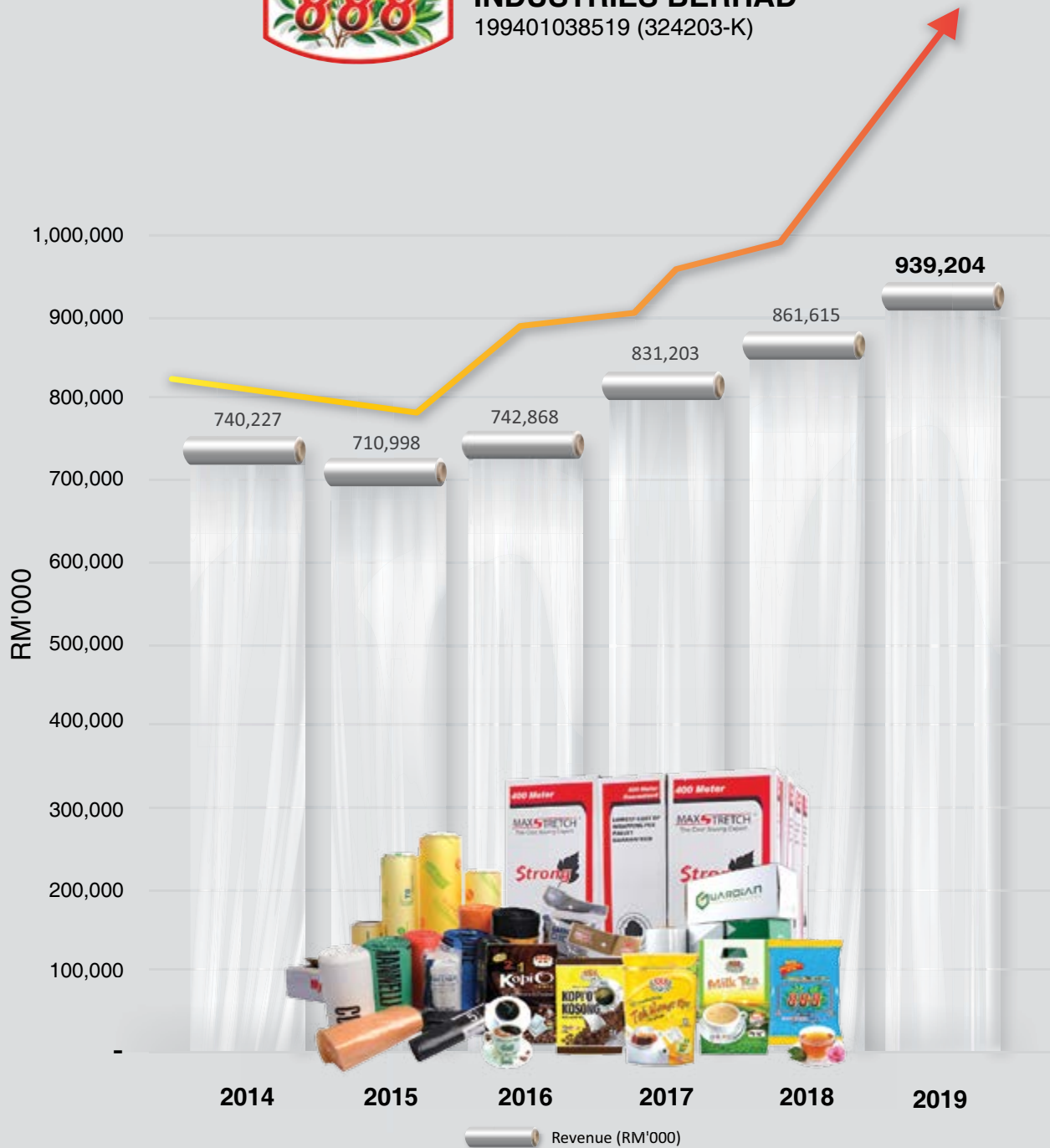




**THONG GUAN
INDUSTRIES BERHAD**
199401038519 (324203-K)



Towards Our
FIRST BILLION RINGGIT

Annual Report 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

**Duli Yang Teramat Mulia
Tengku Sarafudin Badlishah
Ibni Sultan Sallehuddin**
(Chairman)
Independent Non-Executive Director

Dato' Ang Poon Khim
Executive Director

Dato' Kang Pang Kiang
Independent Non-Executive Director

Datuk Ang Poon Seong
Executive Director

Chow Hon Piew
Independent Non-Executive Director

Dato' Ang Poon Chuan
Managing Director

Ang See Ming
Executive Director

**Tengku Muzzammil Bin
Tengku Makram**
Independent Non-Executive Director

REGISTERED OFFICE

170-09-01 Livingston Tower,
Jalan Argyll, 10050 George Town,
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)
(SSM PC No. 202008003397)

Lau Yoke Leng
(MAICSA 7034778)
(SSM PC No. 202008003368)

AUDITORS

KPMG PLT
LLP0010081-LCA & AF0758
Chartered Accountants
Level 18, Hunza Tower,
163E Jalan Kelawei,
10250 Penang

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
AmBank (M) Berhad
CIMB Bank Berhad

AUDIT COMMITTEE

Chow Hon Piew (Chairman)
Dato' Kang Pang Kiang
Tengku Muzzammil Bin Tengku Makram

NOMINATING COMMITTEE

Chow Hon Piew (Chairman)
Dato' Kang Pang Kiang

REMUNERATION COMMITTEE

Dato' Kang Pang Kiang (Chairman)
Chow Hon Piew

STOCK EXCHANGE LISTING

**Main Market of Bursa Malaysia
Securities Berhad**

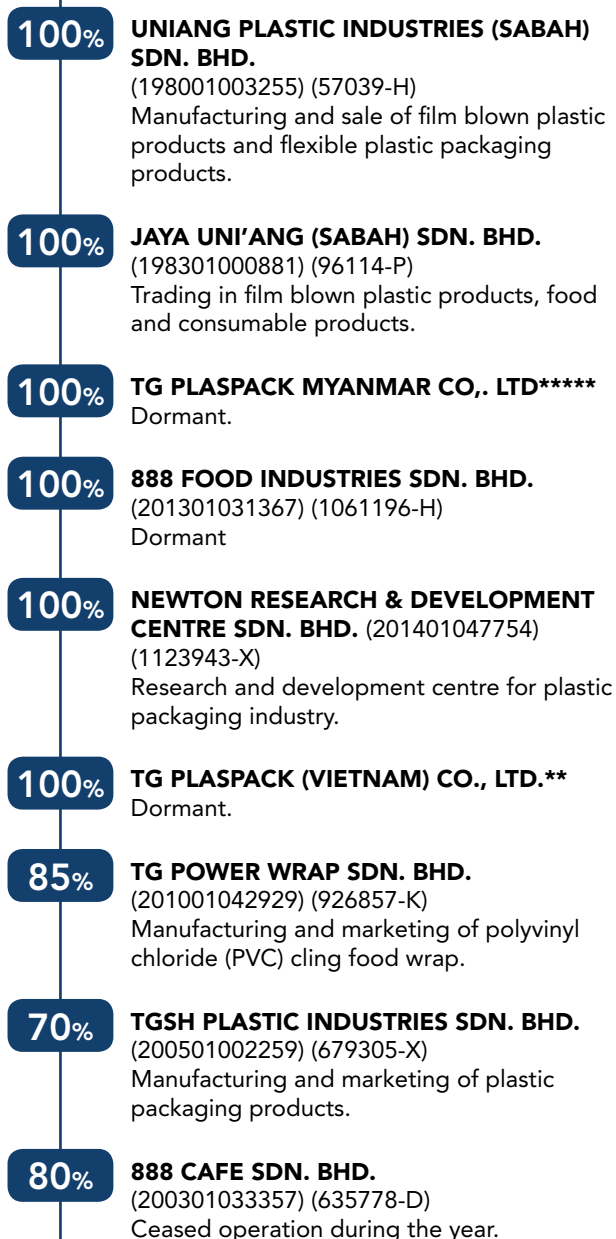
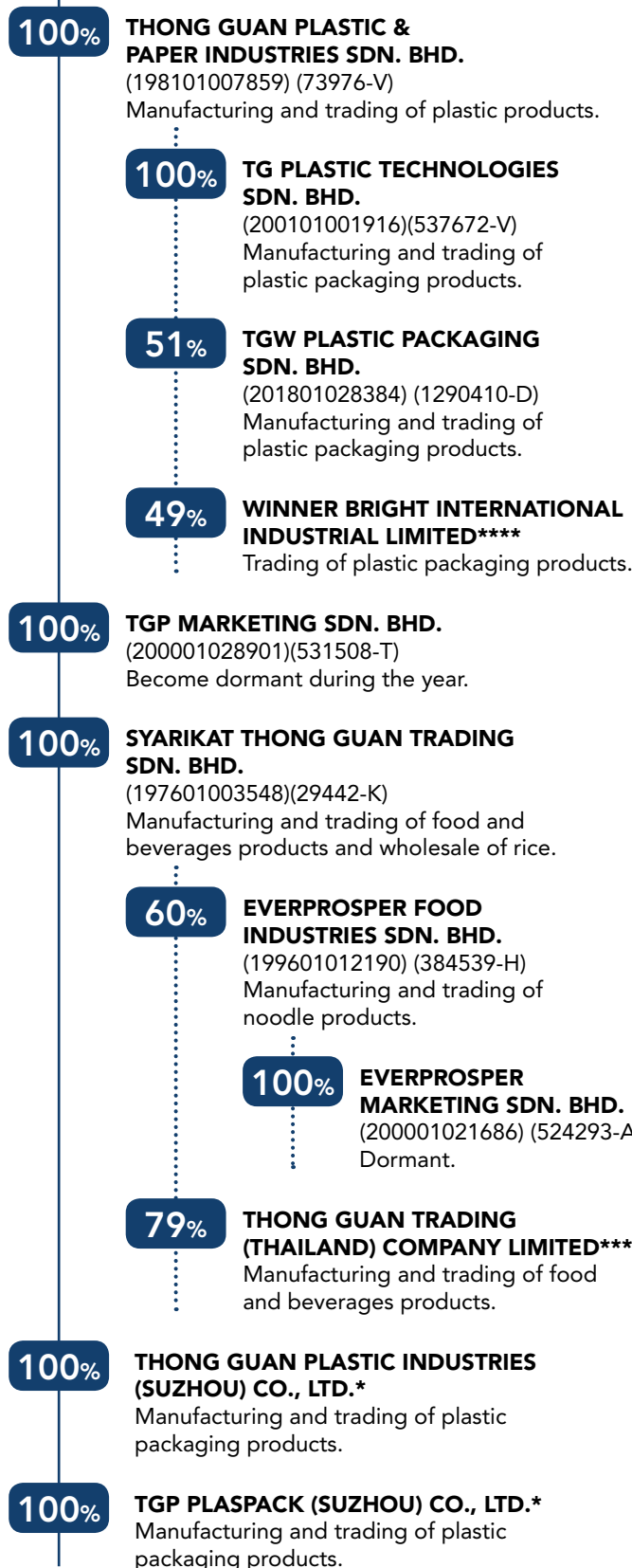
Sector: Industrial Products
Stock Name: TGUAN
Stock Code: 7034
(Listing since 19 December 1997)

GROUP STRUCTURE & PRINCIPAL ACTIVITIES



THONG GUAN INDUSTRIES BERHAD
(199401038519) (324203-K)

Investment holding activities as well as trading of plastic and petroleum products.

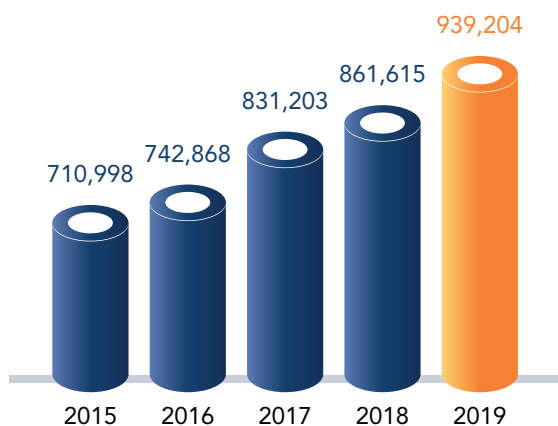


Note:

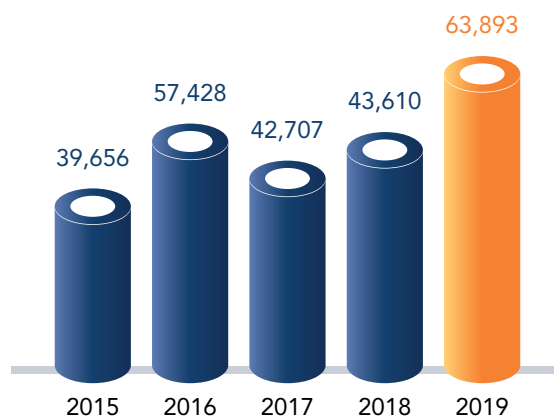
- * Incorporated in the People's Republic of China
- ** Incorporated in the Socialist Republic of Vietnam
- *** Incorporated in Kingdom of Thailand
- **** Incorporated in Hong Kong SAR of the People's Republic of China
- ***** Incorporated in Republic of the Union of Myanmar

FINANCIAL HIGHLIGHTS AND INDICATORS

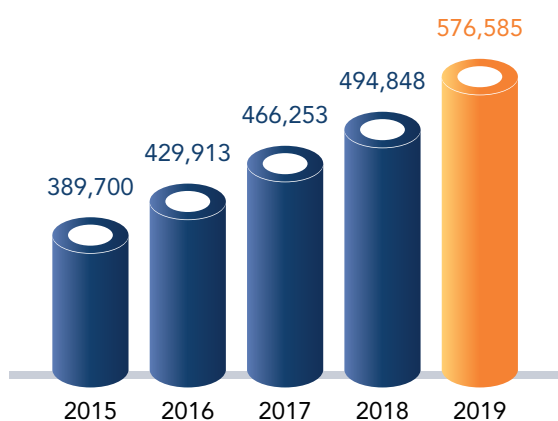
REVENUE (RM'000)



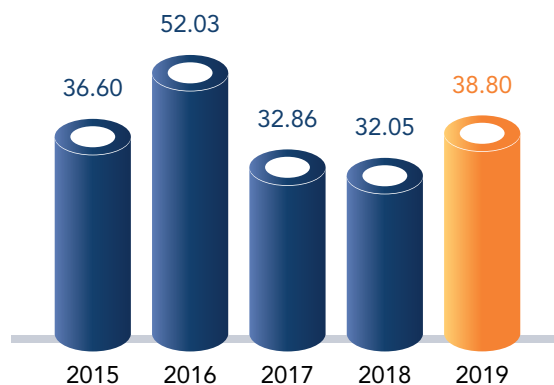
PROFIT AFTER TAX (RM'000)



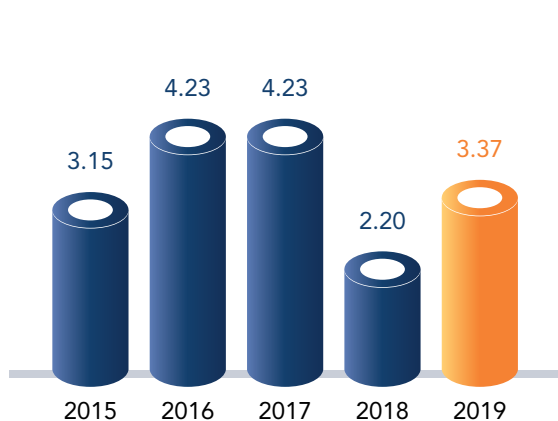
SHAREHOLDERS' EQUITY (RM'000)



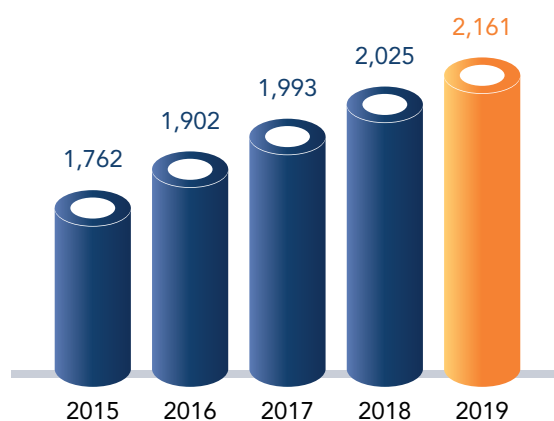
EARNINGS PER SHARE (SEN)



SHARE PRICE AS AT FINANCIAL YEAR END (RM)



HUMAN CAPITAL (HEADCOUNT)



FINANCIAL HIGHLIGHTS AND INDICATORS (CONT'D)

In RM '000	2015	2016	2017	2018	2019
Revenue	710,998	742,868	831,203	861,615	939,204
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	64,234	86,230	70,841	75,156	104,416
Profit Before Taxation	43,125	68,144	50,682	51,972	75,452
Profit After Tax	39,656	57,428	42,707	43,610	63,893
Net Profit Attributable to Equity Holders	38,510	55,854	41,897	43,682	61,849
Total Assets	538,428	619,811	685,451	739,312	881,316
Total Borrowings	51,592	56,740	75,693	126,926	143,036
Shareholders' Equity	389,700	429,913	466,253	494,848	576,585

	2015	2016	2017	2018	2019
Return on Equity (%)	9.88	12.99	9.16	8.83	10.73
Return on Total Assets (%)	7.37	9.27	6.23	5.9	7.25
Gearing Ratio (Times)	0.13	0.13	0.16	0.26	0.25
Interest Cover (Times)	33.42	50.85	28.41	15.92	18.18
Earnings Per Share (Sen)	36.60	52.03	32.86	32.05	38.80
Net Assets Per Share (Sen)	370.40	363.39	344.70	363.20	312.95
Gross Dividend Per Share (Sen)	9.00	12.00	8.00	8.00	9.00
Price Earning (PE) Multiple (Times)	8.61	8.13	12.87	6.86	8.69
Gross Dividend Yield (%)	2.86	2.84	1.89	3.64	2.67
Share Price as at financial year end (RM)	3.15	4.23	4.23	2.20	3.37

MANAGEMENT DISCUSSION AND ANALYSIS

Thong Guan Industries Berhad ("the Group" or "Thong Guan" or "TGI") continues its top line growth for the financial year ended 31 December 2019 ("FY2019") despite volatile business environment. During the financial year under review, the Group continued to uphold and execute our business strategies and enhance our value chain progressively.

FINANCIAL REVIEW

The Group reported continuous growth with a record high revenue of RM939.2 million representing a growth of 9.0% over the previous financial year.

	31.12.2019 RM'000	31.12.2018 RM'000	Variance RM'000	Variance %
Revenue				
Plastic products	874,913	802,418	72,495	9.0
Food, beverages and other consumable product	62,579	56,621	5,958	10.5
Others	1,712	2,576	(864)	(33.5)
Group	939,204	861,615	77,589	9.0
Profit before tax				
Plastic products	72,865	55,651	17,214	30.9
Food, beverages and other consumable product	1,210	(5,745)	6,955	121.1
Others	1,377	2,066	(689)	(33.3)
Group	75,452	51,972	23,480	45.2

For FY2019, the increase in revenue was contributed by improved in sales from both plastic as well as food, beverage and other consumable products ("F&B") business division. Our plastic products' revenue increased from RM802.4million to RM874.9million, representing a growth of 9.0%. This improvement was driven by the higher export sales of our stretch film and courier bags business segment. The revenue in stretch film division increased by RM39.0 million to RM417 million as compared to RM378 million for the financial year ended 31 December 2018 ("FY2018"). In its first-year operations, courier bags division recorded a revenue of RM48.0 million. The Group's F&B business division reported an increase in revenue to RM62.6 million as compared to RM56.6 million in FY2018, this translates into a 10.5% year on year ("YoY") growth which was mainly contributed from the increased in local sales and sales in Thailand.

For FY2019, profit before taxation ("PBT") recorded a growth to RM75.5million as compared to RM51.9 million in FY2018. This correlated with the increased of sales in premium stretch films, courier bags and the food and beverage division.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL POSITION

Assets

Total assets grew 19.2% to RM881.3 million as at 31 December 2019 from RM739.3 million in the year before. The increase of the total assets is mainly contributed by the increase of property, plant and equipment and right-of-use assets amounting RM70.5 million. The Group has a total of cash and cash equivalents of RM228.3 million. Strong cash reserve will enable the Group to carry out its strategic expansion plans timely and smoothly in any unpredicted economic downturn.

Liabilities

Total liabilities increased by 22.17% to RM286.7 million as at 31 December 2019 from 234.7 million a year before. The increase was mainly contributed from the increase in loans and borrowings of RM13.7 million and increase in trade payables of RM27.2million.

Equity

As at 31 December 2019, total equity increased from RM504.6 million in FY2018 to RM594.6 million, an increase of 17.8%. Higher total equity was mainly attributable to profits generated in FY2019 and after offsetting dividends paid to shareholders. The conversion of ICULS, exercise of warrants and Employees' Share Option Schemes ("ESOS") also contributed to the increase in total equity.

SHARE CAPITAL AND EARNING PER SHARE ("EPS")

Share Capital

The number of issued shares increased to 184.7 million as at 31 December 2019 contributed from the conversion of ICULS and the exercise of warrants and ESOS during the financial year.

EPS

FY2019 basic EPS was 38.80 sen while diluted EPS was 37.27 sen. The dilution in EPS is due to taking into account of unexercised shares from Employees' Share Option Scheme.

CASH FLOWS

Cash from operating activities

Net cash generated from operating activities was RM90.1million in FY2019 as compared with RM24.92 million in FY2018. This was due to higher profit generated during the year and the surplus in working capital movements.

Cash used in investing activities

Net cash used in investing activities was RM66.3million in FY2019 as compared to RM43.6million in FY2018. The net cash outflow was mainly due to the acquisition of property, plant and equipment's amounting to RM70.0 million as compared to the previous financial year of RM47.0 million.

Cash from financing activities

Net cash generated from financing activities was RM37.5million in FY2019 as compared to RM32.6 million in FY2018. The increase is due to proceeds from the exercise of Employees' Share Option Scheme by the option holders amounting RM2.3million and also proceeds from issuance of shares in a subsidiary company to non-controlling interest amounting RM6.2million.

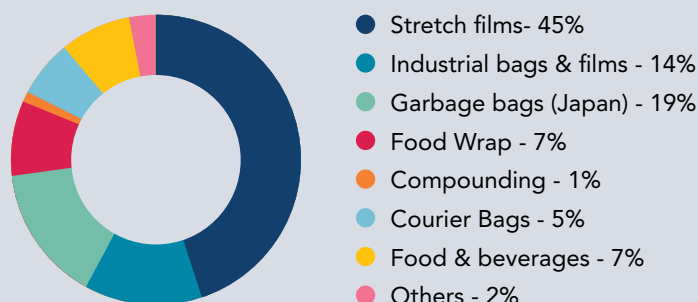


Figure 1: Sales Mix for FY2019

Plastic Division

The Group's plastic products comprise of five main categories which are stretch films, garbage bags, industrial bags, courier bags and PVC food wraps. The revenue contribution from each category are 45%, 19%, 14%, 5% and 8% respectively.

During financial year 2019, the Group has installed a new premium stretch film production line and fully commissioned on October 2019. The new production line contributed 12,000 MT per annum to the total annual production capacity. The Group is scheduled to commission an additional premium stretch film line and a new blown line from Germany in the 2nd quarter and 3rd quarter of year 2020.

For the PVC food wrap division, to date the Group has commissioned 10 production lines with annual capacity 12,000MT. During the FY2019, the Group has installed a new production line and fully commissioned on July 2019. In this aspect, this fulfils the Group's aspirations to continue to grow and eventually become one of the largest PVC food wrap producers in Malaysia, South East Asia as well as in Asia Pacific.

On the garbage bags and industrial bags division, our sales have remained stable for the year under review. To date, we are one of the major suppliers of garbage bags to Japan and we intend to maintain our position whilst complying with the stringent standards set in place by our Japanese customers. For the coming years ahead, the Group remains cautiously optimistic for a sustainable growth in this product segment.

In FY2019, the Group set up its new products division i.e. courier bags in view the booming online business. The business unit has begun operation in January 2019 and has contributed RM48.0 million in revenue in FY2019.

Food, Beverage and other Consumable Products (F&B)

Over the years, the F&B division has been consistently delivering an annual contribution of 5.0-7.0% over the Group's total revenue. Our tea and coffee products remain as the two main contributors to the F&B business division. During the financial year under review, the fast-moving consumer goods ("FMCG") market remains competitive on the back of a soft domestic economy. Apart from that, our F&B business segment was also affected by the weaker consumer spending sentiments impacted by a confluence of both global and domestic factors, including the heightened volatility in the financial markets as well as the employment condition.

For the organic noodle product, we are still in the midst of establishing various business opportunities with interested parties. Hence, this product has yet to contribute much towards the revenue of the Group. However, for FY2020, the Group is optimistic that we will be able to growth the noodle products revenues.

Dividend

The Group remains grateful to our shareholders and we have been faithfully declaring dividends every year despite not having a dividend policy. On 28 August 2019, the Group paid a final single tier ordinary dividend of 8 sen per ordinary share, with a total dividend pay-out of RM14.0 million in respect of FY2018. The Board also recommended a final single tier dividend of 9 sen per ordinary share for FY2019 which is subject to the shareholders' approval at the forthcoming Annual General Meeting.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Irredeemable Convertible Unsecured Loan Stocks ("ICULS")

On 15 October 2014, the Group completed its issuance of RM52,602,250 nominal value of 5 year 5% ICULS at 100% of its nominal value together with 26,301,106 free detachable warrants. The ICULS may be converted into new Thong Guan shares on any market day from its second anniversary date which is on 10 October 2016. As at 10th October 2019, all ICULS were fully converted into ordinary shares.

Employees' Share Option Scheme ("ESOS")

On 3rd July 2019, the Group announced to offer the ordinary shares of the Company under ESOS to the eligible employees and executive directors of the Group. The ESOS duration is from 3rd July 2019 to 2nd July 2024. The number of options offered are 22,500,000 units. The exercise price per option is RM2.26. The total options accepted by the eligible employees and executive directors are 20,807,000 units. The options shall be exercisable in the following manner until the expiry of the ESOS on 2nd July 2024 if there is no extension of ESOS for a further 5 years.

Tranche	Vesting period
Tranche 01: 20% of Options	7 August 2019 to 6 August 2020
Tranche 02: 20% of Options	7 August 2020 to 6 August 2021
Tranche 03: 20% of Options	7 August 2021 to 6 August 2022
Tranche 04: 20% of Options	7 August 2022 to 6 August 2023
Tranche 05: 20% of Options	7 August 2023 to 2nd July 2024

Business Outlook

The world economic condition is expected continue to be challenging with uncertainties created from the Pandemic COVID-19 outbreak and the oil price plunge. These have affected the sales of the Group due to the travel restrictions. Despite of this, the Group has been working hard and has concrete plans to look for new customers and markets for its products. Barring any unforeseen circumstances, we expect that all of the Group's business divisions will continue to be on an upward trajectory.

Appreciation

We would like to extend our sincerest appreciation to all our valued customers, vendors, bankers, relevant authorities and respective stakeholders for your continued support to Thong Guan, enabling us to advance with our strategic plans. The Group also takes this opportunity to acknowledge the contributions of our management team and staff members who have given the best commitment and hard work to propel the Group forward. Finally, a heartfelt gratitude to the Board of Directors for their invaluable insights and guidance. Together, we will strive for Thong Guan to achieve stronger financial years ahead.

PROFILE OF DIRECTORS



**Duli Yang Teramat Mulia Tengku Sarafudin
Badlishah Ibni Sultan Sallehuddin**

aged 53
Male
Malaysian

DYTM Tengku Sarafudin was appointed as the Independent Non-Executive Director and Chairman on 25 August 2016.

DYTM Tengku Sarafudin graduated with a Bachelor of Laws Degree from Brunel University, London, United Kingdom and is a Barrister at Law from the Inner Temple, United Kingdom. He started his career at Sime Darby Berhad in 1992 and was attached to the Corporate Planning and Legal Department and then to Industrial Relations Department. In late 1994, upon completion of his pupillage at Messrs Shearn Delamore & Co, he was admitted as an Advocate and Solicitor of High Court of Malaya. In 1997, he joined Pesaka Jardine Fleming Sdn. Bhd., a financial advisory company where he was involved in compliance, secretarial and legal matters. In late 1999, he joined the Malaysian Communications and Multimedia Commission's Legal Department until he left in 2010 as the Head of Legal and Secretarial Department. He is currently a partner in the legal firm, Messrs Kamil Hashim Raj & Lim. DYTM Tengku Sarafudin was proclaimed as the Crown Prince of Kedah on 26 November 2017. He was proclaimed as the Pro Chancellor 1 of Universiti Utara Malaysia in November 2018, as Pro Chancellor of Universiti Islam Antarabangsa Sultan Abdul Halim Mu'adzam Shah and as Chancellor of Management & Science University, both in February 2019.

He 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 is the cousin of Tengku Muzzammil Bin Tengku Makram, Independent Non-Executive Director. He has no conflict of interest with the Company and does not hold any other directorship in public companies. He had not been convicted for any offences (other than traffic offence if any) within the past 5 years and have not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.



Dato' Ang Poon Chuan

aged 76
Male
Malaysian

He was appointed as the Managing Director on 18 September 1997.

He completed his MCE prior to joining Thong Guan Industries Berhad ("TGI") 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 wholly-owned subsidiaries of TGI) in 1983. During his 55 years of service, he has gained extensive knowledge of the plastic, paper, food, beverages and trading business. His invaluable business acumen and foresight has shaped and build TGI to its present stature. He is a well-respected figure in the plastic industry and was the former President of the Malaysian Plastic Manufacturers Association (Northern Branch).

He has attended three out of four Board meetings held for the financial year. He is the brother of Dato' Ang Poon Khim and Datuk Ang Poon Seong and the father of Ang See Ming. He is a 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 not been convicted for any offences (other than traffic offence if any) within the past 5 years and have not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

PROFILE OF DIRECTORS (CONT'D)



Dato' Ang Poon Khim

aged 66
Male
Malaysian

He was appointed as the Executive Director on 18 September 1997.

He obtained a Bachelor of Science (Hons) in Mechanical Engineering from Teeside University, U.K and joined Thong Guan in 1981. He has contributed to product development R&D and in sustainability projects. He is presently the Executive Director and is responsible for overseeing production and sales functions of TGI.

He 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 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 not been convicted for any offences (other than traffic offence if any) within the past 5 years and have not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.



Datuk Ang Poon Seong

aged 64
Male
Malaysian

He was appointed as the Executive Director on 18 September 1997.

He is the Managing Director of Jaya Uni'ang (Sabah) Sdn. Bhd. and Uniang Plastic Industries (Sabah) Sdn. Bhd., both 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 was also the former President of the Malaysian Plastics Manufacturers Association (Sabah Branch) and the Federation of Sabah Manufacturers.

He attended all of 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 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 not been convicted for any offences (other than traffic offence if any) within the past 5 years and have not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

PROFILE OF DIRECTORS (CONT'D)



Mr. Ang See Ming

aged 50
Male
Malaysian

He was appointed as the Executive Director on 11 December 2013.

He holds a Bachelor of Business (Accounting) degree 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 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. He had not been convicted for any offences (other than traffic offence if any) within the past 5 years and have not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.



Mr. Chow Hon Piew

aged 66
Male
Malaysian

He 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. He is also a Fellow 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 attended all 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 had not been convicted for any offences (other than traffic offence if any) within the past 5 years and have not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

PROFILE OF DIRECTORS (CONT'D)



Dato' Kang Pang Kiang

aged 48
Male
Malaysian

He was appointed as an Independent Non-Executive Director on 30 August 2013.

He obtained his Double degrees in Bachelor of Commerce and Bachelor of Science from University of Auckland, New Zealand. He is a Chartered Accountant of Malaysian Institute of Accountants (MIA) and Associate Chartered Accountant (ACA) of Chartered Accountant Association, New Zealand. He is currently the Group Chief Executive Officer/Executive Director of EG Industries Berhad, a public limited company listed on the Main Market of the Bursa Malaysia Securities Berhad.

For his outstanding entrepreneurship and enthusiasm, he has been awarded the Best Chief Executive Officer and Best Investor Relations Professional under the Micro-cap category of "The Investor Relations Awards 2015". On top of that, in appreciation of his dedication to the business and social community, he was conferred the title of Dato' in year 2018 and was appointed as a member of POLTERA (Persatuan Kebajikan Keluarga Bekas Polis dan Tentera) in year 2019. He was also been appointed as a distinguished Adjunct Professor by AIMST University to share his business and industry insights with our future workforce.

He serves as the Chairman of the Remuneration Committee and is a member of the Audit Committee and Nominating Committee. He attended all 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 had not been convicted for any offences (other than traffic offence if any) within the past 5 years and have not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.



**Tengku Muzzammil Bin
Tengku Makram**

aged 46
Male
Malaysian

He was appointed as an Independent Non-Executive Director on 25 August 2016.

He graduated with a Diploma in Business Studies and Diploma in Marketing from Stamford Group of Colleges. He started his career at Pembinaan Jayabumi (S) Sdn. Bhd. in 1996 as Marketing Executive. Thereafter, in 1997, he assumed the role as Special Project Executive in FACB Berhad. In 1998, he joined R. AT Design Sdn. Bhd. as an Assistant Manager and was promoted to General Manager in 2002. He then joined Premont Corporation Sdn. Bhd. in 2002 as the Managing Director. He is the owner of TM Med Sdn. Bhd. which specializes in the provision of medical supplies to government hospital.

He serves as the member of the Audit Committee. He attended all of the four Board meeting held for the financial year. He does not have any family relationship with any director and/or major shareholders of the Company. He is the cousin of Duli Yang Teramat Mulia Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin, Independent Non-Executive Chairman. He has no conflict of interest with the Company. He had not been convicted for any offences (other than traffic offence if any) within the past 5 years and have not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

SUSTAINABILITY STATEMENT

Thong Guan Industries Berhad's (hereinafter referred to as "Thong Guan", "the Group", "us", "our" or "we") is proud to present our Sustainability Statement for the financial year from 1 January 2019 to 31 December 2019 ("FY2019"). This section presented the progress we incorporated sustainability measurements into our business operations and activities. We understand that the embrace of sustainability is a consistent and long journey. We will focus on the concerns of all stakeholders' economic interest, environment interest and social interest to ensure sustainability governance is in place.

Introduction

In this fast pace era of business globalisation, Thong Guan business has been continuously evolving to strive for sustainable growth. Over the years in business operations, we have established a well-diversified plastics packaging products and food and beverage ("F&B") businesses with global product presence in over 70 countries. As we continue our strides of growth, we are very cautious of our impact on the economic, social and environmental matters. Therefore, it is pertinent to understand the matters that affect the Group's sustainability and to ensure that we identify and manage it accordingly.

Reporting Scope

Thong Guan is committed to the provisions of Main Market Listing Requirements of Bursa Malaysia on reviewing, updating and reporting our sustainability performance on an annual basis. The reporting during the year in review covers the Group's operations in Malaysia. Our reporting has been prepared in accordance with the guidelines set out in the Main Market Listing Requirements in relation to the Sustainability Statement in Annual Report of Listed Issuers (Guidelines) issued by Bursa Malaysia Securities Berhad.

We strive to do our utmost to strike a meaningful balance between our economic aspirations and our social and environmental obligations. This Sustainability Report details our continuous efforts to ensure that as we pursue growth in profits and expansion of our operations, we remain vigilant of the economic, social and environmental impact of our actions.

Sustainability Governance

Our sustainability framework is led from the top and the responsibilities played by each level of our organisation.

- Executive Directors
 - Review the Group's sustainability matters and ensure business strategy considers sustainability.
 - Provide advice and direction of sustainability in the Group when necessary.
 - Approves sustainability strategies and reports.
- Management
 - Responsible for assessing and identifying material sustainability factors.
 - Develop sustainability strategy and recommendation and regular revision is in place.
 - Undertake actions necessary to address sustainability concerns.
 - Oversees operating divisions in ensuring robustness of system of sustainability management.
- Operating Divisions
 - Supports strategy implementation develop by the management to ensure sustainability objective is achieved.
 - Ensures sustainability processes and controls are in place within its departments/functions.
 - To review and feedback on all measurements for improvement.

SUSTAINABILITY STATEMENT (CONT'D)

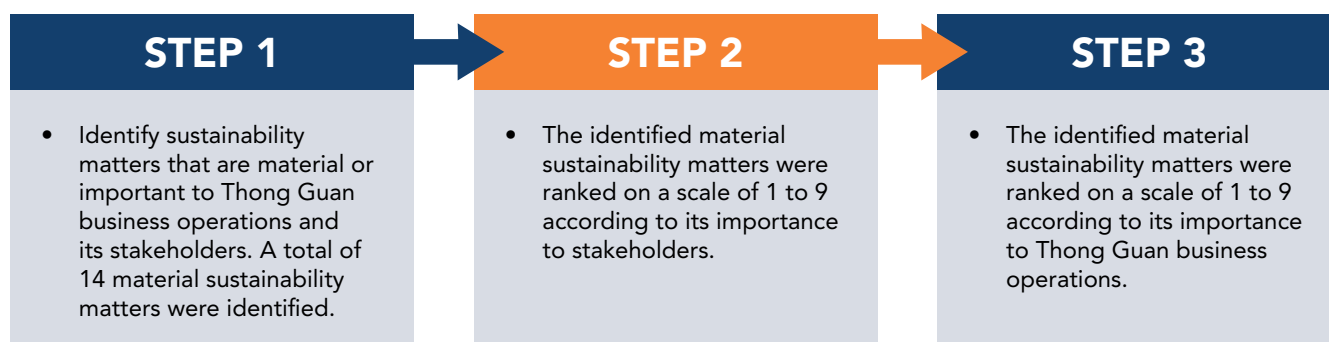
Stakeholder Engagement

Stakeholder engagement is a key element to ensure businesses are continue relevant and value added. The table below show the engagement activities that have been carried out during financial year 2019.

Stakeholders	Areas of Interest	Method and Frequency
Investors/Shareholders	<ul style="list-style-type: none"> • Profitability • Dividend • Business directions 	<ul style="list-style-type: none"> • Quarterly financial result • Annual General Meeting • Company website • Annual Reports • Press release
Customers, Suppliers and Business Partners	<ul style="list-style-type: none"> • Product and service quality • Timely delivery & consistency in supply • Credit worthiness • Value added products 	<ul style="list-style-type: none"> • Customer satisfaction survey/supplier evaluation • Customer service and communication • Trade fairs and frequent site visits
Employees	<ul style="list-style-type: none"> • Career & learning path • Employee welfare and benefits • Health and safety in work place 	<ul style="list-style-type: none"> • Communications through counselling and memo circulation • Continuous improvement of workplace • Bi-annually performance appraisal • Trainings and workshops • Employee events including outing and get together gathering
Regulators/Government/ Authorities	<ul style="list-style-type: none"> • Compliance with laws and regulations 	<ul style="list-style-type: none"> • Compliance and certification exercises including site visits and audits by authorities/certification body
Local Community	<ul style="list-style-type: none"> • Corporate social responsibility 	<ul style="list-style-type: none"> • Educational site visits • Sponsoring sports and educational programmes • Community outreach programmes

Materiality Assessment

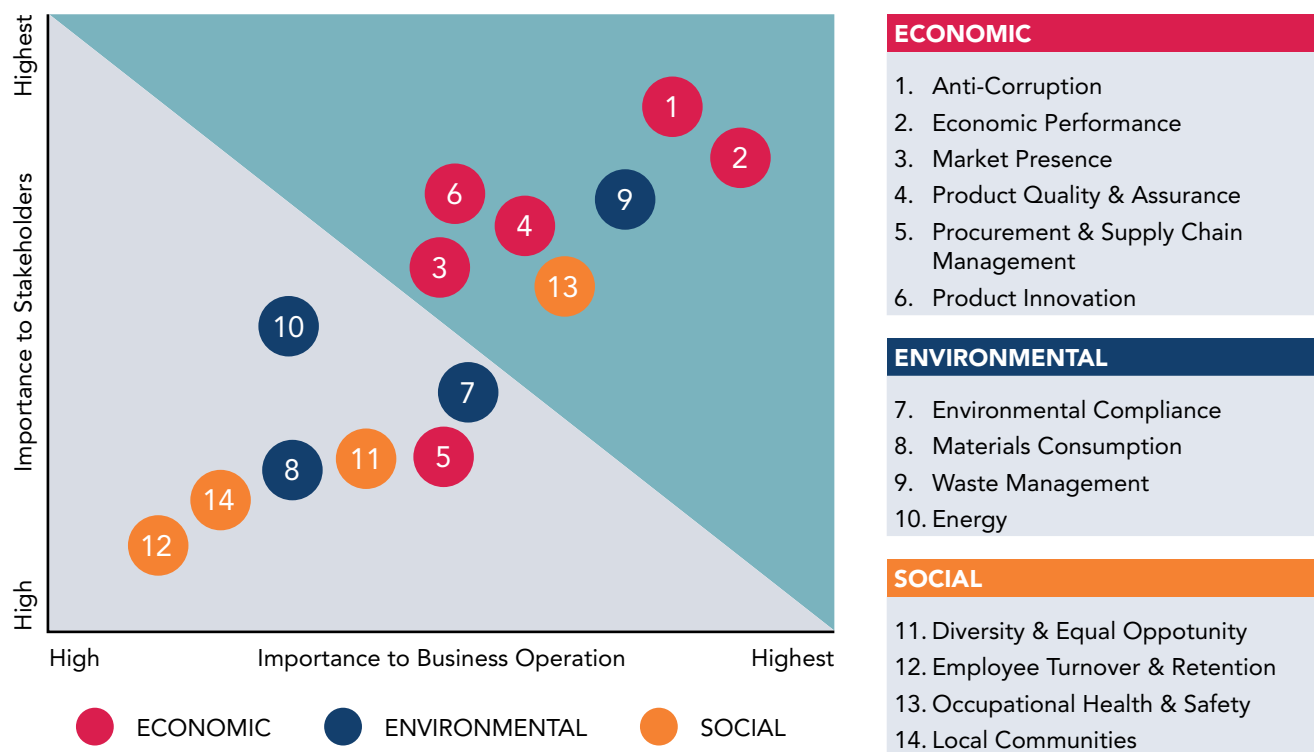
Materiality assessment is conducted to identify and prioritise the economic, environment and social topics that may potentially impact Thong Guan's business and its stakeholders. The steps involved in the materiality assessment are summarised as below:



SUSTAINABILITY STATEMENT (CONT'D)

Materiality Assessment (Cont'd)

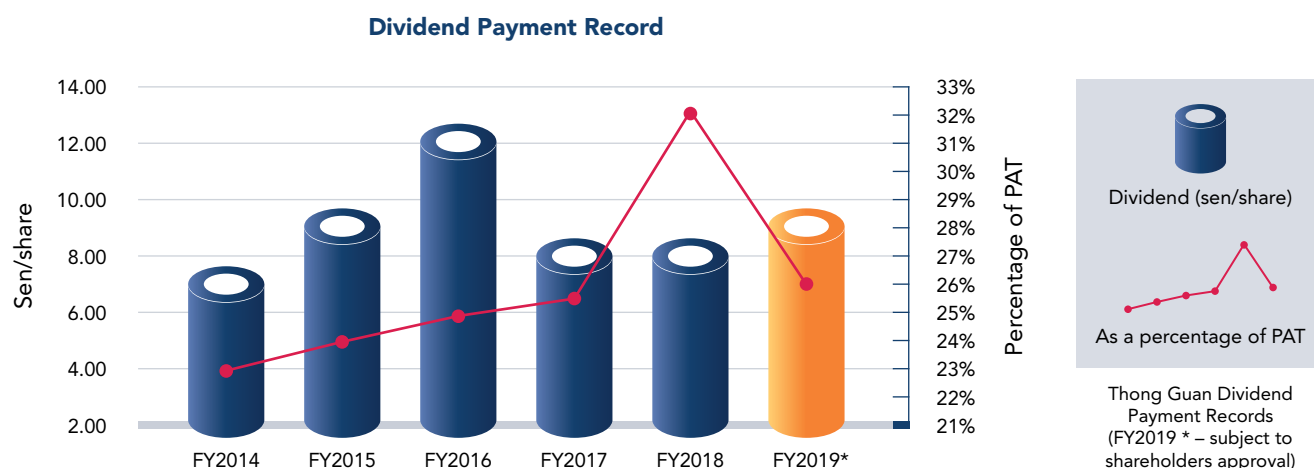
Based on the materiality assessment, the identified 14 material sustainability matters are those which are relevant to our business operations and stakeholders. These matters were then plotted into a matrix for better visualisation of the critical material sustainability matters.



The identified material sustainability matters are categorised as the highest priority (in blue shades) to our business operations and stakeholders, while those that are located in the light blue shades of the matrix are of high priority. We note that the 14 material sustainability matters represent the 3 pillars of sustainability where each matter will be relevant to the interest and concern of different stakeholders.

Sustainability Matters of Economic Interest

Thong Guan is striving to achieve a sustainable financial performance and fulfil our obligation to our shareholders. As a listed company, we generate returns to our shareholders in two ways: dividends and capital appreciation. We understand that this is highly dependent on the company's financial performance. Hence, we are committed to upholding integrity to preserve shareholders' interest and putting efforts to growth the business to achieve our double up mission.



SUSTAINABILITY STATEMENT (CONT'D)

Sustainability Matters of Economic Interest (Cont'd)

We are also continuing our effort to maintain high standards of corporate ethics and strict compliance with laws and regulations in sustaining our business. The Board of Directors is guided by a Board Charter and Code of Ethics and has adopted a Sustainability/Environment, Social and Governance (ESG) policy, Whistleblowing policy and Corporate Disclosure Policy.

Sustainability Matters of Social Interest

Our efforts to develop sustainability in the Social aspect include both internal employees and surrounding communities.

- Workforce

The Group is an equal opportunity employer that promotes inclusivity in the workplace. We provide an inclusive work culture that supports diverse talents who contribute positively to the growth and productivity in line with the Group's vision and mission. Employees are always an asset to the Group, and we are committed to the welfare and wellbeing of our employees. We always provide our employees with a safe, secure and conducive working environment. We also putting in efforts on nurturing talent and provide opportunities for career advancement.

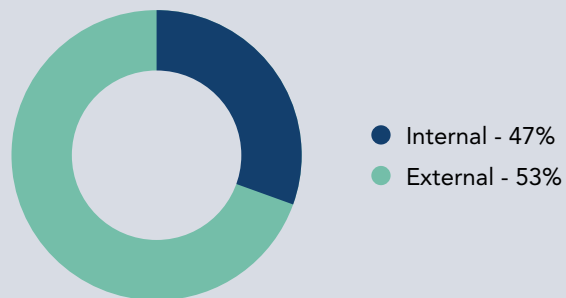
The Group complies with all employment regulations and guidelines set out by the Malaysian Government and relevant bodies:

- Established policies for the Group that supports no child labour, no forced labour, no discrimination and fair labour practices within the Group.
- Established Whistleblowing Policy, No Gift Policy for the Group which provides an avenue and proper channel for stakeholders to voice legitimate concerns. This is the Group's aspiration to conduct its business and operation with high integrity and transparency.
- We comply and respect the right to minimum wage for all our employees in Malaysia and China and comply with the requirements on paying overtime rates as well as working excessive hours.
- We promote gender equality and staffs are promoted strictly based on merit without discriminating gender, age, race, or religion.
- The Group has conducted internship program by recruited 27 students in Year 2019.
- The Group is currently employing 6 handicapped employees.

- Trainings

On the employee retention and talent development efforts, the Group has a plan to send its employees to attend internal and external training programmes to enhance and improve their knowledge. We understand knowledge improvement of the employees is an utmost important path in their career advancement and skill upgrading for job performance and productivity.

Training Programme Conducted for Year 2019



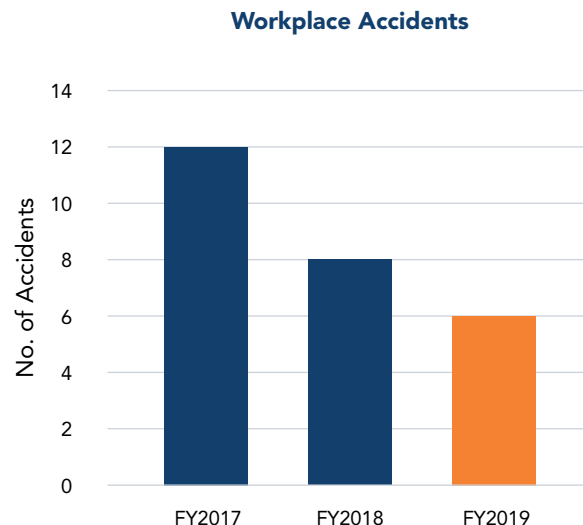
The Group is certified with OHSAS 18001 Occupational Health and Safety standard. We place important on occupational health, safety and wellbeing of our employees. We ensure adequate insurance and hospitalisation coverage for all workforce and executives. Our employees are covered for Hospitalisation & surgical policy, personal Accident policy and group term life policy.

SUSTAINABILITY STATEMENT (CONT'D)

Sustainability Matters of Social Interest (Cont'd)

Occupational Safety & Health (OSH) activities

The safety and health of our employees, partners and local communities has always been a top priority. Any fatality is unacceptable. We are determined to enhance the safety culture across all of our operations to prevent the recurrence of such incidents. The Group has continuously conducted several OSH activities during the year and we have successfully reduced the workplace accident by 25% as compared to last year.



The list of Activities conducted in Year 2019

QMS	ISO 9001:2015 QMS Standard Requirements & Awareness ISO 9001:2015 Internal Quality Auditor Training & Workshop Root Cause Fixing - Preventive and Corrective Actions
EMS	ISO 14001:2015 EMS Standard Requirements & Awareness Training ISO 14001:2015 Internal Environmental Audit Training & Workshop Safe Chemical Handling and Spillage Control Safety, Health & Environmental Training Hearing Conservation, Noise Protection and OSH NADOPD Reg.2004 Training
OHSA	ISO 45001:2018 Internal Auditor Training & Workshop ISO 45001:2018 Transition & Awareness OHSA Management Roles & Responsibilities Training Occupational First Aid & CPR Training Forklift Safe Handling Basic Fire Fighting

As the staff safety is always our main concern, we have implemented proactive measures to prevent incidents and to minimise risks.

- Following the Health, Safety and Environment (HSE) rule and practice in place.
- Regularly check on safety equipment.
- Communicate people with potential risk in workplace.
- Wear appropriate Personal Protective Equipment.
- Reporting all related incident to the safety and health officer and supervisor.
- Reporting any near miss & unsafe condition to the safety and health officer and supervisor.
- Directing people to safety training courses.

SUSTAINABILITY STATEMENT (CONT'D)

Sustainability Matters of Social Interest (Cont'd)

- Occupational Safety & Health (OSH) activities (Cont'd)

In addition, rules and regulations have been enforced to ensure a safe working environment for our employees as well as visitors that have entered into our plants. Work instructions are clearly visible on every machine to ensure that our employees are always aware of safety procedures while operating machines.



- Customers

For food and beverage ("F&B") division, food safety for our customers is the Group's top priority. In order to achieve this, we have been granted the certification as below:

- o BRC global safety standard
- o Hazard Analysis, Critical Control Point ("HACCP")
- o Makanan Selamat Tanggungjawab Industri ("MeSTI")
- o Good Manufacturing Practice ("GMP")
- o HALAL certification
- o NASAA certified Organic
- o USDA Organic
- o ISO 9001 (QMS)
- o ISO 22000 Food Safety Management
- o Organic Food Chain (OFC)

The process of certification includes adequacy, compliance and follow up audits by appointed certified external auditors.

SUSTAINABILITY STATEMENT (CONT'D)

Sustainability Matters of Social Interest (Cont'd)

- Communities

The Group also believes in giving back to the community through participating in CSR activities. During the year, Thong Guan has demonstrated our commitment towards discovering Orang Asli village to understand how they live and survive in the forest.

We have made a visit to Orang Asli village located in Belum Temenggor, Perak which the Jahai Group belonging to the Negrito tribe lives. They have continued to live off nature through hunting, fishing and gathering jungle products as their main source of livelihood. Thong Guan has engaged the villagers in fun activities involving their children and has further distributed bags of daily food necessities to them.



The Group has also contributed to the various social bodies and schools for their charitable or sports activities include St John Ambulance Malaysia, Persatuan Ping Pong Amatur Kedah Tengah, Lions Club and others.

Sustainability Matters of Environmental Interest

At Thong Guan, we believe that environmental sustainability is as important as business sustainability. The Group is seeking to comply with environmental regulations and enhance corporate environmental responsibility efforts. With this objective, we are certified with ISO 14001 which is the most widely used standard for Environmental Management Systems internationally. By implementing the standard, we are able to manage the environmental impacts during conducting our business activities.

- Minimising wastage of resources

We have in place, our nano-technology stretch film machine which is designed to be safe and efficient through a fully computerised manufacturing process to reduce energy consumption and minimise waste in production process.

Through our collaboration with one of our subsidiaries – Newton R&D Centre Sdn Bhd on ENGAGE programme, we aim to optimise the stretch film application and improve our bottom line as the nano-technology stretch film could provides guaranteed lower consumption of raw material per wrap and stabilisation of load over time.

Our data and analysis are tabulated through a series of testing from cutting edge machines and real time stimulations which will then allow for recommendations to the Group for best designs and package techniques for load stability and safety.

- Waste recycling

We have in place, Standard Operating Procedures (SOPs) and Work Instructions to ensure the best possible measures are taken throughout all our facilities to reduce any adverse environmental impacts arising from the discharge of waste.

Within the Group of companies, we have three production facilities which is equip in house recycling machines. This has enabled us to immediately recycle the side trim or rejected products arose from the daily manufacturing processes into recycle resin. The recycle resin will subsequently use back into our manufacturing processes in producing certain plastic packaging products. With this arrangement, the company is able to achieve zero material waste in the manufacturing process and achieving objective of "reduce" and "recycle" in the 3Rs concept.

SUSTAINABILITY STATEMENT (CONT'D)

Sustainability Matters of Environmental Interest (Cont'd)

- Waste recycling (Cont'd)

The company has gone further steps in recycling. The resin material bag and other recyclable packaging materials that we have received from raw material purchases are also being collected, segregated and subsequently converted into recycle resin. In Year 2019, the Group has converted a nearly 400MT of material bag wastes into recycle resin.

For other hazardous waste from the manufacturing activities, the waste collected will be disposed by licensed hazardous waste recycling operator.

In Year 2020, the Group aim to extend the waste recycling initiative into supporting departments in office. The wastes from the supporting department will be segregated into 4 bins which include paper bin, plastic bin, metal cans bin and general waste bin. The money collected through disposal of waste is then channel to use in CSR activities.

- Preserving the environment

For energy consumption, the Group has been continuously devoting efforts to reduce the usage of the electricity, we have continuously engaged a certified electricity consultant to perform an analysis and to provide solutions to further reduce the usage of electricity apart from our current initiatives.

In Year 2019, we have continued to implement the Green House Gas Emission (GHG) project by installed another 2 photovoltaic solar systems on the roof of our factories to generate electricity. This project generates electricity from sunlight via the solar PV system installed. Solar PV system is deemed as "emission free" system because its operation does not emit any carbon dioxide or greenhouse gas. With the implementation of this solar PV system technology, it will reduce our carbon footprint and deliver economic savings to the Group.

The photovoltaic solar systems on the roof of our factories have reduced the greenhouse gas emission totalling to 5,322.51 tCO₂e/yr, which equivalent to 26,609 trees offset/yr. The Group aim to continue with new installation of PV solar systems for other subsidiaries in Year 2020 to further increase the reduction of greenhouse gas emission throughout the Group.



Moving Forward

In conclusion, our sustainability statement reports all the economic, environmental and social risks faced by the Company in this financial year. The statement also extends to the management and the efforts put in by the Company to grow as an exemplary sustainable organisation. Moving forward, we will continuously endeavour to enhance our sustainability performance in the coming years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Thong Guan Industries Berhad ("the Company") 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 Corporate Governance Overview Statement sets out how the Company has applied the Principles and Practices and the approach the Board will take to steer the Company to apply such Principles and Practices as prescribed by the Malaysian Code on Corporate Governance as issued by Securities Commission Malaysia on 26 April 2017 ("MCCG").

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

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 ("TOR"). The Committees established are the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"). 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 Board composition.

All decisions and deliberations at Committee level are documented by the Company Secretary in the minutes of meetings. The Chairman of the respective 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.

The Board has responsibilities which are discharged in the best interests of the Company in pursuance of its regulatory and commercial objective. The key responsibilities of the Board include:

a) Reviewing and adopting the Group's Strategic plans

The Board is collectively responsible for oversight and overall management of the Group. The Executive 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 review of financial and operating performance of the Group.

b) Overseeing the conduct of the Group's business

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 INEDs do not engage in the daily management of the Group. Their presence 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

- c) Identifying principal risks and ensuring the implementation of appropriate systems to manage them

The management, with the assistance from the Internal Audit ("IA"), 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. The details of the risk management are set out in the Statement on Risk Management and Internal Control ("SORMIC") of this Annual Report.

- d) Succession planning

The management, as guided by the managing director, is responsible for ensuring that there is effective and orderly succession planning in the Company at all levels. The TOR of the NC provide the responsible for formulating nomination, selection and succession policies for the Directors.

- e) Reviewing the adequacy and integrity of the management information and internal control system of the Company

The Board acknowledges its responsible for the adequacy and integrity of the Groups' internal control system. Details pertaining to the Groups' internal control system and its effectiveness are available in the SORMIC of this Annual Report 2019.

The Managing Director 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 Executive 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 two (2) Company Secretaries (both are qualified to act as company secretary under the Companies Act 2016 ("CA2016")). The Board, whether as a full board or in their individual capacity, may upon approval of the Board, seek independent professional advice if required, in discharge of their duties, at the Company's expense.

II. Board Composition

The Board recognises the benefits of having a diverse Board to ensure that the mix and profiles of the Board members in terms of age and ethnicity, provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management.

The Board comprised 8 Directors as at the date of this Annual Report 2019 as follows:

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

The present composition complies with the composition requirement as stated in Bursa Malaysia Securities Berhad Main Market Listing Requirement ("MMLR") as more than 1/3 of the Board Members are INEDs.

III. Nominating Committee (NC)

The principal Board function of making recommendations for new appointment to the Board and Board Committees is delegated to the NC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. Nominating Committee (NC) (Cont'd)

Currently, the Committee consists entirely of INEDs as tabulated:

Name	Position
Chow Hon Piew	Chairman
Dato' Kang Pang Kiang	Member

The NC's mandate expressed through its TOR 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 NC 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 2019, the NC met on one (1) occasion and resolved the following key activities:

- Review the current board structure, size and composition,
- Conducted the annual assessment of the Directors, Board, Board Committee and Chief Financial Officer,
- Reviewed the level of independence of INEDs;
- Reviewed the term of office and performance of AC; and
- Recommended the re-appointment, re-election and retention of Directors.

The Nominating Committee also systematically 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 MMLR.

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

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 NC will however continue to take steps to ensure suitable women candidates are sought as part of its recruitment exercise.

The NC 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 NC before recommending 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 NC before recommendation is made to the Board and shareholders for re-election and/or re-appointment. Appropriate assessment and recommendation by the NC 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 at least one third (1/3) or the number nearest to one third (1/3) of the Directors, thereafter by rotation at least once in every three (3) years at the AGM.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

IV. Remuneration Committee (RC)

The Remuneration Committee currently comprised the following:

Name	Position
Dato' Kang Pang Kiang	Chairman
Chow Hon Piew	Member

The RC consists of two members, whom are INEDs. The RC met once during the financial year with the full attendance by all members of the RC. 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 RC 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 the Non-Executive Directors is linked to their experience and level of responsibilities undertaken by them as well as the onerous responsible and challenge in discharging their fiduciary duties. Non-Executive Directors are paid fixed annual fees as members of the Board and Board Committees. The Directors' fees and benefits payable are approved annually by the shareholders of the Company.

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 2019 is as follows:

	Salaries (RM'000)	Bonus, Other Allowances & Benefits in Kind (RM'000)	EPF Contribution by Employer (RM'000)	Fees (RM'000)	Total (RM'000)
Company					
Executive Directors					
Dato' Ang Poon Chuan				40	40
Dato' Ang Poon Khim				40	40
Datuk Ang Poon Seong				40	40
Ang See Ming	123	45	18	40	226
Non-Executive Directors					
DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin		155		40	195
Tengku Muzzammil Bin Tengku Makram		48		40	88
Chow Hon Piew		13		40	53
Dato' Kang Pang Kiang		13		40	53
Total	123	274	18	320	735

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

IV. Remuneration Committee (Cont'd)

	Salaries (RM'000)	Bonus, Other Allowances & Benefits in Kind (RM'000)	EPF Contribution by Employer (RM'000)	Fees (RM'000)	Total (RM'000)
Group					
Executive Directors					
Dato' Ang Poon Chuan	864	344	72	93	1,373
Dato' Ang Poon Khim	816	331	68	93	1,308
Datuk Ang Poon Seong	276	37	26	76	415
Ang See Ming	371	113	55	73	612
Non-Executive Directors					
DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin		155		40	195
Tengku Muzzammil Bin Tengku Makram		48		40	88
Chow Hon Piew		13		40	53
Dato' Kang Pang Kiang		13		40	53
	2,327	1,054	221	495	4,097

The Group adopts a remuneration system that is responsive to the market elements as well as performance of the Group and its business divisions.

The Board acknowledged the need for transparency in the disclosure of its Senior Management's remuneration. Nonetheless, it takes the view that such disclosure might be detrimental to the Group's business interests given the highly competitive human resources environment in which the Group operates where intense head hunting for the candidates with the requisite expertise, knowledge and relevant professional experience is the norm. As such, disclosure of specific remuneration information could give rise to recruitment and talent retention issues going forward.

V. Foster 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 given.

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 these meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

V. Foster Commitment (Cont'd)

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

	Board	Audit	Committees Nominating	Remuneration
DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin	4/4	-	-	-
Tengku Muzzammil Bin Tengku Makram	4/4	4/4	-	-
Dato' Ang Poon Chuan	3/4	-	-	-
Dato' Ang Poon Khim	4/4	-	-	-
Datuk Ang Poon Seong	4/4	-	-	-
Ang See Ming	4/4	-	-	-
Chow Hon Piew	4/4	4/4	1/1	1/1
Dato' Kang Pang Kiang	4/4	4/4	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.

VI. Director 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, all the Directors had, during the year under review, attended the following training programs, seminars and international trade exhibition:

Areas	Seminar/Programs/Trade exhibition	Director attended
Production/Plastics	<ul style="list-style-type: none"> Chinaplas 2019 – The International Exhibition on Plastics and Rubber Industries 	<ul style="list-style-type: none"> Dato' Ang Poon Khim Datuk Ang Poon Seong
	<ul style="list-style-type: none"> K 2019 	<ul style="list-style-type: none"> Dato' Ang Poon Chuan Dato' Ang Poon Khim Datuk Ang Poon Seong Ang See Ming
Finance, Taxation & Governance	<ul style="list-style-type: none"> Director's Conflict of Interest: Avoid or Manage 	<ul style="list-style-type: none"> DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin Tengku Muzzammil Bin Tengku Makram Chow Hon Piew Dato' Ang Poon Chuan Dato' Ang Poon Khim Datuk Ang Poon Seong Ang See Ming
	<ul style="list-style-type: none"> Demystifying The Diversity Conundrum: The Road To Business Excellence 	<ul style="list-style-type: none"> Tengku Muzzammil Bin Tengku Makram
	<ul style="list-style-type: none"> Risk Management & MACC Section 17A 	<ul style="list-style-type: none"> Dato' Kang Pang Kiang
	<ul style="list-style-type: none"> Navigating Corporate Liability 	<ul style="list-style-type: none"> Dato' Ang Poon Khim
Management	<ul style="list-style-type: none"> MPMA- MIDA Conference on Government Assistance 2019 	<ul style="list-style-type: none"> Ang See Ming

All Directors had attended the Mandatory Accreditation Program.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The AC of the Company comprises three (3) INEDs. The AC is chaired by Mr. Chow Hon Piew. In the annual assessment on the suitability, objectivity and independence of the external auditors, the AC is guided by the factors as prescribed under Paragraph 15.21 of the MMLR as well as the External Auditor Assessment Policy.

Annually, the term of office and composition of AC is reviewed by the NC and recommended to the Board for its approval. As reported, the Board is satisfied with the outcome of the assessment of the performance of the AC as its members possessed the necessary knowledge, experiences and skills, for the overall effectiveness of the AC.

The AC currently comprised individuals with professional experiences in financial management, general management, audit, tax and strategic planning, amongst others. All members are financially literate and are able to read, interpret and understand the financial statements. This diversity in skills and knowledge coupled with financial literacy allows the AC to discharge their roles and responsibility effectively.

An overview of the Audit committee activities is spelt out in this Annual report under Audit Committee Report.

II. Risk Management and Internal Control Framework

In general, all major projects, investment and capital expenditure initiatives will be conducted a feasibility study and reviewed by the management and executive directors. The confirmed major projects, investment and capital expenditure will then presented to the Board for endorsement. An overview of the state and feature of the internal controls and risk management within the Group is spelt out in this Annual Report under Statement on Risk Management and Internal Control.

The Group has established a management level Risk Management Committee ("RMC"). The RMC is led by an executive director as the Chief Risk Officer and populated by head of the various reporting entities. The RMC undertakes annual Risk review of the Group's businesses and operations. The AC will report to the Board on exception only basis if there were any changes in the risks identified. Details on the internal audit function are discussed under SORMIC in Annual Report 2019.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

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 who invest in the Company's securities enjoy equal access to such information to avoid selective disclosure.

The Company's website, 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.

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.

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 from the shareholders. All suggestions and comments put forth by shareholders will be noted by the Board for consideration.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)

In line with the amendments to the MMLR of Bursa Securities, the Board implement poll voting for all the resolutions set out in the notice of general meetings. In addition, the Company will appoint one (1) scrutineer to validate the votes cast at the general meetings. The outcome of the general meetings is to be announced to the Bursa Securities on the same day after the meetings are concluded with the announcement made accessible via Bursa Securities and the Company's website.

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.

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.

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, 2016.

The Directors 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 available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Compliance with the Principles and Practices of the MCCG

For the year ended 31 December 2019 and up to the date of the printing of this annual report, the Group has complied substantially with the principles and practices of the MCCG in so far as applicable and described herein.

This CG Overview Statement was approved by the Board of Directors on 18 May 2020.

OTHER INFORMATION

Audit and Non-audit Fee

The amount of audit and non-audit fees paid and payable to the external auditors and its affiliate for the audit and non-audit services rendered to the Company and the Group for the financial year ended 31 December 2019 is as follows:

Type of Audit	Fee (RM'000)	
	Company	Group
Audit fee	30	277
Non Audit fee	47	92

Recurrent Related Party Transaction

Detail of recurrent related party transaction made during the financial year ended 31 December 2019 pursuant to the shareholders' mandate obtained by the company at the AGM were as follow:

Nature of Transactions	Name of Company	Related Party	Interested Directors	Cumulative Value of Transactions as at 31.12.19
				RM'000
Sales of plastic products (plastic bag, stretch film, shrink film, laminated film etc)	UPI (Seller)	KFI (Buyer)	Dato' Ang Poon Chuan Datuk Ang Poon Seong Dato' Ang Poon Khim	2,791
Sales of plastic products	TGSH (Seller)	TGPM, TGPP, UPI, TGPT (Buyer)	Dato' Ang Poon Chuan Datuk Ang Poon Seong Dato' Ang Poon Khim Ang See Ming	14,302
Purchase of plastic products	TGPP, TGPW, TGPT (Seller)	TGSH (Buyer)	Dato' Ang Poon Chuan Datuk Ang Poon Seong Dato' Ang Poon Khim Ang See Ming	35,249
Purchase of snack food	JUS (Buyer)	KFI (Seller)	Dato' Ang Poon Chuan Datuk Ang Poon Seong Dato' Ang Poon Khim	3,712
Renting of factory and warehouse premise at Plot 156 and Plot 33, Kawasan Perusahaan Sg. Petani, 08000 Sg. Petani, Kedah.	TGPP (Tenant)	BV (Landlord)	Dato' Ang Poon Chuan Ang See Ming	211
Renting of factory premise at No.24 (DBKK Building No.6), District of Kota Kinabalu, Sabah.	UPI (Tenant)	KP (Landlord)	Datuk Ang Poon Seong	72
Renting of factory and warehouse premise at Plot 33, Jalan PKNK Utama, Kawasan Perusahaan Sg. Petani, Kedah.	EFI (Tenant)	BV (Landlord)	Dato' Ang Poon Chuan Ang See Ming	120

OTHER INFORMATION (CONT'D)

Recurrent Related Party Transaction (Cont'd)

Nature of Transactions	Name of Company	Related Party	Interested Directors	Cumulative Value of Transactions as at 31.12.19 RM'000
Sales of noodle products	STGT (Buyer)	EFI (Seller)	Ang See Ming	231
Purchase of beverages and plastic products	STGT (Seller)	EFI (Buyer)	Ang See Ming	2
Provision of temporary financial assistance	TGIB, STGT (Lender)	EFI (Borrower)	Ang See Ming	1,001
Renting of factory and warehouse premise at Plot 156 and Plot 33, Kawasan Perusahaan Sg. Petani, 08000 Sg. Petani, Kedah.	TGPT (Tenant)	BV (Landlord)	Dato' Ang Poon Chuan Ang See Ming	543
Sales of PVC products	STGT, TGPT, JUS (Buyer)	TGPW (Seller)	Dato' Ang Poon Chuan Dato' Ang Poon Khim Datuk Ang Poon Seong Ang See Ming	997
Purchase of plastic products	TGWPP (Seller)	TGSH (Buyer)	Dato' Ang Poon Chuan Dato' Ang Poon Khim Datuk Ang Poon Seong Ang See Ming	366
Renting of factory and warehouse premise at Batu 33, Jalan Sg. Petani ke Sungai Lalang, Sungai Lalang, 08100, Kedah	TGPP (Landlord)	TGPW (Tenant)	Dato' Ang Poon Chuan Dato' Ang Poon Khim Datuk Ang Poon Seong Ang See Ming	390
Bounty Values Sdn Bhd		BV		
Everprosper Food Industries Sdn Bhd		EFI		
Jaya Uni'ang (Sabah) Sdn Bhd		JUS		
Kimanis Food Industries Sdn Bhd		KFI		
Kimanis Property Sdn Bhd		KP		
Syarikat Thong Guan Trading Sdn Bhd		STGT		
TG Power Wrap Sdn Bhd		TGPW		
TGP Marketing Sdn Bhd		TGPM		
TGSH Plastic Industries Sdn Bhd		TGSH		
Thong Guan Plastic & Paper Industries Sdn Bhd		TGPP		
TG Plastic Technologies Sdn Bhd		TGPT		
Uniang Plastic Industries (Sabah) Sdn Bhd		UPI		

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 Market Listing Requirement of Bursa Malaysia Securities Berhad, the Board of Directors ("the Board") 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 2019.

Responsibility

The management acknowledges its responsibility for the Group's system of internal control, which includes 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, the Board recognises the system is designed to manage, rather than eliminate the risk of failure. Therefore, the system can only provide reasonable and not absolute assurance against the occurrence of any material misstatement, loss or fraud. The system of internal control covers, inter-alia, financial, organisational, operational and compliance controls and risk management.

Organisational and Reporting Structure

The Group has an organisational structure with clearly defined lines of responsibility and delegation of authority. A hierarchical reporting system is in place with appropriate authority limits, proper segregation of duties, annual budgeting, monthly reporting of variances between actual and budgeted results for corrective action to be taken and human resource management policies. Policies and procedures to ensure compliance with risk management, internal controls and relevant laws and regulations are set out in the standard operating procedures of the individual companies.

Risk Management Framework

The management has established a process for identifying, evaluating and managing risk through the adoption of an 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 formalise and embed a risk management process across the Group in order to sensitise all employees within the Group to risk identification, evaluation, monitoring, and reporting. The formalisation of the ERM framework encompasses the following activities:

- To update the risk profiles of companies in the Group according to the ERM framework;
- To execute risk-based internal audits that are reviewed by the Audit Committee and the Board on the adequacy and integrity of the system of internal control.

Internal Audit Function

The Group's Internal Auditors ("IA") report directly to the Audit Committee ("AC"). Its role is to provide the Audit Committee with reasonable assurance on the adequacy and effectiveness of the Group's internal control system through its auditing and monitoring process. At the beginning of each financial year, the IA prepares an Annual Audit Plan and presents it to the Audit Committee for approval. Subsequently at every Audit Committee meeting, the IA will present its audit findings and review them with the Audit Committee.

The activities that have been planned and carried out by the IA are as follows:

- Mapping out the current state of procedures and processes with the aim of identifying areas for improvements.
- Testing and conducting audits on identified risk areas and relevant controls.
- Report 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 when requested by Board.

The internal audit reports prepared by the IA arising from the audits, which include the recommendation or action plans by the management, are discussed at the AC Meetings. Follow-ups are conducted by the IA to ensure that all action plans from each audit are adequately addressed by auditee/management and the progress will be updated at the AC Meetings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Other Risk and Control Processes

- The Group's policies and standard operating procedures, set out the policies, procedures and standards of the Group's operations to be followed by all employees. The policies and procedures are reviewed and updated where applicable to maintain their effectiveness over time.
- The Board and Audit Committee review the quarterly financial results and evaluate the reasons for unusual variances noted thereof.
- The involvement of the Executive Directors, who are hands-on with 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 Executive Directors on a monthly basis and the Board on a quarterly basis.
- The Group sets out an annual budget and operational targets for every operating division. Analysis and reporting of variances against budget are presented in the Group's various Management Meetings which act as a monitoring mechanism.
- Certain major subsidiaries of the Group have been successfully maintaining its management systems that are compliant with the three (3) international standards, namely the ISO 9001-QMS, ISO14001-EMS & OHSAS 18001-Health & Safety.

Risk Management Assurance

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 system of the Group.

The Board and Management are committed towards operating a sound system of internal control which is reviewed, updated and improved upon, in line with the changes in its operating environment.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that caused them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

- a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issues, or
- b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement on Risk Management and Internal Control does not cover the associates as disclosed in Note 8 to the financial statements.

Conclusion

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 in the Group's system of internal control that would require separate disclosure in the Group's Annual Report.

This statement was approved via a resolution of the Board dated 18 May 2020.

AUDIT COMMITTEE REPORT

Audit Committee Composition and Attendance

The Board of Directors ("Board") is pleased to present the Audit Committee report for the financial year ended 31 December 2019 ("FY2019"). The Audit Committee ("AC") currently comprises the following directors:

Directors	Position	Attendance
Chow Hon Piew	Chairman, Independent Non-Executive Director	4/4
Dato' Kang Pang Kiang	Member, Independent Non-Executive Director	4/4
Tengku Muzzammil Bin Tengku Makram	Member, Independent Non-Executive Director	4/4

During FY2019, the committee had met four (4) times. Minute of each AC meeting was noted by the Board via distribution to each Board members.

The Nominating Committee had undertaken an annual review of the term of office and performance of the AC and its members in accordance with para 15.20 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") to ensure that the AC and its members have carried out their duties in accordance with their terms of reference ("TOR"). Upon review, the Nominating Committee and the Board is satisfied that the AC and its members have been able to discharge their functions, duties and responsibilities in accordance with the TOR of AC.

Summary of works during Financial Year

The main works undertaken by the AC during FY2019 in discharging their functions and duties were as follows:

1. Financial reporting

- Reviewed quarterly unaudited financial results of the Group before recommending to the Board of Directors for approval and onward announcement to Bursa Securities;
- Reviewed the Company's compliance, in particular, the quarterly and year-end financial statements, with the MMLR of Bursa Securities, Malaysian Financial Reporting Standard/International Financial Reporting Standards and other relevant legal and statutory requirements; and
- Reviewed pertinent issues, which had significant impact on the results of the Group, including bank borrowings, investments and divestments and strategic operations of subsidiaries.

2. External audit

- Reviewed the audit plan from the external auditors, the audit strategy, scope of work for the year and general extent of the auditors' audit examinations;
- Reviewed the external audit results, audit report, audited financial statements as well as management letter (if any) and the response from the management;
- Met twice (on 20 November 2019 and 26 February 2020) with the external auditors without the presence of the Executive Director and management staff to enquire the extent of assistance rendered by the Management, issues on audit and accounting (if any), suggestions arising from audit and any other issues of concern to the auditors; and
- Reviewed and assessed the objectivity, independence and competency of the external auditors touching on quality of service, experience and expertise and made its recommendations to the Board on their re-appointment and fees.

3. Internal audit

- Reviewed with the internal auditors on the scope of work and approved the annual audit plan in respect of FY2019;
- Reviewed the internal audit reports, the audit issues therein as well as follow-up audits, recommendations and management's response. Where appropriate, the AC has directed that control procedures be rectified and improved based on the internal auditors' recommendations and suggestions for improvement; and
- Evaluated the performance and functions of the internal auditors with focus on its scope of work, functions, competency and that it has the necessary resources to carry out its work in respect of FY2019.

AUDIT COMMITTEE REPORT (CONT'D)

Summary of works during Financial Year (Cont'd)

4. Governance

- a. Reviewed the recurrent related party transactions of a revenue or trading nature and other related party transactions entered into by the Group;
- b. Reviewed and recommended for approval of the Board of Directors the Statement on Risk Management and Internal Control for inclusion in the Annual Report 2019;
- c. Reviewed and approved the AC Report for inclusion in the Annual Report 2019; and
- d. Discussed and approved draft circular to shareholders in relation to proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.
- e. To verify the allocation of options to eligible employees and Directors in compliance with the criteria pursuant to the Company's By-Laws of an Employees' Share Option Scheme (ESOS).

Internal Audit Function

The Internal auditor's ("IA") primary objective was 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 AC with independent and objective reports on the state of internal controls of the key operating units within the Group guided by established policies and procedures and the regulatory requirements of the relevant authorities. The AC reviewed and approved the internal audit plan of the Group as submitted by the IA annually.

The total cost incurred for the internal audit function for FY2019 was RM60,000.

The summary of internal audit activities during the financial year under review is as outlined below:

- a. Presented an internal annual plan for approval by AC. The internal audit plan covered key operational activities that are significant to the overall performance of the Group and is developed to ensure adequate coverage of operational activities on a regular basis.
- b. Performed audit on procurement and payable process, health & safety and security process, Inventory and logistic process and production and quality process for the adequacy of internal controls over these functions.
- c. Performed follow up audit to assess the implementation status of agreed recommendations to the audited areas.

The IA has presented internal audit reports to the AC on quarterly basis. Audit recommendations and management responses in relation to findings on internal control weaknesses are incorporated into these reports which were also circulated to the AC. The resulting reports of the audits undertaken were issued to the management of the respective operating companies concerned, incorporating audit recommendations and management responses.

This report is approved by the AC on 18 May 2020.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019.

Principal activities

The Company is principally engaged in investment holding activities and trading of plastic and petroleum products whilst the principal activities and details of the subsidiaries are as stated in Note 7 to the financial statements.

There has been no significant change in the nature of these activities during the financial year other than as disclosed in the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
- Owners of the Company	61,849	15,940
- Non-controlling interests	2,044	-
	<u>63,893</u>	<u>15,940</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 single tier ordinary dividend of 8 sen per ordinary share in respect of the financial year ended 31 December 2018 totalling RM14,040,856 on 28 August 2019.

A single tier dividend of 9 sen per ordinary share in respect of the financial year ended 31 December 2019 has been recommended by the Directors on 26 February 2020, subject to the approval of shareholders at the forthcoming Annual General Meeting.

The Company declared a first interim dividend of 2 sen per ordinary share in respect of the financial year ending 31 December 2020 totalling RM3,722,498 on 18 May 2020 and payable on 24 June 2020.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Duli Yang Teramat Mulia Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin
Tengku Muzzammil Bin Tengku Makram
Dato' Ang Poon Chuan - Managing Director
Dato' Ang Poon Khim
Datuk Ang Poon Seong
Dato' Kang Pang Kiang
Ang See Ming
Chow Hon Piew

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

Directors of subsidiaries

Pursuant to Section 253(2) of the Companies Act 2016, the Directors who served in the subsidiaries during the financial year until the date of this report are:

Dato' Ang Poon Chuan
Dato' Ang Poon Khim
Datuk Ang Poon Seong
Ang See Ming
Ang Poon Shen
Ang Eng Choo
Ang See Nung
Ang See Hwan
Ang See Cheong
Phoon Ling Zi
Teh Boon Yen
Lo Kui Fai
Ng Chiu Bun
Lee Seunghwan (Resigned on 30 August 2019)

Directors' interests in shares

The interests and deemed interests in the ordinary shares, 5% Irredeemable Convertible Unsecured Loan Stocks ("ICULS"), Warrants and Employees' Share Option Scheme ("ESOS") of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Balance at 1.1.2019	Number of ordinary shares		Balance at 31.12.2019
		Bought/ Converted	(Sold)	
Interests in the Company				
Dato' Ang Poon Chuan				
- own	2,128,435	367,769 ⁽¹⁾	-	2,496,204
- others #	511,933	42,850 ⁽¹⁾	-	554,783
Datuk Ang Poon Seong				
- own	1,013,163	746,895 ⁽¹⁾	-	1,760,058
- others #	4,200	-	-	4,200
Dato' Ang Poon Khim				
- own	1,265,231	404,762 ⁽¹⁾	(50,000)	1,619,993
- others #	85,000	56,650 ⁽¹⁾	-	141,650
Ang See Ming - own	1,222,127	324,771 ⁽¹⁾	-	1,546,898

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

Directors' interests in shares (Cont'd)

	Balance at 1.1.2019	Number of ordinary shares		Balance at 31.12.2019
		Bought/ Converted	(Sold)	
Interests in subsidiaries				
- TGS Plastic Industries Sdn. Bhd.				
<i>Direct interests</i>				
Ang See Ming - own	160,000	-	-	160,000
Datuk Ang Poon Seong - own	80,000	-	-	80,000
- TG Power Wrap Sdn. Bhd.				
<i>Direct interests</i>				
Dato' Ang Poon Chuan - own	@1	-	-	@1
Ang See Ming - own	@1	-	-	@1
- Everprosper Food Industries Sdn. Bhd.				
<i>Direct interests</i>				
Ang See Ming - own	240,000	-	-	240,000
- TGW Plastic Packaging Sdn. Bhd.				
<i>Direct interests</i>				
Dato' Ang Poon Chuan - own	-	@1	-	@1
Dato' Ang Poon Khim - own	-	@1	-	@1
Employees' Share Option Scheme ("ESOS")*				
	Balance at 1.1.2019	Granted	(Exercised)	Balance at 31.12.2019

Interests in the Company

Dato' Ang Poon Chuan				
- own	-	820,000	-	820,000
- others #	-	280,000	-	280,000
Datuk Ang Poon Seong				
- own	-	720,000	-	720,000
- others #	-	131,000	-	131,000
Dato' Ang Poon Khim				
- own	-	720,000	-	720,000
- others #	-	210,000	-	210,000
Ang See Ming - own	-	715,000	-	715,000

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

Directors' interests in shares (Cont'd)

	Number of 5% Irredeemable Convertible Unsecured Loan Stocks ("ICULS")			Balance at 31.12.2019
	Balance at 1.1.2019	Bought	(Converted)	
Interests in the Company				
Datuk Ang Poon Seong - own	517,930	-	(517,930)	-
Dato’ Ang Poon Khim				
- own	162,787	-	(162,787)	-
- others #	29,950	-	(29,950)	-
Ang See Ming - own	17,381	-	(17,381)	-

	Balance at 1.1.2019	Number of Warrants		Balance at 31.12.2019
		Bought	(Exercised)	
Interests in the Company				
Dato' Ang Poon Chuan				
- own	367,769	-	(367,769)	-
- others #	42,850	-	(42,850)	-
Datuk Ang Poon Seong - own	228,965	-	(228,965)	-
Dato' Ang Poon Khim				
- own	241,975	-	(241,975)	-
- others #	26,700	-	(26,700)	-
Ang See Ming - own	307,390	-	(307,390)	-

These are shares, ESOS, ICULS and warrants held in the name of the spouses and/or children and are regarded as interests of the Directors in accordance with the Companies Act 2016

(1) Ordinary shares converted from ICULS and exercise of warrants

@ Share held in trust for Thong Guan Industries Berhad

* ESOS was established on 3 July 2019

None of the other Directors holding office at 31 December 2019 had any interest in the ordinary shares, ESOS, ICULS and warrants of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements) 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 33 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 through the ICULS, Warrants and ESOS of the Company as disclosed in the financial statements.

Issue of shares and debentures

During the financial year, the Company issued:

- i) 25,634,772 new ordinary shares arising from the conversion of 25,634,772 ICULS;
- ii) 21,636,995 new ordinary shares arising from the exercise of 21,636,995 warrants at the exercise price of RM1.50 per ordinary share; and
- iii) 1,005,600 new ordinary shares from the exercise of 1,005,600 ESOS at the exercise price of RM2.26 per share.

There were no other changes in the issued and paid-up capital of the Company and no debentures were issued 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 the ESOS, ICULS and Warrants of the Company as disclosed in the financial statements.

Employees' Share Option Scheme

At an Extraordinary General Meeting held on 18 April 2019, the Company's shareholders approved the establishment of the Employees' Share Option Scheme ("ESOS") of up to 15% of the total number of issued shares of the Company (excluding treasury shares) to eligible Directors and employees of the Group (excluding subsidiaries which are dormant). The ESOS will be administered by the ESOS Committee in accordance with the By-Laws of the ESOS.

Number of options granted	ESOS exercise price (RM/share)	Vesting period
3,499,200 - Tranche 1	2.26	7 August 2019 to 6 August 2020
4,326,950 - Tranche 2	2.26	7 August 2020 to 6 August 2021
4,326,950 - Tranche 3	2.26	7 August 2021 to 6 August 2022
4,326,950 - Tranche 4	2.26	7 August 2022 to 6 August 2023
4,326,950 - Tranche 5	2.26	7 August 2023 to 2 July 2024

The salient features of the ESOS are, *inter alia*, as follows:

- (a) The ESOS shall be in force for a duration of 5 years from 3 July 2019 ("ESOS Period") and may be extended at the discretion of the Board upon the recommendation of the ESOS Committee provided that the ESOS Period shall not in aggregate exceed a duration of 10 years from 3 July 2019 or such longer duration as may from time to time be permitted by the relevant authorities;
- (b) The total number of shares which may be issued and allotted under the ESOS scheme shall not in aggregate exceed 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the ESOS Period;

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

Employees' Share Option Scheme (Cont'd)

- (c) Eligible employees are employees employed by and are on the payroll of any company in the Group (excluding dormant subsidiaries) and his/her employment has been confirmed by the company who are at least 18 years of age and is not undischarged bankrupt nor subject to any bankruptcy proceedings; and
- (d) Not more than 10% of the aggregate number of shares to be issued under the ESOS shall be allocated to any individual eligible employee who, either singly or collectively through persons connected with the eligible employee, holds 20% or more of the total number of issued shares of the Company (excluding treasury shares, if any).
- (e) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of and not less than 100 shares.

5% Irredeemable Convertible Unsecured Loan Stocks ("ICULS")

On 15 October 2014, the Company issued 52,602,250 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 28 to the financial statements.

As at the end of the financial reporting period, the Company has the following outstanding number of ICULS:

	31.12.2019	31.12.2018
5-year 5% ICULS	-	25,634,772

Warrants

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

The Warrant entitles the holder, to subscribe for ordinary shares in the Company on the basis of one new ordinary share for every warrant held at an exercise price of RM1.50 per ordinary share within five (5) years from the date of issuance, 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.

21,636,995 (2018 : 160,750) Warrants were exercised and 403,436 (2018 : Nil) Warrants expired during the financial year. As at the end of the reporting period, Nil (2018 : 22,040,431) Warrants remained unexercised.

Indemnity and insurance costs

There were no indemnity given to or insurance effected for the Directors, officers or auditors of the Company during the financial year.

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.

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

Other statutory information (Cont'd)

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, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 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.

Subsequent event

The details of such event are disclosed in Note 36 to the financial statements.

Auditors

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

The auditors' remuneration is disclosed in Note 22 to the financial statements.

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

Dato' Ang Poon Chuan
Director

Ang See Ming
Director

Kedah Darul Aman

Date: 15 June 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000
Assets					
Property, plant and equipment	3	263,671	200,966	-	27
Investment property	4	7,217	7,455	7,217	7,455
Prepaid lease payments	5	-	14,288	-	-
Investments in subsidiaries	7	-	-	95,751	87,950
Investment in an associate	8	1,009	-	-	-
Other investments	9	-	567	-	567
Deferred tax assets	10	185	515	147	444
Total non-current assets		272,082	223,791	103,115	96,443
Inventories	11	198,224	172,122	-	-
Trade and other receivables	12	180,159	170,927	73,989	83,853
Current tax assets		2,576	2,793	20	-
Fixed deposit	13	-	30	-	30
Cash and cash equivalents	14	228,275	169,649	78,274	38,663
Total current assets		609,234	515,521	152,283	122,546
Total assets		881,316	739,312	255,398	218,989
Equity					
Share capital	15	220,327	145,260	220,327	145,260
Reserves	16	356,258	349,588	25,331	61,738
Total equity attributable to owners of the Company		576,585	494,848	245,658	206,998
Non-controlling interests		18,009	9,778	-	-
Total equity		594,594	504,626	245,658	206,998
Liabilities					
Loans and borrowings	17	49,038	38,619	-	-
Lease liabilities		1,299	-	-	-
Deferred tax liabilities	10	9,647	4,853	-	-
Total non-current liabilities		59,984	43,472	-	-
Loans and borrowings	17	91,619	88,307	4,543	5,582
Lease liabilities		1,080	-	-	-
Provision	18	-	150	2,199	2,199
Trade and other payables	19	129,048	98,145	2,998	4,051
Contract liabilities	20	3,311	3,722	-	-
Current tax liabilities		1,680	890	-	159
Total current liabilities		226,738	191,214	9,740	11,991
Total liabilities		286,722	234,686	9,740	11,991
Total equity and liabilities		881,316	739,312	255,398	218,989

The notes on pages 54 to 139 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000 Restated
Revenue	21	939,204	861,615	16,446	26,576
Cost of goods sold		(803,634)	(754,679)	-	-
Gross profit		135,570	106,936	16,446	26,576
Other income		5,901	8,537	1,129	8,255
Selling and distribution expenses		(25,073)	(22,543)	-	-
Administrative expenses		(37,816)	(33,967)	(2,144)	(1,438)
Other expenses		(3,595)	(6,593)	(1,407)	(2,782)
Net gain/(loss) on impairment of financial instrument		254	(19)	(140)	12
Results from operating activities	22	75,241	52,351	13,884	30,623
Finance income		4,115	3,105	2,442	1,615
Finance costs	24	(4,393)	(3,484)	(203)	(578)
Operating profit		74,963	51,972	16,123	31,660
Share of profit of equity-accounted associate, net of tax		489	-	-	-
Profit before tax		75,452	51,972	16,123	31,660
Tax expense	25	(11,559)	(8,362)	(183)	(839)
Profit for the year		63,893	43,610	15,940	30,821
Other comprehensive expense, net of tax					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Net change in fair value of equity investments designated at fair value through other comprehensive income		(567)	-	(567)	-
<i>Item that is or may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operations		(2,832)	(2,860)	-	-
Total comprehensive income for the year		60,494	40,750	15,373	30,821
Profit attributable to:					
Owners of the Company		61,849	43,682	15,940	30,821
Non-controlling interests		2,044	(72)	-	-
		63,893	43,610	15,940	30,821
Total comprehensive income attributable to:					
Owners of the Company		58,450	40,822	15,373	30,821
Non-controlling interests		2,044	(72)	-	-
		60,494	40,750	15,373	30,821
Basic earnings per ordinary share (sen)	27	38.80	32.05		
Diluted earnings per ordinary share (sen)	27	37.27	25.88		

The notes on pages 54 to 139 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company									
	Non-distributable					Distributable				
Note	Share capital RM'000	Translation reserve RM'000	Statutory reserve RM'000	Warrants reserve RM'000	Equity component of ICULS RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group										
At 1 January 2018	143,905	20,133	4,141	14,374	13,320	-	269,351	465,224	9,850	475,074
Foreign currency translation differences for foreign operations	-	(2,860)	-	-	-	-	-	(2,860)	-	(2,860)
Total other comprehensive expense for the year	-	(2,860)	-	-	-	-	-	(2,860)	-	(2,860)
Profit for the year	-	-	-	-	-	-	43,682	43,682	(72)	43,610
Total comprehensive income/(expense) for the year	-	(2,860)	-	-	-	-	43,682	40,822	(72)	40,750
Contributions by and distribution to owners of the Company										
- Exercise of warrants	345	-	-	(104)	-	-	-	241	-	241
- Purchase of treasury shares	-	-	-	-	-	(579)	-	(579)	-	(579)
- Conversion of ICULS	1,010	-	-	-	(505)	-	(468)	37	-	37
- Dividend paid	-	-	-	-	-	-	(10,897)	(10,897)	-	(10,897)
Total transactions with owners of the Company	1,355	-	-	(104)	(505)	(579)	(11,365)	(11,198)	-	(11,198)
At 31 December 2018	145,260	17,273	4,141	14,270	12,815	(579)	301,668	494,848	9,778	504,626
Note 15	Note 16	Note 16	Note 16	Note 16	Note 16	Note 16	Note 16	Note 16	Note 16	Note 16

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company											
	Non-distributable						Distributable					
Group	Share capital RM'000	Translation reserve RM'000	Statutory reserve RM'000	Warrants reserve RM'000	Equity component of ICULS RM'000	Treasury shares RM'000	Fair value reserve RM'000	Share options reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2019	145,260	17,273	4,141	14,270	12,815	(579)	-	-	301,668	494,848	9,778	504,626
Foreign currency translation differences for foreign operations	-	(2,832)	-	-	-	-	-	-	-	(2,832)	-	(2,832)
Fair value changes of equity investment	-	-	-	-	-	-	(567)	-	-	(567)	-	(567)
Total other comprehensive expense for the year	-	(2,832)	-	-	-	-	(567)	-	-	(3,399)	-	(3,399)
Profit for the year	-	-	-	-	-	-	-	-	61,849	61,849	2,044	63,893
Total comprehensive income/(expense) for the year	-	(2,832)	-	-	-	-	(567)	-	61,849	58,450	2,044	60,494

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

Attributable to owners of the Company												
Distributable												
Non-distributable												
Equity												
Share options reserve												
Fair value reserve												
Treasury shares												
Warrants reserve												
Statutory reserve												
Translation reserve												
Share capital												
Non-controlling interests												
Total equity												
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group												
Contributions by and distribution to owners of the Company												
	-	-	-	-	-	-	-	-	-	-	6,187	6,187
16.3	46,465	-	-	(14,270)	-	-	-	-	260	32,455	-	32,455
16.5	-	-	-	-	-	(726)	-	-	-	(726)	-	(726)
26	-	-	-	-	-	-	-	2,915	-	2,915	-	2,915
	2,967	-	-	-	-	-	-	(694)	-	2,273	-	2,273
28	25,635	-	-	-	(12,815)	-	-	-	(12,409)	411	-	411
29	-	-	-	-	-	-	-	-	(14,041)	(14,041)	-	(14,041)
Total transactions with owners of the Company												
	75,067	-	-	(14,270)	(12,815)	(726)	-	2,221	(26,190)	23,287	6,187	29,474
At 31 December 2019												
	220,327	14,441	4,141	-	-	(1,305)	(567)	2,221	337,327	576,585	18,009	594,594
Note 15	Note 16	Note 16	Note 16	Note 16	Note 16	Note 16	Note 16	Note 16	Note 16	Note 16	Note 16	Note 16

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company				Distributable	
	Share capital RM'000	Warrants reserve RM'000	Equity component of ICULS RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
Note						
Company						
At 1 January 2018	143,905	14,374	13,320	-	15,776	187,375
Profit for the year and total comprehensive income for the year	-	-	-	-	30,821	30,821
Contributions by and distribution to owners of the Company						
- Exercise of warrants	345	(104)	-	-	-	241
- Purchase of treasury shares	-	-	-	(579)	-	(579)
- Conversion of ICULS	1,010	-	(505)	-	(468)	37
- Dividend paid	-	-	-	-	(10,897)	(10,897)
Total transactions with owners of the Company	1,355	(104)	(505)	(579)	(11,365)	(11,198)
At 31 December 2018	145,260	14,270	12,815	(579)	35,232	206,998
	Note 15	Note 16	Note 16	Note 16	Note 16	

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company							
	Non-distributable			Distributable				
	Share capital RM'000	Warrants reserve RM'000	Equity component of ICULS RM'000	Treasury shares RM'000	Fair value reserve RM'000	Share options reserve RM'000	Retained earnings RM'000	Total equity RM'000
Note								
Company								
At 1 January 2019	145,260	14,270	12,815	(579)	-	-	35,232	206,998
Other comprehensive expense:								
- Net change in fair value of equity investments	-	-	-	-	(567)	-	-	(567)
Profit for the year	-	-	-	-	-	-	15,940	15,940
Total comprehensive (expense)/ income for the year	-	-	-	-	(567)	-	15,940	15,373
Contributions by and distribution to owners of the Company								
- Exercise and expiration of warrants	16.3	46,465	(14,270)	-	-	-	260	32,455
- Purchase of treasury shares	16.5	-	-	(726)	-	-	-	(726)
- Share based payment transaction	26	-	-	-	-	2,915	-	2,915
- Share options exercised		2,967	-	-	-	(694)	-	2,273
- Conversion of ICULS	28	25,635	-	(12,815)	-	-	(12,409)	411
- Dividend paid	29	-	-	-	-	-	(14,041)	(14,041)
Total transactions with owners of the Company		75,067	(14,270)	(12,815)	(726)	-	2,221	23,287
At 31 December 2019		220,327	-	-	(1,305)	(567)	2,221	245,658
	Note 15	Note 16	Note 16	Note 16	Note 16	Note 16	Note 16	Note 16

The notes on pages 54 to 139 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities					
Profit before tax		75,452	51,972	16,123	31,660
Adjustments for:					
Property, plant and equipment					
- Depreciation	3	24,333	20,181	27	64
- Loss/(Gain) on disposal		133	(143)	-	-
- Written off		21	55	-	-
Depreciation of investment property	4	238	238	238	238
Amortisation of:					
- Prepaid lease payments	5	-	272	-	-
- Intangible asset	6	-	9	-	-
Unrealised (gain)/loss on loans and borrowings	17.3	(1,929)	2,673	(63)	606
Reversal of provision for site restoration	18	(78)	-	-	-
Dividend income	21	-	-	(14,734)	(24,000)
Intangible asset written off		-	204	-	-
Interest expense	24	4,393	3,484	203	578
Share-based payments		2,915	-	411	-
Interest income		(4,115)	(3,105)	(2,442)	(1,615)
Gain on disposal of investment in a subsidiary		-	-	-	(7,663)
Impairment loss on:					
- property, plant and equipment		321	3,780	-	-
- investment in a subsidiary		-	-	-	2,730
Share of profit of equity accounted associate, net of tax		(489)	-	-	-
Operating profit/(loss) before changes in working capital		101,195	79,620	(237)	2,598
Changes in working capital:					
Inventories		(26,642)	(25,758)	-	-
Trade and other receivables		(9,551)	3,743	2,442	16,391
Trade and other payables		30,999	(28,576)	(1,053)	(12,440)
Contract liabilities		(411)	3,722	-	-
Cash generated from operations		95,590	32,751	1,152	6,549
Payment for site restoration	18	(72)	-	-	-
Income tax paid		(5,425)	(7,833)	(194)	(186)
Dividends received		-	-	24,000	15,000
Net cash from operating activities		90,093	24,918	24,958	21,363

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from investing activities					
Proceeds from disposal of investment in a subsidiary		-	-	-	12,663
Acquisition of property, plant and equipment	A	(70,064)	(47,040)	-	-
Proceeds from disposal of plant and equipment		145	354	-	-
Additions to prepaid lease payments		-	(55)	-	-
Interest received		4,115	3,105	2,442	1,615
Investments in subsidiaries	B	-	-	(7,141)	(72)
Investment in an associate		(520)	-	-	-
Net cash (used in) from investing activities		(66,324)	(43,636)	(4,699)	14,206
Cash flows from financing activities					
Payment of:					
- hire purchase creditors		(214)	-	-	-
- finance lease liabilities		-	(679)	-	-
- lease liabilities		(1,020)	-	-	-
- interest on ICULS	28	(728)	(1,285)	(728)	(1,285)
Withdrawal of fixed deposit		30	-	30	-
Drawdown of term loans (net)		19,591	17,192	-	-
(Repayment)/Drawdown of other bank borrowings		(1,930)	32,003	263	(11,979)
Dividends paid	29	(14,041)	(10,897)	(14,041)	(10,897)
Proceeds from:					
- exercise of warrants		32,455	241	32,455	241
- exercise of ESOS		2,273	-	2,273	-
- issuance of shares by subsidiaries to non-controlling interests		6,187	-	-	-
Interest paid (excluding interest on ICULS)		(4,393)	(3,430)	(174)	(524)
Acquisition of treasury shares		(726)	(579)	(726)	(579)
Net cash from/(used in) financing activities		37,484	32,566	19,352	(25,023)

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net increase in cash and cash equivalents		61,253	13,848	39,611	10,546
Effects of exchange rate fluctuations on cash and cash equivalents		(1,690)	(1,110)	-	-
Cash and cash equivalents at 1 January		167,654	154,916	38,663	28,117
Cash and cash equivalents at 31 December	C	227,217	167,654	78,274	38,663

Notes

A. Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM70,453,000 (2018 : RM47,219,000) of which RM389,000 (2018 : RM179,000) was acquired by means of hire purchase/finance lease arrangements. The remaining RM70,064,000 (2018 : RM47,040,000) was purchased by way of cash.

B. Investments in subsidiaries

During the year, the Company increased its investments in certain subsidiaries by RM7,800,860 (2018 : RM72,000) of which RM660,000 (2018 : Nil) was capitalised from the amount due from subsidiaries. The remaining RM7,140,860 (2018 : Nil) was acquired by way of cash.

C. 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	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and cash equivalents	14	228,275	169,649	78,274	38,663
Bank overdrafts	17	(1,058)	(1,995)	-	-
		227,217	167,654	78,274	38,663

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

Notes (Cont'd)

D. *Cash outflows for leases as a lessee*

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Included in net cash from operating activities:					
Payment relating to short-term leases	22	1,822	-	-	-
Payment relating to low-value assets	22	28	-	-	-
Included in net cash from financing activities:					
Interest paid in relation to lease liabilities	24	94	-	-	-
Payment of lease liabilities	17.3	1,020	-	-	-
Total cash outflows for leases		2,964	-	-	-

The notes on pages 54 to 139 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 Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office 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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 31 December 2019 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 7 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 15 June 2020.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs 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 2020

- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 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*

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

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company.

(b) Basis of measurement

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

(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 3.5 - incremental borrowing rate in relation to leases
- Note 11 - valuation of inventories

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 35 to the financial statements.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(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 a financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decrease but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates 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 the investment includes transaction costs.

(vi) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(vii) 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.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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 period, except for those that are measured at fair value which 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.

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

The assets and liabilities of operations denominated in functional currencies other than RM, including 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 foreign currency translation reserve ("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 profit 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.

(c) Financial instruments

(i) Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(i) Recognition and initial measurement (Cont'd)

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at 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

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) **Amortised cost**

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

(b) **Fair value through other comprehensive income**

Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

All financial assets, except for equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(k)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

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.

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Group or the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) 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.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

(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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownerships of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(c) Financial instruments (Cont'd)

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(d) Property, plant and equipment (Cont'd)

(iii) Depreciation (Cont'd)

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

Leasehold land	48 - 936 years
Factory buildings	2 - 50 years
Plant and machinery	5 - 20 years
Furniture, fittings and office equipment	5 - 25 years
Motor vehicles	5 years

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

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application, if any is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(e) Leases (Cont'd)

Current financial year (Cont'd)

(ii) Recognition and initial measurement (Cont'd)

(a) As a lessee (Cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rates. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(e) Leases (Cont'd)

Current financial year (Cont'd)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was 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 the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and, except for property interest held under operating lease, the leased assets were not recognised on the statement of financial position. Property interest held under an operating lease, which was held to earn rental income or for capital appreciation or both, was classified as investment property and measured using fair value model.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(e) Leases (Cont'd)

Previous financial year (Cont'd)

As a lessee (Cont'd)

(ii) Operating lease (Cont'd)

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

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

(f) Investment property

Investment property carried at cost

Investment properties are properties which are owned or right-of-use held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured at cost less any accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Right-of-use asset held under a lease contract that meets the definition of investment property is unlikely measured similarly as other right-of-use assets.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of 33 years. The residual value, useful life and depreciation method are reviewed at the end of the reporting period, and adjusted as appropriate.

Transfers between investment property and property, plant and equipment do not change the carrying amount of the property transferred.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(g) Intangible asset

Intangible asset comprising franchise fee acquired by the Group, which has finite useful life, is measured at cost less any accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangible asset is amortised from the date that it is available for use based on its cost less residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets.

The estimated useful life for the current and comparative period is 10 years. The amortisation method, useful life and residual value are reviewed at the end of each reporting period and adjusted, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(h) 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.

(i) Contract liability

A contract liability is stated at cost and represents the obligation of the Group and the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(j) 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, if any.

(k) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(k) Impairment (Cont'd)

(i) Financial assets (Cont'd)

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(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 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.

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 to reduce the carrying amounts of the assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

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.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(l) Equity instruments (Cont'd)

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statements of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(m) 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.

(n) 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.

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(n) Employee benefits (Cont'd)

(iii) Share-based payment transactions (Cont'd)

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using the Trinomial Option Pricing Model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(o) 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.

Site restoration

A provision for site restoration is recognised when the Group has an obligation to return its rented premises to its original state upon expiry of the lease term.

(p) Revenue and other income

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Commission

When the Group or the Company 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 and the Company.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(p) Revenue and other income (Cont'd)

(iv) Rental income

Rental income is recognised as other income 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.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(q) 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.

(r) 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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, being a tax incentive 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant accounting policies (Cont'd)

(s) 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, warrants and ESOS granted to Directors and employees.

(t) 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 segment 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.

(u) 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.

(v) 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 is 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.

(w) Warrants reserve

Fair value of free detachable warrants issued is credited to warrants reserve which is non-distributable. When the warrants are exercised or expire, the warrants reserve will be transferred to another reserve account within equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment

Group	← Right-of-use assets →							Total RM'000
	Leasehold land RM'000	Factory buildings RM'000	Freehold 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	
Cost								
At 1 January 2018	-	-	62,203	287,049	31,880	15,263	20,129	416,524
Additions	-	-	1,735	35,946	2,262	852	6,424	47,219
Disposals	-	-	(93)	(423)	(475)	(612)	-	(1,603)
Written off	-	-	-	(463)	(112)	(96)	-	(671)
Reclassifications	-	-	2,305	17,932	239	-	(20,476)	-
Effect of movements in exchange rates	-	-	(573)	(1,999)	(76)	(34)	(36)	(2,718)
At 31 December 2018, as previously reported	-	-	65,577	338,042	33,718	15,373	6,041	458,751
Adjustment on initial application of MFRS 16	18,347	3,261	-	-	-	-	-	21,608
At 1 January 2019, as restated	18,347	3,261	65,577	338,042	33,718	15,373	6,041	480,359
Additions	6,909	-	150	45,136	7,271	1,375	9,612	70,453
Disposals	-	-	-	(389)	(6)	(289)	-	(684)
Written off	-	-	-	(4,460)	(344)	-	-	(4,804)
Reclassifications	450	-	(450)	4,313	194	-	(4,507)	-
Effect of movements in exchange rates	(126)	-	(376)	(1,306)	(43)	(26)	-	(1,877)
At 31 December 2019	25,580	3,261	64,901	381,336	40,790	16,433	11,146	543,447

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment (Cont'd)

	← Right-of-use assets →							
Group	Leasehold land RM'000	Factory buildings RM'000	Freehold 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
Accumulated depreciation and impairment losses								
At 1 January 2018								
Accumulated depreciation	-	-	25,801	188,249	12,546	11,289	-	237,885
Accumulated impairment losses	-	-	-	-	9	-	-	9
	-	-	25,801	188,249	12,555	11,289	-	237,894
Depreciation for the year	-	-	2,331	13,756	2,624	1,470	-	20,181
Impairment loss	-	-	-	-	3,780	-	-	3,780
Disposals	-	-	(5)	(657)	(118)	(612)	-	(1,392)
Written off	-	-	-	(431)	(89)	(96)	-	(616)
Effect of movements in exchange rates	-	-	(292)	(1,685)	(60)	(25)	-	(2,062)
At 31 December 2018, as previously reported	-	-	27,835	199,232	14,903	12,026	-	253,996
Accumulated depreciation	-	-	-	-	3,789	-	-	3,789
Accumulated impairment losses	-	-	27,835	199,232	18,692	12,026	-	257,785

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment (Cont'd)

	← Right-of-use assets →							
Group	Leasehold land RM'000	Factory buildings RM'000	Freehold 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
Accumulated depreciation and impairment losses								
Adjustment on initial application of MFRS 16	3,921	-	-	-	-	-	-	3,921
At 1 January 2019, as restated								
Accumulated depreciation	3,921	-	27,835	199,232	14,903	12,026	-	257,917
Accumulated impairment losses	-	-	-	-	3,789	-	-	3,789
	3,921	-	27,835	199,232	18,692	12,026	-	261,706
Depreciation for the year	370	986	2,376	16,875	2,370	1,356	-	24,333
Impairment loss	-	-	-	-	321	-	-	321
Disposals	-	-	-	(100)	(29)	(277)	-	(406)
Written off	-	-	-	(4,460)	(323)	-	-	(4,783)
Effect of movements in exchange rates	(28)	-	(208)	(1,114)	(40)	(5)	-	(1,395)
At 31 December 2019								
Accumulated depreciation	4,263	986	30,003	210,433	16,881	13,100	-	275,666
Accumulated impairment losses	-	-	-	-	4,110	-	-	4,110
	4,263	986	30,003	210,433	20,991	13,100	-	279,776

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment (Cont'd)

Group	← Right-of-use assets →							Total RM'000
	Leasehold land RM'000	Factory buildings RM'000	Freehold 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	
Carrying amounts								
At 1 January 2018	-	-	36,402	98,800	19,325	3,974	20,129	178,630
At 31 December 2018	-	-	37,742	138,810	15,026	3,347	6,041	200,966
At 31 December 2019	21,317	2,275	34,898	170,903	19,799	3,333	11,146	263,671

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment (Cont'd)

	Motor vehicles RM'000
Company	
Cost	
At 1 January 2018/31 December 2018/1 January 2019/31 December 2019	320
Accumulated depreciation	
At 1 January 2018	229
Depreciation for the year	64
At 31 December 2018/1 January 2019	293
Depreciation for the year	27
At 31 December 2019	320
Carrying amounts	
At 1 January 2018	91
At 31 December 2018/1 January 2019	27
At 31 December 2019	-

3.1 Freehold land and buildings – Group

	Cost		Carrying amounts	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Freehold land	5,814	6,264	5,801	6,251
Factory buildings	59,087	59,313	29,097	31,491
	64,901	65,577	34,898	37,742

3.2 Security

At 31 December 2019, certain leasehold land and plant and machinery of the Group with carrying amount of Nil (2018 : RM1,438,000) and RM31,497,000 (2018 : RM34,251,000) respectively are charged for banking facilities granted to the Group (Note 17).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Property, plant and equipment (Cont'd)

3.3 Impairment of property, plant and equipment - Group

During the financial year, the carrying amount of furniture, fittings and office equipment amounting to RM321,000 (2018 : RM3,789,000) was impaired and recognised in other expense in relation to a subsidiary which had ceased operation.

3.4 Assets acquired under finance lease liabilities - Group

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

	2019 RM'000	2018 RM'000
Motor vehicles	-	661
Plant and machinery	-	1,675
	-	2,336

3.5 Right-of-use assets

The Group leases land and factory buildings that run between 2 years to 936 years, with an option to renew the leases after the expiry of the initial lease periods.

3.5.1 Extension options

Some leases of factory buildings contain extension option exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

	Lease liabilities recognised (discounted) RM'000
Factory buildings	415

The disclosure of potential future lease payment has not be made as the Directors noted the amount to be inconsequential.

3.6 Judgements and assumptions in relation to leases

The Group applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Investment property - Group/Company

	Leasehold land RM'000
Cost	
At 1 January 2018/31 December 2018/1 January 2019/31 December 2019	<u>7,931</u>
Accumulated depreciation	
At 1 January 2018	238
Depreciation for the year	<u>238</u>
At 31 December 2018/1 January 2019	476
Depreciation for the year	<u>238</u>
At 31 December 2019	<u>714</u>
Carrying amounts	
At 1 January 2018	<u>7,693</u>
At 31 December 2018/1 January 2019	<u>7,455</u>
At 31 December 2019	<u>7,217</u>

The following are recognised in profit or loss in respective of investment properties:

	2019 RM'000	2018 RM'000
Direct operating expenses		
- non income generating investment properties	57	52
Depreciation	<u>238</u>	<u>238</u>

4.1 Fair value information

Investment property comprises a leasehold land that is held for undetermined use.

The fair value of the investment property is based on the Directors' estimation using the latest available market information, recent experience and knowledge in the location and category of the property being valued. The fair value of the investment property as at 31 December 2019 was determined to be approximately RM8.5 million (2018 : RM8.5 million) and is classified as level 3 of the fair value hierarchy.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The Directors estimate the fair value of the investment property based on the comparison of the investment property with similar properties that were published for sale within the same locality or other comparable localities. The most significant input into this valuation approach is price per square foot of RM12 (2018 : RM12). The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Prepaid lease payments - Group

	Leasehold land RM'000
Cost	
At 1 January 2018	18,216
Additions	55
Effect of movements in exchange rates	(62)
At 31 December 2018, as previously reported	18,209
Adjustment on initial application of MFRS 16	(18,209)
At 1 January 2019, as restated/31 December 2019	-
Amortisation	
At 1 January 2018	3,689
Amortisation for the year	272
Effect of movements in exchange rates	(40)
At 31 December 2018, as previously reported	3,921
Adjustment on initial application of MFRS 16	(3,921)
At 1 January 2019, as restated/31 December 2019	-
Carrying amounts	
At 1 January 2018	14,527
At 31 December 2018/1 January 2019	14,288
At 31 December 2019	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. Intangible asset - Group

	Franchise fee RM'000
Cost	
At 1 January 2018	222
Written off	(222)
At 31 December 2018/1 January 2019/31 December 2019	-
Accumulated amortisation	
At 1 January 2018	9
Amortisation for the year	9
Written off	(18)
At 31 December 2018/1 January 2019/31 December 2019	-
Carrying amounts	
At 1 January 2018	213
At 31 December 2018/1 January 2019/31 December 2019	-

7. Investments in subsidiaries - Company

	2019 RM'000	2018 RM'000
Investments, at cost	99,010	91,209
Less: Impairment loss	(3,259)	(3,259)
	95,751	87,950

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. Investments in subsidiaries - Company (Cont'd)

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Syarikat Thong Guan Trading Sdn. Bhd. ("STGT")	Malaysia	Manufacturing and trading of food and beverage products and wholesale of rice	100	100
Thong Guan Plastic & Paper Industries Sdn. Bhd. ("TGPP")	Malaysia	Manufacturing and trading of plastic products	100	100
TGP Marketing Sdn. Bhd.	Malaysia	Became dormant during the year	100	100
Uniang Plastic Industries (Sabah) Sdn. Bhd. ⁽¹⁾	Malaysia	Manufacturing and sale of film blown plastic products and flexible plastic packaging products	100	100
Jaya Uni'ang (Sabah) Sdn. Bhd. ⁽¹⁾	Malaysia	Trading in film blown plastic products, food and consumable products	100	100
TG Plastic Technologies Sdn. Bhd. ("TGPT") ⁽²⁾	Malaysia	Manufacturing and trading of plastic packaging products	100	100
Thong Guan Plastic Industries (Suzhou) Co., Ltd ⁽¹⁾	People's Republic of China	Manufacturing and trading of plastic packaging products	100	100
TGP Plaspac (Suzhou) Co., Ltd. ⁽¹⁾	People's Republic of China	Manufacturing and trading of plastic packaging products	100	100
TG Plaspac (Vietnam) Co., Ltd ⁽¹⁾	Vietnam	Dormant	100	100
888 Cafe Sdn. Bhd. ("888 Cafe")	Malaysia	Ceased operation during the year	80	80
TG Power Wrap Sdn. Bhd. ("TGPW")	Malaysia	Manufacturing and marketing of polyvinyl chloride (PVC) cling food wrap	85	85
TGSH Plastic Industries Sdn. Bhd. ("TGSH")	Malaysia	Manufacturing and marketing of plastic packaging products	70	70
TGW Plastic Packaging Sdn. Bhd. ("TGWPP") ⁽²⁾	Malaysia	Manufacturing and trading of plastic packaging products	51	-
TG Uni'Ang (Shanghai) International Trade Co., Ltd. ^{(1), (3)}	People's Republic of China	Dormant	-	100
888 Food Industries Sdn.Bhd.	Malaysia	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. Investments in subsidiaries - Company (Cont'd)

Details of the subsidiaries are as follows: (Cont'd)

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Newton Research & Development Centre Sdn. Bhd.	Malaysia	Research and development centre for plastic packaging industry	100	100
Everprosper Food Industries Sdn. Bhd. ("EFI") ⁽⁴⁾	Malaysia	Manufacturing and trading of noodle products	60	60
Everprosper Marketing Sdn. Bhd. ("EM") ⁽⁵⁾	Malaysia	Dormant	60	60
Thong Guan Trading (Thailand) Company Limited ("TGTT") ^{(1),(6)}	Thailand	Manufacturing and trading of food and beverage products	79	-
TG Plaspak Myanmar Co., Ltd. ("TGM") ^{(1),(7)}	Republic of the Union of Myanmar	Dormant	100	-

⁽¹⁾ Not audited by KPMG

⁽²⁾ Held through TGPP and became a subsidiary on 4 April 2019

⁽³⁾ Dissolved on 12 October 2019

⁽⁴⁾ Held through STGT

⁽⁵⁾ Held through EFI

⁽⁶⁾ Held through STGT effective 18 March 2019. STGT has 79% voting interest via a shareholders' agreement signed

⁽⁷⁾ Incorporated on 10 December 2019

7. Investments in subsidiaries - Company (Cont'd)

7.1 Non-controlling interests in subsidiaries

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

	2019		2019		2019		2019		2019	
	TGPW	TGSH	EFI	EM	TGWPP	immaterial NCI	Other subsidiaries with	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
NCI percentage of ownership interest and voting interest	15%	30%	40%	40%	49%					
Carrying amount of NCI	6,311	8,358	(2,526)	(386)	6,960	(708)				18,009
Profit/(Loss) allocated to NCI	665	1,185	(735)	(1)	1,080	(150)				2,044

Summarised financial information before intra-group elimination

As at 31 December

Non-current assets	39,652	14,687	2,028	-	11,173
Current assets	28,948	27,738	1,099	-	22,767
Non-current liabilities	(10,648)	(750)	(876)	-	(3,592)
Current liabilities	(15,879)	(13,815)	(8,884)	(965)	(16,144)
Net assets/(liabilities)	42,073	27,860	(6,633)	(965)	14,204

Year ended 31 December

Revenue	72,522	63,668	1,973	-	48,491
Profit/(Loss) for the year	4,431	3,950	(1,838)	(4)	2,204
Total comprehensive income/(expense)	4,431	3,950	(1,838)	(4)	2,204
Cash flows from operating activities	6,004	6,959	1,013	-	2,445
Cash flows (used in)/from investing activities	(6,353)	(4,146)	(30)	-	1,040
Cash flows (used in)/from financing activities	1,080	(190)	(890)	-	3,219
Net increase in cash and cash equivalents	731	2,623	93	-	6,704
Dividend paid to NCI	-	-	-	-	-

7. Investments in subsidiaries - Company (Cont'd)

7.1 Non-controlling interests in subsidiaries (Cont'd)

	←	2018					→
	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	20%	15%	30%	40%	40%		
Carrying amount of NCI	(864)	5,646	7,173	(1,792)	(385)	9,778	
Profit/(Loss) allocated to NCI	(992)	730	1,134	(941)	(3)	(72)	

Summarised financial information before intra-group elimination

As at 31 December

Non-current assets	371	36,197	12,127	2,477	-	
Current assets	572	25,182	20,704	1,923	-	
Non-current liabilities	-	(6,322)	(1,104)	(1,101)	-	
Current liabilities	(7,311)	(17,419)	(7,817)	(8,094)	(962)	
Net assets/(liabilities)	(6,368)	37,638	23,910	(4,795)	(962)	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. Investments in subsidiaries - Company (Cont'd)

7.1 Non-controlling interests in subsidiaries (Cont'd)

	2018				
	888 Cafe RM'000	TGPW RM'000	TGSH RM'000	EFI RM'000	EM RM'000
Year ended 31 December					
Revenue	1,948	76,438	63,536	1,756	-
Profit/(Loss) for the year	(4,959)	4,866	3,779	(2,354)	(6)
Total comprehensive income/(expense)	(4,959)	4,866	3,779	(2,354)	(6)
Cash flows (used in)/from operating activities	(171)	2,591	185	(337)	-
Cash flows (used in)/from investing activities	(268)	(8,538)	(3,629)	12	-
Cash flows (used in)/from financing activities	(10)	6,404	(42)	(678)	-
Net increase/(decrease) in cash and cash equivalents	(449)	457	(3,486)	(1,003)	-
Dividend paid to NCI	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. Investment in an associate - Group

	2019 RM'000	2018 RM'000
Investments, at cost	520	-
Share of post-acquisition reserves	489	-
	<u>1,009</u>	<u>-</u>

Details of the associates are as follows:

Name of associate	Principal place of business	Principal activities/ Nature of the relationship	Effective ownership interest and voting interest	
			2019 %	2018 %
Winner Bright International Industrial Limited ("WBIL") (1) (2)	Hong Kong	Trading of plastic packaging products	49	-

(1) Became an associate on 28 February 2019.

(2) The financial year end of the associate is 31 March.

The following table summarises the information of the Group's associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interests in the associate.

	WBIL RM'000
2019	
Group	
Summarised financial information	
Current assets	6,264
Current liabilities	<u>(4,215)</u>
Net assets	<u>2,049</u>
Year ended 31 December 2019	
Profit representing total comprehensive income for the year	<u>951</u>
Included in total comprehensive income is:	
Revenue	<u>34,662</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. Investment in an associate - Group (Cont'd)

	WBIL RM'000
2019	
Group	
Reconciliation of net assets to carrying amount	
As at 31 December	
Group's share of net assets representing the carrying amount in the statement of financial position	1,009
Group's share of profit representing share of total comprehensive income	489
Other information	
Dividend received	-

9. Other investments - Group/Company

	2019 RM'000	2018 RM'000
Non-current		
<i>Fair value through other comprehensive income</i>		
Unquoted shares	567	567
Change in fair value	(567)	-
	-	567

9.1 Equity investments designated at fair value through other comprehensive income

At 31 December 2018, the Group and the Company designated the investments shown below as equities at fair value through other comprehensive income because these equities represent investments that the Group and the Company intend to hold for long-term strategic purposes.

	Fair value at 31 December 2019 RM'000	Dividend income recognised during 2019 RM'000	Fair value at 31 December 2018 RM'000	Dividend income recognised during 2018 RM'000
L.A Plaspac Company Limited	-	-	567	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. Deferred tax assets/(liabilities)

The recognised deferred tax assets and liabilities are as follows:

	Assets		Liabilities		Net	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group						
Property, plant and equipment and right-of-use assets						
- Capital allowances	-	-	(25,860)	(20,432)	(25,860)	(20,432)
- Revaluation	-	-	-	(277)	-	(277)
Lease liabilities	571	-	-	-	571	-
Tax loss carry						
- forwards	-	40	-	-	-	40
Tax incentives	15,569	15,474	-	-	15,569	15,474
Liability component of ICULS	-	297	-	-	-	297
Others	450	565	(192)	(5)	258	560
Tax assets/(liabilities)	16,590	16,376	(26,052)	(20,714)	(9,462)	(4,338)
Set-off of tax	(16,405)	(15,861)	16,405	15,861	-	-
Net tax assets/(liabilities)	185	515	(9,647)	(4,853)	(9,462)	(4,338)

	Assets	
	2019 RM'000	2018 RM'000

Company

Equipment - capital allowances	(1)	(1)
Liability component of ICULS	-	297
Others	148	148
	147	444

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. Deferred tax assets/(liabilities) (Cont'd)

Movements in temporary differences during the year are as follows:

Group	At 1 January 2018 RM'000	Recognised in profit or loss (Note 25) RM'000	Recognised directly in equity (Note 25) RM'000	At 31 December 2018 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1 January 2019 RM'000	Recognised in profit or loss (Note 25) RM'000	Recognised directly in equity (Note 25) RM'000	At 31 December 2019 RM'000
Property, plant and equipment and right-of-use assets									
- Capital allowances	(8,986)	(11,446)	-	(20,432)	(816)	(21,248)	(4,612)	-	(25,860)
- Revaluation	(304)	27	-	(277)	-	(277)	277	-	-
Lease liabilities	-	-	-	-	816	816	(245)	-	571
Tax loss carry forwards	40	-	-	40	-	40	(40)	-	-
Tax incentives	9,862	5,612	-	15,474	-	15,474	95	-	15,569
Liability component of ICULS	605	(296)	(12)	297	-	297	(168)	(129)	-
Others	(2,928)	3,488	-	560	-	560	(302)	-	258
	(1,711)	(2,615)	(12)	(4,338)	-	(4,338)	(4,995)	(129)	(9,462)
Company									
Equipment - capital allowances	(3)	2	-	(1)	-	(1)	-	-	(1)
Liability component of ICULS	605	(296)	(12)	297	-	297	(168)	(129)	-
Others	320	(172)	-	148	-	148	-	-	148
	922	(466)	(12)	444	-	444	(168)	(129)	147

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. Deferred tax assets/(liabilities) (Cont'd)

Unrecognised deferred tax assets

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

	Group	
	2019 RM'000	2018 RM'000
Capital allowance carry-forwards	5,096	4,302
Tax loss carry-forwards	9,237	7,569
Reinvestment allowance carry-forwards	7,148	6,151
Others	(487)	(447)
	<u>20,994</u>	<u>17,575</u>

The capital allowance carry-forwards of the Group entities are available indefinitely for offsetting against future taxable profits, subject to no substantial change in shareholdings of those entities and guidelines issued under the Income Tax Act, 1967.

Effective from year of assessment 2018 as stipulated in the Finance Act 2018, the reinvestment allowance carry-forwards and tax loss carry-forwards as at 31 December 2018 and thereafter will only be available for carry forward up to a period of 7 consecutive years. Any amounts not utilised upon expiry of the 7 years will be disregarded.

Deferred tax assets have not been recognised in respect of the above items as it is not probable that future taxable profits will be available against which the Group entities can utilise the benefits therefrom.

11. Inventories - Group

	2019 RM'000	2018 RM'000
Raw materials	137,980	124,446
Work-in-progress	9,678	5,811
Manufactured inventories	45,724	37,634
Trading inventories	4,842	4,231
	<u>198,224</u>	<u>172,122</u>

Recognised in profit or loss:

Inventories recognised as cost of sales	<u>797,251</u>	<u>753,920</u>
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The amount of inventories written down during the current financial year amounted to RM1,543,000 (2018 : RM759,000).

11.1 Significant judgement and assumptions in relation to valuation of inventories.

The management reviews for obsolescence and decline in net realisable value to below cost. This review involves judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. Trade and other receivables

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade					
Trade receivables	12.1	148,810	139,701	29,355	31,228
Amount due from an associate	12.2	4,027	-	-	-
		152,837	139,701	29,355	31,228
Non-trade					
Other receivables	12.3	10,630	17,292	80	158
Amount due from subsidiaries	12.4	-	-	29,818	28,465
Dividend receivable from a subsidiary		-	-	14,734	24,000
Deposits	12.5	13,675	11,052	2	2
Prepayments		3,017	2,882	-	-
		27,322	31,226	44,634	52,625
		180,159	170,927	73,989	83,853

12.1 Trade receivables

Included in trade receivables of the Group is RM971,000 (2018 : RM316,000) due from a company in which a Director has a substantial financial interest, which is subject to normal trade terms.

12.2 Amount due from an associate

The trade amount due from an associate is subject to normal trade terms.

12.3 Other receivables

Included in other receivables of the Group and the Company is Nil (2018 : RM352,000) and Nil (2018 : RM65,000) respectively due from a company in which a Director has a substantial financial interest. The amounts are unsecured, interest-free and repayable on demand. The said company has become an indirect subsidiary of the Company on 4 April 2019.

12.4 Amount due from subsidiaries

The non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand, except for Nil (2018 : RM1,030,000) which is subject to interest at Nil (2018 : 5%) per annum.

12.5 Deposits

Included in deposits of the Group is RM12,596,000 (2018 : RM9,461,000) paid for the purchase of property, plant and equipment and security deposit of RM126,000 (2018 : RM126,000) held by a related party.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. Fixed deposit - Group/Company

As at 31 December 2018, RM30,000 was deposited with a licensed bank as Trustees Reimbursement Account for ICULS Holders Actions which was to be maintained at all times throughout the tenure of the ICULS of 5 years.

14. Cash and cash equivalents

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances		111,535	77,564	9,272	6,671
Short term deposits		-	8,000	-	-
Short term investment funds	14.1	116,740	84,085	69,002	31,992
		228,275	169,649	78,274	38,663

14.1 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.

15. Share capital - Group/Company

	2019		2018	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Issued and fully paid ordinary shares with no par value classified as equity instruments:				
At 1 January	145,260	136,433	143,905	135,262
Conversion of ICULS into ordinary shares	25,635	25,635	1,010	1,010
Exercise of warrants into ordinary shares	46,465	21,637	345	161
Exercise of share options into ordinary shares	2,967	1,006	-	-
At 31 December	220,327	184,711	145,260	136,433

15.1 Ordinary shares

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. Reserves

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable					
Translation reserve	16.1	14,441	17,273	-	-
Statutory reserve	16.2	4,141	4,141	-	-
Warrants reserve	16.3	-	14,270	-	14,270
Equity component of ICULS	16.4	-	12,815	-	12,815
Treasury shares	16.5	(1,305)	(579)	(1,305)	(579)
Fair value reserve	16.6	(567)	-	(567)	-
Share options reserve	16.7	2,221	-	2,221	-
Distributable					
Retained earnings	16.8	337,327	301,668	24,982	35,232
		356,258	349,588	25,331	61,738

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

16.1 Translation reserve

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

16.2 Statutory reserve

The statutory reserve comprises amounts transferred from retained earnings as required by the local regulation in People's Republic of China.

16.3 Warrants reserve

During the financial year ended 31 December 2014, the Company issued 52,602,250 ICULS together with 26,301,106 free detachable warrants ("Warrants") to the 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 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.

21,636,995 (2018 : 160,750) Warrants were exercised and 403,436 (2018 : NIL) Warrants expired during the financial year. As at the end of reporting period, Nil (2018 : 22,040,431) Warrants were outstanding.

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

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	One year to 15 October 2014

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. Reserves (Cont'd)

16.4 Equity component of ICULS

This comprises the residual amount of ICULS after deducting the fair value of Warrants and the liability component of the ICULS from the fair value of the instrument as a whole (Note 28).

16.5 Treasury shares

The shareholders of the Company, via an ordinary resolution passed in the Annual General Meeting held on 26 June 2019, approved for the Company to repurchase its own shares of up to 10% of the issued and paid-up share capital of the Company.

During the financial year ended 31 December 2019, the Company repurchased its issued ordinary shares from the open market as follows:

	No. of shares '000	Cost RM'000	Purchase price ^(N1)		
			Highest RM	Lowest RM	Average RM
2019					
At beginning of financial year	186	579	3.13	3.08	3.11
Purchased during the financial year: June 2019	286	726	2.55	2.46	2.51
At end of financial year	472	1,305	3.13	2.46	2.76
2018					
At beginning of financial year	-	-	-	-	-
Purchased during the financial year: February 2018	186	579	3.13	3.08	3.11
At end of financial year	186	579	3.13	3.08	3.11

^(N1) Purchase price includes stamp duty, brokerage, clearing fee and Services Tax.

The repurchase transactions were financed by internally generated funds. The repurchased ordinary shares of the Company were held as treasury shares and none were reissued during the year.

16.6 Fair value reserve

Fair value reserve represents the cumulative net change in the fair value of financial assets recognised in other comprehensive income until the investments are derecognised or impaired.

16.7 Share options reserve

The share options reserve represents the fair value of the share options granted to eligible Directors and employees of the Group and the Company as disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. Reserves (Cont'd)

16.8 Retained earnings

The entire retained earnings of the Company is eligible to be paid out as dividends under the single-tier company income tax system in accordance with the Finance Act, 2007.

17. Loans and borrowings

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current:					
Secured term loans		27,707	23,282	-	-
Secured revolving credit		7,728	7,957	-	-
Unsecured term loans		12,431	6,273	-	-
Hire purchase creditors		1,172	-	-	-
Finance lease liabilities	17.2	-	1,107	-	-
		49,038	38,619	-	-
Current:					
Secured					
- Term loans		6,554	6,131	-	-
- Revolving credit		2,487	2,513	-	-
		9,041	8,644	-	-
Unsecured					
- Revolving credit		585	-	-	-
- Trust receipts		4,543	4,343	4,543	4,343
- Bank overdrafts		1,058	1,995	-	-
- Term loans		11,079	3,317	-	-
- Bankers' acceptances		6,003	6,358	-	-
- Outshore foreign currency loans		58,566	61,777	-	-
		81,834	77,790	4,543	4,343
Hire purchase creditors		744	-	-	-
Finance lease liabilities	17.2	-	634	-	-
Liability component of ICULS	28	-	1,239	-	1,239
		91,619	88,307	4,543	5,582
Total loans and borrowings		140,657	126,926	4,543	5,582

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. Loans and borrowings (Cont'd)

17.1 Securities - Group

The secured loans and borrowings of the Group are secured by corporate guarantee by the Company and fixed charges over certain leasehold land and plant and machinery of the respective subsidiaries for which the facilities are extended to (Note 3).

17.2 Finance lease liabilities - Group

Finance lease liabilities were payable as follows:

	2018		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than 1 year	722	(88)	634
Between 1 and 5 years	1,183	(76)	1,107
	<u>1,905</u>	<u>(164)</u>	<u>1,741</u>

Included in the Group's previous year finance lease liabilities were leases of plant and equipment and motor vehicles with carrying amount of RM1,675,000 and RM661,000 respectively.

The finance lease liabilities were secured as the rights to the assets under the finance leases that revert to the lessor in the event of default.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. Loans and borrowings (Cont'd)

17.3 Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 January 2018 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	Movement in exchange rates RM'000	At 31 December 2018 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1 January 2019 RM'000	Net changes from financing cash flows RM'000	Hire purchase obtained RM'000	Movement in exchange rates RM'000	At 31 December 2019 RM'000
Group											
Term loans	21,485	17,192	-	326	39,003	-	39,003	19,591	-	(823)	57,771
Finance lease liabilities	2,241	(679)	179	-	1,741	(1,741)	-	-	-	-	-
Hire purchase creditors	-	-	-	-	-	1,741	1,741	(214)	389	-	1,916
Onshore foreign currency trade loans	28,396	31,971	-	1,410	61,777	-	61,777	(2,254)	-	(957)	58,566
Bankers' acceptances	4,486	1,872	-	-	6,358	-	6,358	(355)	-	-	6,003
Trust receipts	15,716	(11,979)	-	606	4,343	-	4,343	263	-	(63)	4,543
Revolving credit	-	10,139	-	331	10,470	-	10,470	416	-	(86)	10,800
Lease liabilities	-	-	-	-	-	3,399	3,399	(1,020)	-	-	2,379
	72,324	48,516	179	2,673	123,692	3,399	127,091	16,427	389	(1,929)	141,978
Company											
Trust receipts	15,716	(11,979)	-	606	4,343	-	4,343	263	-	(63)	4,543

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. Provision

	Site restoration RM'000
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Group

Current

At 1 January 2019	150
Provision used during the year	(72)
Provision reversed during the year	(78)
	<hr/>
At 31 December 2019	-

	Financial guarantees (Note 34.4) RM'000
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Company

Current

At 1 January 2018/31 December 2018/1 January 2019/31 December 2019	<hr/> 2,199
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Site restoration - Group

The site restoration cost for the rented premises was provided based on the expected restoration expenses estimated by the Directors.

Provision for restoration cost was classified as current liabilities as the tenancy agreement, for which the restoration is required, has been terminated effective 31 May 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. Trade and other payables

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade					
Trade payables	19.1	103,857	76,651	2,223	3,520
Non-trade					
Amount due to related parties	19.2	97	10	-	-
Amount due to an associate	19.3	524	-	-	-
Other payables		14,884	10,900	14	8
Accrued expenses		9,686	10,584	761	523
		25,191	21,494	775	531
		129,048	98,145	2,998	4,051

19.1 Trade payables

Included in trade payables of the Group is RM895,000 (2018 : RM1,044,000) due to companies in which certain Directors have a substantial financial interest, which is subject to normal trade terms.

19.2 Amount due to related parties

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

19.3 Amount due to an associate

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

20. Contract liabilities - Group

	2019 RM'000	2018 RM'000
Contract liabilities	3,311	3,722

The contract liabilities comprise advance consideration received from customers for which the Group has yet to transfer the goods or services to the customers. The contract liabilities are expected to be recognised as revenue over a period of 1 year.

Significant changes to contract liabilities balance during the period are as follows:

	2019 RM'000	2018 RM'000
Contract liabilities at beginning of the period recognised as revenue during the year	(3,722)	(693)
Advances received during the year	3,311	3,722

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. Revenue

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers	939,204	861,615	1,712	2,576
Dividend income from subsidiaries	-	-	14,734	24,000
	939,204	861,615	16,446	26,576

Revenue from contracts with customers of the Company relates to the sale of petroleum products where the Company acts as an agent in the transaction rather than as the principal.

21.1 Disaggregation of revenue

	Group			
	← Company →			
	Plastic products ⁽¹⁾ RM'000	Food, beverages and other consumable products ⁽¹⁾ RM'000	Petroleum products ⁽¹⁾ RM'000	Total RM'000

2019

Primary geographical markets

- Japan	227,873	-	-	227,873
- Malaysia	127,572	55,934	1,712	185,218
- Australia	105,812	187	-	105,999
- Europe	99,319	-	-	99,319
- People's Republic of China	65,806	1,348	-	67,154
- Korea	33,958	-	-	33,958
- New Zealand	31,183	5	-	31,188
- Philippines	25,992	-	-	25,992
- United States of America	20,869	-	-	20,869
- Republic of Singapore	19,486	158	-	19,644
- Vietnam	11,940	122	-	12,062
- Indonesia	16,854	-	-	16,854
- Thailand	14,983	4,727	-	19,710
- United Arab Emirates	7,799	-	-	7,799
- Iraq	4,356	-	-	4,356
- Others	61,111	98	-	61,209
	874,913	62,579	1,712	939,204

Timing and recognition

- At a point in time	874,913	62,579	1,712	939,204
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⁽¹⁾ including incidental freight and forwarding services under taken by the Group or the Company in relation to products sold, where applicable.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. Revenue (Cont'd)

21.1 Disaggregation of revenue (Cont'd)

	Group			
	← Company →			
	Plastic products ⁽¹⁾ RM'000	Food, beverages and other consumable products ⁽¹⁾ RM'000	Petroleum and other products ⁽¹⁾ RM'000	Total RM'000
2018				
Primary geographical markets				
- Japan	232,499	-	-	232,499
- Malaysia	114,214	52,790	2,576	169,580
- Australia	116,719	124	-	116,843
- Europe	70,929	-	-	70,929
- Korea	40,566	-	-	40,566
- New Zealand	34,754	10	-	34,764
- Philippines	27,899	-	-	27,899
- People's Republic of China	25,403	1,232	-	26,635
- United States of America	8,734	-	-	8,734
- Republic of Singapore	15,688	114	-	15,802
- Vietnam	12,268	48	-	12,316
- Indonesia	19,237	267	-	19,504
- Iraq	8,348	-	-	8,348
- Thailand	9,382	2,008	-	11,390
- United Arab Emirates	9,002	-	-	9,002
- Others	56,776	28	-	56,804
	802,418	56,621	2,576	861,615
Timing and recognition				
- At a point in time	802,418	56,621	2,576	861,615

⁽¹⁾ including incidental freight and forwarding services under taken by the Group or the Company in relation to products sold, where applicable.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. Revenue (Cont'd)

21.2 Nature of goods and services

The following information reflects the typical transactions of the Group and the Company:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Plastic products	Revenue is recognised at a point in time when the goods are delivered and accepted by the customers.	30 - 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Food and beverages	Revenue is recognised at a point in time when the food and beverages are served and accepted by the customers.	Cash term.	Not applicable.	Not applicable.	Not applicable.
Packaged food, beverages and other consumable products	Revenue is recognised at a point in time when the goods are delivered and accepted by the customers.	30 - 60 days from invoice date.	Not applicable.	The Group allows returns from exchange and cash refunds are offered.	Not applicable.
Petroleum and other products	Revenue is recognised at a point in time when the goods are delivered and accepted by the customers.	30 - 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.

The Group applies the practical expedient on the exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. Results from operating activities

Results from operating activities are arrived at:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration				
- Statutory audit				
- KPMG PLT				
- current year	210	196	30	28
- prior year	11	3	-	1
- Other auditors	67	54	-	-
- Other services				
- KPMG PLT	25	5	25	5
- Affiliate of KPMG PLT	67	47	22	17
Material expenses/(income)				
Directors' emoluments				
Directors of the Company				
- fees	495	409	320	240
- remuneration	3,108	2,936	151	126
- contributions to Employees' Provident Fund	221	216	18	15
- others	229	230	229	230
Other Directors				
- fees	85	79	-	-
- remuneration	867	851	-	-
- contributions to Employees' Provident Fund	48	42	-	-
Personnel expenses (excluding Directors' emoluments)				
- Wages, salaries and others	64,488	58,062	-	-
- Contributions to state plans	5,406	3,729	-	-
Share-based payments	2,915	-	411	-
Fair value loss on other investments	567	-	567	-
Inventories written down (Note 11)	1,543	759	-	-
Impairment loss on:				
- investment in a subsidiary	-	-	-	2,730
- property, plant and equipment (Note 3)	321	3,780	-	-
Loss on foreign exchange				
- realised	538	1,485	-	-
- unrealised	2,544	553	1,092	400
Gain on disposal of investment in a subsidiary	-	-	-	(7,663)
Gain on foreign exchange				
- realised	(2,413)	-	(825)	(992)
Insurance claims for flood damage	-	(4,145)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. Results from operating activities (Cont'd)

Results from operating activities are arrived at: (Cont'd)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Expenses/(Income) arising from leases				
Expenses relating to short term leases	1,822	-	-	-
Expenses relating to leases of low-value assets	28	-	-	-
Rental expense on premises and equipment	-	3,120	-	-
Rental income from property and machinery	(14)	(110)	-	-
Net (gain)/loss on impairment of financial instruments				
(Reversal of)/Impairment loss on trade and other receivables	(254)	19	140	(12)

The estimated monetary value of Directors' benefits-in-kind of the Group and the Company are RM90,733 (2018 : RM91,900) and RM17,400 (2018 : RM17,400) respectively.

23. Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company				
- Fees	335	289	160	120
- Remuneration	3,108	2,936	151	126
- Contributions to Employees' Provident Fund	221	216	18	15
- Estimated value of benefits-in-kind	44	44	17	17
	3,708	3,485	346	278
Other Director				
- Remuneration	177	181	-	-
	3,885	3,666	346	278

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. Finance costs

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense on:				
- financial liabilities that are not at fair value through profit or loss	4,299	3,484	203	578
- lease liabilities	94	-	-	-
	4,393	3,484	203	578

25. Tax expense

Recognised in profit or loss

Major components of tax expense include:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax expense				
- Current year	7,166	4,719	282	358
- Prior years	(602)	1,028	(267)	15
Total current tax	6,564	5,747	15	373
Deferred tax expense				
- Origination of temporary differences	6,057	4,979	168	466
- Prior years	(1,062)	(2,337)	-	-
- Revaluation	-	(27)	-	-
Total deferred tax	4,995	2,615	168	466
Total tax expense recognised in profit or loss	11,559	8,362	183	839

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. Tax expense (Cont'd)

Reconciliation of tax expense

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group				
Profit for the year	63,893	43,610	15,940	30,821
Total tax expense	11,559	8,362	183	839
Profit excluding tax	75,452	51,972	16,123	31,660
Income tax calculated using Malaysian tax rate of 24%	18,108	12,473	3,870	7,598
Effect of higher tax rate in foreign jurisdictions	112	49	-	-
Non-deductible expenses	1,359	2,315	248	765
Income not subject to tax	(574)	(460)	(4,018)	(7,835)
Tax incentives	(6,559)	(5,921)	-	-
Reversal of deferred tax on revaluation	-	(27)	-	-
Effect of unrecognised deferred tax assets	821	1,113	-	-
Others	(44)	129	350	296
(Over)/Under provision in prior years	(1,664)	(1,309)	(267)	15
Tax expense	11,559	8,362	183	839

Income tax recognised directly in equity

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ICULS				
Deferred tax	129	12	129	12

26. Employee benefits - Group/Company

Share-based payments arrangement

The Company granted share options to eligible Executive Directors and employees of the Group to purchase shares in the Company under the Employees' Share Option Scheme ("ESOS") approved by the shareholders at an Extraordinary General Meeting of the Company held on 18 April 2019.

The ESOS shall be in force for a duration of 5 years from 3 July 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. Employee benefits - Group/Company (Cont'd)

Share-based payments arrangement (Cont'd)

The terms and conditions related to the grants of the share options are as follows; all options are to be settled by physical delivery of shares in the Company:

	Number of options granted and accepted (‘000)	Vesting period	Exercise price (RM/Share)
Granted on 3 July 2019:			
- Tranche 1	3,499	7 August 2019 to 6 August 2020	2.26
- Tranche 2	4,327	7 August 2020 to 6 August 2021	2.26
- Tranche 3	4,327	7 August 2021 to 6 August 2022	2.26
- Tranche 4	4,327	7 August 2022 to 6 August 2023	2.26
- Tranche 5	4,327	7 August 2023 to 2 July 2024	2.26
	<u>20,807</u>		

The movements of the ESOS during the year are as follows:

	Weighted average exercise price 2019	Number of options (‘000)
Outstanding at 1 January 2019		-
Granted during the year	2.26	22,500
Forfeited during the year	2.26	(1,693)
Exercised during the year	2.26	<u>(1,006)</u>
Outstanding at 31 December 2019	2.26	<u>19,801</u>
Vested at 31 December 2019		<u>2,493</u>

The fair value of services received in return for the ESOS granted is based on the fair value of share options granted, measured using the Trinomial Option Pricing Model, with the following inputs:

	2019 RM
Fair value of share options and assumptions	
Fair value at grant date	<u>0.69</u>
Weighted average share price	2.53
Share price at grant date	2.26
Option life	5 years
Expected volatility	31.15%
Expected dividends	3.16%
Risk-free interest rate (based on Malaysian government bonds)	<u>3.44%</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. Employee benefits - Group/Company (Cont'd)

Value of employee services received for issue of share options

	Group RM'000 2019	Company RM'000 2019
Share options reserve recognised in 2019	2,915	2,915
Less: Allocation of expenses to subsidiaries	-	(2,504)
Total expenses recognised as share-based payments	2,915	411

The share options expense re-charged to the subsidiaries benefiting from the services of the employees is not recognised in the profit or loss of the Company.

27. 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 RM61,849,000 (2018 : RM43,682,000) and on the weighted average number of ordinary shares outstanding during the year of 159,404,428 (2018 : 136,276,779) calculated as follows:

	2019	2018
Issued ordinary shares at 1 January	136,432,653	135,262,272
Effect of warrants exercised during the year	8,748,778	136,510
Effect of conversion of ICULS during the year	14,161,070	877,997
Effect of ESOS exercised during the year	61,927	-
Weighted average number of ordinary shares at 31 December	159,404,428	136,276,779
Basic earnings per ordinary share (sen)	38.80	32.05

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on the profit attributable to ordinary shareholders and on the weighted average number of ordinary shares outstanding after adjusting the effect of all dilutive potential ordinary shares, calculated as follows:

	2019 RM'000	2018 RM'000
Profit attributable to ordinary shareholders (basic)	61,849	43,682
Interest expense on convertible instruments, net of tax	-	39
Profit attributable to ordinary shareholders (diluted)	61,849	43,721

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. Earnings per ordinary share - Group (Cont'd)

Diluted earnings per ordinary share (Cont'd)

	2019	2018
Weighted average number of ordinary shares at 31 December (basic)	159,404,428	136,276,779
Effect of exercise of warrants	-	7,012,864
Effect of conversion of ICULS	-	25,634,772
Effect of exercise of ESOS	6,522,123	-
Weighted average number of ordinary shares at 31 December (diluted)	165,926,551	168,924,415
Diluted earnings per ordinary share (sen)	37.27	25.88

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

28. 5% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") - Group/Company

On 15 October 2014, the Company issued 52,602,250 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 in the Company held on 17 September 2014, together with 26,301,106 free detachable warrants on the basis of one warrant for every two ICULS subscribed payable in full upon acceptance.

The main features of the ICULS were as follows:

- The ICULS were issued in multiples of RM1.00 and constituted by a Trust Deed dated 25 August 2014 entered into between the Company and the Trustee for the holders of the ICULS;
- The ICULS are convertible into new ordinary shares 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 if there is any outstanding ICULS on the maturity date, the same shall be automatically converted into new ordinary shares on the basis of one ICULS for one ordinary share;
- 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. 5% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") - Group/Company (Cont'd)

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 17) RM'000	Equity component of ICULS (Note 16.4) RM'000	Total RM'000
At the date of issuance of ICULS			
- nominal value	11,645	26,296	37,941
At 1 January 2018	2,521	13,320	15,841
Conversion of ICULS into ordinary shares	(51)	(505)	(556)
Interest expense	54	-	54
Interest paid	(1,285)	-	(1,285)
At 31 December 2018/1 January 2019	1,239	12,815	14,054
Conversion of ICULS into ordinary shares	(540)	(12,815)	(13,355)
Interest expense	29	-	29
Interest paid	(728)	-	(728)
At 31 December 2019	-	-	-

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

	2019 RM'000	2018 RM'000
Within 1 year	-	1,239

As at the end of the reporting period, the Company has the following outstanding number of ICULS:

	31.12.2019
5-year 5% ICULS	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Dividends - Group and Company

Dividends recognised by the Company:

	Sen per share	RM'000	Date of payment
2019			
- Final 2018 single tier ordinary dividend	<u>8.00</u>	<u>14,041</u>	28 August 2019
2018			
- Final 2017 single tier ordinary dividend	<u>8.00</u>	<u>10,897</u>	28 August 2018

A final single tier dividend of 9 sen per ordinary share in respect of the financial year ended 31 December 2019 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 2020.

The Company declared a first interim dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2020 totalling RM3,722,498 on 18 May 2020 and payable on 24 June 2020.

30. Capital commitments

	2019 RM'000	2018 RM'000
Group		
Contracted but not provided for		
- Property, plant and equipment	<u>24,796</u>	<u>39,359</u>

31. 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.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25 percent of the issued and paid-up capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. 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 ("CODM")) 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 products
- Food, beverages and other consumable products

Other non-reportable segment comprises investment holding, agent for sales of petroleum products and other activities of the Group. None of these segments met the quantitative thresholds for reporting segments.

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the CODM. 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.

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 CODM. 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 CODM. 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, right-of-use assets (2018 : prepaid lease payments), investment property and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. Operating segments (Cont'd)

	Plastic products		Food, beverages and other consumable products		Others		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before share of after tax results of equity-accounted associates	72,376	55,651	1,210	(5,745)	1,377	2,066	74,963	51,972
Share of profit of equity-accounted associates, net of tax	489	-	-	-	-	-	489	-
Segment profit/(loss)	72,865	55,651	1,210	(5,745)	1,377	2,066	75,452	51,972
Included in the measure of segment profit are:								
- Revenue from external customers	874,913	802,418	62,579	56,621	1,712	2,576	939,204	861,615
- Write-down of inventories	559	43	984	716	-	-	1,543	759
- Impairment of property, plant and equipment	-	-	321	3,780	-	-	321	3,780
- Depreciation and amortisation	22,424	18,135	1,882	2,263	265	302	24,571	20,700
Segment assets	723,922	622,834	42,300	37,904	115,094	78,574	881,316	739,312
Included in the measure of segment assets is:								
- Additions of property, plant and equipment, right-of-use assets and prepaid lease payments	69,253	46,588	1,200	686	-	-	70,453	47,274

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. Operating segments (Cont'd)

Geographical segments

The business segments are operated principally in Malaysia and People's Republic of 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

	2019 RM'000	2018 RM'000
Revenue		
Malaysia	185,218	169,580
Japan	227,873	232,499
Australia	105,999	116,843
Europe	99,319	70,929
People's Republic of China	67,154	26,635
Korea	33,958	40,566
New Zealand	31,188	34,764
Philippines	25,992	27,899
United States of America	20,869	8,734
Thailand	19,710	11,390
Indonesia	16,854	19,504
Republic of Singapore	19,644	15,802
Vietnam	12,062	12,316
United Arab Emirates	7,799	9,002
Iraq	4,356	8,348
Others	61,209	56,804
	939,204	861,615
Non-current assets		
Malaysia	236,661	199,192
People's Republic of China	24,840	20,683
Vietnam	3,371	3,349
Myanmar	6,818	-
Thailand	392	-
	272,082	223,224

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. Related parties

33.1 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) Subsidiaries and associate as disclosed in Note 7 and Note 8.
- ii) Companies in which certain Directors are deemed to have a substantial financial interest:
 - Kimanis Food Industry Sdn. Bhd.
 - Kimanis Property Sdn. Bhd.
 - Sensible Matrix Sdn. Bhd.
 - Foremost Equals Sdn. Bhd.
 - T.G. Plastic Pack (Export) Sdn. Bhd.
- iii) shareholder of a subsidiary
 - Landblue Co. Ltd.
- iv) Companies in which close family members of certain Directors and key management personnel of the Group are deemed to have a substantial financial interest:
 - Bounty Values Sdn. Bhd.
 - Fang Thong Trading
 - Respack Manufacturing Sdn. Bhd.
- v) Key management personnel 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.

33.2 Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated 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 12 and 19 to the financial statements.

33.2.1 Transactions with subsidiaries:

	2019 RM'000	2018 RM'000
Company		
Dividend income (gross)	14,734	24,000
Interest income	166	449
ESOS expenses	2,504	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. Related parties (Cont'd)

33.2 Significant related party transactions (Cont'd)

33.2.2 Transactions with an associate:

	2019 RM'000	2018 RM'000
Group		
Sales	35,822	-
Technical services expense	524	-

33.2.3 Transactions with shareholder of a subsidiary:

	2019 RM'000	2018 RM'000
Group		
Sales	11,900	-
Purchases	7,439	-

33.2.4 Transactions with companies in which certain Directors are deemed to have a substantial financial interest:

	2019 RM'000	2018 RM'000
Group		
Sales	2,811	2,436
Purchases	3,712	4,922
Rental expense	72	68
Rental income	-	70

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

	2019 RM'000	2018 RM'000
Purchases	140	93
Rental expense	874	834
Security deposit paid	-	126

33.3 There were no transactions with the Directors and key management personnel of the Group and the Company other than the remuneration package paid to them as disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments

34.1 Categories of financial instruments

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

- (a) Amortised cost ("AC")
- (b) Fair value through other comprehensive income ("FVOCI")
 - Equity instrument designated upon initial recognition ("EIDUIR").

	Carrying amount RM'000	AC RM'000
2019		
Financial assets		
Group		
Trade and other receivables (excluding prepayments)	177,142	177,142
Cash and cash equivalents	228,275	228,275
	405,417	405,417
Company		
Trade and other receivables (excluding prepayments)	73,989	73,989
Cash and cash equivalents	78,274	78,274
	152,263	152,263
Financial liabilities		
Group		
Loans and borrowings	140,657	140,657
Trade and other payables	129,048	129,048
	269,705	269,705
Company		
Loans and borrowings	4,543	4,543
Provision	2,199	2,199
Trade and other payables	2,998	2,998
	9,740	9,740

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	AC RM'000	FVOCI - EIDUIR RM'000
2018			
Financial assets			
Group			
Other investments	567	-	567
Fixed deposit	30	30	-
Trade and other receivables (excluding prepayments)	168,045	168,045	-
Cash and cash equivalents	169,649	169,649	-
	<u>338,291</u>	<u>337,724</u>	<u>567</u>
Company			
Other investments	567	-	567
Fixed deposit	30	30	-
Trade and other receivables (excluding prepayments)	83,853	83,853	-
Cash and cash equivalents	38,663	38,663	-
	<u>123,113</u>	<u>122,546</u>	<u>567</u>
Financial liabilities			
Group			
Loans and borrowings	126,926	126,926	
Provision	150	150	
Trade and other payables	98,145	98,145	
	<u>225,221</u>	<u>225,221</u>	
Company			
Loans and borrowings	5,582	5,582	
Provision	2,199	2,199	
Trade and other payables	4,051	4,051	
	<u>11,832</u>	<u>11,832</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net gains/(losses) on:				
Financial assets at amortised cost	3,983	(575)	2,035	2,207
Equity instruments designated at fair value through other comprehensive income				
- recognised in other comprehensive income	(567)	-	(567)	-
Financial liabilities at amortised cost	(4,582)	(2,265)	(203)	(578)
	(1,166)	(2,840)	1,265	1,629

34.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

34.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises from the individual characteristics of each customer. The Company's exposure to credit risk also arises from advances to subsidiaries and financial guarantees given to banks and suppliers for credit facilities granted to subsidiaries. There are no significant changes as compared to prior year.

Trade 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. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to prior year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

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

	2019 RM'000	2018 RM'000
Group		
Malaysia	61,369	57,279
Australia	23,084	21,496
Japan	17,906	18,111
Europe	9,366	10,864
United States of America	8,800	-
People's Republic of China	12,490	5,059
Republic of Singapore	2,507	2,460
Thailand	2,475	4,214
Korea	1,555	2,517
Indonesia	1,062	3,107
Others	12,223	14,594
	152,837	139,701

The exposure to credit risk for trade receivables as at the end of the reporting period for the Company was confined to Malaysia.

Recognition and measurement of impairment loss

The Group uses an allowance matrix to measure expected credit loss ("ECLs") of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due more than 90 days as applicable to the relevant Group entities will be considered as credit impaired.

The Group will initiate appropriate debt recovery procedures on past due balances which are monitored by the sales management team. Where necessary, the Group will also commence legal proceeding against the customers.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experienced over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables.

	2019		
	Gross RM'000	Loss allowances RM'000	Net RM'000
Group			
Not past due	97,336	-	97,336
Past due 1 - 30 days	37,960	-	37,960
Past due 31 - 60 days	14,657	-	14,657
Past due 61 - 90 days	2,884	-	2,884
	152,837	-	152,837
Credit impaired			
Individually impaired	10,963	(10,963)	-
	163,800	(10,963)	152,837
Company			
Not past due	11,904	-	11,904
Past due 1 - 30 days	7,518	-	7,518
Past due 31 - 60 days	9,245	-	9,245
Past due 61 - 90 days	688	-	688
	29,355	-	29,355
Credit impaired			
Individually impaired	36	(36)	-
	29,391	(36)	29,355

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

	2018		
	Gross RM'000	Loss allowances RM'000	Net RM'000
Group			
Not past due	85,468	-	85,468
Past due 1 - 30 days	37,064	-	37,064
Past due 31 - 60 days	10,832	-	10,832
Past due 61 - 90 days	4,627	-	4,627
Past due more than 90 days	2,131	(421)	1,710
	140,122	(421)	139,701
Credit impaired			
Individually impaired	10,909	(10,909)	-
	151,031	(11,330)	139,701
Company			
Not past due	14,578	-	14,578
Past due 1 - 30 days	6,629	-	6,629
Past due 31 - 60 days	6,311	-	6,311
Past due 61 - 90 days	3,710	-	3,710
	31,228	-	31,228
Credit impaired			
Individually impaired	46	(46)	-
	31,274	(46)	31,228

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	Credit impaired	
	2019 RM'000	2018 RM'000
Group		
Balance at 1 January	11,330	11,349
Reversal of loss allowance	(363)	(146)
Amount written off	(113)	(38)
Loss allowance provided	109	165
Balance at 31 December	10,963	11,330
Company		
Balance at 1 January	46	58
Reversal of loss allowance	(10)	(12)
Balance at 31 December	36	46

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from deposits paid to suppliers for purchase of plant and equipment and other receivables arising from the Group's normal course of operations which the Directors regard to be of low credit risk. The deposits will be utilised upon receiving the plant and equipment from suppliers while the other receivable are from parties with recurring transactions with the Group.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.4 Credit risk (Cont'd)

Inter-company advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the advances on an individual basis.

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.

The advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Generally, the Company considers the advances to subsidiaries to have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when:

- The subsidiary is unlikely to repay its advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit in shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' advances.

	Gross carrying amount RM'000	Impairment loss allowance RM'000	Net balance RM'000
Company			
2019			
Low credit risk	29,818	-	29,818
Credit impaired	3,426	(3,426)	-
	33,244	(3,426)	29,818
2018			
Low credit risk	28,465	-	28,465
Credit impaired	3,276	(3,276)	-
	31,741	(3,276)	28,465

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.4 Credit risk (Cont'd)

Inter-company advances (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The movement in the allowance for impairment in respect of subsidiaries' loans and advances during the year is as follows:

	Lifetime ECL	
	2019 RM'000	2018 RM'000
Company		
Balance at 1 January	3,276	-
Net measurement of loss allowance	150	3,276
Balance at 31 December	3,426	3,276

Financial 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 and corporate guarantees to vendors for the purchase of raw materials. 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 facilities of the subsidiaries as at the end of the reporting period are as follows:

- the Company has issued corporate guarantees to licensed banks for banking facilities granted to certain subsidiaries up to a limit of RM593.1 million (2018 : RM548.2 million) of which RM135.9 million (2018 : RM86.5 million) have been utilised as at the end of the reporting period.
- the Company has issued corporate guarantees amounting to RM223.9 million (2018 : RM183 million) to vendors for the purchase of raw materials by certain subsidiaries. The amount owing by the subsidiaries as at the end of the reporting period amounted to RM14.6 million (2018 : RM9.1 million).

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank or vendor in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.4 Credit risk (Cont'd)

Financial guarantees (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The movement in the allowance for impairment in respect of financial guarantees is as follows:

	2019 RM'000	2018 RM'000
Company		
Balance at 1 January	2,199	-
Net measurement of loss allowance	-	2,199
Balance at 31 December	2,199	2,199

34.5 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 banking 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.5 Liquidity risk (Cont'd)

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/ discount rate 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
2019							
<i>Non-derivative financial liabilities</i>							
Term loans	57,771	1.60 - 3.55	60,502	18,909	15,921	25,365	307
Hire purchase creditors	1,916	2.42 - 6.23	2,109	849	723	537	-
Lease liabilities	2,379	3.50	2,515	1,148	579	753	35
Bank overdrafts	1,058	3.89 - 8.45	1,058	1,058	-	-	-
Onshore foreign currency loans	58,566	2.08 - 2.41	58,566	58,566	-	-	-
Bankers' acceptances	6,003	3.30 - 5.24	6,003	6,003	-	-	-
Trust receipts	4,543	2.78 - 2.87	4,543	4,543	-	-	-
Revolving credit	10,800	3.10 - 3.95	11,534	3,393	3,292	4,849	-
Trade and other payables	129,048	-	129,048	129,048	-	-	-
	272,084		275,878	223,517	20,515	31,504	342

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	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
Group							
2018							
<i>Non-derivative financial liabilities</i>							
Liability component of ICULS	1,239	5.00	1,239	1,239	-	-	-
Term loans	39,003	2.36 - 5.27	42,076	10,665	9,746	21,618	47
Finance lease liabilities	1,741	4.51 - 6.54	1,905	722	608	575	-
Bank overdrafts	1,995	7.99 - 8.10	1,995	1,995	-	-	-
Onshore foreign currency loans	61,777	2.71 - 3.26	61,777	61,777	-	-	-
Bankers' acceptances	6,358	3.66 - 5.52	6,358	6,358	-	-	-
Trust receipts	4,343	3.51 - 3.59	4,343	4,343	-	-	-
Revolving credit	10,470	3.16 - 3.67	11,352	2,882	2,778	5,692	-
Trade and other payables	98,145	-	98,145	98,145	-	-	-
	<u>225,071</u>		<u>229,190</u>	<u>188,126</u>	<u>13,132</u>	<u>27,885</u>	<u>47</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

Company	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
2019							
Non-derivative financial liabilities							
Trust receipts	4,543	2.78 - 2.87	4,543	4,543	-	-	-
Trade and other payables	2,998	-	2,998	2,998	-	-	-
Financial guarantees	-	-	150,556	150,556	-	-	-
	7,541		158,097	158,097	-	-	-
2018							
Non-derivative financial liabilities							
Liability component of ICULS							
Trust receipts	1,239	5.00	1,239	1,239	-	-	-
Trade and other payables	4,343	3.51 - 3.59	4,343	4,343	-	-	-
Financial guarantees	4,051	-	4,051	4,051	-	-	-
	-	-	95,616	95,616	-	-	-
	9,633		105,249	105,249	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.6 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 is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily US Dollar ("USD"), Japanese Yen ("JPY"), Australian Dollar ("AUD"), Singapore Dollar ("SGD"), Chinese Yuen ("RMB"), European Euro ("EUR") and Thai Baht ("THB").

Risk management objectives, policies and processes for managing the risk

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 to address short term imbalances.

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	RMB RM'000	THB RM'000	Total RM'000
Group								
2019								
Trade and other receivables	98,804	1,047	4,917	1,480	2,655	13,738	1,108	123,749
Cash and bank balances	58,191	1	599	348	12,181	41,924	710	113,954
Trade and other payables	(51,187)	(168)	-	(28)	(413)	(6,912)	(129)	(58,837)
Loans and borrowings	(131,680)	-	-	-	-	-	(22)	(131,702)
Net exposure	(25,872)	880	5,516	1,800	14,423	48,750	1,667	47,164

	USD RM'000	JPY RM'000	AUD RM'000	SGD RM'000	EUR RM'000	RMB RM'000	Total RM'000
Group							
2018							
Trade and other receivables	63,875	1,177	6,020	1,789	9,739	8,509	91,109
Cash and bank balances	42,053	1,875	524	517	4,721	31,264	80,954
Trade and other payables	(46,007)	-	(19)	-	(932)	(6,584)	(53,542)
Loans and borrowings	(115,592)	-	-	-	-	-	(115,592)
Net exposure	(55,671)	3,052	6,525	2,306	13,528	33,189	2,929

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.6 Market risk (Cont'd)

Currency risk (Cont'd)

Exposure to foreign currency risk (Cont'd)

	USD RM'000
Company	
2019	
Trade and other receivables	29,424
Cash and bank balances	6,018
Trade and other payables	(2,223)
Loans and borrowings	(4,543)
Net exposure	28,676
2018	
Trade and other receivables	31,306
Cash and bank balances	5,229
Trade and other payables	(3,520)
Loans and borrowings	(4,343)
Net exposure	28,672

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.6 Market risk (Cont'd)

Currency risk (Cont'd)

Currency risk sensitivity analysis

A 10% (2018 : 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	
	2019 RM'000	2018 RM'000
Group		
USD	1,966	4,231
JPY	(67)	(232)
AUD	(419)	(496)
SGD	(137)	(175)
EUR	(1,096)	(1,028)
RMB	(3,705)	(2,522)
THB	(127)	-
	<hr/>	<hr/>
Company		
USD	(2,179)	(2,179)
	<hr/>	<hr/>

A 10% (2018 : 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 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

The Group is presently enjoying competitive interest rates which are reviewed and negotiated on a yearly basis. The Group manages its interest rate risk by having a combination of borrowings with fixed and floating rates.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.6 Market risk (Cont'd)

Interest rate risk (Cont'd)

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:

	Group RM'000	Company RM'000
2019		
Fixed rate instruments		
Financial liabilities	(84,207)	(4,543)
Floating rate instruments		
Financial liabilities	(58,829)	-
2018		
Fixed rate instruments		
Financial assets	8,030	1,060
Financial liabilities	(85,928)	(5,582)
	(77,898)	(4,522)
Floating rate instruments		
Financial liabilities	(40,998)	-

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.6 Market risk (Cont'd)

Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis (Cont'd)

(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.

	Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000
Group		
2019		
Floating rate instruments	<u>(447)</u>	<u>447</u>
2018		
Floating rate instruments	<u>(312)</u>	<u>312</u>

34.7 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.7 Fair value information (Cont'd)

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.

	Fair value of financial instruments carried at fair value					Fair value of financial instruments not carried at fair value				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	
2019										
Group										
Financial liabilities										
Term loans - Variable rate	-	-	-	-		-	-	57,771	57,771	57,771
Revolving credit	-	-	-	-		-	-	11,534	11,534	10,800
Hire purchase creditors	-	-	-	-		-	-	1,916	1,916	1,916
	-	-	-	-		-	-	71,221	71,221	70,487
2018										
Group										
Financial assets										
Other investments	-	-	567	567		-	-	-	-	567
Financial liabilities										
Term loans - Variable rate	-	-	-	-		-	-	39,003	39,003	39,003
Revolving credit	-	-	-	-		-	-	11,352	11,352	10,470
Finance lease liabilities	-	-	-	-		-	-	1,741	1,741	1,741
	-	-	-	-		-	-	52,096	52,096	51,214

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.7 Fair value information (Cont'd)

	Fair value of financial instruments carried at fair value					Fair value of financial instruments not carried at fair value					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		
2019											
Company											
Financial liabilities											
Financial guarantee	-	-	-	-		-	-	2,199	2,199		2,199
2018											
Company											
Financial assets											
Other investments	-	-	567	567		-	-	-	-		567
Financial liabilities											
Financial guarantee	-	-	-	-		-	-	2,199	2,199		2,199

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial instruments (Cont'd)

34.7 Fair value information (Cont'd)

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. For borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value

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

The carrying amount of floating rate term loans approximate its fair value as their effective interest rates change accordingly to movements in the market interest rate. The fair value of hire purchase creditors (2018 : finance lease liabilities) and revolving credit are calculated using discounted cash flows where the market rate of interest is determined by reference to similar borrowing arrangements which ranges from 2.42% to 6.23% (2018 : 3.16% to 6.54%).

35. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 16, *Leases*.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application, if any as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 3.50%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment.

The Group and the Company used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

As a lessor

Group entities which is an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and concluded that the the sublease is an operating lease under MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. Significant changes in accounting policies (Cont'd)

35.1 Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period financial statements presented.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the consolidated statement of financial position at 1 January 2019.

	RM'000
Group	
Operating lease commitment at 31 December 2018	-
Discounted using the incremental borrowing rate at 1 January 2019	-
Extension options reasonably certain to be exercised	3,399
Lease liabilities recognized at 1 January 2019	3,399

The adoption of MFRS 16 did not have any material financial impacts to the Company's separate financial statements.

36. Subsequent event

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic, which has caused severe global social and economic disruptions and uncertainties, including markets where the Group operates.

The Group considers this outbreak as a non-adjusting post balance sheet event. The consequences brought about by Covid-19 continue to evolve and whilst the Group is actively monitoring and managing its operations to respond to these changes, the Group does not consider it practicable to provide any quantitative estimate on the potential impact it may have on the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. Comparative figures

The following comparative figures were restated to conform to the current year's presentation.

Consolidated Statement of Financial Position

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
2018			
Trade and other payables	101,867	(3,722)	98,145
Contract liabilities	-	3,722	3,722

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
2018			
Cost of sales	741,805	12,874	754,679
Selling and distribution expenses	35,417	(12,874)	22,543

The reclassification did not have any impact to the earnings of the Group for the financial year ended 31 December 2018.

THONG GUAN INDUSTRIES BERHAD

(REGISTRATION NO. 199401038519 (324203 - K)) (INCORPORATED IN MALAYSIA)

AND ITS SUBSIDIARIES

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 43 to 139 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2019 and of their financial performance and cash flows for the financial year then ended.

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

Dato' Ang Poon Chuan
Director

Ang See Ming
Director

Kedah Darul Aman

Date: 15 June 2020

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Ang See Ming**, 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 43 to 139 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed **Ang See Ming**, NRIC: 700515-07-5691, at George Town in the State of Penang on 15 June 2020.

Ang See Ming

Before me:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THONG GUAN INDUSTRIES BERHAD
(REGISTRATION NO. 199401038519 (324203 - K)) (INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Thong Guan Industries Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 43 to 139.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Refer to significant accounting policy at Note 2(h) and Note 11 - Inventories.

The key audit matter

As at 31 December 2019, the carrying amount of the Group's inventories amounted to RM198 million, representing 23% of the Group's total assets as at 31 December 2019. The Group's inventories comprise mainly of plastic resins and a wide range of plastic packaging products for industrial and consumer use.

Plastic resin is one of the major materials used in the production of the Group's manufactured inventories, which is exposed to fluctuations in the commodity price. Raw materials are also ordered to cater for current as well as expected future demand which may not materialise.

The inventories are required to be measured at the lower of cost and net realisable value. Identifying and determining the appropriate write down of the inventories to net realisable value require the use of judgement on estimated selling price and future demand.

This is one of the areas that our audit focuses on because it required us to design appropriate procedures to evaluate the judgement and assessments made by the Group.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF THONG GUAN INDUSTRIES BERHAD
(REGISTRATION NO. 199401038519 (324203 - K)) (INCORPORATED IN MALAYSIA)

How the matter was addressed in our audit

Our audit procedures performed in this area included, among others:

- Selected items of inventories on sampling basis and compared the carrying amount of the inventories to the selling price for sales transacted after year end or recent sales transacted during the year;
- Tested the movements of the inventories in the inventory movement reports against receiving documents and production reports;
- Attended the year end physical inventory counts to identify any inventories that were damaged; and
- Evaluated the Group's basis of writing down slow-moving inventories based on the age of the inventory relative to past and present sales or consumption.

We have determined that there is no key audit matter to be communicated for the separate financial statements of the Company in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF THONG GUAN INDUSTRIES BERHAD
(REGISTRATION NO. 199401038519 (324203 - K)) (INCORPORATED IN MALAYSIA)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF THONG GUAN INDUSTRIES BERHAD
(REGISTRATION NO. 199401038519 (324203 - K)) (INCORPORATED IN MALAYSIA)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Raymond Chong Chee Mon
Approval Number: 03272/06/2020 J
Chartered Accountant

Penang

Date: 15 June 2020

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	21-23 years	60 years, leasehold, expiring on 12.4.2052	0.38	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	25 years	60 years leasehold, expiring on 12.4.2052	0.62	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	19 years	60 years leasehold, expiring on 4.6.2055	2.33	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	22-35 years	Freehold	5.27	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 buildings	339,590	17-37 years	Freehold	4.67	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	35 years	99 years leasehold, expiring on 18.7.2092	0.16	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	27 years	Freehold	0.48	31.12.2004
CL 015373672 Lorong Rambutan Off KM 11 Jln Tuaran Kota Kinabalu, Sabah	Factory and other buildings	82,764	31 years	60 years leasehold, expiring on 31.12.2035	1.43	13.12.1995
CL 015276687 606 Taman Bay View Off Mile 21/2 Jln Tuaran Kota Kinabalu, Sabah	Double storey terrace house	2,178	41 years	999 years leasehold, expiring on 16.6.2914	0.09	13.12.1995
TL 077549707 Lot 13, Hock Seng Industrial Estate Jalan Bomba, Off KM 5 Jalan Utara Sandakan, Sabah	Double storey semi-detached light industrial building	5,670	28 years	60 years leasehold, expiring on 31.12.2040	0.16	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

LIST OF PROPERTIES OWNED BY THE GROUP (CONT'D)

Location	Description	Approximate Land Area (sq.ft.)	Age of Building	Tenure	Net Book Value RM million	Date of Valuation/ Acquisition
Jiangsu Province Year 2002 Land No: 01006061 Jiulong South Road Wujiang Economic Developing Area Jiangsu, People Republic of China	Factory with office buildings	315,425	14-18 years	50 years leasehold, expiring on 31.12.2049	3.92	01.01.2000
Pangjin Road Wujiang Economic Developing Area Jiangsu, People Republic of China	Factory buildings	716,876	14-15 years	50 years leasehold, expiring on 08.03.2053	5.49	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	14 years	60 years leasehold, expiring on 11.04.2052	4.18	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	19-20 Years	60 years leasehold, expiring on 4.7.2055	3.96	26.08.2011
Lot No. PT2574, H.S. (M) 2798, Padang Lembu, Bandar Gurun, District of Kuala Muda, Kedah	Warehouse	83,689	15 years	60 years leasehold, expiring on 15.9.2050	0.70	26.08.2011
No. 12 VSIP II Street 9, Vietnam Singapore Industrial Park II Ben Cat District Binh Duong Province, Socialist Republic of Vietnam	Vacant industrial land	269,571	-	48 years leasehold, expiring on 30.11.2055	3.48	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	25 years	60 years leasehold, expiring on 23.11.2054	3.00	11.09.2014
Lot No. P.T.95008, H.S.(D) No.115280 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah	Vacant industrial land	694,820	-	60 years leasehold, expiring on 03.04.2050	7.22	03.01.2017
Lot No. P.T.30500, H.S.(D) No.46326 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory with office building	161,836	16 years	60 years leasehold, expiring on 05.05.2055	6.99	30.12.2017
Lot BB2, Industrial Area, Zone B (Phase 1), Thilawa Special Economic Zone, Thanlyin, Yangon, Myanmar	Vacant industrial land	215,461	-	48 years leasehold, expiring on 09.02.2067	6.82	25.11.2019

ANALYSIS OF ORDINARY SHAREHOLDINGS

AS AT 10 JUNE 2020

Total no. of issued share capital - 186,596,920 ordinary shares (including 472,000 treasury shares)
 Class of shares - Ordinary shares
 Voting rights - One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	No. of shares held	% of shareholding ^(*)
Less than 100	179	9,898	0.01
100 - 1,000	775	535,519	0.29
1,001 - 10,000	2,018	8,665,924	4.64
10,001 - 100,000	678	20,087,241	10.76
100,001 - 9,329,845	144	82,926,463	44.44
9,329,846 - 186,596,920	2	74,371,875	39.86
TOTAL	3,796	186,596,920	100

^(*) Including 472,000 treasury shares.

DIRECTORS' SHAREHOLDINGS

	Direct Interest No. of shares	% ^(*)	Indirect Interest No. of shares	% ^(*)
DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin	-	-	-	-
Dato' Ang Poon Chuan	2,660,204	1.43	591,783 ^(a)	0.32
Datuk Ang Poon Seong	1,904,058	1.02	16,700 ^(a)	0.01
Dato' Ang Poon Khim	1,763,993	0.95	158,650 ^(a)	0.09
Ang See Ming	838,398	0.45	-	-
Chow Hon Piew	-	-	-	-
Dato' Kang Pang Kiang	-	-	-	-
Tengku Muzzammil Bin Tengku Makram	-	-	-	-

Notes:

^(a) Deemed interested via interest of spouse and children pursuant to Section 59(11)(c) of the Companies Act 2016.

^(*) After netting off 472,000 treasury shares.

SUBSTANTIAL SHAREHOLDER

Name	Direct Interest No. of shares	% ^(*)	Indirect Interest No. of shares	% ^(*)
Foremost Equals Sdn Bhd	74,371,875	39.96	-	-

^(*) After netting off 472,000 treasury shares.

LIST OF 30 LARGEST SHAREHOLDERS

AS AT 10 JUNE 2020 (Without aggregating securities from different securities accounts belonging to the same person)

NO.	NAME	HOLDINGS	% ^(*)
1	FOREMOST EQUALS SDN BHD	52,645,500	28.21
2	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOREMOST EQUALS SDN. BHD.	18,822,750	10.09
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	4,009,900	2.15
4	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR NORGES BANK (FI 17)	3,962,500	2.12
5	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	3,929,000	2.11
6	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL- CAP FUND	3,619,000	1.94
7	NEOH CHOO EE & COMPANY, SDN. BERHAD	3,512,500	1.88
8	AMANAHRAYA TRUSTEES BERHAD PB GROWTH FUND	3,361,100	1.80
9	FOREMOST EQUALS SDN BHD	2,903,625	1.56
10	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	2,665,900	1.43
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM MAYBANK)	2,600,000	1.39
12	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	1,955,450	1.05
13	ANG POON KHIM	1,763,993	0.95
14	ANG POON CHUAN	1,490,304	0.80
15	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FOCUS FUND	1,432,700	0.77
16	ANG POON SEONG	1,398,093	0.75
17	SENSIBLE MATRIX SDN BHD	1,323,303	0.71
18	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	1,309,200	0.70
19	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	1,295,800	0.69
20	ANG POON CHUAN	1,169,900	0.63
21	DYNAQUEST SDN. BHD.	1,026,300	0.55
22	TAN LEE HWA	938,000	0.50
23	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ESPG IV SC E)	844,800	0.45
24	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	829,600	0.44
25	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTM ENTS ISLAMIC SMALL-CAP FUND	808,200	0.43
26	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (AFFIN 2)	807,500	0.43
27	GOLDEN FRESH SDN BHD	800,000	0.43
28	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	790,100	0.42
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (UOB AM SC EQ)	789,300	0.42
30	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR MAYBANK MALAYSIA SMALLCAP FUND	785,900	0.42
		123,590,218	66.22

^(*) Including 472,000 treasury shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fifth Annual General Meeting ("AGM") of shareholders of the Company will be held at Kota Melaka Room, Level 2, Park Avenue Hotel, E-1, Jalan Indah 2, Taman Sejati Indah, 08000 Sungai Petani, Kedah on Wednesday, 19 August 2020 at 11:00 a.m. to transact the following business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 and the Reports of Directors and Auditors thereon.
2. To approve a final single tier dividend of 9 sen per ordinary share for the financial year ended 31 December 2019. Ordinary Resolution 1
3. To re-elect the following Directors who retire in accordance with Clause 103 of the Company's Constitution:-
 - (a) Dato' Ang Poon Chuan Ordinary Resolution 2
 - (b) Mr Ang See Ming Ordinary Resolution 3
 - (c) Datuk Ang Poon Seong Ordinary Resolution 4
4. To approve the Fees and Benefits of up to an aggregate amount of RM800,000 for the period commencing this AGM through to the next AGM of the Company in 2021. Ordinary Resolution 5
5. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. Ordinary Resolution 6

AS SPECIAL BUSINESS, to consider and if thought fit, to pass with or without any modification, the following Resolutions:-

6. **Power to Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016** Ordinary Resolution 7

"THAT subject always to the Companies Act 2016 ("Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Section 75 and 76 of the Act to issue and allot shares in the Company to such persons, at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being."
7. **Proposed Renewal of Authority to Buy Back Its Own Shares by the Company** Ordinary Resolution 8

"THAT subject always to the Companies Act 2016 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Constitution of the Company and the Main Market Listing Requirements of 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 in the Company's total number of issued shares through the Bursa Securities at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject to the following:-

 - i) the aggregate number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the total number of issued shares of the Company for the time being ("TGI Shares");
 - ii) the amount of fund to be allocated by the Company for the purpose of purchasing the TGI Shares shall not exceed the aggregate of the retained profits of RM24.98 million of the Company as at 31 December 2019;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. **Proposed Renewal of Authority to Buy Back Its Own Shares by the Company (Cont'd)**

Ordinary Resolution 8

- iii) the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will continue in force until:
 - a) the conclusion of the next Annual General Meeting ("AGM") of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
 - b) the expiration of the period within which the next AGM 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 Main Market Listing Requirements of the Bursa Securities or any other relevant authorities;
- iv) 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:
 - a) to cancel the TGI Shares so purchased; or
 - b) 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
 - c) to retain part of the TGI Shares so purchased as treasury shares and cancel the remainder; or
 - d) 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 actions and steps as are necessary or expedient to implement or to effect the purchase of TGI shares."

8. **Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions between the Company and/or its Subsidiaries**

Ordinary Resolution 9

"THAT subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), 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 30 June 2020 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:

- (a) the conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed;
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, whichever is earlier.

FURTHER THAT the Directors of the Company be and are hereby authorised to do all acts, deeds, things and execute all necessary documents as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted under relevant authorities to give full effect to the Proposed Shareholders' Mandate."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution.

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 4.30 p.m. on 28 August 2020 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 September 2020 to depositors registered in the Records of Depositors at the close of business on 28 August 2020.

By Order of the Board

ONG TZE-EN (MAICSA 7026537) (SSM PC No. 202008003397)
LAU YOKE LENG (MAICSA 7034778) (SSM PC No. 202008003368)
Joint Company Secretaries
Penang, 30 June 2020

Notes on proxy and voting:

1. A proxy may but need not be a member of the Company.
2. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company at 170-09-01 Livingston Tower, Jalan Argyll, 10050 George Town, Penang, Malaysia not less than forty-eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the Form of Proxy, other than the particulars of the proxy have been duly completed by the member(s).
3. A member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it may hold with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorized nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. If the appointer is a corporation, the Form of Proxy must be executed under the corporation's common seal or under the hand of an officer or an attorney duly authorised.
7. In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 10 August 2020 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote on his/her behalf.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes:

1. The Ordinary Resolution 5, is to seek shareholders' approval on the Directors' Fees and Benefits payable to the Directors which have been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognises that the Fees and Benefits payable is in the best interest of the Company and in accordance with the remuneration framework of the Group. The relevant Fees and Benefits will be paid to the Directors upon completion of service by the said Directors. The Benefits comprise of meeting allowance and Board Committee allowances. This approval shall continue to be in force until the conclusion of the next AGM of the Company.
2. The Proposed Ordinary Resolution 7, 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 number of issued shares/total number of voting shares 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 AGM.

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 AGM held on 26 June 2019 and which will lapse at the conclusion of the Twenty-Fifth AGM.

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.

3. The Proposed Ordinary Resolution 8, if passed will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 18,659,692 shares representing 10% of the total number of issued shares of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.
4. The Proposed Ordinary Resolution 9, if passed, will approve the Proposed New and Renewal of 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 AGM or the expiration of the period within which the next AGM is required by the law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

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.

IMPORTANT NOTICE:-

In view of the outbreak of COVID-19 which is now a global pandemic, the Company has in place rules and control for the AGM in order to safeguard the health of attendees at the AGM. You are requested to read and adhere to the Administrative Guide issued which is sent together with this Notice of AGM and published in the Company's website at www.thongguan.com. Members are also reminded to monitor the Company's website and announcements from time to time for any changes to the AGM's arrangements.

ADMINISTRATIVE DETAILS

THONG GUAN INDUSTRIES BERHAD
(REGISTRATION NO. 199401038519 (324203 - K))

25th Annual General Meeting

Day and Date	Wednesday, 19 August 2020
Time	11.00 am
Venue	Kota Melaka Room, Level 2, Park Avenue Hotel, E-1, Jalan Indah 2, Taman Sejati Indah, 08000 Sungai Petani, Kedah

MEASURES TO MINIMISE RISKS OF COVID-19 INFECTION

In view of the COVID-19 situation, the following steps will be taken for shareholders, proxies and others who will be attending the AGM in order to minimise the risk of spreading the COVID-19 virus:

TEMPERATURE CHECKS, HEALTH DECLARATION FORM AND FACE MASK

1. All persons attending the AGM will be required to undergo a temperature check and sign a health declaration form to provide their respective travel history on whether during the last 14 days prior to the AGM, he/she has been travelling overseas or any red zone areas in Malaysia. The health declaration form will also be used for the purpose of contact tracing, if required.
2. Any person who had recent travel history as mentioned in (1) above during the said 14 days period prior to the AGM or had been in contact with a suspected or confirmed COVID-19 patient during the 14 days period prior to the AGM, irrespective of nationality, will not be permitted to attend the AGM.
3. Any person with a body temperature of more than 37.5 degrees Celsius and/or exhibit flu-like symptoms will not be allowed to attend the AGM. Shareholders/proxies who are feeling unwell are strongly advised not to attend the AGM.
4. All persons must practice proper hygiene including the use of hand sanitisers provided by the Company and are strongly advised to wear a face mask before entering the AGM venue.

SOCIAL DISTANCING AND SEATING ARRANGEMENT

5. There will be no door gifts, food or beverage served at the AGM.
6. To enhance social distancing measures, the seats allocated for shareholders/ proxies at the AGM venue will be maintained at a certain distance from one another as per the guidelines and/or standing operating procedure provided by the relevant governmental and/or health authorities.
7. Pre-registration to attend the AGM of the Company
Due to social distancing requirements, the Company will limit the number of participants to the AGM. In order to assist the Company in managing the turnout for the meeting and to ensure compliance with the directives or guidelines on public gathering/event issued by the Malaysian Government and other relevant authorities. Shareholders/proxies who wish to attend in person must pre-register with Ms. Teh via email at syteh@thongguan.com, by sending an email after the release of the Notice of Meeting. However, the admission to the AGM is subjected to clause (8) below.
8. Limitation to the number of attendees
The Company will limit the number of participants to be physically present at the Venue of the 25th AGM to 80 based on the size of the venue. Hence, the total shareholders present in person or by proxy or attorney or authorized representative shall preferably be limited to 60 only or lesser after taking into consideration of the attendance of the Directors, Management, Company Secretary, Poll Administrator Scrutineers and Auditors. The admission for the 25th AGM shall be on first-come-first-serve basis.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate up to the day of the AGM of the Company, in accordance with the guidelines and/or standing operating procedure issued by the Malaysian Government and other relevant authorities in order to minimise any risk to shareholders and others attending the AGM. The Company would like to thank all shareholders for their patience and co-operation in enabling us to hold our AGM with the optimum safe distancing measures amidst the COVID-19 pandemic.

REGISTRATION ON THE DAY OF 25th AGM

9. Registration will commence at 10.00 a.m. and will end at the time as may be determined by the Chairman of the meeting.
10. Please present your original National Registration Identity Card (NRIC) or Passport to the registration staff for verification. Please make sure your NRIC or passport is returned to you after registration.
11. An access card will be given to you thereafter. No one will be allowed to enter the meeting room without the access card. There will be no replacement should you lose or misplace the access card.
12. You may proceed to the meeting room thereafter.
13. Registration must be done in person. No person is allowed to register on behalf of another.
14. The registration counter will handle verification of identity, registration and revocation of proxy/proxies.

ADMINISTRATIVE DETAILS (CONT'D)

THONG GUAN INDUSTRIES BERHAD
(REGISTRATION NO. 199401038519 (324203 - K))

PROXY

15. A member entitled to attend and vote in the meeting is allowed to appoint proxy. Please submit your Form of Proxy in accordance with the notes and instructions printed therein.
16. The Form of Proxy is not required if you are attending the meeting.
17. If you have submitted your Form of Proxy prior to the meeting and subsequently decided to attend the meeting in person, please proceed to the registration counter to revoke the appointment of your proxy.
18. Please ensure that the original Form of Proxy is deposited at the Company's Registered Office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang not less than forty-eight (48) hours before the meeting time. No proof of despatch of Form of Proxy will be entertained.

GENERAL MEETING RECORD OF DEPOSITORS

19. For the purpose of determining who shall be entitled to attend the 25th Annual General Meeting, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 10 August 2020 and only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting.

ANNUAL REPORT 2019

20. The Company Annual Report 2019 is available on the Company's website at www.thongguan.com and Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com.

NO RECORDING OR PHOTOGRAPHY

21. No recording or photography of the AGM proceedings is allowed without the prior written permission of the Company.

MOBILE DEVICES

22. Please ensure all mobile devices i.e. phones/other sound emitting devices are put on silent mode during the AGM to ensure smooth and uninterrupted proceedings.

AGM ENQUIRY

23. For any enquiry prior to the 25th AGM, please contact the following during office hours:

- (a) Boardroom Corporate Services Sdn. Bhd.
(Tel +604 229 4390/ 227 7762)
- (b) Share Registrar – Agriteum Share Registration Services Sdn. Bhd.
Tel +604 228 2321

PERSONAL DATA POLICY

By registering and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

The Company and its subsidiaries, their officers and employees shall have no liability whatsoever to any and all shareholders, their proxies, corporate representatives or any other party arising out of or in connection with any of them being infected or suspected of being infected with COVID-19 and/or suffering any losses arising out of or in connection with attendance at the AGM and/or measures undertaken by the Company in the Company's sole discretion in response to the COVID-19 pandemic.

FORM OF PROXY



**THONG GUAN
INDUSTRIES BERHAD**
(199401038519) (324203-K)

No. of shares held	
CDS Account No.	

I/We _____
(Full name in Block Letters and NRIC/Passport/Company No.)

of _____
(Address)

_____ and _____
(Tel. No.)

being a *member/members of Thong Guan Industries Berhad hereby appoint

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

or failing *him/her, the CHAIRMAN OF THE MEETING as *my/our proxy, to vote for *me/us and on *my/our behalf at the TWENTY-FIFTH ANNUAL GENERAL MEETING of the Company which will be held at Kota Melaka Room, Level 2, Park Avenue Hotel, E-1, Jalan Indah 2, Taman Sejati Indah, 08000 Sungai Petani, Kedah on Wednesday, 19 August 2020 at 11:00 a.m. or at any adjournment thereof.

* My/our proxy is to vote on a poll as indicated below with an "X".

	ORDINARY RESOLUTIONS								
	1	2	3	4	5	6	7	8	9
FOR									
AGAINST									

* Strike out whichever is not desired.

Signed this _____ day of _____ 2020

Signature of Shareholder(s)/Common Seal

Notes on proxy and voting:

1. A proxy may but need not be a member of the Company.
2. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company at 170-09-01 Livingston Tower, Jalan Argyll, 10050 George Town, Penang, Malaysia not less than forty-eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/her proxy, provided always that the rest of the Form of Proxy, other than the particulars of the proxy have been duly completed by the member(s).
3. A member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it may hold with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorized nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. If the appointer is a corporation, the Form of Proxy must be executed under the corporation's common seal or under the hand of an officer or an attorney duly authorised.
7. In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 10 August 2020 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote on his/her behalf.

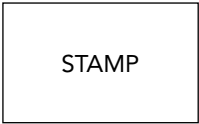
Personal Data Privacy

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

IMPORTANT NOTICE:-

In view of the outbreak of COVID-19 which is now a global pandemic, the Company has in place rules and control for the AGM in order to safeguard the health of attendees at the AGM. You are requested to read and adhere to the Administrative Guide issued which is sent together with this Notice of AGM and published in the Company's website at www.thongguan.com. Members are also reminded to monitor the Company's website and announcements from time to time for any changes to the AGM's arrangements.

Please fold across the lines and close



To: The Company Secretaries
 Thong Guan Industries Berhad

Registered Office
170-09-01, Livingston Tower
Jalan Argyll, 10050 George Town
Pulau Pinang

Please fold across the lines and close



SHRINK FILM



CALCIUM CARBONATE COMPOUNDS



GARBAGE BAGS



GENERAL BAGS, FILMS & SHEETS



MACHINE WRAP STRETCH FILM



HAND WRAP STRETCH FILM



TEA & COFFEE BEVERAGES



PVC FOODWRAP



LAMINATION FILMS



STRETCH HOOD

THONG GUAN INDUSTRIES BERHAD

199401038519 (324203-K)

Lot 52, Jalan PKNK 1/6, Kawasan Perusahaan Sungai Petani, 08000,
Sungai Petani, Kedah, Malaysia
Tel : +604-4417 888 Fax : +604-4419 888

www.thongguan.com