



THONG GUAN  
INDUSTRIES BERHAD  
(324203-K)



# *On Growth* Trajectory

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# CORPORATE INFORMATION

## Board of Directors

Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah

Dato' Ang Poon Chuan

Dato' Ang Poon Khim

Datuk Ang Poon Seong

Ang See Ming

Chow Hon Piew

Kang Pang Kiang

Chairman, Independent Non-Executive Director

Managing Director

Executive Director

Executive Director

Executive Director

Independent Non-Executive Director

Independent Non-Executive Director

## Registered Office

Suite 16-1 (Penthouse Upper), Menara Penang Garden,  
42A, Jalan Sultan Ahmad Shah, 10050 Penang

T 604 229 4390

F 604 226 5860

## Principal Place of Business

Lot 52, Jalan PKNK 1/6,  
Kawasan Perusahaan Sungai Petani,  
08000 Sungai Petani, Kedah Darul Aman

T 604 441 7888

F 604 441 9888

## Share Registrar

AGRITEUM Share Registration Services Sdn. Bhd.  
2nd Floor, Wisma Penang Garden,  
42, Jalan Sultan Ahmad Shah, 10050 Penang.

T 604 228 2321

F 604 227 2391

## Joint Company Secretaries

Ong Tze-En (MAICSA 7026537)  
Lau Yoke Leng (MAICSA 7034778)

## Auditor

KPMG  
Chartered Accountants  
Level 18, Hunza Tower,  
163E Jalan Kelawei, 10250 Penang.

## Principal Bankers

HSBC Bank Malaysia Berhad  
Hong Leong Bank Berhad  
Malayan Banking Berhad  
Ambank (M) Berhad  
Bangkok Bank Berhad  
Al Rajhi Bank

## Audit Committee

Chow Hon Piew (Chairman)  
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah  
Kang Pang Kiang

## Nomination Committee

Chow Hon Piew (Chairman)  
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah  
Kang Pang Kiang

## Remuneration Committee

Kang Pang Kiang (Chairman)  
Dato' Ang Poon Chuan  
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah  
Chow Hon Piew

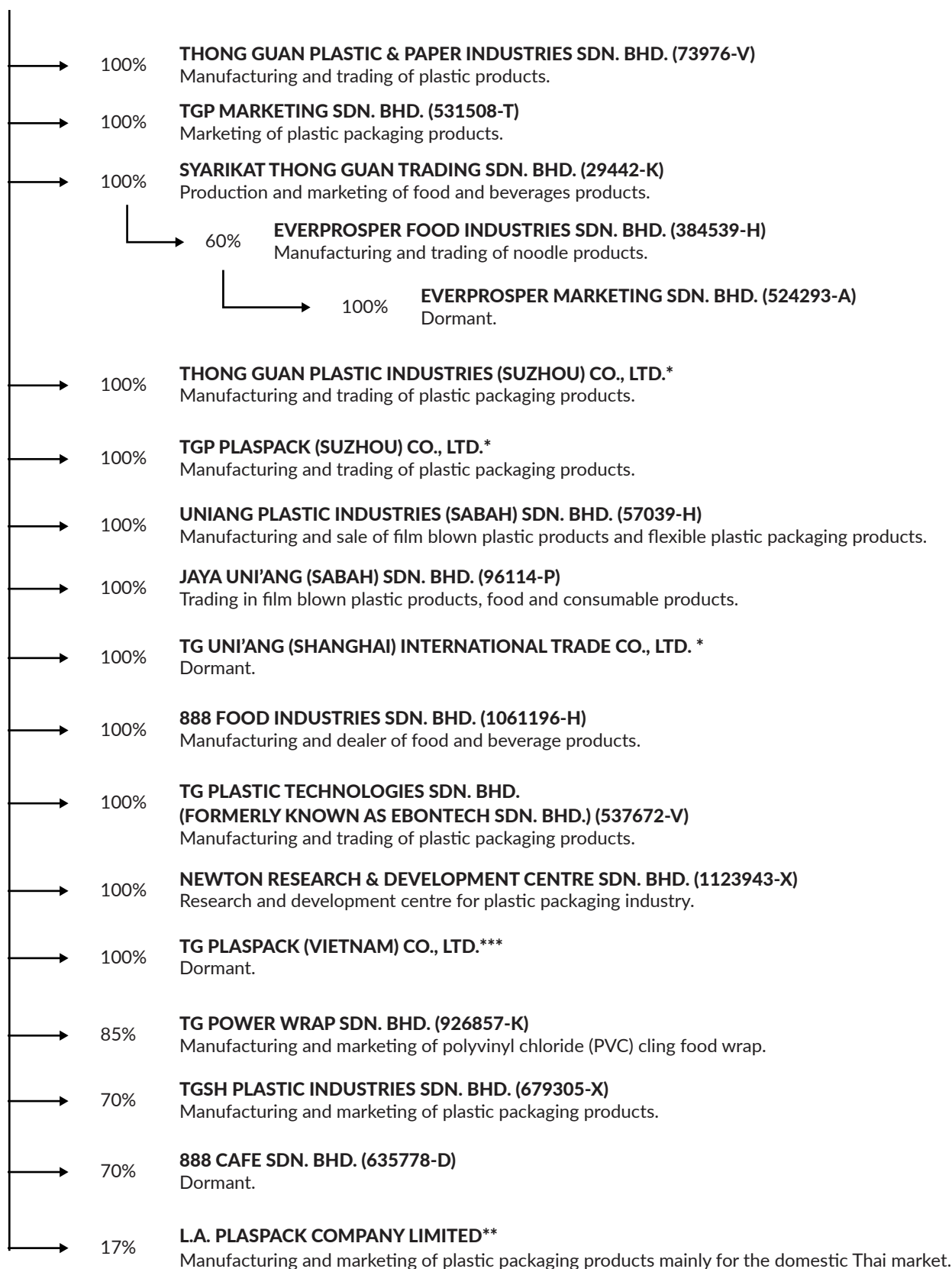
## Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad  
Sector : Industrial Products  
Stock Name : TGUAN  
Stock Code : 7034  
(Listed since 19 December 1997)

## GROUP STRUCTURE & PRINCIPAL ACTIVITIES

### THONG GUAN INDUSTRIES BERHAD (324203-K)

Investment holding and trading of plastic and paper products.



Note: \* Incorporated in the People's Republic of China  
 \*\* Incorporated in the Kingdom of Thailand  
 \*\*\* Incorporated in the Socialist Republic of Vietnam

# **CHAIRMAN'S STATEMENT 2015**

On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report and the Audited Financial Statements of Thong Guan Industries Berhad and its subsidiaries and associated companies (the Group) for the financial year ended 31 December 2015 ("FY2015").

## **Economic Review & Outlook**

The global economy is expected to grow at a modest pace in 2016. The growth outlook, however, remains vulnerable to considerable downside risks arising from policy developments in the major economies, high uncertainty surrounding the direction of global commodity prices and abrupt financial market adjustments. Growth in the advanced economies is expected to proceed at a gradual and sometimes uneven pace. The emerging economies are on recovery path from bad reaction to external demands experienced in 2015. The extent of the recovery would be contingent on several factors, including among others, commodity pricing development, financial market conditions and the ability of economies to contain rising domestic vulnerabilities. In this difficult environment, global trade activity is expected to register only a modest improvement.

The international economic and financial landscape is likely to remain challenging and will be a key factor influencing the prospects of the Malaysian economy in 2016. The strength of global economic growth and the trajectory of the global oil prices will have important implications for the growth of the Malaysian economy. The growth prospects of key trading partners, conditions in the financial markets and the state of investor and consumer confidence will have varying degrees of impact to the Malaysian economy.

On the home front, the economy is expected to grow by 4% – 4.5% (2015: 5.0%). Domestic demand will continue to be the principal driver of growth, sustained primarily by private sector spending. The pace of expansion in domestic demand, however, is expected to be more moderate amid ongoing adjustments by consumers and investors vis a vis the trying economic environment.

In 2015, the global economic and financial environment was affected by sharp contraction in global commodity prices to post-crisis lows. The world economic real GDP growth registered at 3.1% (2014: 3.4%) partly due to underperformance in some large emerging economies. In the advanced economies, the US maintained a 2.4% (2014: 2.4%) growth rate driven mainly by an improvement in the labour and housing markets. The Euro area experienced a modest growth pace of 1.9% in 2015 (2014: 0.9%) supported by both domestic demand and exports. Notably, private consumption rose in all core Euro area economies underpinned by a gradual improvement in labour market conditions, low oil prices and favourable credit conditions.

In China, growth slowed down to 6.9% in 2015 (2014: 7.3%) as continued rebalancing of the economy and implementation of structural reforms resulted in slowing down of activities in sectors with excess capacity. The Japanese economy registered only a 0.5% rebound in 2015 (2014: 0.0%). Its export growth was weighed down by slower demand from Asian economies notwithstanding moderating economic activities in the region. Growth in the rest of Asia was also moderate during the year.

While domestic demand remained the key driver of growth in the region, weak export performance weighed down on the pace of economic expansion. Closer to home, the ASEAN-4's growth increased slightly to 4.6% (2014: 4.5%). Other than Thailand which achieve a 2.0% growth from previous year's growth of 0.8%, Malaysia's growth slowed down to 5% (2014: 6.0%), the Philippines to 5.8% (2014: 6.1%) and Indonesia to 4.8% (2014: 5.0%).

Despite the difficult economic environment in 2015, the Malaysian economy grew by 5.0% (2014: 6.0%) with domestic demand as the key driver of growth which was primarily driven by the private sector. Private consumption growth moderated to 6.0% in 2015 (2014: 7.0%), as households adjusted their spending due to the increasing cost of living arising from the implementation of Goods and Services Tax ("GST") and the continued depreciation of Ringgit Malaysia.

Public consumption recorded a sustained growth of 4.3% in 2015 (2014: 4.4%). Private investment registered a slower growth of 6.4% (2014: 11.0%), supported by downstream oil and gas activities as well as new and on-going projects in the manufacturing and services sectors. Labour market conditions remained broadly stable in 2015. The unemployment rate edged higher to 3.2% (2014: 2.9%) as cautious business sentiments led to softer employment prospects towards the second half of the year. Headline inflation declined to 2.1% in 2015 (2014: 3.2%) as the impact of lower global energy and commodity prices more than offset effects from a weaker Ringgit Malaysia exchange rate and the implementation of GST.

## **Industry Trends & Development**

In general, the industry has anticipated a tough year in 2016. The global economies are expected to grow moderately in tandem with the ongoing slowdown in China as well as modest and uneven recovery in the advanced economies.

Domestically, the increase in minimum wages for workers in July 2016 and levy hike for foreign workers are expected to add further cost burden to manufacturers. Consumers are still struggling to adjust their spending as a result of depreciation in Ringgit Malaysia and implementation of GST.

As part of measure to mitigate the negative impact from increasing cost of operations, the Group has always emphasised on improvement in operational efficiency and excellent product quality through investment in advanced machinery, automation equipment, innovative technology and higher skilled manpower.

# **CHAIRMAN'S STATEMENT 2015 (continued)**

## **Industry Trends & Development (continued)**

The plastics industry reported total turnover of RM24.77 billion in 2015 or about 6% growth from last year. Export increased by 8.5% to RM12.96 billion in 2015 from RM11.94 billion in 2014. Total export of plastic bags for 2015 increased by 6.5% to RM4.25 billion, compared to RM3.99 billion in 2014. Total export of plastic films and sheets increased by 5.5% from RM4.58 billion in 2014 to RM4.83 billion in 2015. Demand from main markets including US and Japan is stable due to improving economies. Malaysia is the largest stretch film producer in Asia and the third largest in the world.

## **Group Performance**

The Group reported revenue of RM711.0 million during financial year ended 31 December 2015 ("FY2015"), a marginal drop from RM740.2 million registered in FY2014. The contraction was mainly due to lower average prices of raw materials which translated into lower selling prices.

Notwithstanding the drop in revenue, profit before tax double up to RM43.1 million (FY2014: RM18.8 million) mainly due to higher margin from export sales which were mostly denominated in USD. The export sales comprised mainly of stretch films, industrial bags and garbage bags which carries higher profit margin.

## **Dividends**

On 18 August 2015, the Company paid a final single tier ordinary dividend of 4 sen per ordinary share, totalling RM4,208,460 in respect of the FY2014.

A final single tier dividend of 9 sen per ordinary share in respect of the FY2015 has been recommended by the Directors for the approval of the shareholders at the forthcoming Annual General Meeting. If approved, the total dividend pay-out for the FY2015 would amount to RM9.47 million or 25% of net profit attributable to equity holders for FY2015 (2014: 7sen, RM7.36 million, 42%).

## **Irredeemable Convertible Unsecured Loan Stocks ("ICULS")**

15 October 2014 marked the successful completion of the Group's issuance of RM52,602,250 nominal value of 5-year 5% ICULS at 100% of its nominal value together with 26,301,106 free warrants. The ICLUS may be converted into new TGIB shares on any market days from its second anniversary date which is fall on 10th October 2016. During the year under review, there was no conversion of ICULS into TGIB shares.

## **Prospects**

The Group's capital investment plan in 2015 materialized as planned. The 33-layer nano-technology stretch film line was commissioned in early 2016. Marketing efforts has been intensified and the order book is promising.

The Group expects the nano-layer line and its R&D Centre to play leading role in transformation of the Group up the value chain. The Group has also taken delivery of its German made 5-layer blown film line which is expected to bolster revenue from blown products.

The food, beverage and other business unit is expected to continue its steady progress in tandem with aggressive marketing and promotional activities. The Group's venture into noodle manufacturing business should see significant contribution following commissioning of new manufacturing facilities.

The relatively low crude oil price has resulted in lower selling prices for plastic products which in turn has led to higher demand. The continued weakening of the Ringgit Malaysia against the US Dollar will benefit the Group in terms of lower labour, electricity and other input cost.

This year 2016 also marked the end of the Group's 3-year capital investment plan which was embarked upon to grow and or replace the Group's assets with an eye towards revenue and earnings growth. Further acquisitions could include another 33-layer nano-technology stretch film and PVC machines. The assets acquisition master plan is on course and the Group is optimistic that these would translate into higher earnings and profitability in due course.

Given the macro-economic indicators and management's efforts towards productivity improvement, the Group is confident of positive contributions from all its business units.

## **Acknowledgement**

On behalf of the Board of Directors, I put on record my appreciation of the management and staff for their contribution and dedication to the Group. We would also like to thank our shareholders, business partners, advisers, customers, associates and the authorities for their continued trust, confidence, support and guidance.

**Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah**

*Chairman*

*Sources: Bank Negara Malaysia Annual Report & The Malaysian Plastic Manufacturers Association Report*



# **CORPORATE SOCIAL RESPONSIBILITY**

The Group recognizes the need to strike a harmonious balance between its business pursuits and its corporate social responsibility. The Group has incorporated this need into its core values in creating a synergy to be an active corporate citizen.

We recognise that sustainability is primarily about carrying out our business operations responsibly and that companies can make a positive impact in the community through investment in education, sports, community care, environmental projects and occupational safety and health.

In 2015, we continued to support educational, charitable and other meaningful social causes through direct donations and in-kind support. Through these efforts, we hope to not only foster community spirit but also encourage our employees and business associates to be actively involved in these programmes.

## **Education**

Every year, the Group recruits students for its internship initiative where students from colleges, technical schools and universities from both local and overseas are selected for industrial and practical training in the Group's operations. Under this initiative, more than 50 students have been engaged in various departments including production, engineering, administration and finance. The Group has also embarked on offering vacation job opportunities for students during their long semester breaks.

Besides providing students the opportunity to put in practice their learning, the internship programme is an educational platform for hands-on experience and on-the-job training. The initiative also gives students a head start in their career when suitable trainees are offered job opportunities upon completion of their tertiary studies.

## **Community Care**

In our commitment towards community development and life-long education, the Group welcomes social groups and learning institutions to our manufacturing plants, both to our plastic packaging and beverage processing factories for educational trips. The Group has hosted senior citizens and students from various associations and schools including members of the Penang Senior Citizens Association and children from the various Primary School in Kuala Kedah.

In 2015, we also took on an initiative to support the underprivileged and less fortunate with donation in goods and cash. The Company also sponsored the building fund for Sungai Lalang Zi Xiu Ge, cash donation to Yayasan Anak-Anak Yatim Sultanah Haminah and others cash donation to various non-profitable and charitable institutions including schools and sports associations within the Sungai Petani, Kedah area.

## **Occupational Safety and Health, and the Environment**

The Group is committed to continue our efforts in creating a safe and healthy working environment and efficient environmental management system towards sustainable business planning and development.

We recognize that we have a commitment to the people who use our products and to the people we employ. We have taken a number of steps to move our businesses towards more environmentally and socially responsible practices. We ensure the safety and health of our employees while they are at work by complying with the standards laid down in the Malaysian Occupational Safety and Health Act, 1994 as well as the Environment Quality Act, 1974.

In 2006, both our factories in Malaysia and in China were accredited the ISO14001 and in 2007, the plastic packaging factory in Sungai Petani was awarded the OHSAS18001. In line with this, we believe that integrating environmental, health and safety considerations into our business practices helps us to improve efficiency, increase our value as a business Group and grow our business in an ethical and sustainable manner.

## DIRECTORS' PROFILE



**Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah**, aged 82, Malaysian, was appointed as the Independent Non-Executive Director on 11 August 2004 and subsequently as Chairman on 27 February 2014. He joined the Kedah State Civil Service in 1960 after he graduated with a Bachelor of Arts from the University of Malaya in Singapore. He rose through the ranks to become the State Director of Land and Mines, State Financial Officer and finally the highest civil service post, the State Secretary prior to his retirement in November, 1989. He had also obtained a certificate in Land Management from the University of Cambridge, United Kingdom in 1969. He was the past President of the Malaysian Friendship Centre, Taiwan. In recognition of his immense experience and services to the State, he was made a titled Dato' of the Orang Besar Enam Belas by his Majesty Sultan Abdul Halim Mua'adzam Shah with the title of Dato' Jaya Pahlawan.

He serves as a member of Audit, Nominating and Remuneration Committee of TGI. He has attended all the three out of the four Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholders of the Company. He has no conflict of interest with the Company. He also sits on the Board of Yayasan Sultanah Bahiyah Berhad. He had no conviction for offences within the past 10 years.

**Dato' Ang Poon Chuan**, aged 72, Malaysian, was appointed as the Managing Director on 18 September 1997. He completed his MCE prior to joining Thong Guan as a Marketing Executive in 1965. He rose through the ranks to the position of Managing Director of Syarikat Thong Guan Trading Sdn Bhd and Thong Guan Plastic & Paper Industries Sdn. Bhd. (both are currently wholly-owned subsidiaries of TGI) in 1983. During his 51 years of service, he has gained extensive knowledge of the plastic, paper, food, beverages and trading business and has developed invaluable business acumen and foresight that has shaped TGI to its present stature. He is a well-respected figure in the plastic industry and was the former President of the Malaysian Plastics Manufacturers Association (Northern Branch).

He serves as a member of the Remuneration Committee. He has attended all of the four Board meetings held for the financial year. He is the brother of Dato' Ang Poon Khim and Datuk Ang Poon Seong. He is a major shareholder of Foremost Equals Sdn. Bhd. which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.



**Dato' Ang Poon Khim**, aged 62, Malaysian, was appointed as the Non-Independent Executive Director on 18 September 1997. He obtained a Bachelor of Science (Hons) degree in Mechanical Engineering from Teeside Polytechnic, United Kingdom in 1980. He joined Thong Guan in 1981 after a spell as a Process Engineer at Advance Micro Devices (Export) Sdn. Bhd. He has contributed to the product development of TGI. He is presently the Executive Director and is responsible for overseeing the production and sales functions of TGI.

He has attended all of the four Board meetings held for the financial year. He is the brother of Dato' Ang Poon Chuan and Datuk Ang Poon Seong. He is a major shareholder of Foremost Equals Sdn. Bhd., which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.

**Datuk Ang Poon Seong**, aged 60, Malaysian, was appointed as the Non-Independent Executive Director on 18 September 1997. He is the Managing Director of Jaya Uniang (Sabah) Sdn. Bhd. and Uni'ang Plastic Industries. (Sabah) Sdn. Bhd., both are currently wholly-owned subsidiaries of TGI. He completed his MCE and joined Thong Guan as a Marketing Executive in 1976 and was tasked to spearhead the Company's expansion in Sabah in 1980. Under his stewardship, the Sabah operations of TGI Group has grown to be the largest plastic packing manufacturer in Sabah. He is also the President of the Malaysian Plastics Manufacturers Association (Sabah Branch) and was the former President of the Federation of Sabah Manufacturers.

He has attended all the four Board meetings held for the financial year. He is the brother of Dato' Ang Poon Chuan and Dato' Ang Poon Khim. He is a major shareholder of Foremost Equals Sdn. Bhd. which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.





## **DIRECTORS' PROFILE**



**Mr. Ang See Ming**, aged 46, Malaysian, was appointed as the Executive Director on 11 December 2013. He holds a Bachelor of Business (Accounting) from Monash University, Australia. He joined TGI in 1993 as an Accounts Executive and rose through the ranks to become the General Manager prior to his appointment to the Board. He was instrumental in planning the listing of TGI on the Kuala Lumpur Stock Exchange and has contributed immensely to the growth of TGI especially in the fields of finance, taxation, project planning and implementation, information technology, operation and marketing.

He has attended all of the four Board meetings held for the financial year. He is the son of Dato' Ang Poon Chuan and the nephew of Dato' Ang Poon Khim and Datuk Ang Poon Seong. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.

**Mr. Chow Hon Piew**, aged 62, Malaysian, was appointed as the Independent Non-Executive Director on 30 August 2013. He graduated with a Diploma in Business Studies and a Masters of Business Administration from the University of Strathclyde, Glasgow, United Kingdom and is also a Fellow member of the Institute of Chartered Management Accountants. He started his career as a Assistant Management Accountant at Matthesons Meats Ltd, a multi-national meat processing company in London prior to his return to Malaysia. He had served as the Group Accountant and rose to the position of Managing Director of Poly Glass Fibre (M) Bhd prior to his retirement in December 2012.

He serves as the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee. He has attended all the four Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholders of the Company. He has no conflict of interest with the Company. He had no conviction for offences within the past 10 years.



**Mr. Kang Pang Kiang**, aged 44, Malaysian, was appointed as the Independent Non-Executive Director on 30 August 2013. He obtained his Bachelor of Commerce and Bachelor of Science degrees from the University of Auckland, New Zealand. He is a Fellow member of the Associate of Chartered Accountant, New Zealand and Member of the Malaysian Institute of Accountants. He started his career with Ernst & Young. He has experience in providing auditing, tax consultation and business advisory services to various clients, which include multinational companies. He joined EG Industries Group in 1999 with more than 10 years of experience in financial management, corporate restructuring exercises, financial planning, compliance and reporting, risk management and investor relations. He played a key role in the formulation and implementation of EG Industries Group's strategic cost reduction plan and was also responsible for the group's corporate finance, finance management and financial strategies.

He serves as the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. He is also Group Chief Executive Office/ Executive Director of EG Industries Berhad, a Company listed in Bursa Malaysia Securities Berhad. He has attended two out of the four Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholders of the Company. He has no conflict of interest with the Company. He also sits on the Board of EG Industries Berhad. He had no conviction for offences within the past 10 years.

# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed to maintain good corporate governance throughout the group in its effort to ensure long-term sustainable growth and to safeguard, protect and enhance shareholders' value.

The Statement on Corporate Governance will set out how the Company has applied the principles and recommendations and the approach the Board will take to steer the Company to apply such principles and recommendations to governance as prescribed by the Malaysian Code on Corporate Governance (MCCG 2012).

## **Principle 1: Establish Clear Roles and Responsibilities**

### **1.1 Clear Functions of the Board and Management**

The Board takes full responsibilities for the overall performance of the Group by providing leadership and direction as well as management supervision. As a whole, the Board is the ultimate decision making body. Further to its legal responsibilities, the Board assumes full responsibility for the Group's strategic direction, overseeing the proper conduct of the Group's business, identifying principal risks and ensuring the implementation of systems to manage risks, succession planning, developing investor relations programme, reviewing the adequacy and integrity of the Group's internal control systems and management information systems, establishing goals for management and monitoring the achievement of these goals.

The Board has established 3 Board Committees ('Committees') to assist in the performance of its stewardship duties under specific terms of reference. The Committees established are the Audit Committee, the Nominating Committee and the Remuneration Committee. These Committees comprised mostly Non-Executive Directors with a majority being Independent Non-Executive Directors ("INEDs"). The composition of the Board and Board Committees are more particularly described under Principle 2 and section 3.5 of this statement.

All decisions and deliberations at Committee level are documented by the Company Secretary in the minutes of various committees meetings. The Chairman of the Board Committees reports on the outcome and recommendations of the Board Committee meetings to the Board for further deliberation and approval. Such reporting and ensuing deliberation, if any, is detailed in the minutes of Board meeting. The Committees' function is to principally assist the Board in the execution of its duties and responsibilities to enhance operational and business efficiency and efficacy. The Board reviews the Committees' authority and terms of reference from time to time to ensure its relevance and enhance its efficacy.

### **1.2 Clear Roles and Responsibilities**

The Board is collectively responsible for oversight and overall management of the Group. The Board delegates the day-to-day operations of the Group to the Executive Directors, who have vast experience in the business of the Group. The Directors are normally involved in the deliberation of the overall Group strategy and direction, major acquisition and/or divestment, approval of major capital expenditure, consideration of significant financial matters and the review of financial and operating performances of the Group.

As part of the continuous effort on governance process, the Company will be revising its Board Charter. The Executive Directors are responsible for the day-to-day operational management of the Group, implementing the policies and decisions of the Board, overseeing business operations as well as coordinating the development and implementation of business and corporate strategies. On the other hand, the INED do not engage in the daily management of the Group. Their presences bring objectivity and independence to any evaluation of strategic performance or resources related issues. In this manner, the INEDs fulfil a crucial corporate accountability role as they provide independent and objective views, opinions and judgment on issues being deliberated.

The Board has yet to have descriptions for certain Board positions and also the corporate objectives for which the Executive Directors are responsible to meet. Having due note of that, the Board is of the opinion that the Managing Director, with the assistance and support from the Executive Directors and key management, is responsible for the day-to-day operations of the Group and represents Management to the Board.

The management, with the assistance from the Internal Audit Department ("IAD"), has implemented the Enterprise Risk Management processes and formed a Risk Management Committee to identify, assess and monitor risks impacting the Group's business and supporting activities.

### **1.3 Formalise Ethical Standards through a Code of Conduct and Ethics**

A Code of Conduct, which outlines the conduct and responsibilities of both Management and employees, is in place. An Employee Handbook, which contained various human resource policies, serve as a guide for Management and employees of the Group and ensured that accepted code of conduct as well as employee responsibilities are practiced.

There is also a platform in place for employees and Management to report on any grievances and or wrongdoing by employees and or Management. Insofar as the Board is concerned, the Directors have a duty to declare immediately to the Board and abstain from further discussion and decision-making process should they be interested in any transaction to be entered into by the Group and or whenever there is a potential conflict arising from any transactions which involved the interest of the Directors.

Similar with the Board Charter, the Board perhaps to adopt Whistle Blower Act directly and is working for the code for Directors for adoption and subsequent disclosure on corporate website.

# STATEMENT ON CORPORATE GOVERNANCE (continued)

## 1.4 Strategies Promoting Sustainability

The Board recognises the importance of sustainability vis a vis the environment, governance and social context and its increasing impact to its businesses. The Board is committed to understanding and has vigorously implemented sustainable practices to benefit its businesses whilst attempting to achieve the right balance between the needs of the wider community, and the requirements of shareholders and stakeholders.

It is the normal practice of the senior management team to conduct annual review of group performance, refine business strategies and set targets, both qualitative and quantitative, in consultation with the Managing Director and Executive Directors. To that end, the Board is in the process of formulating a Sustainability Policy.

From a social context, employees' welfare, financial contribution and participation in community activities are part and parcel of the Group's commitment as a responsible corporate citizen. The Group acknowledges the contribution of its employees and strive to improve their welfare and benefits. All recruits undergo induction program to familiarise themselves with the Group's background, policies, structure, products and services. There is an established performance review process to reward deserving employees with competitive remuneration packages, increment and bonus. In addition, confirmed employees are entitled to personal accident, medical and hospitalisation benefits at the Group's expense. There is an emphasis on continuous employees' training and professional development with various training programs continuously organised throughout the year to enhance skills and knowledge. Company dinners are organised to foster relationship amongst employees and Management. Long service awards are conferred to Management and employees as a token of appreciation for their continued loyalty, support, dedication and contribution to the Group.

All operations of the Group are conducted within the ambit of the various legislations in the countries where the Group operates.

## 1.5 Access to Information and Advice

The Chairman ensures that all Directors have full access to information with Board papers and agendas on matters requiring the Board's consideration issued with appropriate notice in advance of each meeting to enable Directors to obtain further explanations from the Managing Director or his management team, where necessary, in order to be briefed properly before the meetings. Meeting papers on issues or corporate proposals which are deemed confidential and sensitive would only be presented to the Directors during the meeting itself. Management is invited to provide Directors with updates on business and operational matters or clarify items tabled to the Board. Verbal explanation and briefings are also provided by management to enhance understanding of the matters under discussions.

All Directors have access to the advice and services of the Company Secretaries. The Board of Directors, whether as a full board or in their individual capacity, may upon approval of the Board of Directors, seek independent professional advice if required, in discharge of their duties, at the Company's expense.

## 1.6 Qualified and Competent Company Secretaries

All the Directors have unrestricted access to all information within the Group and to the advice and service of the Company Secretaries. The Company Secretaries, who are qualified and experienced, advise the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors and the potential impact and implications arising there from.

## 1.7 Board Charter

The Board acknowledges the need to establish a point of reference for Board activities through a Charter as recommended by the MCCG 2012. As such, the Board is taking the necessary steps to revise such a Charter to clearly define the roles of the Board, Board Committees and Management in order to provide a structured guidance regarding their various responsibilities including the requirements of Directors in carrying out their leadership and supervisory role and in discharging their duties towards the Group as well as boardroom activities. An abridged version of the Board Charter will be made available on the Company website [www.thongguan.com](http://www.thongguan.com).

## Principle 2: Strengthen the Composition

### 2.1 Nominating Committee

The Nominating Committee is chaired by an INED and the Committee consists entirely of 3 INEDs. The Nominating Committee shall meet at least once in a financial year or more frequently if deemed necessary.

The Nominating Committee currently comprised the following:

Name	Position
Chow Hon Piew	Chairman
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	Member
Kang Pang Kiang	Member

## STATEMENT ON CORPORATE GOVERNANCE (continued)

### 2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

The Nominating Committee's mandate expressed through its terms of reference is to bring to the Board; recommendations on the appointment of new Directors, review of the Board structure, size, composition as well as systematic assessment of the effectiveness and contribution of the Board, its Committees, and individual Directors on an annual basis. The Nominating Committee is empowered to seek professional advice within or outside the Group as it deem necessary to discharge its responsibilities.

During the financial year ended 31 December 2015, the Committee met on one (1) occasion to discuss the tenure of service of the INEDs as well as to conduct an annual assessment of the Directors, Board, Board Committees and Chief Financial Officer.

The Nominating Committee also systematically assesses the effectiveness of the Board, the Committees of the Board and contribution of each individual Director and reviews the required mix of skills, experience and other qualities, including core competencies of the members of the Board on an annual basis. The assessment also considered the qualifications, contributions and performance of Directors and Chief Financial Officer in meeting the needs of the Group based on the criteria of competency, character, time commitment, integrity and experience as set out under paragraph 2.20A of the Listing Requirements.

The Board is committed to ensuring diversity and inclusiveness in its composition and deliberations. The present Board composition reflects the broad range of experience, skills and expertise necessary for the success of the Group and the importance of independent judgment and opinion at Board level.

The Board acknowledges the recommendation of the Code on gender diversity. However, the Board has yet to establish a specific policy on setting targets for women representation. The Board believes it is not necessary to adopt a formal diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Group. The evaluation of the suitability of candidate is based on the candidate's competency, character, time commitment, integrity, performance and experience to bring value and expertise to the Board. The Nominating Committee will however continue to take steps to ensure suitable women candidates are sought as part of its recruitment exercise.

The Committee met to deliberate on the retirement by rotation of Directors and their eligibility for re-election at the Company's Annual General Meeting (AGM). New appointees will be considered and evaluated by the Nominating Committee. The Committee will then recommend the candidates to be approved and appointed to the Board. The company secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

The director who is subject to re-election and/or re-appointment at the next Annual General Meeting is assessed by the Nominating Committee before recommendation is made to the Board and shareholders for re-election and/or re-appointment. Appropriate assessment and recommendation by the Nominating Committee is based on the annual assessment conducted. The Articles of Association of the Company requires that all Directors shall be subjected to re-election by shareholders at the first opportunity after their appointment and that at least one third (1/3) or the number nearest to one third (1/3) of the Directors, be subject to re-election thereafter by rotation at least once in every three (3) years at the AGM.

The Board, together with the Nominating Committee, will also formalise a guide to be used during annual assessment, recruitment and the induction processes for Directors.

### 2.3 Remuneration Committee

The Remuneration Committee consists of four members, the majority of whom are Independent Non-Executive Directors.

The Remuneration Committee currently comprised the following:

Name	Position
Kang Pang Kiang	Chairman
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	Member
Chow Hon Piew	Member
Dato' Ang Poon Chuan	Member

The Remuneration Committee met once during the financial year with the full attendance by all members of the Remuneration Committee. The adoption of remuneration packages for the Executive Directors, however, is a matter for the Board as a whole, with individual Directors abstaining from decision making in respect of his remuneration package.

The Remuneration Committee is authorised, inter-alia, to recommend to the Board the remuneration packages for the Executive Directors of the Company and set up a broad policy or framework for all elements of remuneration for the Directors.

The remuneration of Non-Executive Directors is linked to their experience and level of responsibilities undertaken by them. Non-Executive Directors are paid fixed annual fees as members of the Board and Board Committees. The Directors' fees are approved annually by the shareholders of the Company.

## STATEMENT ON CORPORATE GOVERNANCE (continued)

The aggregate remuneration, with categorisation into appropriate components and distinguishing between Executive and Non-Executive Directors, paid or payable to all Directors of the Company for the financial year ended 31 December 2015 is as follows:

	Executive Directors	Non-Executive Directors
Salaries (RM'000)	1,868	-
Bonus & Other Allowances (RM'000)	559	35
EPF Contributed by Employer (RM'000)	199	-
Fees (RM'000)	260	90

The number of Directors whose total remuneration falls within the following bands is as follows:

	No. of Directors	
Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM350,001 to RM400,000	2	-
RM1,000,001 to RM1,050,000	1	-
RM1,050,001 to RM1,100,000	1	-

The Board has opted not to disclose each Director's remuneration as it considers such information sensitive.

The Board is in the process of establishing a Remuneration Policy and Procedure to facilitate the Remuneration Committee to consider and recommend to the Board for decision the remuneration packages of the Executive Directors. Going forward, the Remuneration Committee would take on the task of reviewing and recommending the compensation structure of the Board for both Executive and Non-Executive Directors.

### Principle 3: Reinforce Independence

#### 3.1 Annual Assessment of Independent Directors

The Board, through the Nominating Committee, assesses the independence of the INEDs annually. Based on the assessment carried out for financial year ended 31 December 2015 the Board is generally satisfied with the level of independence demonstrated by the INEDs and their ability to act in the best interests of the Company.

#### 3.2 Tenure of Independent Directors

The Board's view on independence is in accordance with the definition of an independent director under para 1.01 and Practice Note 13 of MMLR of Bursa Securities. The present INEDs fulfils the key criteria of appointment as they are not a member of management, free of any relationship that could interfere with exercise of independent judgment or ability to act in the best interest of the Company.

#### 3.3 Shareholders' Approval for Retaining Independent Non-Executive Directors

The Company does not have term limits for all Directors presently as the Board is of the opinion that continued contribution by Directors provides benefit to the Board and the Group as a whole. The MCGG 2012 provides a limit of a cumulative term of 9 years on the tenure of an Independent Director.

However, an INED may continue to serve the Board upon reaching the 9-year limit subject to re-designation as a Non-INED. In the event the Board intends to retain the said INED as independent after the latter has served a cumulative term of 9 years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the Nominating Committee is entrusted to assess the candidate's suitability to continue as an INED based on the criteria on independence.

#### 3.4 Separation of Positions of Chairman and Managing Director

The role of Chairman and the Managing Director are separate and each has a clearly accepted division of responsibilities to ensure a balance of power and authorities. The Chairman is responsible for ensuring Board effectiveness and conduct while the Managing Director will have overall responsibilities over the operating units, organizational effectiveness, implementation of Board policies and decision in achieving the corporate objectives of the Group.

The presence of INEDs also provides an element of objectivity, independent judgement, view and check and balance on the Board as well as to safeguard the interest not only of the Group, but also minority shareholders, employees, customers, suppliers and the community in general.



## STATEMENT ON CORPORATE GOVERNANCE (continued)

### 3.5 Composition of the Board

The Board comprised 7 Directors as at the date of this Annual Report and are as follows:

<b>Independent Non-Executive Chairman</b>	Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah
<b>Managing Director</b>	Dato' Ang Poon Chuan
<b>Executive Directors</b>	Dato' Ang Poon Khim Datuk Ang Poon Seong Ang See Ming
<b>Independent Non-Executive Director</b>	Chow Hon Piew Kang Pang Kiang

Together with the Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and excellence. Brief profiles of the Board members are presented under "Profile of Directors" section in this Annual Report.

The current Board has a balanced mix of skills, relevant expertise and professional experience. The Directors, with their different background and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, general management, marketing and operations.

The Board is of the opinion that it is not necessary to have a majority of INEDs forming the board as the Directors are seasoned business leaders who exercise objectivity and independence of opinions in arriving at their decisions and that Board deliberations are collegial and inclusive with ultimate aim of objective review of priorities and proposals. The Chairman solicits the opinion of fellow Board members before seeking consensus on decisions.

### Principle 4: Foster Commitment

#### 4.1 Time Commitment

The Board normally meets at least 4 times annually at quarterly intervals. Under exceptional circumstances owing to urgent and important issues at hand, additional meetings are convened between the scheduled meetings with sufficient notices.

During the year under review, the Board held 4 meetings to deliberate and decide on various issues. The major deliberation, in terms of issues discussed and the conclusion arrived by the Board during the meetings, are recorded by the Company Secretary with the minutes signed by the Chairman of the meetings.

Details of attendance of each Director on the Board meeting and respective Board Committees' meeting during the year under review are as follows:

	<b>Board</b>	<b>Committees</b>		
		<b>Audit</b>	<b>Nominating</b>	<b>Remuneration</b>
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	3/4	3/3	1/1	1/1
Dato' Ang Poon Chuan	4/4	-	-	1/1
Dato' Ang Poon Khim	4/4	-	-	-
Datuk Ang Poon Seong	4/4	-	-	-
Ang See Ming	4/4	-	-	-
Chow Hon Piew	4/4	3/3	1/1	1/1
Kang Pang Kiang	2/4	2/3	1/1	1/1

Notes:

All Board members met the minimum percentage required for Board meeting attendance as prescribed under MMLR of Bursa Securities during the period under review.

The Company Secretary will convene, upon request of any Board members, special Board meetings to discuss any urgent issues. Agenda for Board meetings are set by the Company Secretary in consultation with the Chairman, as appropriate. In between meetings, whenever required, decisions are taken by way of Directors' Circular Resolutions.

In the absence of a formal protocol on induction, acceptance of new Directorship and time commitment, a Director accepting new directorships will notify the Board ahead of his new appointment. The Board, through the Nominating Committee ensures that recruits to the Board are individuals of caliber, with the necessary experience and knowledge to meet the expectations of the Board as a Director of the Company. Although there are no formal training or orientation programmes for Directors, they are briefed at the major locations of the Group's manufacturing plants to acquire an understanding of the Groups' operations. The Board took the view that familiarization visits to the various operational sites would equip the Directors with a working understanding of the Group's operations. This is geared towards ensuring that new Directors are able to appreciate the Group's operating environments and business dynamics and therefore able to contribute effectively in the Board's deliberations.

## STATEMENT ON CORPORATE GOVERNANCE (continued)

### 4.2 Directors' Training

The Board is cognisant of the need to ensure that its members undergo continuous trainings to enhance their knowledge, expertise and professionalism in discharging their duties. The Company Secretary circulates relevant guideline to update the Directors on statutory and regulatory requirements and changes from time to time. Internal briefings were also conducted for the Directors on key corporate governance developments and salient changes to the MMLR.

Pursuant to para 15.08(2) and Appendix 9C (Part A, para 28) of MMLR, some of the Directors had, during the year under review, attended the following training programs, seminars and international trade exhibition:-

Areas	Seminar / Programs
Production/Plastics	<ul style="list-style-type: none"><li>• Dow's Packaging Solutions Seminar</li><li>• Conference on Future of the Innovation for the Plastic Industry</li><li>• Advance Continue Blown Film Extrusion: Evaluation of Twin Screw for Blown Film Technology</li></ul>
Finance, Taxation & Governance	<ul style="list-style-type: none"><li>• 2016 Budget Seminar</li><li>• Risk Management and Internal control workshop</li></ul>
Management	<ul style="list-style-type: none"><li>• Board Chairman Series Part 2: Leadership Excellence From the Chair</li></ul>

All Directors have complied with the provision of MMLR in relation to Mandatory Accreditation Program.

### Principle 5: Uphold Integrity in Financial Reporting

#### 5.1 Compliance with Applicable Financial Reporting Standards

The Board is committed to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects, primarily through the annual financial statements and quarterly announcements of the results to shareholders as well as the Chairman's Statement in the annual report. The Directors are responsible in ensuring the annual financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

The Audit Committee is to aid the Board in discharging its duties on financial reporting by overseeing the processes for production of the financial data, reviewing and monitoring the integrity of the financial reports and the internal controls of the Company. The composition and terms of reference of the Audit Committee together with its report are presented under "Audit Committee Report" section in this Annual Report.

In consultation with the External Auditors, the Audit Committee reviews the appropriateness of the Group's accounting policies and the changes to these policies as well as to ensure that the financial statements comply with accounting standards and regulatory requirements.

#### Directors' Responsibility Statement

The Board is responsible to ensure that the financial statements of the Group and Company gives a true and fair view of the state of affairs of the Group and of the Company and of their results and cash flows as at the end of the financial year. The Directors have ensured that the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The Director have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates in preparing the financial statements.

A general responsibility of the Directors is to take such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

#### 5.2 Assessment of Suitability and Independence of External Auditors by the Audit Committee

The Audit Committee has a close and transparent relationship with the External Auditors in seeking professional advice and ensuring compliance with relevant accounting standards. During the financial year ended 31 December 2015, the Audit Committee held two (2) dialogue sessions with the External Auditors in the absence of the Executive Directors and Management.

The Audit Committee is empowered by the Board to review all issues in relation to appointment and re-appointment, resignation or dismissal of External Auditors. The External Auditors had given written assurance that, they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of the relevant professional and regulatory requirements. In early 2015, the Audit Committee undertook a review of the suitability and independence of the External Auditors and was satisfied with the independence and technical competency of the External Auditors.

## STATEMENT ON CORPORATE GOVERNANCE (continued)

Moving on, the Audit Committee will establish procedures to assess the suitability and independence of the External Auditors as well as policy governing the circumstance under which contracts for provision of non-audit services could be entered into by the External Auditors.

### **Principle 6: Recognise and Manage Risks**

#### **6.1 Sound Framework to Manage Risks**

In general, all major projects, investment and capital expenditure initiatives are presented to the Board for consideration and approval. An overview of the state of internal controls and risk management within the Group is spelt out in this Annual Report under Statement on Risk Management and Internal Control.

#### **6.2 Internal Audit Function**

The Board and management has established internal control procedures and policies for its operations. It monitors its compliance through the Internal Audit Department, to ensure that such internal control system is implemented and carried out effectively by the Management.

The Company has in place an internal audit function which is led by the Head of Internal Audit, who reports directly to the Audit Committee. The Internal Audit Department undertakes regular review of identified operational areas annually to assess the effectiveness of internal controls and risk management. During the review of Internal Audit Reports, the Audit Committee is made aware of the operational risks affecting the Group's operations and all follow through mitigating actions taken.

The Statement on Risk Management and Internal Control, which provided an overview of the state of internal control and risk management within the Group, is included in this Annual Report.

### **Principle 7: Ensure Timely and High Quality Disclosure**

#### **7.1 Corporate Disclosure Policy**

The Board acknowledges the need and importance of ensuring dissemination of information to shareholders, investors and regulatory bodies. The Board peruses through and approves all announcements prior to the release of the same to Bursa Securities. At the same time, the Board will take reasonable steps to ensure that the public and investors all who invest in the Company's securities enjoy equal access to such information to avoid selective disclosure.

#### **7.2 Leverage on Information Technology for Effective Dissemination of Information**

The Company's website, [www.thongguan.com](http://www.thongguan.com), provides an avenue for information dissemination with dedicated sections on corporate information including announcements to Bursa Securities, financial information, press releases and news and events related to the Group. Any queries or concerns regarding the Group may be directed to the Investor Relations Department via the email address: [info@thongguan.com](mailto:info@thongguan.com).

As the Group release all material information publicly through Bursa Securities, shareholders and the public in general may also obtain announcements and financial results of the Company from Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

### **Principle 8: Strengthen Relationship with Shareholders**

#### **8.1 Shareholders' Participation at General Meetings**

The AGM and Extraordinary General Meeting ("EGM"), provide a platform for the Board to dialogue and interact with shareholders where individual shareholders and investors may seek clarifications on the Group's businesses, performance and prospects. The notices of the AGM and EGM are sent to shareholders. The notices are also published in a national newspaper and released through Bursa Securities for public dissemination. Members of the Board attend the AGM and EGM to answer queries and concerns of the shareholders. All suggestions and comments put forth by shareholders will be noted by the Board for consideration.

The Board will consider adopting electronic voting, within the bound of practicality, in the future to facilitate greater shareholder participation at general meetings.

#### **8.2 Encourage Poll Voting**

At the onset of all general meetings, shareholders are informed that voting will be by show of hands of every member or representative or proxy of a member present, unless a poll is duly demanded, before the meeting proceeds.

## **STATEMENT ON CORPORATE GOVERNANCE (continued)**

### **8.3 Effective Communication and Proactive Engagement**

The Board recognises the need for shareholders to be kept updated with all material business matters affecting the Group. Shareholders are provided with an overview of the Group's performance and operations through timely release of financial results on yearly and quarterly basis as well as various other announcements.

The general meetings are useful forums for shareholders to engage directly with the Board and Senior Management. The shareholders are at liberty to raise questions or seek clarification on the agenda of the meeting from the Board and the Senior Management.

Further, in a move to promote wider publicity and dissemination of public information, the Group will issue press releases to the media on significant corporate developments and business initiatives to keep the investment community and shareholders updated on the progress and development of the Group.

### **Compliance with the Principles and Recommendations of the Code**

For the year ended 31 December 2015 and up to the date of the printing of this annual report, the Group has complied substantially with the Principles and Recommendations of the Code insofar as applicable and described herein.

This statement is issued in accordance with a resolution of the Directors dated 12 April 2016.

## **Other Information**

### **Non-Audit Fees**

The amount of non-audit fees paid to external auditors by the Company and its subsidiaries is RM36,000 for the financial year ended 31 December 2015.

### **Material Contract**

Since the end of the previous year report, there were no material contract that involved the Group and its Directors and major shareholders.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Introduction

Pursuant to Paragraph 15.26(b) of the Main Board Listing Requirement of Bursa Malaysia Securities Berhad, the Board of Directors of listed companies is required to include in its Company's Annual Report a statement about the state of the internal controls of the listed issuer as a group. The Board is pleased to provide the following Internal Control Statement for the financial year ended 31 December 2015.

## Responsibility

The Board acknowledges its responsibility for the Groups' system of internal control, which include establishment of an effective control environment and an appropriate internal control framework, as well as to review its adequacy and integrity. Due to limitations inherent in any system of internal control, it is important to note that the system is designed to manage, rather than eliminate the risk of failure. Therefore, the system can only provide reasonable and not absolute assurance that assets are safeguarded against material loss or misstatement. The system of internal control covers, inter-alia, financial, organisational, and operational and compliance controls and risk management.

## Risk Management Framework

The board has established an on-going process for identifying, evaluating, and managing risk through the Enterprise Risk Management (ERM) Framework. These include the formation of a Risk Management Committee (RMC) which was delegated with the task of identifying risks within the Group. The Board through its Audit Committee regularly reviews this process. The main objective of the review is to formalize and embed a risk management process across the Group in order to sensitise all employees within the Group to risk identification, evaluation, control, ongoing monitoring, and reporting. The formalisation of the ERM framework will encompass the following activities:

- To update on a regular basis the risk profiles of companies in the Group according to the ERM framework;
- To further embed a risk awareness culture and risk management process within the Group, the risk management training for selected management will be conducted on an ongoing basis;
- To execute risk-based internal audit with periodic review by Audit Committee and the Board on the adequacy and integrity of the system of internal control.

## Internal Audit Function

The Group's Internal Audit Department (IAD) reports directly to the Audit Committee. Its role is to provide the Audit Committee with reasonable assurance on the adequacy and integrity of the Group's internal control system through regular reviews and monitoring. The Audit Committee provides direction and oversees the function. At the beginning of each financial year, the IAD prepares an Annual Audit Plan and presented it to the Audit Committee for its approval. Subsequently at every Audit Committee meeting, the IAD will present its audit findings and review them with the Audit Committee.

The activities that has been planned and carried out by the IAD are as follows:

- Mapping out the current state of procedures and processes for the ease of understanding and reference with the aim of identifying areas for improvements.
- Identifying potential areas that are lack of control and efficiency from the process mapping.
- Testing and conducting audit on the identified risk areas.
- Reporting of findings and irregularities (if any) to Management and Audit Committee and provide recommendations to mitigate the risks identified.
- Ensuring the compliance with applicable laws, regulations, rules, directives and guidelines by the various authorities and those set out by the Management.
- Carrying out ad-hoc investigation and special review requested by Management.

The internal audit reports prepared by the IAD arising from the audits are discussed at the AC Meetings and recommendations are duly forwarded to the management for their actions. Follow-up reviews are conducted by the IAD to ensure that all action plans from each audit are adequately addressed by auditee/management. All internal audit reports together with the recommended action plans and their implementation status are presented to the management and the Audit Committee as and when they are completed.

## Other Risk and Control Processes

- The Group's Policies and Guideline Booklet, sets out the policies, procedures and expected standards of the Group's operations to be followed by all employees. The policies and procedures are regularly reviewed and updated to maintain its effectiveness over time.



# **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL**

## **(continued)**

### **Other Risk and Control Processes (continued)**

- The Board and Audit Committee rigorously review the quarterly financial results and reports and evaluate the reasons for unusual variances noted thereof.
- Internal audit function includes performing regular reviews of business processes to assess the effectiveness of the internal control system and to highlight significant risks impacting the Group with recommendations for improvement;
- The close involvement of Executive Directors, who are hands-on in the operations of the Group. The Managing Director briefs the Board on significant changes in the business and external environment, which affect the operations of the Group at large.
- The Group has in place a Management Reporting mechanism whereby financial information is generated and reviewed by management and the Board on a timely basis. Performance and results are monitored on a monthly basis against the budget and the results of prior years, with major variances explained and appropriate action taken.
- The Group sets out an annual budget and operations targets for every operating division. Analysis, data comparison and reporting of variances against target are presented in the Group's various Management Meetings which act as a monitoring and controlling mechanism.
- The Group has successfully integrated three (3) management systems namely the ISO 9001-QMS, ISO14001-EMS & OHSAS 18001-Health & Safety into a single system, known as 'Integrated Management System' (IMS).

### **Conclusion**

The Board has received assurance from the Group Managing Director and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control systems of the Group.

The Board and Management are committed towards operating a sound system of internal control and the internal control systems will continue to be reviewed, updated and improved upon in line with the changes in its operating environment.

For the financial year under review and up to the date of issuance of the financial statements, the Board is satisfied with the adequacy, integrity and effectiveness of the Group's system of risk management and internal control. No material losses, contingencies or uncertainties have arisen from any inadequacy or failure of the Group's system of internal control that would require separate disclosure in the Group's Annual Report.

This statement is issued with a resolution of the Directors dated 12 April 2016.

# AUDIT COMMITTEE REPORT

## Audit Committee Members

The Board of Directors is pleased to present the Audit Committee report for the financial year ended 31 December 2015. The Audit Committee currently comprises the following directors:-

Directors	Position	Attendance
Chow Hon Piew	Chairman, Independent Non-Executive Director	3/3
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	Member, Independent Non-Executive Director	3/3
Kang Pang Kiang	Member, Independent Non-Executive Director	2/3

## Composition

The Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) Directors, of whom all must be Non-Executive Directors, with a majority of them being Independent Directors.

The Board shall at all time ensure that all members of the Committee are financially literate and at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants (MIA);or
- if he is not a members of MIA, he must have at least three (3) years of working experience and he must have passed the examination specified in part I of the 1st Schedule of the Accountant Act 1967;or
- he must be a member of the association of accountants specified in part II of the Accountant Act 1967.
- fulfils such other requirements as prescribed or approved by the Bursa Securities.

The Chairman of the Committee shall be an Independent Non-Executive Director. No alternate Director of the Board shall be appointed as a member of the Committee. All members of the Committee, including the Chairman, will hold office until otherwise determined by the Board of Directors.

## Terms of Office

In the event of any vacancy in the Committee resulting from resignation, death or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of that event, appoint such number or new members as may be required to make up the minimum number of three (3) members.

The Board of Directors shall review the terms of office and performance of the Committee and each of its members at least once every three (3) years to determine whether such Committee and its members have carried out their duties in accordance with their Terms of Reference.

## Quorum and Committee's Procedures

The Committee shall meet at least four (4) times in a financial year and such additional meeting as the Chairman shall decide in order to fulfil its duties. The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present.

The Company Secretary shall be the Secretary of the Committee. The Secretary, in cooperation with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant supporting papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes shall be circulated to members of the Board. The Committee may invite other Board members and senior management members to attend the meetings as and when deem necessary.

The Company Secretary or her representative would be present at all the meetings. The Group's Internal Audit Manager, Senior Management and representatives of the external auditors would also attend the meetings, upon invitation.

The Chairman shall submit an annual report to the Board summarizing the Committee's activities and the related significant result and findings during the year. The Committee shall meet at least twice every year with the Head of Internal Audit Department and external auditors in separate sessions to discuss any matters without the presence of any executive member of the Board.

## Authority

The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it required from any employee and all employees are directed to cooperate with any request made by the Committee. The Committee shall have full and unlimited access to any information pertaining to the Group.

## **AUDIT COMMITTEE REPORT (continued)**

The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this to be necessary.

The Committee shall be able to convene meetings with the external auditors, shall have direct communication channels with the internal and external auditors, and with the management of the Group whenever deemed necessary.

### **Responsibilities and Duties**

The Committee shall undertake and carry out the following responsibilities and duties:

- Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan.
- Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures.
- Review major audit findings and the Management's response during the year with Management, external auditors and internal auditors, including the status of previous audit recommendations.
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restriction on the scope of activities or access to required information.
- Review the independence and objectivity of the external auditor and their services, including non-audit services and their professional fees, to ensure a proper balance between objectivity and value for money.
- Review and recommend to the Board of Directors the Statement of Internal Controls in relation to internal controls and management of risk for inclusion in the annual report.
- Review the appointment and performance of external auditors, their audit fee and any question of resignation or dismissal before making recommendations to the Board.
- Review the budget and staffing of the internal audit department.
- Review the adequacy and integrity of internal control system, including enterprise risk management, management information system, and the internal auditor's and/or external auditor's evaluation of the said system.
- Direct and where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defaults, frauds and thefts.
- Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:
  - i) going concern assumption;
  - ii) any changes in or implementation of major accounting policies and practices;
  - iii) significant or unusual event;
  - iv) compliance with accounting standards and other legal requirements; and
  - v) Significant adjustment arising from the audit.
- Review any related party transaction and conflict of interest situation that may rise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity;
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarizing the work performed in fulfilling the Committee's primary responsibilities;
- Review any appraisal or assessment of the performance and any appointment or termination of members of the internal audit function;
- Review the financial reporting procedures in place to ensure that the Group is in compliance with the Companies Act 1965, Main LR of Bursa Securities and other legislative and reporting requirement;
- Review the allocation of option granted pursuant to the Employee Share Option Scheme (ESOS) of the Company, if any;
- Any other activities, as authorized or instructed by the Board.

# **AUDIT COMMITTEE REPORT (continued)**

## **Summary of Activities during the Financial Year**

The main activities undertaken by the Committee during the financial year were as follows:

- Reviewed with the external auditors the scope of audit work and audit plan for the year. Prior to the audit, representatives from the external auditor presented their audit strategy and plan;
- Reviewed with external auditors the findings of the audit and the audit report;
- Reviewed the annual financial statements of the Group and of the Company prior to submission to the Board for their consideration and approval;
- Reviewed the quarterly unaudited financial results of the Group before recommending them for the Board's approval;
- Reviewed the Company's quarterly and year-end financial statements to ensure that they comply with the Main LR of Bursa Securities and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board and other relevant legal and regulatory requirements;
- Reviewed the adequacy of the internal and external audit procedures;
- Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function and to ensure that it has the necessary authority to carry out its work;
- Reviewed the related party transactions to ensure that they are at "arm's length" and not more favourable to the executive directors and persons connected to them;
- Reviewed the quarterly reports from the Internal Audit Department ("IAD") and make necessary recommendations to the Management and Board of Directors;
- Met twice with the external auditors without the presence of the Executive Directors and management staff to discuss issues of concern to the auditors;
- Reviewed the performance of the external auditors, considered and recommended their re-appointment to the Board.

## **Internal Audit Department**

The IAD's primary objective is to undertake regular reviews of the system of controls, procedures and operations so as to provide reasonable assurance that the internal control system is sound, adequate and satisfactory. Its role is to provide the Committee with independent and objective reports on the state of internal controls of the operating units within the Group guided by established policies and procedures and the regulatory requirements of the relevant authorities. The Committee reviewed and approved the internal audit plan of the Group submitted by the Head of Internal Audit annually.

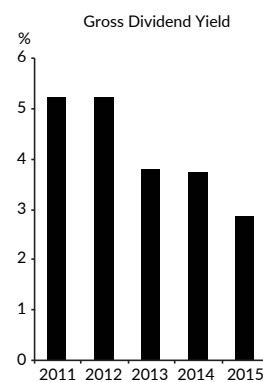
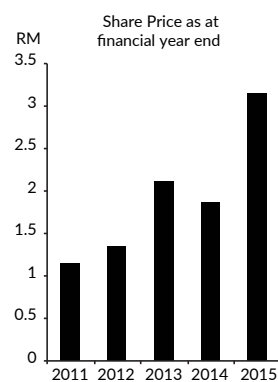
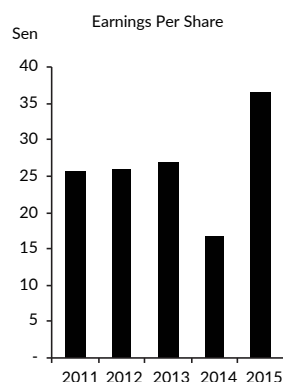
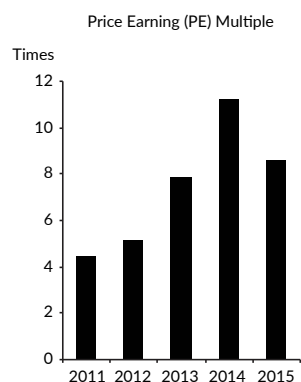
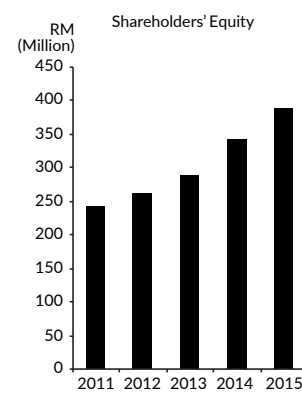
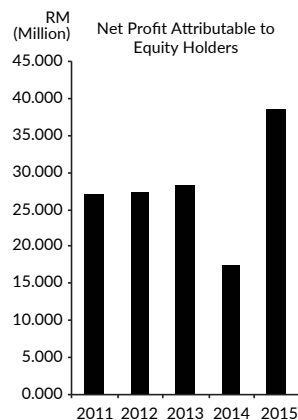
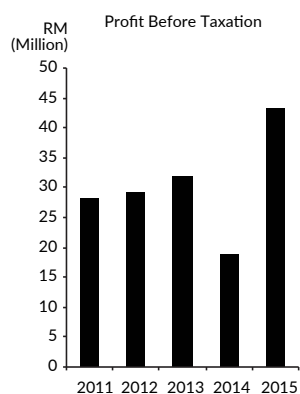
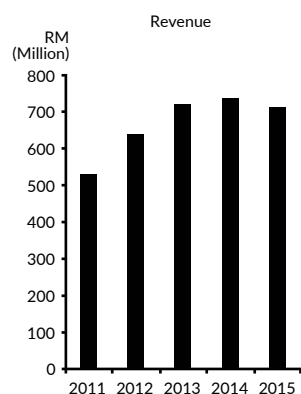
The total cost incurred for the internal audit function for the financial year 2015 was RM52,788. During the financial year, areas of audits included various departments at head office and other operating sites. Internal audit reports were issued to the Committee quarterly and tabled in the Audit Committee meetings. The reports, which incorporated audit recommendations and management responses with regard to any audit findings, were also copied to the respective operational managers. The IAD would also conduct follow through exercises and reviews with the respective managers on the implementation of the agreed audit recommendations. The IAD have based on their audit framework and plan on the Committee of Sponsoring Organisation of the treadway Commission (COSO) principles to assess higher risk areas in the organization. The IAD would present the high risk areas to the Audit Committee for discussion. Upon completion of the high risks review report, the IAD would prepare the annual internal audit plan for approval by the Committee. Internal audit work will be based on the approved internal audit plan.

The management, with the assistance from the IAD, has implemented the Enterprise Risk Management processes to identify, assess, monitor with the view to mitigate risks impacting the Group's business and supporting activities.

## FINANCIAL HIGHLIGHTS AND INDICATORS

In RM '000	2011	2012	2013	2014	2015
Revenue	540,013	631,193	720,276	740,227	710,998
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	44,821	46,479	49,412	37,692	62,165
Profit Before Taxation	28,058	29,298	31,837	18,819	43,125
Profit After Tax	27,126	27,998	28,840	18,398	39,656
Net Profit Attributable to Equity Holders	27,036	27,216	28,180	17,483	38,510
Total Assets	368,497	394,035	448,322	547,736	538,428
Total Borrowings	38,760	42,627	49,657	96,883	51,592
Shareholders' Equity	242,088	261,759	289,523	342,079	389,700

	2011	2012	2013	2014	2015
Return on Equity (%)	11.17	10.40	9.73	5.11	9.88
Return on Total Assets (%)	7.36	7.11	6.43	3.36	7.37
Gearing Ratio (Times)	0.16	0.16	0.17	0.28	0.13
Interest Cover (Times)	41.80	35.45	35.34	16.88	31.87
Earnings Per Share (Sen)	25.70	25.87	26.79	16.62	36.60
Net Assets Per Share (Sen)	230.11	248.81	275.20	325.13	370.40
Gross Dividend Per Share (Sen)	6.00	7.00	8.00	7.00	9.00
Price Earning (PE) Multiple (Times)	4.47	5.18	7.88	11.25	8.61
Gross Dividend Yield (%)	5.22	5.22	3.79	3.74	2.86
Share Price as at financial year end (RM)	1.15	1.34	2.11	1.87	3.15







## **FINANCIAL STATEMENT**

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# **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2015.

## **Principal activities**

The Company is principally engaged in investment holding activities and trading of plastic and petroleum products, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year other than the Company also engages in the trading of petroleum products.

## **Results**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit for the year attributable to :		
- Owners of the Company	38,510	9,765
- Non-controlling interests	1,146	-
	<u>39,656</u>	<u>9,765</u>

## **Reserves and provisions**

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

## **Dividends**

Since the end of the previous financial year, the Company paid a final single tier ordinary dividend of 4 sen per ordinary share, totalling RM4,208,460 in respect of the financial year ended 31 December 2014 on 18 August 2015.

A final single tier dividend of 9 sen per ordinary share in respect of the financial year ended 31 December 2015 has been recommended by the Directors, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

## **Directors of the Company**

Directors who served since the date of the last report are :

Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah - Chairman  
Dato' Ang Poon Chuan - Managing Director  
Datuk Ang Poon Seong  
Dato' Ang Poon Khim  
Chow Hon Piew  
Kang Pang Kiang  
Ang See Ming

# **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)**

## **Directors' interests in shares**

The interests and deemed interests in the shares, Irredeemable Convertible Unsecured Loan Stocks ("ICULS") and warrants over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses and/or children of the Directors) as recorded in the Register of Directors' Shareholdings are as follows :

	<b>Number of ordinary shares of RM1 each</b>			
	<b>Balance at 1.1.2015</b>	<b>Bought</b>	<b>(Sold)</b>	<b>Balance at 31.12.2015</b>
<b>The Company</b>				
Dato' Ang Poon Chuan				
Interest in the Company :				
- own	928,500	-	-	928,500
- others #	329,000	-	(40,000)	289,000
Deemed interest in the Company :				
- own	43,012,494	-	-	43,012,494
Datuk Ang Poon Seong				
Interest in the Company :				
- own	589,125	-	-	589,125
Deemed interest in the Company :				
- own	43,012,494	-	-	43,012,494
Dato' Ang Poon Khim				
Interest in the Company :				
- own	642,325	-	-	642,325
- others #	166,700	-	(95,100)	71,600
Ang See Ming				
Interest in the Company :				
- own	1,192,508	-	-	1,192,508
<b>Subsidiaries</b>				
- TGSH Plastic Industries Sdn. Bhd.				
<i>Direct interest</i>				
Ang See Ming - own	160,000	-	-	160,000
- 888 Cafe Sdn. Bhd.				
<i>Direct interest</i>				
Ang See Ming - own	30,000	-	-	30,000
- TG Power Wrap Sdn. Bhd.				
<i>Direct interest</i>				
Dato' Ang Poon Chuan - own	@1	-	-	@1
Ang See Ming - own	@1	-	-	@1
- Everprosper Food Industries Sdn. Bhd.				
<i>Direct interest</i>				
Ang See Ming - own	-	240,000	-	240,000

# **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)**

## **Directors' interests in shares (continued)**

	<b>Number of RM1 nominal value of 5% Irredeemable Convertible Unsecured Loan Stocks ("ICULS")</b>			
	<b>Balance at 1.1.2015</b>	<b>Bought</b>	<b>(Sold)</b>	<b>Balance at 31.12.2015</b>
<b>The Company</b>				
Dato' Ang Poon Chuan				
Interest in the Company :				
- own	485,000	-	-	485,000
- others #	171,600	-	-	171,600
Deemed interest in the Company :				
- own	22,199,934	-	-	22,199,934
Datuk Ang Poon Seong				
Interest in the Company :				
- own	294,562	-	-	294,562
Deemed interest in the Company :				
- own	22,199,934	-	-	22,199,934
Dato' Ang Poon Khim				
Interest in the Company :				
- own	321,162	-	-	321,162
- others #	83,350	-	-	83,350
Ang See Ming				
Interest in the Company :				
- own	597,400	-	-	597,400
	<b>Number of warrants over ordinary shares of RM1 each</b>			
	<b>Balance at 1.1.2015</b>	<b>Bought</b>	<b>(Sold)</b>	<b>Balance at 31.12.2015</b>
<b>The Company</b>				
Dato' Ang Poon Chuan				
Interest in the Company :				
- own	242,500	-	-	242,500
- others #	55,800	-	-	55,800
Deemed interest in the Company :				
- own	11,099,967	-	-	11,099,967
Datuk Ang Poon Seong				
Interest in the Company :				
- own	147,281	-	-	147,281
Deemed interest in the Company :				
- own	11,099,967	-	-	11,099,967
Dato' Ang Poon Khim				
Interest in the Company :				
- own	160,581	-	-	160,581
- others #	41,675	-	(14,975)	26,700
Ang See Ming				
Interest in the Company :				
- own	298,700	-	-	298,700

## **DIRECTORS' REPORT FOR THE YEAR ENDED** **31 DECEMBER 2015 (continued)**

### **Directors' interests in shares (continued)**

@ Shares held in trust for Thong Guan Industries Berhad

# These are shares, ICULS and warrants held in the name of the spouses and/or children and are regarded as interest of the Directors in accordance with Section 134(12)(c) of the Companies Act, 1965.

By virtue of their interests of more than 15% in the shares and ICULS of the Company, Dato' Ang Poon Chuan and Datuk Ang Poon Seong are also deemed to have interests in the shares of all subsidiaries during the financial year to the extent the Company has an interest.

None of the other Directors holding office at 31 December 2015 had any interest in the ordinary shares, ICULS and warrants of the Company and of its related corporations during the financial year.

### **Directors' benefits**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 27 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the ICULS and warrants of the Company as disclosed in the financial statements.

### **Issue of shares and debentures**

On 13 November 2015, the Company increased its issued and paid up share capital from RM105,211,500 comprising 105,211,500 ordinary shares of RM1.00 each to RM105,212,250 comprising 105,212,250 ordinary shares of RM1.00 each via the exercise of 750 warrants into 750 ordinary shares of RM1.00 each at an exercise price of RM1.50 per ordinary share.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures in issue during the financial year.

### **Options granted over unissued shares**

No options were granted to any person to take up unissued shares of the Company during the financial year apart from ICULS and warrants of the Company.

### **Irredeemable Convertible Unsecured Loan Stocks ("ICULS")**

On 15 October 2014, the Company issued RM52,602,250 nominal value of 5-year 5% ICULS at 100% of its nominal value for capital expansion and working capital purposes.

The salient features of the ICULS are disclosed in Note 22 to the financial statements.



# **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)**

## **Warrants**

During the financial year ended 31 December 2014, the Company issued 26,301,106 free warrants ("warrants") in conjunction with the issuance of ICULS to the subscribers of ICULS on the basis of one (1) warrant for every two (2) ICULS subscribed for.

The warrant entitles the holder, to subscribe for one (1) new ordinary share of RM1.00 each in the Company on the basis of one new ordinary share of RM1.00 each for every warrant held at an exercise price of RM1.50 per ordinary share within five (5) years from the date of the issue of the warrant, subject to adjustments in accordance with the provisions of the Deed Poll created on 25 August 2014 which is to be satisfied in cash. Any warrant not exercised during the exercise period will lapse and thereafter ceases to be valid for any purpose.

750 warrants were exercised during the financial year. As at the end of reporting period, 26,293,356 (2014 : 26,294,106) warrants remained unexercised.

## **Other statutory information**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

- i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances :

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist :

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for impairment loss on receivables as disclosed in Note 17 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)**

### **Significant events during the year**

The details of such events are disclosed in Note 29 to the financial statements.

### **Auditors**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

.....  
**Dato' Ang Poon Chuan**

.....  
**Ang See Ming**

Kedah Darul Aman,

Date : 18 April 2016

# STATEMENTS OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Assets</b>					
Property, plant and equipment	3	133,187	123,583	219	283
Prepaid lease payments	4	12,825	11,954	-	-
Investment in subsidiaries	5	-	-	90,968	90,715
Other investments	6	567	348	567	348
Deferred tax assets	7	3,850	3,941	2,275	2,911
Fixed deposit with a licensed bank	8	30	30	30	30
<b>Total non-current assets</b>		<u>150,459</u>	<u>139,856</u>	<u>94,059</u>	<u>94,287</u>
Other investments	6	2,523	6,474	156	101
Inventories	9	158,618	192,830	-	-
Trade and other receivables, including derivatives	10	122,087	114,936	22,316	11,658
Current tax assets		845	2,080	-	-
Cash and cash equivalents	11	103,896	91,560	36,483	43,392
<b>Total current assets</b>		<u>387,969</u>	<u>407,880</u>	<u>58,955</u>	<u>55,151</u>
<b>Total assets</b>		<u>538,428</u>	<u>547,736</u>	<u>153,014</u>	<u>149,438</u>
<b>Equity</b>					
Share capital	12	105,212	105,212	105,212	105,212
Reserves	13	284,488	236,867	37,744	32,171
<b>Total equity attributable to owners of the Company</b>		<u>389,700</u>	<u>342,079</u>	<u>142,956</u>	<u>137,383</u>
<b>Non-controlling interests</b>		6,796	5,413	-	-
<b>Total equity</b>		<u>396,496</u>	<u>347,492</u>	<u>142,956</u>	<u>137,383</u>
<b>Liabilities</b>					
Loans and borrowings	14	16,834	20,559	6,670	9,102
Deferred tax liabilities	7	5,412	5,135	-	-
<b>Total non-current liabilities</b>		<u>22,246</u>	<u>25,694</u>	<u>6,670</u>	<u>9,102</u>
Loans and borrowings	14	34,758	76,324	2,432	2,543
Trade and other payables, including derivatives	15	84,694	98,171	881	410
Current tax liabilities		234	55	75	-
<b>Total current liabilities</b>		<u>119,686</u>	<u>174,550</u>	<u>3,388</u>	<u>2,953</u>
<b>Total liabilities</b>		<u>141,932</u>	<u>200,244</u>	<u>10,058</u>	<u>12,055</u>
<b>Total equity and liabilities</b>		<u>538,428</u>	<u>547,736</u>	<u>153,014</u>	<u>149,438</u>

The notes on pages 37 to 81 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Continuing operations</b>					
Revenue	16	710,998	740,227	8,925	10,343
Cost of goods sold		(604,990)	(661,869)	-	(334)
<b>Gross profit</b>		<u>106,008</u>	<u>78,358</u>	<u>8,925</u>	<u>10,009</u>
Other income		5,496	2,224	911	386
Selling and distribution expenses		(25,234)	(24,525)	-	-
Administrative expenses		(26,744)	(23,361)	(676)	(982)
Other expenses		(17,140)	(13,353)	(3)	(1,409)
<b>Results from operating activities</b>	17	<u>42,386</u>	<u>19,343</u>	<u>9,157</u>	<u>8,004</u>
Interest income		2,069	622	1,459	159
Finance costs	19	(1,330)	(1,146)	(80)	-
<b>Profit before tax</b>		<u>43,125</u>	<u>18,819</u>	<u>10,536</u>	<u>8,163</u>
Tax expense	20	(3,469)	(421)	(771)	-
<b>Profit for the year</b>		<u>39,656</u>	<u>18,398</u>	<u>9,765</u>	<u>8,163</u>
<b>Other comprehensive income for the year, net of tax</b>					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Fair value of available-for-sale financial assets		(18)	23	16	(11)
Foreign currency translation differences for foreign operations		13,337	3,288	-	-
Total other comprehensive income/(expense) for the year, net of tax		13,319	3,311	16	(11)
<b>Total comprehensive income for the year</b>		<u>52,975</u>	<u>21,709</u>	<u>9,781</u>	<u>8,152</u>
<b>Profit attributable to :</b>					
Owners of the Company		38,510	17,483	9,765	8,163
Non-controlling interests		1,146	915	-	-
		<u>39,656</u>	<u>18,398</u>	<u>9,765</u>	<u>8,163</u>
<b>Total comprehensive income attributable to :</b>					
Owners of the Company		51,829	20,794	9,781	8,152
Non-controlling interests		1,146	915	-	-
	21	<u>52,975</u>	<u>21,709</u>	<u>9,781</u>	<u>8,152</u>
<b>Basic earnings per ordinary share (sen)</b>		<u>36.60</u>	<u>16.62</u>		
<b>Diluted earnings per ordinary share (sen)</b>	21	<u>32.36</u>	<u>15.83</u>		

The notes on pages 37 to 81 are an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

Attributable to owners of the Company											
		Non - distributable				Distributable					
Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Warrants reserve RM'000	Equity component of ICULS RM'000	Retained earnings RM'000	Total RM'000	Non - controlling interests RM'000	Total equity RM'000
Group											
At 1 January 2014	105,205	3,938	9,212	4,141	-	-	-	167,027	289,523	3,598	293,121
Foreign currency translation differences for foreign operations	-	-	3,288	-	-	-	-	-	3,288	-	3,288
Fair value of available-for-sale financial assets	-	-	-	-	23	-	-	-	23	-	23
Total other comprehensive income for the year	-	-	3,288	-	23	-	-	-	3,311	-	3,311
Profit for the year	-	-	-	-	-	-	-	17,483	17,483	915	18,398
Total comprehensive income for the year	-	-	3,288	-	23	-	-	17,483	20,794	915	21,709
Contributions by and distributions to owners of the Company											
22	-	-	-	-	-	-	26,296	-	26,296	-	26,296
	-	-	-	-	-	17,028	-	-	17,028	-	17,028
	7	8	-	-	-	(4)	-	-	11	-	11
23	-	-	-	-	-	-	-	(11,573)	(11,573)	-	(11,573)
	-	-	-	-	-	-	-	-	-	900	900
Total transactions with owners of the Company											
7	8	-	-	-	-	17,024	26,296	(11,573)	31,762	900	32,662
At 31 December 2014/1 January 2015											
	105,212	3,946	12,500	4,141	23	17,024	26,296	172,937	342,079	5,413	347,492
At 1 January 2015	105,212	3,946	12,500	4,141	23	17,024	26,296	172,937	342,079	5,413	347,492
Foreign currency translation differences for foreign operations	-	-	13,337	-	-	-	-	-	13,337	-	13,337
Fair value of available-for-sale financial assets	-	-	-	-	(18)	-	-	-	(18)	-	(18)
Total other comprehensive income/(expense) for the year	-	-	13,337	-	(18)	-	-	-	13,319	-	13,319
Profit for the year	-	-	-	-	-	-	-	38,510	38,510	1,146	39,656
Total comprehensive income/(expense) for the year	-	-	13,337	-	(18)	-	-	38,510	51,829	1,146	52,975

# STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Attributable to owners of the Company										
Non - distributable					Fair			Equity		Distributable
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Statutory reserve RM'000	Share value reserve RM'000	Warrants reserve RM'000	component of ICULS RM'000	Retained earnings RM'000	Total RM'000	Non - controlling interests RM'000
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
Contributions by and distributions to owners of the Company										
- Exercise of warrants	^	1	-	-	-	(1)	-	-	-	-
- Dividend to owners of the Company	23	-	-	-	-	-	-	(4,208)	(4,208)	-
- Shares issued by a subsidiary subscribed by non-controlling interests	29	-	-	-	-	-	-	-	-	237
Total transactions with owners of the Company										
	-	1	-	-	-	(1)	-	(4,208)	(4,208)	237
(3,971)										
At 31 December 2015										
	105,212	3,947	25,837	4,141	5	17,023	26,296	207,239	389,700	6,796
	Note 12	Note 13	Note 13	Note 13	Note 13	Note 13	Note 13	Note 13	Note 13	
Exercise of 750 warrants into 750 ordinary shares of RM1.00 each on the basis of one ordinary share of RM1.00 each for every warrant held at an exercise price of RM1.50 per ordinary share.										
Company										
At 1 January 2014										
	105,205	3,938	-	-	-	-	-	(11,674)	97,469	
Total other comprehensive expense for the year										
- Fair value of available-for-sale-financial assets	-	-	(11)	-	-	-	-	-	-	(11)
Profit for the year	-	-	-	-	-	-	-	-	8,163	8,163
Total comprehensive income for the year										
	-	-	-	-	-	-	-	-	8,163	8,152



## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Note	Share capital RM'000	Share premium RM'000	Fair value reserve RM'000	Non - distributable			Total equity RM'000
				Equity component of ICULS RM'000	Warrants reserve RM'000	Accumulated losses RM'000	
22	-	-	-	26,296	-	-	26,296
	-	-	-	-	17,028	-	17,028
	7	8	-	-	(4)	-	11
23	-	-	-	-	-	(11,573)	(11,573)
<b>Total transactions with owners of the Company</b>	7	8	-	26,296	17,024	(11,573)	31,762
<b>At 31 December 2014/1 January 2015</b>	105,212	3,946	(11)	26,296	17,024	(15,084)	137,383

Company	Note	Share capital RM'000	Share premium RM'000	Fair value reserve RM'000	Non - distributable			Total equity RM'000
					Equity component of ICULS RM'000	Warrants reserve RM'000	Accumulated losses RM'000	
<b>At 31 December 2014/1 January 2015</b>		105,212	3,946	(11)	26,296	17,024	(15,084)	137,383
Total other comprehensive income for the year		-	-	16	-	-	-	16
- Fair value of available-for-sale-financial assets		-	-	-	-	-	9,765	9,765
Profit for the year		-	-	16	-	-	9,765	9,781
<b>Total comprehensive income for the year</b>								
<b>Contributions by and distributions to owners of the Company</b>								
- Exercise of warrants	23	^	1	-	-	(1)	-	-
- Dividend to owners of the Company		-	-	-	-	-	(4,208)	(4,208)
<b>Total transactions with owners of the Company</b>		^	1	-	-	(1)	(4,208)	(4,208)
<b>At 31 December 2015</b>		105,212	3,947	5	26,296	17,023	(9,527)	142,956

^ Exercise of 750 warrants into 750 ordinary shares of RM1.00 each on the basis of one ordinary share of RM1.00 each for every warrant held at an exercise price of RM1.50 per ordinary share. The notes on pages 37 to 81 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax from continuing operations		43,125	18,819	10,536	8,163
Adjustments for :					
Property, plant and equipment					
- Depreciation	3	19,509	18,101	64	69
- Gain on disposal	17	(132)	(212)	-	-
- Written off	17	-	123	-	123
Amortisation of prepaid lease payments	4	270	248	-	-
Reversal of impairment loss on investment in subsidiaries	17	-	-	-	(298)
Interest income		(2,069)	(622)	(1,459)	(159)
Dividend income	16	-	-	(8,504)	(10,000)
Interest expense	19	1,330	1,146	80	-
(Reversal of impairment loss)/Impairment loss on other investments	17	(219)	668	(219)	668
Gain on disposal of other investments	17	(107)	(88)	(66)	(88)
Goodwill written off	17	1,085	-	-	-
Operating profit/(loss) before changes in working capital		62,792	38,183	432	(1,522)
Changes in working capital :					
Inventories		39,296	(61,378)	-	-
Trade and other receivables		(1,445)	(4,755)	(12,169)	6,683
Trade and other payables		(18,425)	(1,203)	471	(5,429)
Cash (used in)/generated from operations		82,218	(29,153)	(11,266)	(268)
Income taxes paid		(1,570)	(3,103)	(60)	-
Dividends received		-	-	10,015	13,500
<b>Net cash (used in)/from operating activities</b>		80,648	(32,256)	(1,311)	13,232
<b>Cash flows from investing activities</b>					
Acquisition of other investments		(221)	(370)	(141)	(161)
Proceeds from disposal of other investments		4,261	6,707	168	137
Acquisition of property, plant and equipment	A	(24,655)	(28,937)	-	(320)
Proceeds from disposal of plant and equipment		185	235	-	-
Additions to prepaid lease payments	4	(59)	(534)	-	-
Interest received		2,069	622	1,459	159
Increase in investment in subsidiaries :					
- Subscription of additional interest in an existing subsidiary		-	-	(200)	(10,100)
- Additional investments in an overseas wholly-owned subsidiary		-	-	(53)	(41)
- Acquisition of a subsidiary	29	(559)	-	-	-
<b>Net cash from/(used in) investing activities</b>		(18,979)	(22,277)	1,233	(10,326)
<b>Cash flows from financing activities</b>					
Placement of pledged fixed deposit with a licensed bank		-	(30)	-	(30)
Interest paid (excluding interest on ICULS)		(1,250)	(1,146)	-	-
Repayment of finance lease liabilities		(901)	(809)	-	-

# STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from financing activities</b>					
Placement of pledged fixed deposit with a licensed bank		-	(30)	-	(30)
Interest paid (excluding interest on ICULS)		(1,250)	(1,146)	-	-
Repayment of finance lease liabilities		(901)	(809)	-	-
(Repayment)/Drawdown of term loans (net)		(1,426)	4,225	-	-
(Repayment)/Drawdown of other bank borrowings, net		(38,706)	32,521	-	-
Dividends paid	23	(4,208)	(11,573)	(4,208)	(11,573)
Shares subscribed by non-controlling interests in an existing subsidiary		-	900	-	-
Proceeds from issuance of ICULS		-	52,602	-	52,602
Proceeds from exercise of warrants		-	11	-	11
Payment of ICULS issued expenses		-	(544)	-	(544)
Payment of interest on ICULS		(2,623)	-	(2,623)	-
<b>Net cash (used in)/from financing activities</b>		<b>(49,114)</b>	<b>76,157</b>	<b>(6,831)</b>	<b>40,466</b>
Net increase/(decrease) in cash and cash equivalents		12,555	21,624	(6,909)	43,372
Effects of exchange rate fluctuations on cash held		1,974	571	-	-
Cash and cash equivalents at 1 January		88,497	66,302	43,392	20
<b>Cash and cash equivalents at 31 December</b>	B	<b>103,026</b>	<b>88,497</b>	<b>36,483</b>	<b>43,392</b>

## Notes

### A. Acquisition of property, plant and equipment

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM25,123,000 (2014 : RM29,466,000) and RM Nil (2014 : RM320,000), of which RM468,000 (2014 : RM529,000) and RM Nil (2014 : RM Nil) were acquired by means of finance leases. The remaining of RM24,655,000 (2014 : RM28,937,000) and RM320,000 (2014 : RM Nil) were purchased by way of cash payments.

### B. Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts :

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and bank balances	11	47,569	21,361	4,303	213
Short term deposits with licensed banks	11	19,122	30,181	4,200	8,000
Short term investment funds placed with financial institutions	11	37,205	40,018	27,980	35,179
Bank overdrafts	14	(870)	(3,063)	-	-
		<b>103,026</b>	<b>88,497</b>	<b>36,483</b>	<b>43,392</b>

The notes on pages 37 to 81 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Thong Guan Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows :

## Principal place of business

Lot 52, Jalan PKNK 1/6  
Kawasan Perusahaan Sungai Petani  
08000 Sungai Petani  
Kedah Darul Aman

## Registered office

Suite 16-1 (Penthouse Upper),  
Menara Penang Garden  
42A, Jalan Sultan Ahmad Shah  
10050 Penang

The consolidated financial statements of the Company as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2015 do not include other entities.

The Company is principally engaged in investment holding activities and trading of plastic and petroleum products, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 18 April 2016.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company :

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016**

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, *Financial Instruments: Disclosures* (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits* (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting* (Annual Improvements 2012-2014 Cycle)

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017**

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019**

- MFRS 16, *Leases*

#### **MFRSs, Interpretations and amendments effective for a date yet to be confirmed**

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations in the respective financial years when the abovementioned standards, amendments and interpretations become effective.

The initial application of the abovementioned accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

#### **MFRS 15, Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

#### **MFRS 9, Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

#### **MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(d)(iii) - depreciation of plant and equipment
- Note 2(h)(i) - impairment of receivables

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

## 2. Significant accounting policies (continued)

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as :

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### (iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

#### (iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### (v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### (vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.



## 2. Significant accounting policies (continued)

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

#### (ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to gain or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### (c) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows :

##### *Financial assets*

##### *(a) Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (ii) Financial instrument categories and subsequent measurement (continued)

##### *Financial assets (continued)*

##### *(a) Financial assets at fair value through profit or loss (continued)*

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### *(b) Available-for-sale financial assets*

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

##### *(c) Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(h)(i)).

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

#### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

#### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (iv) Regular way purchase or sale of financial assets (continued)

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

#### (v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

## 2. Significant accounting policies (continued)

### (d) Property, plant and equipment (continued)

#### (iii) Depreciation (continued)

The depreciation rates for the current and comparative periods based on their estimated useful lives are as follows :

	%
Factory buildings	2 - 5
Plant and machinery	6.7 - 20
Furniture, fittings and office equipment	10 - 20
Motor vehicles	20

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

### (e) Leased assets

#### (i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

#### (ii) Operating lease

Leases, where the Group or of the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

### (f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## 2. Significant accounting policies (continued)

### (h) Impairment

#### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

#### (ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

## 2. Significant accounting policies (continued)

### (i) Equity Instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### (i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

#### (ii) Ordinary shares

Ordinary shares are classified as equity.

### (j) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Group comprise Irredeemable Convertible Unsecured Loan Stocks ("ICULS") that can be converted to share capital at the option of the holder and the number of shares to be issued does not vary with changes in their fair value.

The proceeds are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

### (k) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### (l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### (m) Revenue and other income

#### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.



## 2. Significant accounting policies (continued)

### (m) Revenue and other income (continued)

#### (ii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

#### (iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### (iv) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

#### (v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

### (n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

## 2. Significant accounting policies (continued)

### (p) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise ICULS and share options granted to employees.

### (q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments' results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### (r) Contingencies

#### (i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

### (s) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows :

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

### (t) Warrants reserve

Fair value from the issuance of warrants are credited to warrants reserve which is non-distributable. When the warrants are exercised or expired, the warrants reserve will be transferred to another reserve account within equity.

### 3. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital expenditure- in-progress RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2014	48,986	198,940	12,206	11,948	10,447	282,527
Additions	2,340	11,328	2,140	1,584	12,074	29,466
Disposals	-	(370)	-	(710)	-	(1,080)
Write off	-	-	-	(388)	-	(388)
Reclassifications	-	10,264	-	-	(10,264)	-
Effect of movements in exchange rates	652	2,255	79	45	9	3,040
Adjustment	-	-	-	-	(221)	(221)
At 31 December 2014/1 January 2015	51,978	222,417	14,425	12,479	12,045	313,344
Acquisition of subsidiaries	-	820	302	99	-	1,221
Additions	471	3,732	792	831	19,297	25,123
Disposals	-	(641)	(21)	(301)	-	(963)
Write off	-	(30)	-	-	-	(30)
Reclassifications	6	10,753	223	-	(10,982)	-
Effect of movements in exchange rates	2,628	9,181	344	173	-	12,326
At 31 December 2015	55,083	246,232	16,065	13,281	20,360	351,021
<b>Accumulated depreciation and impairment losses</b>						
At 1 January 2014						
Accumulated depreciation	17,005	136,447	8,171	9,213	-	170,836
Accumulated impairment losses	-	-	176	-	-	176
	17,005	136,447	8,347	9,213	-	171,012
Depreciation for the year	1,954	14,272	708	1,167	-	18,101
Disposals	-	(370)	-	(687)	-	(1,057)
Write off	-	-	-	(265)	-	(265)
Effect of movements in exchange rates	225	1,651	64	30	-	1,970
At 31 December 2014/1 January 2015						
Accumulated depreciation	19,184	152,000	8,943	9,458	-	189,585
Accumulated impairment losses	-	-	176	-	-	176
	19,184	152,000	9,119	9,458	-	189,761

### 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital expenditure- in-progress RM'000	Total RM'000
<b>Accumulated depreciation and impairment losses (continued)</b>						
Acquisition of subsidiaries	-	657	185	99	-	941
Depreciation for the year	2,081	15,375	893	1,160	-	19,509
Disposals	-	(604)	(5)	(301)	-	(910)
Write off	-	(30)	-	-	-	(30)
Effect of movements in exchange rates	1,025	7,192	242	104	-	8,563
At 31 December 2015						
Accumulated depreciation	22,290	174,590	10,258	10,520	-	217,658
Accumulated impairment losses	-	-	176	-	-	176
	<u>22,290</u>	<u>174,590</u>	<u>10,434</u>	<u>10,520</u>	<u>-</u>	<u>217,834</u>
<b>Carrying amounts</b>						
At 1 January 2014	<u>31,981</u>	<u>62,493</u>	<u>3,859</u>	<u>2,735</u>	<u>10,447</u>	<u>111,515</u>
At 31 December 2014/1 January 2015	<u>32,794</u>	<u>70,417</u>	<u>5,306</u>	<u>3,021</u>	<u>12,045</u>	<u>123,583</u>
At 31 December 2015	<u>32,793</u>	<u>71,642</u>	<u>5,631</u>	<u>2,761</u>	<u>20,360</u>	<u>133,187</u>

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Group

Land and buildings comprise :

	Cost		Carrying amounts	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Freehold land	5,889	5,889	5,889	5,889
Leasehold land with unexpired lease period of more than 50 years	375	375	363	363
Factory buildings	48,819	45,714	26,541	26,542
	<u>55,083</u>	<u>51,978</u>	<u>32,793</u>	<u>32,794</u>

#### Security

At 31 December 2015, certain land and buildings with carrying amount of RM4,587,000 (2014 : RM4,899,000) are charged to licensed banks for banking facilities granted to certain subsidiaries.

#### Finance lease liabilities

Included in the carrying amount of property, plant and equipment are the following assets acquired under finance lease arrangements:

	2015 RM'000	2014 RM'000
Motor vehicles	652	1,057
Plant and machinery	1,051	998
	<u>1,703</u>	<u>2,055</u>

#### Company

##### Cost

At 1 January 2014	388
Additions	320
Written off	(388)
At 31 December 2014/1 January 2015/31 December 2015	<u>320</u>

##### Accumulated depreciation

At 1 January 2014	233
Depreciation for the year	69
Written off	(265)

At 31 December 2014/1 January 2015	<u>37</u>
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Depreciation for the year	64
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At 31 December 2015	<u>101</u>
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##### Carrying amounts

At 1 January 2014	<u>155</u>
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At 31 December 2014/1 January 2015	<u>283</u>
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At 31 December 2015	<u>219</u>
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## 4. PREPAID LEASE PAYMENTS - GROUP

	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2014	13,875	55	13,930
Additions	534	-	534
Effect of movements in exchange rates	322	-	322
At 31 December 2014/1 January 2015	14,731	55	14,786
Additions	59	-	59
Effect of movements in exchange rates	1,234	-	1,234
At 31 December 2015	16,024	55	16,079
<b>Amortisation</b>			
At 1 January 2014	2,531	18	2,549
Amortisation for the year	247	1	248
Effect of movements in exchange rates	35	-	35
At 31 December 2014/1 January 2015	2,813	19	2,832
Amortisation for the year	269	1	270
Effect of movements in exchange rates	152	-	152
At 31 December 2015	3,234	20	3,254
<b>Carrying amounts</b>			
At 1 January 2014	11,344	37	11,381
At 31 December 2014/1 January 2015	11,918	36	11,954
At 31 December 2015	12,790	35	12,825

### Security

At 31 December 2015, certain leasehold land with carrying amount of RM2,267,000 (2014: RM2,334,000) are charged to licensed banks for banking facilities granted to certain subsidiaries.

## 5. INVESTMENT IN SUBSIDIARIES - COMPANY

	2015 RM'000	2014 RM'000
Unquoted shares, at cost	91,497	91,244
Less : Impairment loss	(529)	(529)
	<u>90,968</u>	<u>90,715</u>
<i>Movements of impairment loss :</i>		
1 January	(529)	(827)
Reversal of impairment loss (Note 17)	-	298
31 December	<u>(529)</u>	<u>(529)</u>

## 5. INVESTMENT IN SUBSIDIARIES - COMPANY (CONTINUED)

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2015 %	2014 %
Syarikat Thong Guan Trading Sdn. Bhd. ("STGT")	Malaysia	Trading of food and beverages products	100	100
Thong Guan Plastic & Paper Industries Sdn. Bhd.	Malaysia	Manufacturing and trading of plastic products	100	100
Uniang Plastic Industries (Sabah) Sdn. Bhd. #	Malaysia	Manufacturing and sale of film blown plastic products and flexible plastic packaging products	100	100
Jaya Uni'ang (Sabah) Sdn. Bhd. #	Malaysia	Trading in film blown plastic products, food and consumable products	100	100
TG Plastic Technologies Sdn. Bhd.	Malaysia	Manufacturing and trading of plastic packaging products	100	100
Thong Guan Plastic Industries (Suzhou) Co., Ltd #	People's Republic of China	Manufacturing and trading of plastic packaging products	100	100
TGP Plaspak (Suzhou) Co., Ltd. #	People's Republic of China	Manufacturing and trading of plastic packaging products	100	100
TG Plaspak (Vietnam) Co., Ltd #	Socialist Republic of Vietnam	Dormant	100	100
888 Cafe Sdn. Bhd. ("888 Cafe")	Malaysia	Dormant	70	70
TG Power Wrap Sdn. Bhd. ("TGPW")	Malaysia	Manufacturing and marketing of polyvinyl chloride (PVC) cling food wrap	85	85
TGP Marketing Sdn. Bhd.	Malaysia	Marketing of plastic packaging products	100	100
TGSH Plastic Industries Sdn. Bhd. ("TGSH")	Malaysia	Manufacturing and marketing of plastic packaging products	70	70
TG Uni'Ang (Shanghai) International Trade Co., Ltd. #	People's Republic of China	Dormant	100	100
888 Food Industries Sdn. Bhd.	Malaysia	Manufacturing and dealer of food and beverage products	100	100
Newton Research & Development Centre Sdn. Bhd.	Malaysia	Research and development centre for plastic packaging industry	100	100
Everprosper Food Industries Sdn. Bhd. ("EFI") *	Malaysia	Manufacturing and trading of noodle products	60	-
Everprosper Marketing Sdn. Bhd. ("EM") **	Malaysia	Dormant	60	-

# Not audited by KPMG | \* Held through STGT | \*\* Held through EFI



## 5. INVESTMENT IN SUBSIDIARIES - COMPANY (CONTINUED)

5.1 During the year ended 31 December 2015, the Company subscribed for additional shares in the following subsidiaries :

- i) TG Plaspac (Vietnam) Co., Ltd by a cash consideration of RM53,775; and
- ii) Newton Research & Development Centre Sdn. Bhd. by a cash consideration of RM199,998.

Details of the increase in share capital of these subsidiaries are disclosed in Note 29 (ii) to the financial statements.

5.2 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows :

	2015					
	888 Cafe RM'000	TGPW RM'000	TGSH RM'000	EFI RM'000	EM RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	30%	15%	30%	40%	40%	
Carrying amount of NCI	-	3,449	3,125	598	(376)	6,796
Profit allocated to NCI	-	608	553	(12)	(3)	1,146
Summarised financial information before intra-group elimination						
As at 31 December						
Non-current assets	-	26,996	9,769	1,523	-	38,288
Current assets	21	15,555	20,544	2,150	1	38,271
Non-current liabilities	-	(9,600)	(148)	-	-	(9,748)
Current liabilities	(1,042)	(9,963)	(19,949)	(2,178)	(942)	(34,074)
Net (liabilities)/assets	(1,021)	22,988	10,216	1,495	(941)	32,737
Year ended 31 December						
Revenue	-	52,655	49,938	516	-	103,109
(Loss)/Profit for the year	(2)	4,054	1,836	(31)	(8)	5,849
Total comprehensive (expense)/income	(2)	4,054	1,836	(31)	(8)	5,849
Cash flows from operating activities	(3)	2,497	5,313	654	(11)	8,450
Cash flows from investing activities	-	(1,289)	(370)	(466)	-	(2,125)
Cash flows from financing activities	-	(311)	(3,513)	(6)	-	(3,830)
Net (decrease)/increase in cash and cash equivalents	(3)	897	1,430	182	(11)	2,495
Dividend paid to NCI	-	-	-	-	-	-

	2014			
	888 Cafe RM'000	TGPW RM'000	TGSH RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	30%	15%	30%	-
Carrying amount of NCI	-	2,841	2,572	5,413
Profit allocated to NCI	-	487	428	915

## 5. INVESTMENT IN SUBSIDIARIES - COMPANY (CONTINUED)

### 5.2 Non-controlling interests in subsidiaries (continued)

	2014			
	888 Cafe RM'000	TGPW RM'000	TGSH RM'000	Total RM'000
<b>Summarised financial information before intra-group elimination</b>				
<b>As at 31 December</b>				
Non-current assets	1	28,221	10,656	38,878
Current assets	24	11,076	14,669	25,769
Non-current liabilities	-	(10,612)	-	(10,612)
Current liabilities	(1,043)	(9,749)	(16,946)	(27,738)
Net (liabilities)/assets	(1,018)	18,936	8,379	26,297
<b>Year ended 31 December</b>				
Revenue	-	32,756	47,127	79,883
(Loss)/Profit for the year	(2)	3,248	1,425	4,671
Total comprehensive (expense)/income	(2)	3,248	1,425	4,671
Cash flows from operating activities	-	(820)	(4,683)	(5,503)
Cash flows from investing activities	-	(6,194)	(1,021)	(7,215)
Cash flows from financing activities	-	6,313	2,840	9,153
Net decrease in cash and cash equivalents	-	(701)	(2,864)	(3,565)
Dividend paid to NCI	-	-	-	-

## 6. OTHER INVESTMENTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Non-current</b>				
<i>Available-for-sale financial assets</i>				
Unquoted shares, at cost	2,874	2,874	2,874	2,874
Less : Impairment loss	(2,307)	(2,526)	(2,307)	(2,526)
	567	348	567	348
<i>Movement of impairment loss :</i>				
1 January	(2,526)	(1,858)	(2,526)	(1,858)
Reversal of impairment loss / (Impairment loss recognised)(Note 17)	219	(668)	219	(668)
31 December	(2,307)	(2,526)	(2,307)	(2,526)
<b>Current</b>				
<i>Available-for-sale financial assets</i>				
Short-term investments				
- Quoted in Malaysia	2,523	6,474	156	101
Market value of quoted investments	2,523	6,474	156	101

## 7. DEFERRED TAX ASSETS/(LIABILITIES)

The recognised deferred tax assets and liabilities of the Group are as follows :

	Assets		Liabilities		Net	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group						
Property, plant and equipment (including prepaid lease payments)						
- Capital allowances	27	168	(5,019)	(6,099)	(4,992)	(5,931)
- Revaluation	-	-	(359)	(359)	(359)	(359)
Tax loss carry forwards	-	37	-	-	-	37
Tax incentives	4,782	3,589	-	-	4,782	3,589
Liability component of ICULS	2,275	2,911	-	-	2,275	2,911
Others	126	999	(3,394)	(2,440)	(3,268)	(1,441)
Tax assets/(liabilities)	7,210	7,704	(8,772)	(8,898)	(1,562)	(1,194)
Set-off of tax	(3,360)	(3,763)	3,360	3,763	-	-
Net tax assets/(liabilities)	3,850	3,941	(5,412)	(5,135)	(1,562)	(1,194)

The recognised deferred tax asset of the Company is as follow :

Company	Assets	
	2015 RM'000	2014 RM'000
Liability component of ICULS	2,275	2,911

Movements in temporary differences during the year are as follows :

	Recognised			At 31		
	At 1 January 2014 RM'000	in profit or loss (Note 20) RM'000	Recognised in ICULS equity RM'000	December 2014/ 2015 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31 December 2015 RM'000
Group						
Property, plant and equipment (including prepaid lease payments)						
- Capital allowances	(6,780)	849	-	(5,931)	939	(4,992)
- Revaluation	(386)	27	-	(359)	-	(359)
Tax loss carry forwards	37	-	-	37	(37)	-
Tax incentives	2,309	1,280	-	3,589	1,193	4,782
Liability component of ICULS	-	-	2,911	2,911	(636)	2,275
Others	(1,528)	87	-	(1,441)	(1,827)	(3,268)
	(6,348)	2,243	2,911	(1,194)	(368)	(1,562)
Company						
Liability component of ICULS	-	-	2,911	2,911	(636)	2,275

## 7. Deferred tax assets/(liabilities) (continued)

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross) :

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Reinvestment allowance carry-forwards	(4,962)	(4,834)	-	-
Capital allowance carry-forwards	(484)	(312)	14	(56)
Tax loss carry-forwards	(6,227)	(3,066)	(4,390)	(2,429)
Others	(277)	(184)	(228)	(184)
	<u>(11,950)</u>	<u>(8,396)</u>	<u>(4,604)</u>	<u>(2,669)</u>

Capital allowance carry-forwards, tax loss carry-forwards and reinvestment allowance carry-forwards do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits therefrom.

The comparative figures have been restated to reflect the revised capital allowance carry-forwards, tax loss carry-forwards and reinvestment allowance carry-forwards available to the Group and to the Company.

## 8. Fixed deposit with a licensed bank - Group/Company

An amount of RM30,000 (2014 : RM30,000) is deposited with a licensed bank as Trustees Reimbursement Account for ICULS Holders Actions, upon the issuance of ICULS and is to be maintained at all times throughout the tenure of ICULS of 5 years.

## 9. Inventories - Group

	2015	2014
	RM'000	RM'000
At cost :		
Raw materials	117,353	148,515
Work-in-progress	7,243	6,891
Manufactured inventories	27,211	30,805
Trading inventories	6,811	6,619
	<u>158,618</u>	<u>192,830</u>

## 10. Trade and other receivables, including derivatives

		Group		Company	
	Note	2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
<b>Trade</b>					
Trade receivables	10.1	103,263	99,219	232	54
<b>Non-trade</b>					
Other receivables	10.2	15,337	12,323	3	-
Amount due from subsidiaries	10.3	-	-	22,079	11,602
Deposits		1,015	974	2	2
Prepayments		2,472	2,412	-	-
Derivatives	10.4	-	8	-	-
		<u>18,824</u>	<u>15,717</u>	<u>22,084</u>	<u>11,604</u>
		<u>122,087</u>	<u>114,936</u>	<u>22,316</u>	<u>11,658</u>

## 10. Trade and other receivables, including derivatives (continued)

### 10.1 Trade receivables

Included in trade receivables of the Group is an amount of RM44,000 (2014 : RM383,000) due from companies in which certain Directors have substantial financial interests.

### 10.2 Other receivables

Included in other receivables of the Group is an amount of RM2,127,000 (2014 : RM3,012,000) in respect of deposits for the purchase of plant and machinery.

### 10.3 Amount due from subsidiaries

The non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand, except for an amount of RM500,000 (2014 : RM500,000) due from a subsidiary which is subject to interest at 5% (2014 : 5%) per annum.

### 10.4 Derivatives

This represents fair value gain on forward exchange contracts at the end of the reporting period.

## 11. Cash and cash equivalents

Note	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and bank balances	47,569	21,361	4,303	213
Short term deposits with licensed banks	19,122	30,181	4,200	8,000
Short term investment funds placed with financial institutions	11.1 37,205	40,018	27,980	35,179
	<u>103,896</u>	<u>91,560</u>	<u>36,483</u>	<u>43,392</u>

### 11.1 Short term investment funds placed with financial institutions

Short term investment funds represent investments in fixed income trusts which can be redeemed within a period of less than 31 days.

## 12. Share capital - Group/Company

	2015		2014	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares of RM1 each :				
Authorised	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid				
At 1 January	105,212	105,212	105,205	105,205
Exercise of warrants into ordinary shares	^	^	7	7
At 31 December	<u>105,212</u>	<u>105,212</u>	<u>105,212</u>	<u>105,212</u>

^ Exercise of 750 warrants into 750 ordinary shares of RM1.00 each on the basis of one ordinary share of RM1.00 each for every warrant held at an exercise price of RM1.50 per ordinary share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

## 13. Reserves

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Non-distributable</b>					
Share premium	13.1	3,947	3,946	3,947	3,946
Translation reserve	13.2	25,837	12,500	-	-
Statutory reserve	13.3	4,141	4,141	-	-
Fair value reserve	13.4	5	23	5	(11)
Equity component of ICULS	13.5	26,296	26,296	26,296	26,296
Warrants reserve	13.6	17,023	17,024	17,023	17,024
Accumulated losses		-	-	(9,527)	(15,084)
<b>Distributable</b>					
Retained earnings		207,239	172,937	-	-
		<u>284,488</u>	<u>236,867</u>	<u>37,744</u>	<u>32,171</u>

### 13.1 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

### 13.2 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### 13.3 Statutory reserve

The statutory reserve represents transfer from retained earnings as required by the local regulations in People's Republic of China.

### 13.4 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

### 13.5 Equity component of ICULS

This comprises the residual amount of the ICULS after deducting the fair value of warrants and liability component from the fair value of instrument as a whole (Note 22).

### 13.6 Warrants reserve

During the financial year ended 31 December 2014, the Company issued 52,602,250 of ICULS together with 26,301,106 free detachable warrants ("warrants") to ICULS subscribers on the basis of one (1) warrant for every two (2) ICULS subscribed.

The warrant entitles the holder, to subscribe for one (1) new ordinary share of RM1.00 each in the Company at an exercise price of RM1.50 per ordinary share, subject to adjustments in accordance with the provisions of the Deed Poll created on 25 August 2014 which is to be satisfied in cash. Any warrant not exercised during the exercise period will lapse and thereafter ceases to be valid for any purpose.

750 warrants were exercised during the financial year. As at the end of reporting period, 26,293,356 (2014 : 26,294,106) warrants remained unexercised.

The fair value of the warrants of RM0.6474 each was estimated using the Binomial option pricing model, taking into account the terms and conditions upon which the warrants are issued. The fair value of the warrants measured at issuance date's assumptions were based on the following :

## 13. Reserves (continued)

### 13.6 Warrants reserve (continued)

Valuation model	Binomial option pricing
Tenure	5 years
Exercise price	RM1.50
Volume weighted average price of the Company's shares at 15 October 2014	RM2.10
Volatility rate	41.665%
Period of volatility assessment	Last one year to 15 October 2014

Movements in the reserves are shown in the Statements of Changes in Equity.

## 14. Loans and borrowings

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Non-current :</b>				
Finance lease liabilities	564	845	-	-
Unsecured term loans	9,600	10,612	-	-
Liability component of ICULS	6,670	9,102	6,670	9,102
	<u>16,834</u>	<u>20,559</u>	<u>6,670</u>	<u>9,102</u>
<b>Current :</b>				
Secured				
- Term loans	-	614	-	-
- Bank overdrafts	379	252	-	-
- Bankers' acceptances	1,738	642	-	-
	2,117	1,508	-	-
Unsecured				
- Term loans	3,431	3,231	-	-
- Bank overdrafts	491	2,811	-	-
- Onshore foreign currency loans	23,127	59,597	-	-
- Bankers' acceptances	2,744	3,076	-	-
- Revolving credits	-	3,000	-	-
	29,793	71,715	-	-
Finance lease liabilities	416	558	-	-
Liability component of ICULS	2,432	2,543	2,432	2,543
	<u>34,758</u>	<u>76,324</u>	<u>2,432</u>	<u>2,543</u>

### 14.1 Securities

The above loans and borrowings of the Group are secured by fixed charges over certain land and factory buildings of the respective subsidiaries for which the facilities are granted (Note 3 and Note 4).

### 14.2 Finance lease liabilities

Finance lease liabilities of the Group are payable as follows :

	2015			2014		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than 1 year	459	(43)	416	619	(61)	558
Between 1 and 5 years	596	(32)	564	898	(53)	845
	<u>1,055</u>	<u>(75)</u>	<u>980</u>	<u>1,517</u>	<u>(114)</u>	<u>1,403</u>



## 15. Trade and other payables, including derivatives

	Note	2015 RM'000	Group 2014 RM'000	2015 RM'000	Company 2014 RM'000
<b>Trade</b>					
Trade payables	15.1	64,609	87,273	-	-
Amount due to a subsidiary	15.2	-	-	-	48
		64,609	87,273	-	48
<b>Non-trade</b>					
Amount due to subsidiaries	15.3	-	-	493	-
Other payables	15.4	12,421	3,676	103	114
Accrued expenses		7,664	7,170	285	248
Derivatives	15.5	-	52	-	-
		20,085	10,898	881	362
		<u>84,694</u>	<u>98,171</u>	<u>881</u>	<u>410</u>

### 15.1 Trade payables

Included in trade payables of the Group is an amount of RM2,058,000 (2014 : RM2,302,000) due to companies in which certain Directors have substantial financial interests, which is subject to the normal trade terms.

### 15.2 Amount due to a subsidiary

The trade payable to a subsidiary was subject to the normal trade terms.

### 15.3 Amount due to subsidiaries

The non-trade amount due to subsidiaries is unsecured, interest-free and repayable on demand.

### 15.4 Other payables

Included in other payables of the Group is an amount of RM2,128,000 (2014 : RM Nil) in respect of advance payments received from customers.

### 15.5 Derivatives

This represents fair value loss on forward exchange contracts at the end of the reporting period.

## 16. Revenue

	2015 RM'000	Group 2014 RM'000	2015 RM'000	Company 2014 RM'000
Invoiced value of goods sold less discounts and returns	710,577	740,227	-	343
Commissions	421	-	421	-
Dividend income from subsidiaries	-	-	8,504	10,000
	<u>710,998</u>	<u>740,227</u>	<u>8,925</u>	<u>10,343</u>

## 17. Results from operating activities

Results from operating activities are arrived at :

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
After charging :				
Auditors' remuneration				
- Statutory audit				
- KPMG Malaysia				
- current year	142	163	18	18
- prior year	6	24	-	3
- Other auditors				
- current year	54	19	-	-
- prior year	3	-	-	-
- Other services				
- KPMG Malaysia	10	119	10	119
- Affiliates of KPMG Malaysia				
- current year	25	18	4	4
- prior year	1	1	1	1
Bad debts written off	14	9	-	-
Property, plant and equipment :				
- Depreciation (Note 3)	19,509	18,101	64	69
- Written off	-	123	-	123
Amortisation of prepaid lease payments (Note 4)	270	248	-	-
Directors' emoluments				
Directors of the Company				
- fees				
- current year	350	315	210	175
- prior year	35	-	35	-
- remuneration	2,624	2,466	89	79
- others	38	44	38	36
Other Directors				
- fees	63	61	-	-
- remuneration	479	353	-	-
Personnel expenses (excluding key management personnel)				
- Wages, salaries and others	42,112	39,908	-	-
- Contributions to state plans	4,207	3,480	-	-
Rental expense in respect of :				
- buildings	1,063	746	-	-
- plant and equipment	334	230	-	-
Impairment loss on :				
- trade receivables (Note 28.4)	2,685	5,446	-	610
- other receivables	74	-	-	-
- other investments (Note 6)	-	668	-	668
Loss on foreign exchange				
- realised	12,750	1,305	-	-
- unrealised	-	2,642	3	-
Unrealised loss on forward exchange contracts	-	44	-	-
Goodwill written off (Note 29)	1,085	-	-	-
and after crediting :				
Gain on disposal of plant and equipment	132	212	-	-
Gain on foreign exchange				
- realised	-	-	610	-
- unrealised	3,412	-	-	-
Rental income from property and machinery	3	24	-	-
Bad debts recovered	14	26	-	-
Reversal of impairment loss on :				
- trade receivables (Note 28.4)	52	10	11	-
- investment in subsidiaries (Note 5)	-	-	-	298
- other investments (Note 6)	219	-	219	-
Gain on disposal of other investments	107	88	66	88

## 18. Key management personnel compensation

The key management personnel compensation is as follows :

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors of the Company				
- Fees				
- current year	260	240	120	100
- prior year	20	-	20	-
- Others	2	8	2	-
- Remuneration	2,624	2,466	89	79
Other Directors	178	155	-	-
- Remuneration	3,084	2,869	231	179

## 19. Finance costs

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest expense on :				
Finance lease liabilities	64	86	-	-
Term loans	453	407	-	-
Bank overdrafts	46	50	-	-
Onshore foreign currency loans	466	395	-	-
Bankers' acceptances	221	208	-	-
ICULS	80	-	80	-
	1,330	1,146	80	-

## 20. Tax expense

Recognised in profit or loss

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income tax expense on continuing operations	3,469	421	771	-

Major components of tax expense include :

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Current tax expense</b>				
Malaysian tax				
- Current year	3,205	2,768	135	-
- Prior years	(104)	(1)	-	-
Foreign tax				
- Prior years	-	(103)	-	-
Total current tax recognised in profit or loss	3,101	2,664	135	-
<b>Deferred tax expense</b>				
- Origination and reversal of temporary differences	745	630	636	-
- Prior years	(350)	(2,846)	-	-
- Revaluation	(27)	(27)	-	-
Total deferred tax recognised in profit or loss	368	(2,243)	636	-
Total tax expense	3,469	421	771	-

## 20. Tax expense (continued)

### Reconciliation of tax expense

	2015 RM'000	2014 RM'000
<b>Group</b>		
Profit for the year	39,656	18,398
Total tax expense	3,469	421
Profit excluding tax	<u>43,125</u>	<u>18,819</u>
Income tax calculated using Malaysian tax rate at 25% (2014 : 25%)	10,781	4,705
Non-deductible expenses	1,381	5,217
Income not subject to tax	(256)	(24)
Tax incentive	(8,844)	(6,483)
Reversal of deferred tax on revaluation	(27)	(27)
Effects of unrecognised deferred tax assets	889	36
Over provision in prior years	(454)	(2,950)
Effect of change in tax rate #	(5)	(62)
Others	4	9
Tax expense	<u>3,469</u>	<u>421</u>
	<b>2015 RM'000</b>	<b>2014 RM'000</b>
<b>Company</b>		
Profit before tax	<u>10,536</u>	<u>8,163</u>
Income tax calculated using Malaysian tax rate at 25% (2014 : 25%)	2,634	2,041
Non-deductible expenses	9	387
Income not subject to tax	(2,356)	(2,503)
Effect of unrecognised deferred tax assets	484	75
Tax expense	<u>771</u>	<u>-</u>

# The Malaysian Budget 2014 announced the reduction of corporate tax to 24% with effect from year of assessment 2016. Consequently the deferred tax assets and liabilities which are expected to reverse in 2016 and beyond are measured using the tax rate of 24%.

## 21. Earnings per ordinary share - Group

### *Basic earnings per ordinary share*

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders of RM38,510,000 (2014 : RM17,483,000) and on the weighted average number of ordinary shares outstanding during the year of 105,211,592 (2014 : 105,205,632) calculated as follows :

	2015 RM'000	2014 RM'000
Issued ordinary shares at 1 January	105,211,500	105,204,500
Effect of warrants exercised during the year	92	1,132
Weighted average number of ordinary shares at 31 December	<u>105,211,592</u>	<u>105,205,632</u>
Basic earnings per ordinary share (sen)	<u>36.60</u>	<u>16.62</u>

### *Diluted earnings per ordinary share*

The calculation of diluted earnings per ordinary share is based on the profit attributable to ordinary shareholders of RM38,510,000 (2014 : RM17,483,000) and on the weighted average number of ordinary shares outstanding after adjusting the effect of all dilutive potential ordinary shares of 118,984,303 (2014 : 110,408,212) calculated as follows :

	Note	2015 RM'000	2014 RM'000
Weighted average number of ordinary shares at 31 December (basic)		105,211,592	105,205,632
Effect of exercise of warrants		13,772,711	5,202,580
Weighted average number of ordinary shares at 31 December (diluted)		<u>118,984,303</u>	<u>110,408,212</u>
Diluted earnings per ordinary share (sen)		<u>32.36</u>	<u>15.83</u>

## 22. Irredeemable Convertible Unsecured Loan Stocks ("ICULS") - Group/Company

On 15 October 2014, the Company issued RM52,602,250 nominal value of 5-year 5% ICULS at 100% of its nominal value on the basis of one nominal value of ICULS for every two ordinary shares of RM1.00 each in the Company ("TGIB") held at 5.00pm on 17 September 2014, together with 26,301,106 free warrants on the basis of one warrant for every two ICULS subscribed for, payable in full upon acceptance based on a minimum subscription of 27,031,787 ICULS.

The main features of the ICULS are as follows :

- The ICULS were issued in multiples of RM1.00 and constituted by a Trust Deed dated 25 August 2014 made between the Company and the Trustee for the holders of the ICULS;
- The ICULS are convertible into new ordinary shares of RM1.00 each in the Company at any time from the second anniversary from the date of issuance of the ICULS up to and including the maturity date and where if there is any outstanding ICULS on the maturity date, the same shall be automatically converted into new TGIB shares at conversion price;
- Upon conversion of the ICULS into new ordinary shares, such shares shall rank pari passu in all respects with the existing issued and paid-up ordinary shares of the Company except that the new shares so allotted shall not be entitled to any dividend, right, allotment and/or other distribution, the entitlement date of which is prior to the date of conversion of the ICULS; and
- The interest on the ICULS at the rate of 5% per annum is payable semi-annually in arrears from the date of issuance of the ICULS except that the last coupon payment shall be made on the maturity date.

## 22. Irredeemable Convertible Unsecured Loan Stocks ("ICULS") - Group/Company (continued)

The residual value, after deducting the liability component from the fair value of the instrument as a whole, is attributed to the equity component as follows :

	Liability component of ICULS (Note 14) RM'000	Equity component of ICULS (Note 13) RM'000	Total RM'000
At the date of issuance of ICULS			
- nominal value	<u>11,645</u>	<u>26,296</u>	<u>37,941</u>

The liability component at 31 December is further analysed as follows :

	2015 RM'000	2014 RM'000
Within 1 year	2,432	2,543
Within 1 to 5 years	6,670	9,102
	<u>9,102</u>	<u>11,645</u>

Interest expense on ICULS was calculated on the effective yield basis by applying a coupon interest rate of 5.00% which is assumed to be equivalent to the prevailing market interest rate for non-convertible loan stocks at the date of issue.

## 23. Dividends - Group and Company

Dividends recognised by the Company :

	Sen per share	Total amount RM'000	Date of payment
<b>2015</b>			
- Final 2014 single tier ordinary dividend	4.00	4,208	18 August 2015
	<u>4.00</u>	<u>4,208</u>	
<b>2014</b>			
- Interim 2014 single-tier ordinary dividend	3.00	3,157	18 November 2014
- First and final 2013 tax exempt ordinary dividend	8.00	8,416	8 August 2014
	<u>11.00</u>	<u>11,573</u>	

A final single tier dividend of 9 sen per ordinary share in respect of the financial year ended 31 December 2015 has been recommended by the Directors and subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements do not reflect this final dividend which, when approved by the shareholders of the Company, will be accounted for as an appropriation of retained earnings from the owners' equity in the financial year ending 31 December 2016.

## 24. Capital commitment - Group

	2015 RM'000	2014 RM'000
Contracted but not provided for Property, plant and equipment	<u>9,125</u>	<u>12,337</u>

## 25. Capital management

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the financial year.

## 26. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments :

- Plastic and petroleum products
- Food, beverages and other consumable products

Other non-reportable segment represents the investment holding and other activities of the Group.

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Managing Director (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

	Plastic and petroleum products		Food, beverages and other consumable products		Consolidated	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>						
Revenue from external customers	673,590	697,926	37,408	42,301	710,998	740,227

### Segment Assets

The total of segment assets is measured on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total assets are used to measure the return on assets of each segment.

### Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Managing Director. Hence, no disclosure is made on segment liability.

### Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

	Plastic and petroleum products		Food, beverages and other consumable products		Consolidated	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Segment profit</b>	40,402	16,894	2,723	1,925	43,125	18,819
Included in the measure of segment profit is :						
- Depreciation and amortisation	19,076	17,763	703	586	19,779	18,349
<b>Segment assets</b>	455,615	463,803	78,963	79,992	534,578	543,795
Included in the measure of segment assets is :						
- Capital expenditure	23,586	29,229	1,596	771	25,182	30,000



## 26. Operating segments (continued)

### Geographical segments

The business segments are operated principally in Malaysia and China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets. The amounts of non-current assets do not include financial instruments.

### Geographical information

	2015 RM'000	2014 RM'000
<b>Revenue</b>		
Malaysia	155,095	160,029
Japan	198,667	233,919
Australia	111,373	97,943
Korea	22,668	13,953
China	35,477	71,456
New Zealand	29,053	19,800
Philippines	19,293	21,290
Singapore	22,983	11,683
Vietnam	10,961	18,333
Others	105,428	91,821
	<u>710,998</u>	<u>740,227</u>

### Geographical information

	2015 RM'000	2014 RM'000
<b>Non-current assets</b>		
Malaysia	116,510	108,000
China	26,186	24,886
Vietnam	3,316	2,651
	<u>146,012</u>	<u>135,537</u>

## 27. Related parties

### 27.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

- i) Companies controlled by the Company
  - subsidiaries as disclosed in Note 5
- ii) Companies in which certain Directors are deemed to have substantial financial interests :
  - Thong Guan Plastic Industries (Kelantan) Sdn. Bhd. ("TGPK")
  - Kimanis Food Industry Sdn. Bhd. ("KFI")
  - Kimanis Property Sdn. Bhd. ("KP")
- iii) Companies in which close members of the family of certain Directors and key management personnel of the Group are deemed to have substantial financial interests :
  - Bounty Values Sdn. Bhd. ("BV")
  - Fang Thong Trading ("FTT")
  - Respack Manufacturing Sdn. Bhd. ("RMSB")

## 27. Related parties (continued)

### 27.1 Identity of related parties (continued)

iv) Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include certain Directors of the Group and persons connected with Directors of the Group :

- Dato' Ang Poon Chuan
- Dato' Ang Poon Khim
- Datuk Ang Poon Seong
- Ang See Ming
- Ang See Cheong

### 27.2 Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 10 and 15 to the financial statements.

#### 27.2.1 Transactions with subsidiaries :

	2015 RM'000	2014 RM'000
<b>Company</b>		
Dividend income (gross)	8,004	10,000
Purchases	-	354
Interest income	25	144

#### 27.2.2 Transactions with companies in which certain Directors are deemed to have substantial financial interests :

i) Sales to :	<b>Group</b>		
	2015 RM'000	2014 RM'000	
KFI	2,572	2,730	
ii) Purchases from :			
	2015 RM'000	2014 RM'000	
KFI	5,868	6,212	
iii) Rental expense paid and payable to :			
	2015 RM'000	2014 RM'000	
KP	60	60	

#### 27.2.3 Transactions with companies in which close members of the family of certain Directors and key management personnel of the Group are deemed to have substantial financial interests :

i) Sales to :	<b>Group</b>		
	2015 RM'000	2014 RM'000	
RMSB	66	19	
FTT	62	83	

## 27. Related parties (continued)

### 27.2 Significant related party transactions (continued)

#### 27.2.3 Transactions with companies in which close members of the family of certain Directors and key management personnel of the Group are deemed to have substantial financial interests : (continued)

ii) Purchases from :	Group	
	2015 RM'000	2014 RM'000
FTT	204	291
iii) Rental expense paid and payable to :		
	2015 RM'000	2014 RM'000
BV	654	430

27.3 There were no transactions with key management personnel and Directors of the Group other than the remuneration package paid to them as disclosed in Note 18.

## 28. Financial instruments

### 28.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows :

- (a) Loans and receivables ("L&R");
- (b) Fair value through profit or loss ("FVTPL")  
- Held for trading ("HFT");
- (c) Available-for-sale financial assets ("AFS"); and
- (d) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R RM'000	FVTPL-HFT RM'000	AFS RM'000
<b>2015</b>				
Financial assets				
<b>Group</b>				
Other investments	3,090	-	-	3,090
Fixed deposit with a licensed bank	30	30	-	-
Trade and other receivables, including derivatives (excluding prepayments)	119,615	119,615	-	-
Cash and cash equivalents	103,896	103,896	-	-
	<u>226,631</u>	<u>223,541</u>	<u>-</u>	<u>3,090</u>
<b>Company</b>				
Other investments	723	-	-	723
Fixed deposit with a licensed bank	30	30	-	-
Trade and other receivables	22,316	22,316	-	-
Cash and cash equivalents	36,483	36,483	-	-
	<u>59,552</u>	<u>58,829</u>	<u>-</u>	<u>723</u>
<b>2014</b>				
Financial assets				
<b>Group</b>				
Other investments	6,822	-	-	6,822
Fixed deposit with a licensed bank	30	30	-	-
Trade and other receivables, including derivatives (excluding prepayments)	112,524	112,516	8	-
Cash and cash equivalents	91,560	91,560	-	-
	<u>210,936</u>	<u>204,106</u>	<u>8</u>	<u>6,822</u>
<b>Company</b>				
Other investments	449	-	-	449
Fixed deposit with a licensed bank	30	30	-	-
Trade and other receivables	11,658	11,658	-	-
Cash and cash equivalents	43,392	43,392	-	-
	<u>55,529</u>	<u>55,080</u>	<u>-</u>	<u>449</u>

## 28. Financial instruments (continued)

### 28.1 Categories of financial instruments (continued)

2015	Carrying amount	FL	FVTPL-HFT
Financial liabilities	RM'000	RM'000	RM'000
<b>Group</b>			
Loans and borrowings	51,592	51,592	-
Trade and other payables, including derivatives	84,694	84,694	-
	<u>136,286</u>	<u>136,286</u>	<u>-</u>
<b>Company</b>			
Liability component of ICULS	9,102	9,102	-
Trade and other payables	881	881	-
	<u>9,983</u>	<u>9,983</u>	<u>-</u>
<b>2014</b>			
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	96,883	96,883	-
Trade and other payables, including derivatives	98,171	98,119	52
	<u>195,054</u>	<u>195,002</u>	<u>52</u>
<b>Company</b>			
Liability component of ICULS	11,645	11,645	-
Trade and other payables	410	410	-
	<u>12,055</u>	<u>12,055</u>	<u>-</u>

### 28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Net (losses)/gains on :				
Fair value through profit or loss :				
- HFT	-	(44)	-	-
Loans and receivables	(9,976)	(8,744)	2,077	(451)
Available-for-sale financial assets				
- recognised in profit or loss	326	(580)	285	(580)
- recognised in equity	(18)	23	16	(11)
Financial liabilities measured at amortised cost	(1,330)	(1,146)	(80)	-
	<u>(10,998)</u>	<u>(10,491)</u>	<u>2,298</u>	<u>(1,042)</u>

### 28.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 28.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities. The Company's exposure to credit risk arises principally from advances to subsidiaries and investment securities.

#### Receivables

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, there was no concentration of risk. The maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

## 28. Financial instruments (continued)

### 28.4 Credit risk (continued)

#### Receivables (continued)

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. The Group uses ageing analysis to monitor the credit quality of the receivables and the risk is also mitigated by the deposits collected from customers.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was :

	2015 RM'000	2014 RM'000
<b>Group</b>		
Domestic	33,045	27,909
Asia, other than Malaysia	33,465	41,457
Australia	28,080	25,529
Europe	3,675	3,740
United State of America	2,362	512
Others	2,636	72
	<u>103,263</u>	<u>99,219</u>

#### Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was :

	Gross RM'000	Individual impairment RM'000	Net RM'000
<b>Group</b>			
<b>2015</b>			
Not past due	73,005	-	73,005
Past due 1 - 30 days	17,339	-	17,339
Past due 31 - 60 days	6,622	(588)	6,034
Past due more than 60 days	15,225	(8,340)	6,885
	<u>112,191</u>	<u>(8,928)</u>	<u>103,263</u>
<b>2014</b>			
Not past due	77,055	-	77,055
Past due 1 - 30 days	13,001	-	13,001
Past due 31 - 60 days	6,077	-	6,077
Past due more than 60 days	9,381	(6,295)	3,086
	<u>105,514</u>	<u>(6,295)</u>	<u>99,219</u>
<b>Company</b>			
<b>2015</b>			
Past due 1 - 30 days	232	-	232
Past due more than 60 days	599	(599)	-
	<u>831</u>	<u>(599)</u>	<u>232</u>
<b>2014</b>			
Past due more than 60 days	664	(610)	54

The movements in the allowance for impairment losses of trade receivables during the year were :

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	6,295	859	610	-
Impairment loss recognised (Note 17)	2,685	5,446	-	610
Impairment loss reversed (Note 17)	(52)	(10)	(11)	-
At 31 December	<u>8,928</u>	<u>6,295</u>	<u>599</u>	<u>610</u>

## 28. Financial instruments (continued)

### 28.4 Credit risk (continued)

#### Receivables (continued)

##### *Impairment losses (continued)*

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

#### Investments and other financial assets

##### *Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Group and the Company have only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations except for the impairment loss recognised in respect of unquoted shares.

The Group and the Company do not have overdue investments that have not been impaired.

The investments and other financial assets are unsecured.

The movements in allowance for impairment loss during the year are shown in Note 6.

#### Inter company balances

##### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to subsidiaries of the Company.

##### *Impairment losses*

As at the end of the reporting period, there was no indication that the advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to subsidiaries. Nevertheless, these advances are not considered overdue and are repayable on demand.

#### Corporate guarantees

##### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

##### *Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk representing the outstanding unsecured banking facilities of the subsidiaries as at the end of the reporting period is as follows:

- i) the Company has issued corporate guarantees to licensed banks for banking facilities granted to certain subsidiaries up to a limit of RM334.6 million (2014 : RM302.2 million) of which RM62.8 million (2014 : RM99.6 million) have been utilised as at the end of the reporting period.
- ii) the Company has issued corporate guarantees to a financial institution for credit facility granted to one of its subsidiaries up to a limit of RM Nil (2014 : RM860,000) of which RM Nil (2014 : RM Nil) has been utilised as at the end of the reporting period.
- iii) the Company has issued corporate guarantees amounting to RM164.0 million (2014 : RM139.2 million) to vendors for the purchase of raw materials by certain subsidiaries. The amount owing by the subsidiaries to those vendors as at the end of the reporting period amounted to RM15.8 million (2014 : RM32.5 million).

## 28. Financial instruments (continued)

### 28.4 Credit risk (continued)

#### Corporate guarantees (continued)

*Exposure to credit risk, credit quality and collateral (continued)*

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment of its outstanding credit facilities.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

#### Contingent liability

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

### 28.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.



## 28. Financial instruments (continued)

### 28.5 Liquidity risk (continued)

#### Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments :

Group	Carrying amount RM'000	Contractual interest rates per annum %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
<b>2015</b>							
<i>Non-derivative financial liabilities</i>							
Liability component of ICULS							
Term loans	9,102	5.00	9,102	2,432	2,325	4,345	-
Finance lease liabilities	13,031	3.22 - 3.43	13,926	3,664	3,712	6,550	-
Bank overdrafts	980	2.60 - 6.60	1,055	459	596	-	-
Onshore foreign currency loans	870	7.98	870	870	-	-	-
Bankers' acceptances	23,127	1.00 - 1.21	23,127	23,127	-	-	-
Trade and other payables	4,482	4.00 - 4.89	4,482	4,482	-	-	-
	84,694	-	84,694	84,694	-	-	-
	136,286		137,256	119,728	6,633	10,895	-
<b>2014</b>							
<i>Non-derivative financial liabilities</i>							
Liability component of ICULS							
Term loans	11,645	5.00	11,645	2,543	2,431	6,671	-
Finance lease liabilities	14,457	1.08 - 4.85	14,487	3,186	3,097	7,609	595
Bank overdrafts	1,403	2.33 - 6.60	1,517	619	576	322	-
Onshore foreign currency loans	3,063	7.85 - 8.04	3,063	3,063	-	-	-
Bankers' acceptances	59,597	0.93 - 1.59	59,597	59,597	-	-	-
Revolving credits	3,718	3.38 - 5.66	3,718	3,718	-	-	-
Trade and other payables	3,000	4.62	3,000	3,000	-	-	-
	98,119	-	98,119	98,119	-	-	-
	195,002		195,146	173,845	6,104	14,602	595
<i>Derivative financial (assets)/liabilities</i>							
Forward exchange contracts (gross settled) :							
Inflow	-	-	(5,626)	(5,626)	-	-	-
Outflow	44	-	5,670	5,670	-	-	-

## 28. Financial instruments (continued)

### 28.5 Liquidity risk (continued)

#### *Maturity analysis (continued)*

<b>Company</b>	<b>Carrying amount RM'000</b>	<b>Contractual interest rates per annum %</b>	<b>Contractual cash flows RM'000</b>	<b>Under 1 year RM'000</b>	<b>1 - 2 years RM'000</b>	<b>2 - 5 years RM'000</b>	<b>More than 5 years RM'000</b>
<b>2015</b>							
<i>Non-derivative financial liabilities</i>							
Liability component of ICULS	9,102	5.00	9,102	2,432	2,325	4,345	-
Trade and other payables	881	-	881	881	-	-	-
Financial guarantees	-	-	78,665	78,665	-	-	-
	<u>9,983</u>		<u>88,648</u>	<u>81,978</u>	<u>2,325</u>	<u>4,345</u>	<u>-</u>
<b>2014</b>							
<i>Non-derivative financial liabilities</i>							
Liability component of ICULS	11,645	5.00	11,645	2,543	2,431	6,671	-
Trade and other payables	410	-	410	410	-	-	-
Financial guarantees	-	-	132,118	132,118	-	-	-
	<u>12,055</u>		<u>144,173</u>	<u>135,071</u>	<u>2,431</u>	<u>6,671</u>	<u>-</u>

### 28.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

#### **Currency risk**

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily US Dollar ("USD"), Japanese Yen ("JPY"), Australian Dollar ("AUD"), Singapore Dollar ("SGD") and European Euro ("EUR").

*Risk management objectives, policies and processes for managing the risk*

Material foreign currency transaction exposures are hedged using derivative financial instruments such as forward foreign exchange contracts. Where necessary, the forward foreign exchange contracts are rolled over at maturity at market rates.

In respect of other monetary assets and liabilities held in currencies other than Ringgit Malaysia, the Group ensured that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

## 28. Financial instruments (continued)

### 28.6 Market risk (continued)

#### Currency risk (continued)

##### Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	USD RM'000	JPY RM'000	AUD RM'000	SGD RM'000	EUR RM'000	Total RM'000
<b>Group</b>						
<b>2015</b>						
Trade and other receivables	62,370	1,446	4,261	1,768	2,382	72,227
Cash and bank balances	22,716	1,791	7,367	5,120	467	37,461
Short term deposits with licensed banks	-	-	2,395	-	-	2,395
Trade and other payables	(54,417)	-	(18)	-	(3,510)	(57,945)
Loans and borrowings	(36,158)	-	-	-	-	(36,158)
<b>Net exposure</b>	<b>(5,489)</b>	<b>3,237</b>	<b>14,005</b>	<b>6,888</b>	<b>(661)</b>	<b>17,980</b>
<b>2014</b>						
Trade and other receivables	79,521	2,686	3,926	1,775	1,716	89,624
Cash and bank balances	2,568	5,645	5,011	3,310	-	16,534
Short term deposits with licensed banks	-	-	1,955	-	-	1,955
Trade and other payables	(59,282)	-	(2)	-	-	(59,284)
Loans and borrowings	(73,441)	-	-	-	-	(73,441)
<b>Net exposure</b>	<b>(50,634)</b>	<b>8,331</b>	<b>10,890</b>	<b>5,085</b>	<b>1,716</b>	<b>(24,612)</b>

##### Currency risk sensitivity analysis

A 10% (2014 : 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases. There is no impact to equity arising from exposure to currency risk.

	Profit or loss	
	2015 RM'000	2014 RM'000
<b>Group</b>		
USD	412	3,798
JPY	(243)	(625)
AUD	(1,050)	(817)
SGD	(517)	(381)
EUR	50	(129)

A 10% (2014 : 10%) weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

#### Interest rate risk

The Group's primary interest rate risk is related to debts obligations and deposits, which are mainly confined to bank borrowings and short term deposits with licensed banks. Fixed rate borrowings are exposed to a risk of change in their fair value due to the changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

##### Risk management objectives, policies and processes for managing the risk

Bank borrowings are on fixed and floating rates terms. The interest rates are negotiated in order to ensure that the Group benefits from the lowest possible financing costs.

## 28. Financial instruments (continued)

### 28.6 Market risk (continued)

#### Interest rate risk (continued)

##### Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was :

	<b>Group 2015 RM'000</b>	<b>Company 2014 RM'000</b>
<b>2015</b>		
<b>Fixed rate instruments</b>		
Financial assets	19,122	4,700
Financial liabilities	(37,691)	(9,102)
	<u>(18,569)</u>	<u>(4,402)</u>
<b>Floating rate instruments</b>		
Financial liabilities	<u>(13,901)</u>	<u>-</u>
<b>2014</b>		
<b>Fixed rate instruments</b>		
Financial assets	30,181	8,500
Financial liabilities	(79,363)	(11,645)
	<u>(49,182)</u>	<u>(3,145)</u>
<b>Floating rate instruments</b>		
Financial liabilities	<u>(17,520)</u>	<u>-</u>

##### Interest rate risk sensitivity analysis

#### (i) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

#### (ii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant. There is no impact to entity arising from exposures to interest rate risk.

	<b>Group Profit or loss 100 bp increase RM'000</b>	<b>100 bp increase RM'000</b>
<b>2015</b>		
Floating rate instruments	<u>(104)</u>	<u>104</u>
<b>2014</b>		
Floating rate instruments	<u>(131)</u>	<u>131</u>

### 28.7 Fair value information

#### Recognised financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's and the Company's investments in unquoted investments due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

## 28. Financial instruments (continued)

### 28.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

2015 Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Financial assets</b>										
Other investments - Quoted in Malaysia	-	2,523	-	2,523	-	-	-	-	2,523	2,523
<b>Financial liabilities</b>										
Term loans	-	-	-	-	-	-	13,031	13,031	13,031	13,031
Finance lease liabilities	-	-	-	-	-	-	980	980	980	980
Liability component of ICULS	-	-	-	-	-	-	9,102	9,102	9,102	9,102
	-	-	-	-	-	-	23,113	23,113	23,113	23,113
<b>2015 Company</b>										
<b>Financial assets</b>										
Other investments - Quoted in Malaysia	-	156	-	156	-	-	-	-	156	156
<b>Financial liabilities</b>										
Liability component of ICULS	-	-	-	-	-	-	9,102	9,102	9,102	9,102
<b>2014 Group</b>										
<b>Financial assets</b>										
Other investments - Quoted in Malaysia	-	6,474	-	6,474	-	-	-	-	6,474	6,474
<b>Financial liabilities</b>										
Forward exchange contracts - Liabilities	-	44	-	44	-	-	-	-	44	44
Term loans	-	-	-	-	-	-	14,457	14,457	14,457	14,457
Finance lease liabilities	-	-	-	-	-	-	1,403	1,403	1,403	1,403
Liability component of ICULS	-	-	-	-	-	-	11,645	11,645	11,645	11,645
	-	44	-	44	-	-	27,505	27,505	27,549	27,549

## 28. Financial instruments (continued)

### 28.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2014										
<b>Company</b>										
<b>Financial assets</b>										
Other investments - Quoted in Malaysia	-	101	-	101	-	-	-	-	101	101
<b>Financial liabilities</b>										
Liability component of ICULS	-	-	-	-	-	-	11,645	11,645	11,645	11,645

#### Level 2 fair value

#### Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

#### Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of ICULS, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

#### Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2014: no transfer in either directions).

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The fair values of term loans and finance lease liabilities are calculated using discounted cash flows.

## 29. Significant events during the year

### (i) Acquisition of subsidiaries

The Company through its subsidiary, Syarikat Thong Guan Trading Sdn. Bhd. ("STGT") had on 1 August 2015 acquired 60% of the equity interest in Everprosper Food Industries Sdn. Bhd. ("EFI") which wholly owned Everprosper Marketing Sdn. Bhd. ("EM"). Upon completion of the said acquisition, EFI and EM became the 60% owned subsidiaries of STGT. The principal activity of EFI is the manufacturing and trading of noodle products while EM is principally engaged in dealing and trading of food products, beverages and delicatessen.

In the five months to 31 December 2015, the subsidiaries contributed revenue of RM516,000 and loss of RM39,000. If the acquisition had occurred on 1 January 2015, management estimates that consolidated revenue would have been RM712,184,000, and consolidated profit for the financial year would have been RM39,792,000. In determining these amounts, management has assumed that the fair value adjustments, have been the same if the acquisition had occurred on 1 January 2015.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date :

	<b>2015 RM'000</b>
<b>Fair value of consideration transferred</b>	
Cash and cash equivalents	1,440
<b>Identifiable assets acquired and liabilities assumed</b>	
Plant and equipment (Note 3)	280
Inventories	347
Trade and other receivables	627
Cash and cash equivalents	881
Trade and other payables	(1,533)
Borrowings	(10)
Total identifiable net assets	592

	<b>2015 RM'000</b>
<b>Net cash outflow arising from acquisition of subsidiary</b>	
Purchase consideration settled in cash and cash equivalents	(1,440)
Cash and cash equivalents acquired	881
	(559)

### Goodwill

Goodwill was recognised as a result of the acquisition as follows:

Total consideration transferred	1,440
Fair value of identifiable net assets	(592)
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	237
Goodwill	1,085

The goodwill on consolidation is written off and included in other operating expenses.

(ii) During the financial year ended 31 December 2015, the Company subscribed for additional shares in the following subsidiaries :

- (a) TG Plaspac (Vietnam) Co., Ltd by a cash consideration of RM53,775; and
- (b) Newton Research & Development Centre Sdn. Bhd. by a cash consideration of RM199,998.

### 30. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows :

<b>Group</b>	<b>2015 RM'000</b>	<b>2014 RM'000</b>
Total retained earnings of the Company and its subsidiaries :		
- realised	216,084	187,112
- unrealised	<u>1,850</u>	<u>(3,880)</u>
	217,934	183,232
Less : Consolidated adjustments	<u>(10,695)</u>	<u>(10,295)</u>
Total retained earnings	<u>207,239</u>	<u>172,937</u>
<b>Company</b>		
Total accumulated losses		
- realised	<u>(10,027)</u>	<u>(15,084)</u>

The determination of realised and unrealised profits/(losses) is based on the Guidance of Special Matter No. 1 Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.



# Thong Guan Industries Berhad

(Company No. 324203 K)

(Incorporated in Malaysia)

## and its subsidiaries

### Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 30 to 80 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 30 on page 81 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

.....  
**Dato' Ang Poon Chuan**

.....  
**Ang See Ming**

Kedah Darul Aman,

Date : 18 April 2016

### Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Dato' Ang Poon Chuan**, the Director primarily responsible for the financial management of Thong Guan Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 81 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at Georgetown in the State of Penang on 18 April 2016.

.....  
**Dato' Ang Poon Chuan**

Before me :

Goh Suan Bee (No. P125)

Pesuruhjaya Sumpah

(Commissioner of Oaths)

Penang

# Independent auditors' report to the members of Thong Guan Industries Berhad

(Company No. 324203 K)

(Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of Thong Guan Industries Berhad, which comprise the statements of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 30 to 80.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 30 on page 81 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

## **Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG**  
AF 0758  
Chartered Accountants

**Lim Su Ling**  
3098/12/17 (J)  
Chartered Accountant

Date : 18 April 2016

Penang

## LIST OF PROPERTIES OWNED BY THE GROUP

Location	Description	Approximate Land Area (sq.ft.)	Age of Building	Tenure	Net Book Value RM million	Date of Valuation/ Acquisition
Lot No. P.T.18876, H.S.(D) No.98/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory with office building	107,288	17-19 years	60 years, leasehold, expiring on 12.4.2052	0.47	28.11.1995
Lot. No. P.T.18877, H.S.(D) No.99/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory with office building	82,067	21 years	60 years, leasehold, expiring on 12.4.2052	0.76	28.11.1995
Lot P.T.18878, H.S.(D) No.100/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory building	141,309	15 years	60 years, leasehold, expiring on 6.4.2055	3.56	31.12.2004
Lot No. P.T.19449, Lot No. 950 H.S.(M) No. 249/92 and SP 4009 Mukim of Sungai Petani District of Kuala Muda, Kedah	Factories and office building	208,898	18-31 years	Freehold	4.00	28.11.1995
Lot P.T.48288, H.S.(D) No.12034/95 Mukim of Sungai Petani District of Kuala Muda, Kedah	Factories and office building	339,590	13-33 years	Freehold	4.55	28.11.1995
Lot P.T. 129301, H.S.(D) KA27799 Mukim Hulu Kinta District of Kinta, Ipoh, Perak	Warehouse with office building	5,500	31 years	99 years leasehold, expiring on 18.7.2092	0.14	28.05.1997
Lot No.P.T.D.89829 H.S.(D) 191571 Mukim of Pelentung District of Johor Bahru, Johor	Warehouse with office building	6,855	23 years	Freehold	0.50	31.12.2004
CL 015373672 Lorong Rambutan Off KM 11 Jln Tuaran Kota Kinabalu Sabah	Factory and other buildings	82,764	27 years	60 years leasehold, expiring on 31.12.2035	1.54	13.12.1995
CL 015276687 606 Taman Bay View Off Mile 21/2 Jln Tuaran Kota Kinabalu, Sabah	Double storey terrace house	2,178	37 years	999 years leasehold, expiring on 16.6.2914	0.10	13.12.1995
TL 077549707 Lot 13, Hock Seng Industrial Estate Jalan Bomba, Off KM 5 Jalan Utara Sandakan	Double storey semi-detached light industrial building	5,670	24 years	60 years leasehold, expiring on 31.12.2040	0.19	13.12.1995
CL 105390707 KM4, Jalan Apas Tawau, Sabah	Vacant industrial land	37,462	-	999 years leasehold, expiring on 21.5.2930	0.30	13.12.1995
Jiangsu Province Year 2002 Land No: 01006061 Jiulong South Road Wujiang Economic Developing Area Jiangsu, China	Factory with office buildings	315,425	10-14 years	50 years leasehold, expiring on 31.12.2049	6.13	01.01.2000
Pangjin Road Wujiang Economic Developing Area Jiangsu, China	Factory buildings	716,876	10-11 years	50 years leasehold, expiring on 08.03.2053	7.50	09.03.2004
Lot No. 49, Section 65, H.S.(D) 95/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory with office buildings	138,822	10 years	60 years leasehold, expiring on 11.04.2052	5.21	18.05.2010
Lot No. PT2223, H.S. (M) 1365, Padang Lembu, Bandar Gurun, District of Kuala Muda, Kedah	Factory with office building	278,785	15-16 years	60 years leasehold, expiring on 4.7.2055	3.55	26.08.2011
Lot No. PT2574, H.S. (M) 2798, Padang Lembu, Bandar Gurun, District of Kuala Muda, Kedah	Warehouse	83,689	11 years	60 years leasehold, expiring on 15.9.2050	0.86	26.08.2011
No. 12 VSIP II Street 9, Vietnam Singapore Industrial Park II Ben Cat District Binh Duong Province, Vietnam	Vacant industrial land	269,571	-	48 years leasehold, expiring on 30.11.2055	3.32	21.09.2007
Lot No.97, Seksyen 65, HSD 143/92 Mukim Sungai Petani, District of Kuala Muda, Kedah	Factory with office building	37,383	21 years	60 years leasehold, expiring on 23.11.2054	1.58	11.09.2014

## ANALYSIS OF ORDINARY SHAREHOLDINGS as at 1 April 2016

Authorised share capital	-	500,000,000 ordinary shares of RM1.00 each
Paid up capital	-	105,271,000 ordinary shares of RM1.00 each
Class of shares	-	Ordinary shares of RM1.00 each
Voting rights	-	One vote per ordinary share

### DISTRIBUTION OF SHAREHOLDINGS

Size of shareholding	No. of shareholders	No. of shares held	% of issued capital
Less than 100	164	9,997	0.01
100 - 1,000	419	338,350	0.32
1,001 - 10,000	1,645	7,477,400	7.10
10,001 - 100,000	579	17,161,551	16.30
100,001 - 5,263,549	107	38,380,077	36.46
5,263,550 - 105,271,000	2	41,903,625	39.81
<b>TOTAL</b>	<b>2,916</b>	<b>105,271,000</b>	<b>100.00</b>

### DIRECTORS' SHAREHOLDINGS

Name of directors	Direct Interest No. of shares	%	Indirect Interest No. of shares	%
Dato' Ang Poon Chuan	928,500	0.88	44,479,002 <sup>(a)</sup>	42.25
Datuk Ang Poon Seong	589,125	0.56	43,012,494 <sup>(b)</sup>	40.86
Dato' Ang Poon Khim	642,325	0.61	71,600 <sup>(c)</sup>	0.07
Ang See Ming <sup>(d)</sup>	1,192,508	1.13	-	-
Chow Hon Piew	-	-	-	-
Kang Pang Kiang	-	-	-	-
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	-	-	-	-

Notes :

(a) Deemed interested via Foremost Equals Sdn Bhd and Sensible Matrix Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and shares held by spouse and children pursuant to Section 134(12)(c) of the Companies Act, 1965.

(b) Deemed interested via Foremost Equals Sdn Bhd and Sensible Matrix Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(c) Shares held by spouse and children pursuant to Section 134(12)(c) of the Companies Act, 1965.

(d) He also holds 160,000 (4%), 30,000 (30%), 240,000 (10%) equity interests in TGS Plastic Industries Sdn. Bhd., 888 Cafe Sdn. Bhd. and Everprosper Food Industries Sdn. Bhd. respectively.

By virtue of their interests in the shares of the Company, Dato' Ang Poon Chuan and Datuk Ang Poon Seong are also deemed to be interested in the shares of all its subsidiaries to the extent the Company has an interest.

### SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest No. of shares	%	Indirect Interest No. of shares	%
Foremost Equals Sdn Bhd	41,903,625	39.81	-	-
Dato' Ang Poon Chuan	928,500	0.88	41,903,625 <sup>(a)</sup>	39.81
Datuk Ang Poon Seong	589,125	0.56	41,903,625 <sup>(a)</sup>	39.81

Notes :

(a) Deemed interested via Foremost Equals Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

## ANALYSIS OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") HOLDINGS as at 1 April 2016

No of ICULS 2014/2019 Issued	-	RM52,602,250 nominal value of 5-year 5% ICULS
Nominal/Par Value per ICULS	-	RM1.00 per ICULS
Exercise/Conversion Price	-	RM1.00 of ICULS for 1 new Ordinary Share of RM1.00 each
Coupon Rate	-	5% per annum payable semi-annually in arrears
Maturity Date	-	10 October 2019

### DISTRIBUTION OF ICULS HOLDINGS

Size of ICULS holding	No. of ICULS holders	No. of ICULS held	% of ICULS holdings
Less than 100	23	556	0.00
100 - 1,000	198	131,886	0.25
1,001 - 10,000	483	2,221,149	4.22
10,001 - 100,000	286	9,122,084	17.34
100,001 - 2,630,111	49	19,481,075	37.04
2,630,112 - 52,602,250	1	21,645,500	41.15
<b>TOTAL</b>	<b>1,040</b>	<b>52,602,250</b>	<b>100.00</b>

### DIRECTORS' ICULS HOLDINGS AS AT 1 APRIL 2016

Name of directors	Direct Interest	Indirect Interest		
	No. of ICULS	%	No. of ICULS	%
Dato' Ang Poon Chuan	485,000	0.92	22,968,934 <sup>(a)</sup>	43.67
Datuk Ang Poon Seong	294,562	0.56	22,199,934 <sup>(b)</sup>	42.20
Dato' Ang Poon Khim	321,162	0.61	83,350 <sup>(c)</sup>	0.16
Ang See Ming	597,400	1.14	-	-
Chow Hon Piew	-	-	-	-
Kang Pang Kiang	-	-	-	-
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	-	-	-	-

#### Notes :

(a) Deemed interested via Foremost Equals Sdn Bhd and Sensible Matrix Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and shares held by spouse and children pursuant to Section 134(12)(c) of the Companies Act, 1965.

(b) Deemed interested via Foremost Equals Sdn Bhd and Sensible Matrix Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(c) Shares held by spouse and children pursuant to Section 134(12)(c) of the Companies Act, 1965

## ANALYSIS OF WARRANT HOLDINGS as at 1 April 2016

No of Warrants 2014/2019 Issued	-	26,234,606
Exercise/Conversion Price	-	RM1.50
Exercise/Conversion Ratio	-	1 Warrant for 1 new Ordinary Share of RM1.00 each
Maturity Date	-	9 October 2019

### DISTRIBUTION OF WARRANT HOLDINGS

Size of Warrant holding	No. of Warrant holders	No. of Warrants	% of Warrant holdings
Less than 100	115	5,096	0.02
100 - 1,000	311	176,337	0.67
1,001 - 10,000	515	2,111,952	8.05
10,001 - 100,000	162	4,921,660	18.76
100,001 - 1,311,729	29	8,196,811	31.24
1,311,730 - 26,234,606	1	10,822,750	41.26
<b>TOTAL</b>	<b>1,133</b>	<b>26,234,606</b>	<b>100.00</b>

### DIRECTORS' WARRANT HOLDINGS AS AT 1 APRIL 2016

Name of directors	Direct Interest No. of Warrants	%	Indirect Interest No. of Warrants	%
Dato' Ang Poon Chuan	242,500	0.92	11,454,467 <sup>(a)</sup>	43.66
Datuk Ang Poon Seong	147,281	0.56	11,099,967 <sup>(b)</sup>	42.31
Dato' Ang Poon Khim	160,581	0.61	26,700 <sup>(c)</sup>	0.10
Ang See Ming	298,700	1.14	-	-
Chow Hon Piew	-	-	-	-
Kang Pang Kiang	-	-	-	-
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	-	-	-	-

#### Notes :

(a) Deemed interested via Foremost Equals Sdn Bhd and Sensible Matrix Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and shares held by spouse and children pursuant to Section 134(12)(c) of the Companies Act, 1965.

(b) Deemed interested via Foremost Equals Sdn Bhd and Sensible Matrix Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(c) Shares held by spouse and children pursuant to Section 134(12)(c) of the Companies Act, 1965.

## LIST OF 30 LARGEST SHAREHOLDERS (AS AT 01 APRIL 2016)

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares	% of Shares
1	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOREMOST EQUALS SDN.BHD.	31,000,000	29.448
2	FOREMOST EQUALS SDN BHD	10,903,625	10.358
3	AMMB NOMINEES (TEMPATAN) SDN BHD AMINVESTMENT BANK BERHAD (AMMBUW)	2,733,750	2.597
4	SUPERB SENSE SDN BHD	1,500,000	1.425
5	LEE AH SEE	1,457,925	1.385
6	NEOH CHOO EE & COMPANY, SDN. BERHAD	1,318,000	1.252
7	SENSIBLE MATRIX SDN BHD	1,108,869	1.053
8	JONY RAW @ RAW JONY	1,048,000	0.996
9	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	939,400	0.892
10	TAN LENG MOOI	927,000	0.881
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN	899,000	0.854
12	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	887,600	0.843
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN (6000051)	706,800	0.671
14	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	700,000	0.665
15	ANG SEE MING	695,008	0.660
16	ANG POON KHIM	642,325	0.610
17	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	600,000	0.570
18	ANG POON SEONG	589,125	0.560
19	ANG POON CHUAN	564,000	0.536
20	DYNAQUEST SDN. BERHAD	563,000	0.535
21	KOAY YI CHUAN	500,000	0.475
22	LASER CARTEL SDN BHD	500,000	0.475
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOK CHING	500,000	0.475
24	ANG SEE MING	497,500	0.473
25	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LOOI BOON HAN (MY0992)	462,300	0.439
26	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN (M)	450,000	0.428
27	KOAY WAN FING @ KOAY GIAN PENG	450,000	0.428
28	NOR AINI BINTI MOHAMMAD	442,000	0.420
29	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	425,600	0.404
30	KHOO BOON CHONG	416,000	0.395
		<b>64,426,827</b>	<b>61.203</b>



# LIST OF 30 LARGEST IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") HOLDERS (AS AT 01 APRIL 2016)

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares	% of Shares
1	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOREMOST EQUALS SDN.BHD.	21,645,500	41.149
2	SUPERB SENSE SDN BHD	1,750,000	3.327
3	LIM PEI TIAM @ LIAM AHAT KIAT	1,333,000	2.534
4	AMMB NOMINEES (TEMPATAN) SDN BHD AMINVESTMENT BANK BERHAD(AMMBUW)	1,272,202	2.419
5	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIGROUP GLOBAL MARKETS INC (PRIME FINC CLR)	1,015,262	1.930
6	NEOH CHOO EE & COMPANY, SDN. BERHAD	1,007,000	1.914
7	TAN LEE HWA	941,000	1.789
8	LASER CARTEL SDN BHD	750,000	1.426
9	LEE AH SEE	734,062	1.396
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOK YON	600,600	1.142
11	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG SEE MING (FOREMOST)	596,254	1.134
12	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR LIM PAY KAON (SMART)	572,200	1.088
13	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SENSIBLE MATRIX SDN. BHD. (FOREMOST)	554,434	1.054
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	490,700	0.933
15	AU YONG MUN YUE	482,000	0.916
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOK CHING	456,000	0.867
17	CHOY WEE CHIAP	345,200	0.656
18	ANG POON KHIM	321,162	0.611
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KONG CHONG SOON @ CHI SUIM (PB)	315,000	0.599
20	NG HO FATT	300,400	0.571
21	NEOH CHOO EE & COMPANY, SDN. BERHAD	300,000	0.570
22	ANG POON CHUAN	294,600	0.560
23	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG POON SEONG (FOREMOST)	294,562	0.560
24	DYNAQUEST SDN. BERHAD	294,000	0.559
25	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	292,700	0.556
26	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD ( A/C CLIENTS )	269,400	0.512
27	CHEAM HENG MING	211,000	0.401
28	KHOW ENG GUAN	194,000	0.369
29	ANG POON CHUAN	190,400	0.362
30	YEOH KIM HONG	175,000	0.333
		<b>37,997,638</b>	<b>72.237</b>

## LIST OF 30 LARGEST WARRANT HOLDERS (AS AT 01 APRIL 2016)

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares	% of Shares
1	FOREMOST EQUALS SDN BHD	10,822,750	41.254
2	SUPERB SENSE SDN BHD	875,000	3.335
3	AMMB NOMINEES (TEMPATAN) SDN BHD AMINVESTMENT BANK BERHAD(AMMBUW)	636,101	2.425
4	KHOW ENG GUAN	582,600	2.221
5	NGEE PENG SOON	542,900	2.069
6	NEOH CHOO EE & COMPANY, SDN. BERHAD	387,500	1.477
7	LAU SOCK LOOI	385,000	1.468
8	LEE AH SEE	367,031	1.399
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LOOI BOON HAN (MY0992)	364,700	1.390
10	ANG SEE MING	298,700	1.139
11	PUA SONG KING	286,700	1.093
12	SENSIBLE MATRIX SDN BHD	277,217	1.057
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE SEE KIM	268,700	1.024
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	245,350	0.935
15	CHOY WEE CHIAP	213,600	0.814
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVAN A/L DINASAN	212,700	0.811
17	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG JONG HAN (CEB)	200,000	0.762
18	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP SUNG PANG	196,900	0.751
19	ANG POON KHIM	160,581	0.612
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR KOH CHIN KOON (MY0857)	156,000	0.595
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING (471873)	150,000	0.572
22	ANG POON CHUAN	147,300	0.562
23	ANG POON SEONG	147,281	0.561
24	DYNAQUEST SDN. BERHAD	147,000	0.560
25	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR OOI YING NEE	140,000	0.534
26	TEE SEE KIM	135,000	0.515
27	YONG CHEE HOO	124,100	0.473
28	CHIA CHEONG KWANG	120,000	0.457
29	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN	118,000	0.450
30	CHEAM HENG MING	105,500	0.402
		<b>18,814,211</b>	<b>71.717</b>

# Thong Guan Industries Berhad

(Company No. 324203 K)

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-First Annual General Meeting of shareholders of the Company will be held at Meranti Room, Level 2, Park Avenue Hotel, E-1, Jalan Indah 2, Taman Sejati Indah, 08000 Sungai Petani, Kedah on Thursday, 26 May 2016 at 11:00 a.m. to transact the following business :

1. To receive the Audited Financial Statements for the year ended 31 December 2015 and the Reports of Directors and Auditors thereon.
  2. To approve a final single tier dividend of 9 sen per ordinary share for the year ended 31 December 2015. Ordinary Resolution 1
  3. To re-appoint the following Directors who retire in accordance with Section 129 of the Companies Act, 1965 :-
    - (a) Dato' Ang Poon Chuan Ordinary Resolution 2
    - (b) Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah Ordinary Resolution 3
  4. To re-elect the following Directors who retire in accordance with Article 63 of the Companies Act, 1965 :-
    - (a) Mr Chow Hon Piew Ordinary Resolution 4
    - (b) Mr Kang Pang Kiang Ordinary Resolution 5
  5. To approve Directors' Fees of RM30,000/- each for the year ended 31 December 2015. Ordinary Resolution 6
  6. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration Ordinary Resolution 7
- AS SPECIAL BUSINESS, to consider and if thought fit, to pass with or without any modification, the following Resolutions :-
7. **Power to Issue Shares Pursuant to Section 132D of the Companies Act, 1965** Ordinary Resolution 8

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the Annual General Meeting commencing next after the date on which the next AGM after that date is required by law to be held whichever is earlier; but any approval may be previously revoked or varied by the Company in general meeting."
  8. **Proposed Authority to Buy Back Its Own Shares by the Company** Ordinary Resolution 9

"THAT subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up capital through the Bursa Securities at anytime and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, subject to the following :-

    - the maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the issued and paid-up ordinary share capital of the Company for the time being ("TGI Shares");

## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

- the maximum fund to be allocated by the Company for the purpose of purchasing the TGI Shares shall not exceed the total amount of retained profit or share premium available for effecting the share buy back. Based on the Audited Financial Statements of the Company as at 31 December 2015, the amount of retained losses and share premium account is RM9.53 million and RM3.95 million respectively;
- the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will continue in force until:-
  - i) the conclusion of the next Annual General Meeting of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
  - ii) the expiration of the period within which the next Annual General Meeting is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of the Bursa Securities or any other relevant authorities;
- upon completion of the purchase(s) of the TGI Shares by the Company, the Directors of the Company be hereby authorised to deal with the TGI Shares in the following manner :-
  - i) to cancel the TGI Shares so purchased; or
  - ii) to retain the TGI Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or
  - iii) to retain part of the TGI Shares so purchased as treasury shares and cancel the remainder; or
  - iv) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase of TGI shares."

**9. Proposed Shareholders' Mandate for Recurrent Related Party Transactions between the Company and/or its Subsidiaries**

Ordinary Resolution 10

"THAT subject to the provisions of the Listing Requirements, approval be and is hereby given to the Company and/or its subsidiaries ("TGI Group") to enter into recurrent related party transactions of a revenue or trading nature as set out in the Circular to Shareholders dated 29 April 2016 which transactions are necessary for the day-to-day operations in the ordinary course of business of TGI Group on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company and that such approval shall continue to be in force until:-

- i) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless renewed by a resolution passed at that meeting;
- ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting;

whichever is earlier.

AND THAT the Directors be and are hereby empowered to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution."

**10. Retention as Independent Non-Executive Director**

Ordinary Resolution 11

"THAT Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah be retained as Independent Non-Executive Director of the Company, in accordance with the Malaysian Code on Corporate Governance 2012 until the conclusion of the next Annual General Meeting."

**11. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association.**

# NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a depositor shall qualify for entitlement to the final single tier dividend of 9 sen per ordinary share only in respect of :

- a) Shares transferred into the depositor's securities account before 4.00 p.m. on 29 July 2016 in respect of ordinary transfers; and
- b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

The final single tier dividend, if approved, will be paid on 18 August 2016 to depositors registered in the Records of Depositors at the close of business on 29 July 2016.

By Order of the Board

ONG TZE-EN (MAICSA 7026537)

LAU YOKE LENG (MAICSA 7034778)

Joint Company Secretaries

Penang, 29 April 2016

## Notes :

### Appointment of Proxy

1. A Member entitled to attend and vote at this meeting may appoint a proxy to attend and to vote on his behalf. Such proxy need not be a Member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies under the Companies Act, 1965 in a particular case. A Member may appoint more than two (2) proxies to attend at the same meeting. Where a Member appoints two (2) proxies to attend at the same meeting, he shall specify the proportion of his shareholdings to be represented by each proxy.
2. Where a Member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it may holds with ordinary shares of the Company standing to the credit of the said securities account.
3. 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 is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds.  
  
An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under Common Seal of the company or under the hand of an officer or attorney duly authorised.
5. For a proxy to be valid, the Proxy Form duly completed must be deposited at the Registered Office of the Company, Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
6. In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 18 May 2016 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote in his/her behalf.

### Explanatory Notes :

1. The Proposed Ordinary Resolution 8, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.  
  
As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 25 June 2015 and which will lapse at the conclusion of the Twenty-First Annual General Meeting.  
  
This renewed General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.
2. The Proposed Ordinary Resolution 9, if passed will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10,527,100 shares representing 10% of the issued and paid up share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next Annual General Meeting of the Company.
3. The Proposed Ordinary Resolution 10, if passed, will approve the Proposed Shareholders' Mandate on Recurrent Related Party Transactions and allow the Company and its subsidiaries to enter into Recurrent Related Party Transactions in accordance with Chapter 10 of the Listing Requirements of the Bursa Securities. This approval shall continue to be in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by the law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.
4. The Proposed Ordinary Resolution 11 is in relation to Retention as Independent Non-Executive Director. Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah was appointed as an Independent Non-Executive Director on 11 August 2004. He has served the Board for a cumulative term of more than 9 years as at the date of the notice of AGM. The Board of Directors has recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:-
  - Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah fulfils the criteria under the definition on Independent Director as stated in the Listing Requirements of Bursa Securities and, therefore, is able to bring independent and objective judgment to the Board;
  - his service in the public sector enables him to share his valuable experience, skills and expertise with the Board and Board Committees;
  - he has been with the Company long and therefore understands the Company's business operations which enables him to contribute actively and effectively during deliberations or discussions at Board and Board Committee meetings;
  - he has contributed sufficient time and efforts in attending the Board and Board Committee meetings.

### Statement of Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Listing Requirements)

1. No individual is standing for election as a Director at the forthcoming AGM of the Company.

# PROXY FORM

I/We,.....  
(Full name in block letters)

NRIC/Company No.....

of.....  
(Address)

being a Member/Members of Thong Guan Industries Berhad (324203-K) ("the Company") hereby appoint

.....  
(Full name in block letters)

of.....  
(Address)

or failing him/her .....  
(Full name in block letters)

of .....  
(Address)

as my/our proxy, to vote for me/us and on my/our behalf at the TWENTY-FIRST ANNUAL GENERAL MEETING of the Company which will be held at Meranti Room, Level 2, Park Avenue Hotel, E-1, Jalan Indah 2, Taman Sejati Indah, 08000 Sungai Petani, Kedah on Thursday, 26 May 2016 at 11:00 a.m. or at any adjournment thereof.

	ORDINARY RESOLUTIONS										
	1	2	3	4	5	6	7	8	9	10	11
<b>FOR</b>											
<b>AGAINST</b>											

(Please indicate with "X" in the appropriate space how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion)

\* Strike out whichever is not desired.

Signed this                  day of                  , 2016.

For appointment of two (2) proxies, no. of shares and percentage of shareholdings to be represented by the each proxy:-		
	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

.....  
Signature of Shareholder(s)/ Common Seal

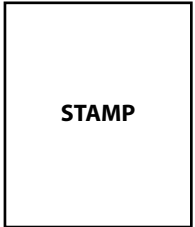
## Notes :

1. A Member entitled to attend and vote at this meeting may appoint a proxy to attend and to vote on his behalf. Such proxy need not be a Member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies under the Companies Act, 1965 in a particular case. A Member may appoint more than two (2) proxies to attend at the same meeting. Where a Member appoints two (2) proxies to attend at the same meeting, he shall specify the proportion of his shareholdings to be represented by each proxy.
2. Where a Member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it may holds with ordinary shares of the Company standing to the credit of the said securities account.
3. 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 is 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 authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under Common Seal of the company or under the hand of an officer or attorney duly authorised.
5. For a proxy to be valid, the Proxy Form duly completed must be deposited at the Registered Office of the Company, Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
6. In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 18 May 2016 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote in his/her behalf.

## Personal Data Privacy

By submitting the duly executed Proxy Form, 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 AGM, and any adjournment thereof

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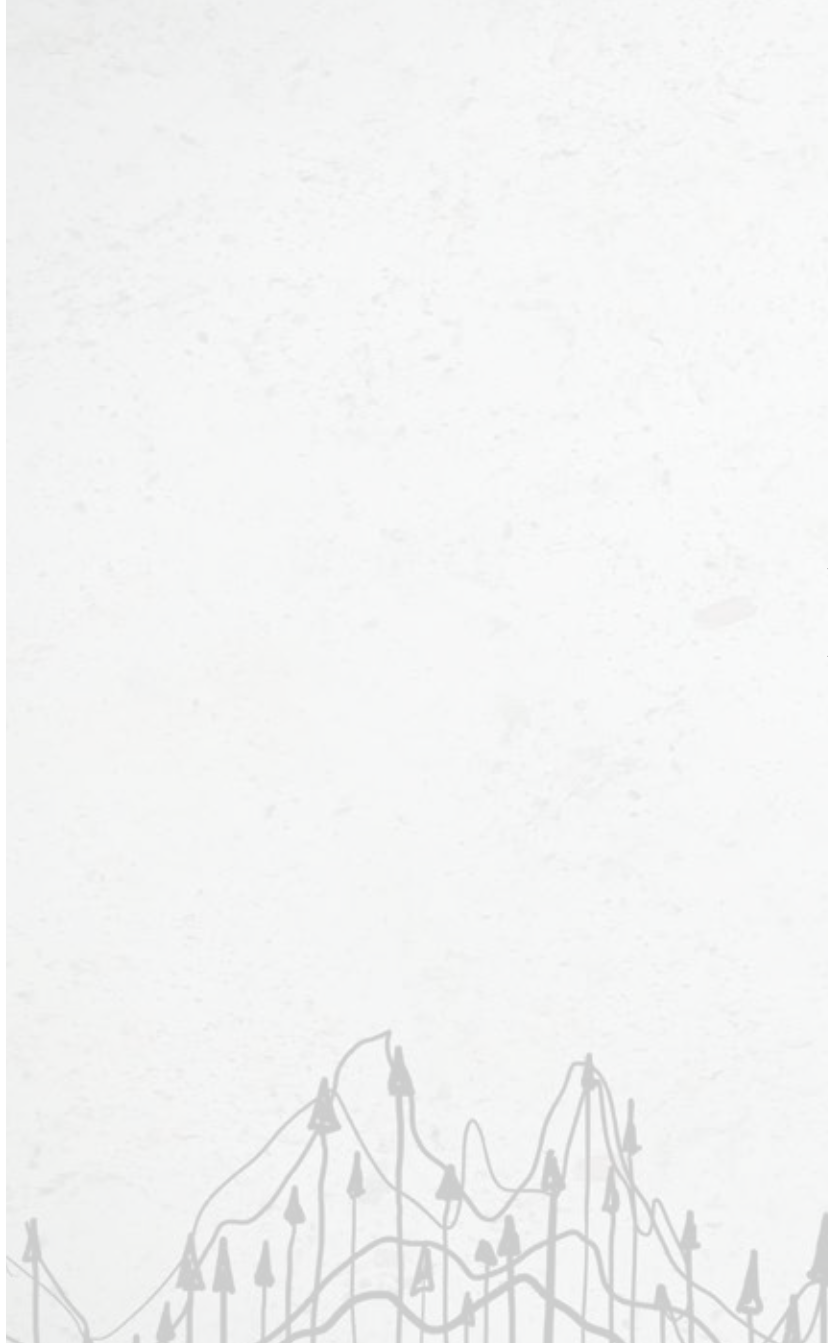


To: The Company Secretaries  
**Thong Guan Industries Berhad**

Registered Office  
Suite 16-1 (Penthouse Upper)  
Menara Penang Garden  
42A Jalan Sultan Ahmad Shah  
10050 Penang

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## THONG GUAN INDUSTRIES BERHAD

(324203-K)

Lot 52, Jalan PKNK 1/6,  
Kawasan Perusahaan Sungai Petani,  
08000 Sungai Petani, Kedah Darul Aman,  
Malaysia

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