDUSTRIES BERHAD ("TGIB SHARE(S)") ("BONUS SHARE(S)") ON THE BASIS OF 1 BONUS SHARE FOR EVERY 1 EXISTING TGIB SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Adviser*

**UOB Kay Hian**

**UOB Kay Hian Securities (M) Sdn Bhd**

Registration No. 199001003423 (194990-K)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting of Thong Guan Industries Berhad ("**Company**") ("**EGM**"), which is scheduled to be held at Newton Research & Development Centre Sdn Bhd, Conference Room, 1st Floor, Plot 96, Jalan PKNK 1/6, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia on Friday, 2 October 2020, at 10.00 a.m., and the Form of Proxy are enclosed herein.

A member who is entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy to attend, participate, speak and vote on his/ her behalf. In such event, the Form of Proxy must be lodged at the registered office of the Company at 170-09-01 Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia not less than 48 hours before the time appointed for holding the EGM, or at any adjournment thereof, as indicated below. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Wednesday, 30 September 2020, at 10.00 a.m.

Date and time of the EGM : Friday, 2 October 2020, at 10.00 a.m.

This Circular is dated 15 September 2020

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	: The Companies Act 2016
"Board"	: The Board of Directors of TGIB
"Bonus Share(s)"	: Up to 191,409,370 new TGIB Shares to be issued pursuant to the Proposed Bonus Issue of Shares
"Bursa Depository"	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
"Bursa Securities"	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"Circular"	This circular dated 15 September 2020 in relation to the Proposed Bonus Issue of Shares
"Director(s)"	: The director(s) of TGIB and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
"EGM"	: Extraordinary general meeting of TGIB
"Eligible ESOS Options"	: 2,243,550 outstanding ESOS Options, which are allowed to exercise during the current vesting period as at the LPD
"Entitlement Date"	: A date to be determined and announced later by the Board, on which the names of the shareholders of the Company must appear in the Record of Depositors of the Company at 5.00 p.m. in order to participate in the Proposed Bonus Issue of Shares
"EPS"	: Earnings per Share
"ESOS Options"	: Employees' share options for eligible Directors and employees of TGIB Group
"FYE"	: Financial year ended/ ending
"Listing Requirements"	: Main Market Listing Requirements of Bursa Securities
"LPD"	: 4 September 2020, being the latest practicable date prior to the printing and dispatch of this Circular
"Market Day(s)"	: Any day between Monday to Friday (inclusive of both days), which is not a public holiday and on which Bursa Securities is open for trading of securities
"Maximum Scenario"	Assuming all of the 2,243,550 outstanding Eligible ESOS Options are exercised prior to the implementation of the Proposed Bonus Issue of Shares
"Minimum Scenario"	Assuming none of the 2,243,550 outstanding Eligible ESOS Options is exercised prior to the implementation of the Proposed Bonus Issue of Shares

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## DEFINITIONS (CONT'D)

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"NA"	:	Net asset attributable to ordinary equity holders of the Company
"Proposed Bonus Issue of Shares"	:	Proposed bonus issue of up to 191,409,370 Bonus Shares on the basis of 1 Bonus Share for every 1 existing TGIB Share held on the Entitlement Date
"Record of Depositors"	:	A record of depositors established by Bursa Depository under the Rules of Bursa Depository
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"TEBP"	:	Theoretical Ex-Bonus Price
"TGIB" or the "Company"	:	Thong Guan Industries Berhad (Registration No. 199401038519 (324203-K))
"TGIB Group" or the "Group"	:	TGIB and its subsidiaries, collectively
"TGIB Share(s)" or "Share(s)"	:	Ordinary share(s) in TGIB
"UOB Kay Hian" or the "Adviser"	:	UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K))
"VWAP"	:	Volume weighted average market price

Unless otherwise stated and wherever applicable, the amount represented in this Circular has been rounded to the nearest whole number, for ease of reference.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

References to "**you**" or "**your(s)**" in the Circular are made to shareholders of TGIB and references to "**our Company**" or "**the Company**" or "**we**" or "**us**" or "**our**" or "**ourselves**" are made to our Company, and where the context requires, our Company and our subsidiaries. Unless the context otherwise requires, references to "**Board**" are to our Board of Directors and "**Management**" are to our Executive Directors and key management personnel as at the LPD of this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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## EXECUTIVE SUMMARY

*This Executive Summary highlights only the salient information of the Proposed Bonus Issue of Shares. The shareholders of TGIB are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Bonus Issue of Shares before voting at the EGM.*

Key information	Description	Reference to Circular
<b>Issue size and basis of allotment</b>	Up to 191,409,370 Bonus Shares (including 472,000 treasury shares) on the basis of 1 Bonus Share for every 1 existing TGIB Share held on the Entitlement Date.	<b>Sections 1 and 2</b>
<b>Rationale and justifications</b>	<ul style="list-style-type: none"> <li>(i) To reward you, as our shareholder, for your loyalty and continued support to our Group;</li> <li>(ii) To enable you, as our shareholder, to have greater participation in the equity of our Company in respect of the number of TGIB Shares held, whilst maintaining your percentage of equity interest;</li> <li>(iii) To encourage trading liquidity and marketability of TGIB Shares on the Main Market of Bursa Securities and to promote diversity in investors' profiles to participate in the equity of our Company; and</li> <li>(iv) To maintain our Company's reserves and total NA as the Proposed Bonus Issue of Shares will be implemented without capitalisation of our Company's reserves.</li> </ul>	<b>Section 3</b>
<b>Effects</b>	<p>The effects of the Proposed Bonus Issue of Shares are as follows:-</p> <ul style="list-style-type: none"> <li>(i) The number of TGIB Shares in issue will increase without affecting our issued share capital in RM value;</li> <li>(ii) There will be adjustments to the exercise price and/ or number of outstanding ESOS Options, which will only be determined and finalized on the Entitlement Date;</li> <li>(iii) No effect on the gearing ratio and the earnings of our Group, and the percentage of shareholdings of our shareholders; and</li> <li>(iv) However, NA per Share and EPS of our Group will be diluted due to the increase in the number of TGIB Shares in issue.</li> </ul>	<b>Section 4</b>
<b>Interested parties and any conflict of interest from the Proposed Bonus Issue of Shares</b>	<p>None of our Directors, major shareholders, chief executives and/ or persons connected to them has any interest, either direct or indirect, in the Proposed Bonus Issue of Shares save for their respective entitlements as our shareholders under the Proposed Bonus Issue of Shares, the Bonus Shares of which, are also available to all other shareholders of our Company.</p> <p>UOB Kay Hian is an independent party, which has no conflict of interest or potential conflicts of interest arising from its role as the Adviser for the Proposed Bonus Issue of Shares.</p>	<b>Section 7 and Appendix I</b>
<b>Approvals required</b>	<p>The Proposed Bonus Issue of Shares is subject to the following approvals being obtained:-</p> <ul style="list-style-type: none"> <li>(i) Bursa Securities, the approval of which was obtained on 4 September 2020, for the listing and quotation for the Bonus Shares on the Main Market of Bursa Securities;</li> <li>(ii) Our shareholders at the forthcoming EGM; and</li> <li>(iii) Any other relevant authority and/ or third parties, if required.</li> </ul>	<b>Section 6</b>
<b>Board's recommendation</b>	Our Board recommends that you <b>VOTE IN FAVOUR</b> for the resolution pertaining to the Proposed Bonus Issue of Shares, which will be tabled at the forthcoming EGM, the details of which are set out in the cover page of this Circular and the Notice of EGM as enclosed.	<b>Section 10</b>



Since 1942

## THONG GUAN INDUSTRIES BERHAD

Registration No. 199401038519 (324203-K)  
(Incorporated in Malaysia)

### Registered Office

170-09-01 Livingston Tower  
Jalan Argyll  
10050 George Town  
Pulau Pinang  
Malaysia

15 September 2020

### Board of Directors

DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin (*Independent Non-Executive Chairman*)  
Dato' Ang Poon Chuan (*Managing Director*)  
Dato' Ang Poon Khim (*Executive Director*)  
Datuk Ang Poon Seong (*Executive Director*)  
Ang See Ming (*Executive Director*)  
Chow Hon Piew (*Independent Non-Executive Director*)  
Dato' Kang Pang Kiang (*Independent Non-Executive Director*)  
Tengku Muzzammil Bin Tengku Makram (*Independent Non-Executive Director*)

### To: The shareholders of TGIB

Dear Sirs/ Madam,

### PROPOSED BONUS ISSUE OF SHARES

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#### 1. INTRODUCTION

On 19 August 2020, UOB Kay Hian had, on behalf of our Board, announced that our Company proposed to undertake a bonus issue of up to 191,409,370 Bonus Shares on the basis of 1 Bonus Share for every 1 existing TGIB Share held on an entitlement date to be determined and announced later by our Board.

For information purpose, the Proposed Bonus Issue of Shares shall be undertaken via the enhanced bonus issue framework (no par value regime). Pursuant to the enhanced bonus issue framework, the Bonus Shares will be issued as fully paid Shares at nil consideration and without capitalisation from our reserves. Accordingly, the Proposed Bonus Issue of Shares will increase the number of TGIB Shares without affecting the value of our issued share capital.

On 4 September 2020, UOB Kay Hian had, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 4 September 2020, resolved to approve the listing and quotation for up to 191,409,370 Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares, subject to the conditions as set out in **Section 6** of this Circular.

Further details of the Proposed Bonus Issue of Shares are set out in the ensuing sections.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED BONUS ISSUE OF SHARES AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED BONUS ISSUE OF SHARES TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENT OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED BONUS ISSUE OF SHARES TO BE TABLED AT THE FORTHCOMING EGM.

## 2. DETAILS OF THE PROPOSED BONUS ISSUE OF SHARES

As at the LPD, our issued share capital is approximately RM233.20 million comprising 189,165,820 TGIB Shares (including 472,000 treasury shares). In addition, our Company had on 3 July 2019 offered a total of 22,500,000 ESOS Options. As at the LPD, our Company has a total of 14,968,200 outstanding ESOS Options, of which 2,243,550 Eligible ESOS Options are allowed to exercise during the current vesting period. The remaining 12,724,650 ESOS Options shall only be exercisable in tranches commencing 7 August 2021, hence will not be accounted to arrive at the maximum number of Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares.

For illustrative purpose, throughout this Circular, the effects of the Proposed Bonus Issue of Shares shall be illustrated based on the Minimum Scenario and the Maximum Scenario.

### 2.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue of Shares entails the issuance of up to 191,409,370 Bonus Shares on the basis of 1 Bonus Share for every 1 existing Share held by our shareholders whose names appear in our Record of Depositors on the Entitlement Date. The actual number of Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares will depend on our total issued Shares on the Entitlement Date.

Pursuant to Section 127(11) of the Act, the treasury shares will be entitled to Bonus Shares and will be treated as treasury shares held by us at the time the Bonus Shares are allotted. For avoidance of doubt, our Board has undertaken and confirmed that our Company will not cancel the treasury shares until the completion of the Proposed Bonus Issue of Shares. Therefore, the treasury shares will be retained and held by us.

In determining entitlements under the Proposed Bonus Issue of Shares, fractional entitlements, if any, shall be dealt with in such manner as our Board in its absolute discretion deems fit and expedient, and in the best interest of our Company.

There will be an adjustment to the market price of TGIB Shares listed and quoted on the Main Market of Bursa Securities pursuant to the Proposed Bonus Issue of Shares. Pursuant to Paragraph 6.30 (1A) of the Listing Requirements, a listed issuer must ensure that its share price adjusted for a bonus issue is not less than RM0.50 based on the daily VWAP during the 3-month period before the application date (Pricing Condition).

Purely for illustrative purpose only, based on the 5-day VWAP of TGIB Share and the low of 3-month daily VWAP of TGIB Share up to and including the LPD, the TEBP of TGIB Share is as follows:-

	Before the Proposed Bonus Issue of Shares Market price/ Share RM	After the Proposed Bonus Issue of Shares TEBP/ Share RM
5-day VWAP up to the LPD	5.4685	2.7342
Low of 3-month daily VWAP	3.4600	1.7300

Based on the above, the Proposed Bonus Issue of Shares is in compliance with the provision of Paragraph 6.30 (1A) of the Listing Requirements.

The Proposed Bonus Issue of Shares will not be implemented on a staggered basis.

## **2.2 No capitalisation of reserves**

Under the Act, a bonus issue can be undertaken either:-

- (i) by way of capitalisation of the retained earnings/ accumulated profits of a company; or
- (ii) without capitalisation, where a company may issue and allot the bonus shares at nil consideration.

In view of the above, our Board has resolved that the implementation of the Proposed Bonus Issue of Shares shall be undertaken without any capitalisation from our reserves and that the Bonus Shares shall be issued as fully paid Shares at nil consideration. Therefore, our Company's issued share capital in RM value will not be affected albeit an increase in the number of Shares in issue pursuant to the Proposed Bonus Issue of Shares.

As the Proposed Bonus Issue of Shares is undertaken without capitalisation from our reserves, it allows our Board to preserve our reserves with the aim to ensure that our Company has sufficient reserves to facilitate any future dividend payment of our Company.

## **2.3 Ranking of the Bonus Shares**

The Bonus Shares will, upon allotment and issuance, rank equally in all respects with the existing issued Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid before the Entitlement Date.

## **2.4 Listing and quotation for the Bonus Shares**

Approval has been obtained from Bursa Securities vide its letter dated 4 September 2020 for the listing and quotation for the Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares on the Main Market of Bursa Securities. The Bonus Shares shall be listed and quoted on the Main Market of Bursa Securities on the next market day following the Entitlement Date.

## **3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED BONUS ISSUE OF SHARES**

The Proposed Bonus Issue of Shares serves to reward you, as our shareholders, for your loyalty and continued support to TGIB Group.

After due consideration of the various options available, our Board is of the view that the Proposed Bonus Issue of Shares is an appropriate avenue for us to reward our shareholders while at the same time, to increase our Company's share base as the Proposed Bonus Issue of Shares will:-

- (i) enable you, as our shareholders, to have greater participation in the equity of our Company in terms of the number of TGIB Shares held, whilst maintaining your percentage of equity interest;
- (ii) encourage trading liquidity and marketability of TGIB Shares on Main Market of Bursa Securities and will promote diversity in investors' profiles to participate in the equity of our Company; and



- (iii) maintain our reserves and total NA as the Proposed Bonus Issue of Shares will be implemented via the adoption of the enhanced bonus issue framework without capitalisation of our reserves.

#### 4. EFFECTS OF THE PROPOSED BONUS ISSUE OF SHARES

The effects of the Proposed Bonus Issue of Shares on our issued share capital, NA per Share and gearing ratio of our Group, earnings and EPS of our Group, our convertible securities (if any) and our substantial shareholders' shareholdings, are set out below:-

##### 4.1 Issued share capital

The pro forma effects of the Proposed Bonus Issue of Shares on our issued share capital are set out as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM'000	No. of Shares	RM'000
Issued share capital as at the LPD	189,165,820 <sup>*1</sup>	233,197	189,165,820 <sup>*1</sup>	233,197
Shares to be issued assuming full exercise of the outstanding Eligible ESOS Options	-	-	2,243,550	6,618 <sup>*2</sup>
	189,165,820	233,197	191,409,370	239,815
Shares to be issued pursuant to the Proposed Bonus Issue of Shares	189,165,820 <sup>*3</sup>	-	191,409,370 <sup>*3</sup>	-
<b>Enlarged issued share capital</b>	<b>378,331,640<sup>*4</sup></b>	<b>233,197</b>	<b>382,818,740<sup>*4</sup></b>	<b>239,815</b>

**Notes:-**

<sup>\*1</sup> Including 472,000 treasury shares

<sup>\*2</sup> Assuming all 2,243,550 outstanding Eligible ESOS Options are exercised at the exercise price of RM2.26 per ESOS Option and the corresponding reclassification of approximately RM1.55 million in the share options reserve account to the share capital account. For shareholders' information, the share options reserve amount is an estimation by our Company's internal management team and has yet to be reviewed by our auditor

<sup>\*3</sup> Including 472,000 Bonus Shares, which will be in the form of treasury shares

<sup>\*4</sup> Including 944,000 Bonus Shares, which will be in the form of treasury shares

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## 4.2 NA per Share and gearing ratio

Based on our latest audited consolidated statements of financial position of TGIB Group as at FYE 31 December 2019, the pro forma effects of the Proposed Bonus Issue of Shares on our Group's NA per Share and gearing ratio are set out as follows:-

### Minimum Scenario

	Audited FYE 31 December 2019 RM'000	Subsequent events up to the LPD RM'000	I Post-Proposed Bonus Issue of Shares RM'000
Share capital	220,327	233,197 <sup>2</sup>	233,197
Treasury shares	(1,305)	(1,305)	(1,305)
Share options reserve	2,221	1,548	1,548
Other reserves	18,015	18,015	18,015
Retained earnings	337,327	337,327	337,227 <sup>4</sup>
<b>Shareholders' funds/ NA</b>	<b>576,585</b>	<b>588,782</b>	<b>588,682</b>
No. of Shares in issue	184,238,020 <sup>1</sup>	188,693,820 <sup>1,2</sup>	377,387,640 <sup>5</sup>
NA per Share (RM)	3.13	3.12	1.56
Total borrowings (RM'000)	140,657	148,984 <sup>3</sup>	148,984
Gearing ratio (times)	0.24	0.25	0.25

#### Notes:-

<sup>1</sup> Excluding 472,000 treasury shares

<sup>2</sup> From 1 January 2020 until the LPD, a total of 4,455,800 ESOS Options were exercised at the exercise price of RM2.26 per ESOS Option

<sup>3</sup> Extracted from 2<sup>nd</sup> quarter result ended 30 June 2020

<sup>4</sup> After deducting estimated expenses of approximately RM100,000 in relation to the Proposed Bonus Issue of Shares

<sup>5</sup> Excluding 944,000 treasury shares

### Maximum Scenario

	Audited FYE 31 December 2019 RM'000	Subsequent event up to the LPD RM'000	I Assuming all outstanding ESOS Options are fully exercised RM'000	II After I and post- Proposed Bonus Issue of Shares RM'000
Share capital	220,327	233,197 <sup>2</sup>	239,815 <sup>3</sup>	239,815
Treasury shares	(1,305)	(1,305)	(1,305)	(1,305)
Share options reserve	2,221	1,548	-	-
Other reserves	18,015	18,015	18,015	18,015
Retained earnings	337,327	337,327	337,327	337,227 <sup>5</sup>
<b>Shareholders' funds/ NA</b>	<b>576,585</b>	<b>588,782</b>	<b>593,852</b>	<b>593,752</b>
No. of Shares in issue	184,238,020 <sup>1</sup>	188,693,820 <sup>1,2</sup>	190,937,370 <sup>1,3</sup>	381,874,740 <sup>6</sup>
NA per Share (RM)	3.13	3.12	3.11	1.55
Total borrowings (RM'000)	140,657	148,984 <sup>4</sup>	148,984	148,984
Gearing ratio (times)	0.24	0.25	0.25	0.25

**Notes:-**

- <sup>\*1</sup> Excluding 472,000 treasury shares
- <sup>\*2</sup> From 1 January 2020 until the LPD, a total of 4,455,800 ESOS Options were exercised at the exercise price of RM2.26 per ESOS Option
- <sup>\*3</sup> Assuming all 2,243,550 outstanding Eligible ESOS Options are exercised at the exercise price of RM2.26 per ESOS Option and the corresponding reclassification of approximately RM1.55 million in the share options reserve account to the share capital account. For shareholders' information, the share options reserve amount is an estimation by our Company's internal management team and has yet to be reviewed by our auditor
- <sup>\*4</sup> Extracted from 2<sup>nd</sup> quarter result ended 30 June 2020
- <sup>\*5</sup> After deducting estimated expenses of approximately RM100,000 in relation to the Proposed Bonus Issue of Shares
- <sup>\*6</sup> Excluding 944,000 treasury shares

**4.3 Earnings and EPS**

The Proposed Bonus Issue of Shares, which is expected to be completed in the fourth quarter of 2020, is not expected to have any material effect on the earnings of our Group for the FYE 31 December 2020. Notwithstanding the above, our Group's EPS will be proportionately diluted due to the increase in the number of TGIB Shares in issue upon completion of the Proposed Bonus Issue of Shares.

**4.4 Convertible Securities**

As at the LPD, save for the outstanding ESOS Options, our Company does not have any convertible securities.

The Proposed Bonus Issue of Shares will give rise to adjustments to the exercise price and/ or number of outstanding ESOS Options as at the Entitlement Date pursuant to the by-laws governing the ESOS Options. Any necessary adjustments will only be finalised on the Entitlement Date and will be effective on the next market day after the Entitlement Date.

**4.5 Substantial shareholders' shareholdings**

The Proposed Bonus Issue of Shares will not have any effect on the percentage of shareholding of our substantial shareholders as the Bonus Shares will be allotted on a pro-rata basis to all of our shareholders. However, the number of TGIB Shares held by each of our shareholders will increase proportionately pursuant to the Proposed Bonus Issue of Shares. The pro forma effects of the Proposed Bonus Issue of Shares on our substantial shareholders' shareholdings are set out as follows:-

**Minimum Scenario**

Substantial shareholder	Shareholding as at the LPD		Post-Proposed Bonus Issue of Shares	
	Number of Shares	% <sup>*1</sup>	Number of Shares	% <sup>*2</sup>
Foremost Equals Sdn Bhd	74,371,875	39.41	148,743,750	39.41

**Notes:-**

- <sup>\*1</sup> Based on total issued Shares of 188,693,820 (excluding 472,000 treasury shares)
- <sup>\*2</sup> Based on the enlarged issued Shares of 377,387,640 (excluding 944,000 treasury shares)

### Maximum Scenario

Substantial shareholder	Shareholding as at the LPD		I Assuming all outstanding ESOS Options are fully exercised	
	Number of Shares	% <sup>*1</sup>	Number of Shares	% <sup>*2</sup>
Foremost Equals Sdn Bhd	74,371,875	39.41	74,371,875	38.95

  

Substantial shareholder	II After I and post-Proposed Bonus Issue of Shares	
	Number of Shares	% <sup>*3</sup>
Foremost Equals Sdn Bhd	148,743,750	38.95

**Notes:-**

<sup>\*1</sup> Based on total issued Shares of 188,693,820 (excluding 472,000 treasury shares)

<sup>\*2</sup> Based on the enlarged issued Shares of 190,937,370 (excluding 472,000 treasury shares)

<sup>\*3</sup> Based on the enlarged issued Shares of 381,874,740 (excluding 944,000 treasury shares)

As mentioned in **Section 2.1** of this Circular, our Company will not cancel any treasury shares until the completion of the Proposed Bonus Issue of Shares. Therefore, the Proposed Bonus Issue of Shares will not have any effect on the percentage of our shareholders' shareholdings as the Bonus Shares will be allotted on a pro-rata basis to all of our shareholders. However, the number of TGIB Shares to be held by each of our shareholders will increase proportionately as a result of the Proposed Bonus Issue of Shares.

## 5. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of TGIB Shares as traded on Bursa Securities for the past 12 months from September 2019 to August 2020 are set out below:-

	High RM	Low RM
<b>2019</b>		
September	2.711	2.388
October	2.888	2.584
November	3.504	2.760
December	3.592	3.201
<b>2020</b>		
January	3.661	3.132
February	4.229	3.309
March	3.798	1.909
April	3.309	2.770
May	3.700	3.162
June	3.906	3.325
July	4.821	3.729
August	5.650	4.359
Last transacted market price on 18 August 2020 (being the last transacted date prior to the announcement on the Proposed Bonus Issue of Shares)		4.850
Last transacted market price as at the LPD		5.440

(Source: Bloomberg)

## 6. APPROVALS REQUIRED/ OBTAINED

The Proposed Bonus Issue of Shares is conditional upon the following approvals being obtained:-

- (i) Bursa Securities, the approval of which has been obtained on 4 September 2020 for the listing and quotation for the Bonus Shares on the Main Market of Bursa Securities and subject to the following conditions:-
  - (a) TGIB and UOB Kay Hian must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue of Shares;
  - (b) TGIB and UOB Kay Hian are required to inform Bursa Securities upon completion of the Proposed Bonus Issue of Shares;
  - (c) TGIB is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue of Shares is completed; and
  - (d) TGIB and UOB Kay Hian are required to make the relevant announcements in accordance with Paragraphs 6.35(2)(a)&(b) and 6.35(4) of the Listing Requirements.
- (ii) Our shareholders for the Proposed Bonus Issue of Shares at the forthcoming EGM; and
- (iii) Any other relevant authority/ or third parties, if required.

The Proposed Bonus Issue of Shares is not conditional upon any other proposal undertaken or to be undertaken by our Company.

## 7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVES AND/ OR PERSONS CONNECTED TO THEM

None of our Directors, major shareholders, chief executives and/ or persons connected to them have any interest, either direct or indirect, in the Proposed Bonus Issue of Shares, save for their respective entitlements as our shareholders under the Proposed Bonus Issue of Shares, the Bonus Shares of which, are also available to all other shareholders of our Company.

## 8. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all required approvals being obtained, our Board expects the Proposed Bonus Issue of Shares to be completed in the fourth quarter of 2020.

The tentative timetable in relation to the Proposed Bonus Issue of Shares is set out below:-

<b>Timeline</b>	<b>Events</b>
2 October 2020	<ul style="list-style-type: none"><li>• Convening of EGM</li></ul>
Early October 2020	<ul style="list-style-type: none"><li>• Announcement of Entitlement Date for the Proposed Bonus Issue of Shares</li></ul>
Mid-October 2020	<ul style="list-style-type: none"><li>• Entitlement Date for the Proposed Bonus Issue of Shares</li><li>• Listing and quotation for the Bonus Shares on the Main Market of Bursa Securities</li></ul>

## 9. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Bonus Issue of Shares (being the subject matter of this Circular), our Board is not aware of any other outstanding proposal, which has been announced but not yet completed, as at the date of this Circular.

## 10. DIRECTORS' RECOMMENDATION

Our Board, after having considered all aspects of the Proposed Bonus Issue of Shares, which include, but are not limited to, the basis and number of Bonus Shares to be issued, the rationale and justifications, and the effects of the Proposed Bonus Issue of Shares on our Company, is of the opinion that the Proposed Bonus Issue of Shares is in the best interest of our Company. Accordingly, our Board recommends that you **VOTE IN FAVOUR** for the resolution pertaining to the Proposed Bonus Issue of Shares to be tabled at the forthcoming EGM.

## 11. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Newton Research & Development Centre Sdn Bhd, Conference Room, 1st Floor, Plot 96, Jalan PKNK 1/6, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia on Friday, 2 October 2020 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the resolution to give effect to the Proposed Bonus Issue of Shares.

If you are unable to attend, participate, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be lodged at the Registered Office of our Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia not less than 48 hours before the stipulated time for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending, participating, speaking and voting in person at the EGM, should you subsequently wish to do so.

## 12. FURTHER INFORMATION

You are advised to refer to the appendix set out in this Circular for further information.

Yours faithfully,  
For and on behalf of the Board of  
**THONG GUAN INDUSTRIES BERHAD**

**DYTM TENGKU SARAFUDIN BADLISHAH IBNI SULTAN SALLEHUDDIN**  
Independent Non-Executive Chairman

**FURTHER INFORMATION****1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by our Board, and our Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

**2. CONSENT**

UOB Kay Hian, being the Adviser for the Proposed Bonus Issue of Shares, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

**3. DECLARATION OF CONFLICT OF INTERESTS**

UOB Kay Hian has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser to our Company for the Proposed Bonus Issue of Shares.

**4. MATERIAL COMMITMENTS**

Save as disclosed below, as at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group, upon becoming enforceable, may have a material impact on the financial results/ position of our Group:-

	<b>RM'000</b>
Capital commitment comprises of the acquisition of plant and equipment to facilitate our ordinary course of business as at 1 September 2020	89,350
	<u><u>89,350</u></u>

**5. CONTINGENT LIABILITIES**

Save for the corporate guarantees provided by our Company to the financial institutions and third parties (i.e. utilities companies) in respect of financing facilities granted to our subsidiaries of approximately RM587.8 million and approximately RM227.6 million, respectively, of which RM146.2 million and RM11.3 million had been utilised as at 31 July 2020, our Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group.

**6. MATERIAL LITIGATION**

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware and has no knowledge of any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of our Group.

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the Registered Office of TGIB at 170-09-01 Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia during normal business hours (i.e. between 9.00 a.m. and 5.00 p.m.) from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the EGM:-

- (i) Our Constitution;
- (ii) Our audited consolidated financial statements for the past 2 financial years up to the FYE 31 December 2019 and our latest unaudited 6-month quarterly results ended 30 June 2020; and
- (iii) The letter of consent and declaration of conflict of interests referred to in **Sections 2 and 3** above, respectively.

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**THONG GUAN INDUSTRIES BERHAD**  
Registration No. 199401038519 (324203-K)  
(Incorporated in Malaysia)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the Extraordinary General Meeting of Thong Guan Industries Berhad ("**TGIB**" or the "**Company**") ("**EGM**") will be held at Newton Research & Development Centre Sdn Bhd, Conference Room, 1st Floor, Plot 96, Jalan PKNK 1/6, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia on Friday, 2 October 2020, at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolution:-

**ORDINARY RESOLUTION**

**PROPOSED BONUS ISSUE OF UP TO 191,409,370 NEW ORDINARY SHARES IN TGIB ("TGIB SHARE(S)" OR "SHARE(S)") ("BONUS SHARE(S)") ON THE BASIS OF 1 BONUS SHARE FOR EVERY 1 EXISTING TGIB SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE OF SHARES")**

"**THAT** subject to the approvals of all relevant authorities or parties, authority be and is hereby given to the Board of Directors of TGIB ("**Board**") to issue up to 191,409,370 Bonus Shares in the share capital of the Company credited to the entitled shareholders whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board on the basis of 1 Bonus Share for every 1 existing TGIB Share held;

**THAT** the Board be and is hereby authorised to deal with any fractional entitlements from the Proposed Bonus Issue of Shares, if any, in such a manner at its absolute discretion as the Board may deem fit and expedient and in the best interest of the Company;

**THAT** the Bonus Shares will, upon allotment and issuance, rank equally in all respects with the existing Shares. However, the Bonus Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date of such dividends, rights, allotments and/ or any other forms of distribution precedes the relevant date of allotment and issuance of the Bonus Shares;

**AND THAT** the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the Proposed Bonus Issue of Shares with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue of Shares."

**By Order of the Board**  
**THONG GUAN INDUSTRIES BERHAD**

**ONG TZE-EN**  
**SSM PC No. 202008003397 (MAICSA 7026537)**  
**LAU YOKE LENG**  
**SSM PC No. 202008003368 (MAICSA 7034778)**

Company Secretaries  
Penang  
15 September 2020

**Notes on proxy and voting:-**

- (1) A proxy may but need not be a member of the Company.
- (2) For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company at 170-09-01 Livingston Tower, Jalan Argyll, 10050 George Town, Penang, Malaysia not less than forty-eight (48) hours before the time for holding the EGM provided that in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the EGM as his/ their proxy, provided always that the rest of the Form of Proxy, other than the particulars of the proxy have been duly completed by the member(s).
- (3) A member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend, participate, speak and vote at the EGM of the Company shall have the same rights as the member to speak at the EGM.
- (4) Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint not more than two (2) proxies in respect of each securities account it may hold with ordinary shares of the Company standing to the credit of the said securities account.
- (5) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorized nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- (6) If the appointer is a corporation, the Form of Proxy must be executed under the corporation's common seal or under the hand of an officer or an attorney duly authorised.
- (7) In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 25 September 2020 (General Meeting Record of Depositors) shall be eligible to attend, participate, speak and vote at the EGM or appoint a proxy to attend, participate, speak and vote on his/ her behalf.



Since 1942

**THONG GUAN INDUSTRIES BERHAD**

Registration No. 199401038519 (324203-K)  
(Incorporated in Malaysia)

No of ordinary shares held  CDS Account No.

**FORM OF PROXY**

I/ We.....NRIC/ Passport No./Company No.....  
**(FULL NAME IN BLOCK LETTERS)**

Contact No.....of.....  
**(FULL ADDRESS IN BLOCK LETTERS)**

being a member of Thong Guan Industries Berhad ("**Company**"), hereby appoint(s):-

Full Name (in Block Letters)	Mobile No.	NRIC/ Passport No.	No. of Shares	% of Shareholding

\* and/ or

Full Name (in Block Letters)	Mobile No.	NRIC/ Passport No.	No. of Shares	% of Shareholding

or failing him/ her, the Chairman of the Extraordinary General Meeting ("**EGM**"), as my/ our proxy to vote for me/ us and on my/ our behalf at the EGM of the Company to be held at Newton Research & Development Centre Sdn Bhd, Conference Room, 1st Floor, Plot 96, Jalan PKNK 1/6, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia on Friday, 2 October 2020 at 10.00 a.m., or any adjournment thereof.

My/ our proxy is to vote on the ordinary resolution as indicated by an "X" in the appropriate spaces below. If this Form of Proxy is returned without any indications as to how the proxy shall vote, my/ our proxy shall vote or abstain as he/ she thinks fit.

ORDINARY RESOLUTION		FOR	AGAINST
Resolution 1	Proposed Bonus Issue of Shares		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020

\_\_\_\_\_  
Signature of Shareholder(s)/ Common Seal

**Notes on proxy and voting:-**

- (1) A proxy may but need not be a member of the Company.
- (2) For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company at 170-09-01 Livingston Tower, Jalan Argyll, 10050 George Town, Penang, Malaysia not less than forty-eight (48) hours before the time for holding the EGM provided that in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the EGM as his/ their proxy, provided always that the rest of the Form of Proxy, other than the particulars of the proxy have been duly completed by the member(s).
- (3) A member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend, participate, speak and vote at the EGM of the Company shall have the same rights as the member to speak at the EGM.
- (4) Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint not more than two (2) proxies in respect of each securities account it may hold with ordinary shares of the Company standing to the credit of the said securities account.
- (5) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorized nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- (6) If the appointer is a corporation, the Form of Proxy must be executed under the corporation's common seal or under the hand of an officer or an attorney duly authorised.
- (7) In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 25 September 2020 (General Meeting Record of Depositors) shall be eligible to attend, participate, speak and vote at the EGM or appoint a proxy to attend, participate, speak and vote on his/ her behalf.

**Personal Data Privacy:-**

By submitting the duly executed Form of Proxy, the member and his/ her proxy consent to the Company (and/ or its agents/ service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the EGM, and any adjournment thereof.

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AFFIX  
STAMP

The Company Secretaries of  
**THONG GUAN INDUSTRIES BERHAD**  
Registration No. 199401038519 (324203-K)  
170-09-01 Livingston Tower,  
Jalan Argyll, 10050 George Town,  
Pulau Pinang, Malaysia.

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