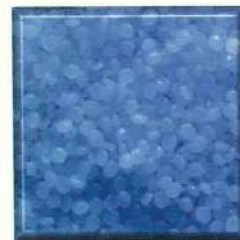
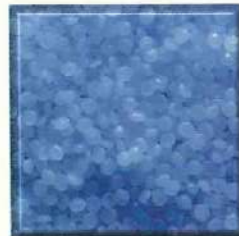
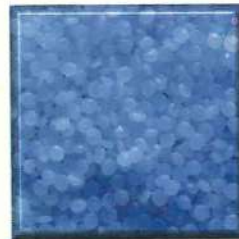




A N N U A L



R E P O R T

97

THONG GUAN INDUSTRIES BERHAD

324203-K

THONG GUAN INDUSTRIES BERHAD

Company No. 324203 K)
(Incorporated in Malaysia)

And its Subsidiary Companies

REPORTS AND ACCOUNTS

for the year ended

31ST DECEMBER 1997

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THONG GUAN INDUSTRIES BERHAD

(Company No. 324203-K)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

Annual Report 1997

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of members of the Company will be held at Hall 3, Bukit Jambul Country Club, No. 2, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Thursday, 18 June 1998 at 11:30 a.m. for the following purposes:

- | | | |
|--------|---|---|
| 1. | To receive and adopt the Directors' Report and Audited Accounts for the year ended 31 December 1997 | Resolution 1 |
| 2 (i). | To re-elect the following Director who retires in accordance with Section 129(6) of the Companies Act, 1965 :-
a) Ang Toon Cheng @ Ang Tong Sooi | Resolution 2 |
| (ii). | To re-elect the following Directors who retire in accordance with Article 68 of the Company's Articles of Association :-
a) Tengku Makram Bin Tengku Ariff
b) Ang Poon Seong
c) Ang Toon Piah @ Ang Toon Huat
d) Ang Poon Kang
e) Ang Poon Khim
f) Haji Wan Kassim Bin Ahmed
g) Haji Mohd Salleh Bin Zakaria | Resolution 3
Resolution 4
Resolution 5
Resolution 6
Resolution 7
Resolution 8
Resolution 9 |
| 3. | To approve Directors' Fees for the year ended 31 December 1997 | Resolution 10 |
| 4. | To re-appoint Messrs KPMG Peat Marwick as Auditors of the Company and to authorise the Directors to fix their remuneration | Resolution 11 |
| 5. | To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association | |

By Order of the Board

LAM VOON KEAN

(MLA 4793)

Company Secretary

Penang, 3 June 1998

NOTES :

1. A member entitled to attend and vote at this meeting may appoint a proxy to attend and, on a poll, to vote on his behalf. Such proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies under the Companies Act, 1965 in a particular case. A member may appoint more than two proxies to attend at the same meeting. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under Common Seal of the Company or under the hand of an officer or attorney duly authorised.
3. To be valid, the proxy form must be deposited at the Company's Registered Office at 1st Floor (Room 102), Wisma Penang Garden, 42 Jalan Sultan Ahmad Shah, 10050 Penang, not less than 48 hours before the time for holding the meeting or adjourned meeting.



CORPORATE INFORMATION

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203 K)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

BOARD OF DIRECTORS	:	Ang Toon Cheng @ Ang Tong Sooi, AMK, JP, SDK Tengku Makram Bin Tengku Ariff Ang Poon Chuan Ang Toon Piah @ Ang Toon Huat, AMK Ang Poon Seong Ang Poon Kang Ang Poon Khim Wan Kassim Bin Ahmed Mohd Salleh Bin Zakaria
SECRETARY	:	Lam Voon Kean (MIA 4793)
REGISTERED OFFICE	:	1st Floor (Room 102) Wisma Penang Garden 42 Jalan Sultan Ahmad Shah 10050 Penang Tel : 04 - 2266363 Fax : 04 - 2265860
REGISTRAR	:	M & C Services Sdn Bhd 1st Floor (Room 102) Wisma Penang Garden 42 Jalan Sultan Ahmad Shah 10050 Penang Tel : 04 - 2266363 Fax : 04 - 2265860
AUDITORS	:	KPMG Peat Marwick Penang
PRINCIPAL BANKERS	:	Hongkong Bank Malaysia Berhad Malayan Banking Berhad Hong Leong Bank Berhad Arab Malaysian Merchant Bank Berhad



THONG GUAN INDUSTRIES BERHAD
(Company No. 324203 K)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

Annual Report 1997

AUDIT COMMITTEE

1. Members

- | | | |
|------|------------------------------|--------------------------------------|
| i) | Haji Wan Kassim Bin Ahmed | - Chairman |
| | | - Independent Non-Executive Director |
| ii) | Haji Mohd Salleh Bin Zakaria | - Independent Non-Executive Director |
| iii) | Ang Poon Chuan | - Managing Director |

2. Terms of Reference

- i) Reviewing the effectiveness of management information and systems of internal control within the Company and Group.
- ii) Reviewing management's compliance with established policies, plans, procedures, laws and regulations.
- iii) Reviewing with the External Auditors the scope of their audit plan, their evaluation of the systems of internal control and the audit reports on the financial statements.
- iv) Reviewing the interim and annual financial statements with External Auditors and management.
- v) Other functions as may be agreed by the Audit Committee and the Board of Directors hereafter.



GROUP STRUCTURE & ACTIVITIES

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203 K)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES





THONG GUAN INDUSTRIES BERHAD

(Company No. 324203 K)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

Annual Report 1997

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I have pleasure in presenting the Annual Report and Audited Accounts of Thong Guan Industries Berhad for the financial year ended 31 December 1997.

Introduction

1997 marked the beginning of a new era for Thong Guan Industries Berhad and its subsidiary companies. The major event was its successful listing on the Second Board of the Kuala Lumpur Stock Exchange on 19 December 1997.

The later part of 1997 has also seen the downturn of many previously rapid growing Asian economies. Starting with Thailand in July, the economic and currency crisis spread quickly which resulted in general slowdown in demand and contraction of economic growth rate. Countries such as Thailand, Indonesia and South Korea have resorted to external assistance.

Despite the general slowdown in demand, the Group has demonstrated its substance and qualities as a company capable of enduring bad weathers by continuing its consistent and steady growth. Prudent business and financial management based on conservative and realistic approach has enabled the

Group to maintain a strong Balance Sheet with healthy cash reserves and minimal long-term borrowings

Results

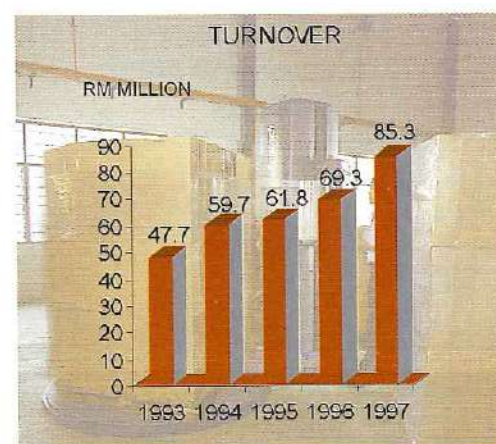
The Group achieved a profit after tax and attributable to shareholders of RM 6.4 million, exceeding its previous year's profit of RM 5.5 million, a marked 16.4% improvement.

Turnover increased by 23% to RM 85.3 million from RM 69.3 million. The remarkable improvements in results were mainly attributable to the full production of its newly acquired machinery during the year and various productivity improvement measures. Export has been instrumental with the favourable exchange rates.

Total fixed assets has increased significantly by 46.6% from RM 28.3 million to RM 41.5 million mainly due to the Group's commitment to upgrade its manufacturing technologies to position itself to meet the challenges in the marketplace. The investment in building and machinery was paid off by the proceeds from the Rights and Public Issues in conjunction with the Listing of the Group on the Kuala Lumpur Stock Exchange.

Dividends

The Board of Directors does not recommend any payment of dividend for the financial year ended 31 December 1997. This is mainly in view of the Group's listing, which took place only towards the end of the financial year and also to conserve its financial resources amidst the uncertain market conditions ahead.





CHAIRMAN'S STATEMENT

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203 K)

(Incorporated in Malaysia)

AND ITS SUBSIDIARY COMPANIES

Prospects & Outlook

For the current ensuing financial year ending 31 December 1998, the Group expects to maintain its steady growth in turnover and operating profit despite the reported slowdown in the plastic industry and the general regional market.

The bases for such positive outlook are the following characteristics:-

Alignment with key suppliers and principle customers on ongoing programs and developing technologically advanced applications with the Group's sophisticated facilities

Continue to expand the export business with the attractive exchange

rates by bundling related goods to existing customers and penetrating new markets

Further cost rationalisation through cost cutting measures and improved process and technology that would increase productivity

Enlarged production capacity to cope with demand especially export orders

The Group's long standing reputation and wide diversified customer base minimise its dependency on any particular type of product or clientele

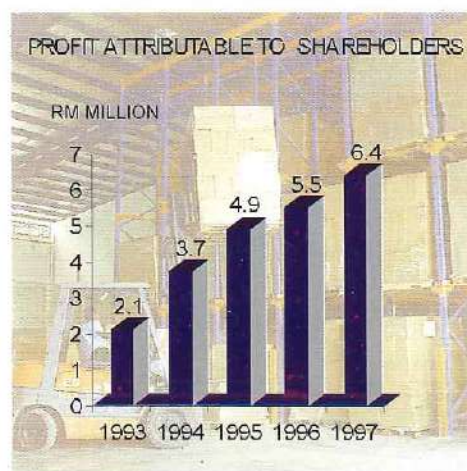
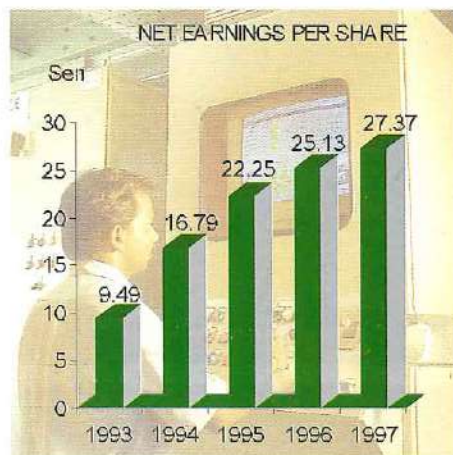
The Group would continue to adopt a careful approach towards its businesses emphasising on working with quality clients and suppliers.

Year 2000 Puzzle

The Group has taken necessary steps to find solutions to the year 2000 (Y2K) problem in its computer systems by suitably upgrading software and hardware that are inclined to encounter such problem. The adaptation works are expected to be completed well within the time frame available.

Acknowledgements

The success of Thong Guan Industries Berhad is attributable to the resolute commitment and colossal team effort of our management and staff, our policy of upholding customer priorities and the continuing support of our suppliers and associates.



On behalf of the Board, I would like to extend my appreciation to the management and staff led by our energetic and visionary Managing Director, Mr. Ang Poon Chuan for their hard work and dedication in another year of smooth growth. I look forward to the sustenance of this team spirit to propel the Group through more challenges in future years.

I would also like to record my gratitude to all our shareholders, customers, suppliers, members of the media as well as the various Regulatory Authorities for their confidence and continued support of the Group.



THONG GUAN INDUSTRIES BERHAD

(Company No. 324203 K)
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AND ITS SUBSIDIARY COMPANIES

Annual Report 1997

MANAGING DIRECTOR'S REVIEW



The year ended 31 December 1997 witnessed significant developments for Thong Guan Industries Berhad (TGI). First and foremost was the successful completion of its restructuring exercise and the subsequent public listing of its shares on the Second Board of the Kuala Lumpur Stock Exchange. The closing Quarter of 1997 was especially breathtaking with the stock market taking a tumble when the scheduled listing of TGI was approaching. Despite the poor market sentiment, the Group fared relatively well with its Offer for Sale and Public Issues of shares being oversubscribed and the Group making its debut on the Exchange at a premium over its Offer Price.

Operational Activities

The year just ended has seen the Group achieving another year of record turnover volume and profitability buoyed by promising export figures.

This is encouraging given that 1997 was the turning point of rapid economic growth for the region. Business activities were made difficult with the prevailing uncertain market conditions, slowdown in demand, tightening of credit and the volatile currency.

Competition is the dominant factor that prescribes a manufacturer's ability to measure up to the demands of its clients. This calls for the ability to conscript new investments, as older assets need to be replaced. I am gratified by the strong support received from the Board of TGI whenever a strategic move proposed by management entail new acquisitions of facilities. Similarly, I am intensely inspired by the commitment of the workforce in embracing quality services and the belief in continuous learning and improvement.

A major development during the year was the commissioning and full production of the Group's sophisticated 3-layer co-extrusion cast film line. This fully computerised line is capable of producing 8,000 metric tons of pallet stretch film and cling food wrap per annum. It is indeed heartening to report that the venture has been successful and commercial run has yielded good response especially from overseas clients.

The year has also seen the Group venturing into co-extrusion with blow film technology. It has commissioned a computerised 3-layer blown film line fitted with equipment from the latest available technology to produce high quality film for specific clients.

Towards this end, TGI has formed strategic alliances with its customers and suppliers to develop technologically advanced new applications that would result in better yields to the end users. The Group would keep constant commitments with its business partners and clients for capacities, quality, technology and management upgradings.

Future Strategy

TGI has considerable positive traits and good reputation to propel it to face challenges of future years. The highly loyal and committed workforce can only improve further with continuous training, motivation and the right leadership. Its sound financial positions would be an added boost.

Attention would be accorded to upgrade its Information Technology capabilities and continue its re-engineering of operational processes and procedures. It is also planning to get another of its factory certified with the ISO 9002 accreditation.



MANAGING DIRECTOR'S REVIEW

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203 K)

(Incorporated in Malaysia)

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Plans are also on the board to further streamline its manufacturing operations by phasing out lower yield machinery and replacing them with productive equipment that would reduce operational cost, provide flexibility and produce quality goods at higher volume.

The Group would continue its export drive by penetrating new markets and extending existing ones with its proven abilities in order to generate the needed foreign exchange. We need to succeed to enable us to contribute towards the national agenda for economic recovery.

Conclusion

It has been another successful year for TGI. We owe the achievements to our staff, clients, suppliers and shareholders for their continued support and contributions. Acknowledgements should also be extended to our Board of Directors, the various Government departments and agencies and our panel of professional advisors for their advise, guidance and assistance. With their continued support, TGI is geared up to perform better in the coming years and ready to face the challenges of the next millenium.

Ang Poon Chuan
Managing Director



**THONG GUAN INDUSTRIES BERHAD**

(Company No. 324203 K)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

**FINANCIAL
CALENDAR****1997**

- 16 June - Approval by the Securities Commission for the listing of the Company's shares of 27,000,000 on the Second Board of the Kuala Lumpur Stock Exchange
- 31 August
- (i) Approval by the members for :-
Acquisition of the entire issued and paid-up share capital of Syarikat Thong Guan Trading Sdn Bhd comprising 3,735 ordinary shares of RM1,000/= each for a purchase consideration of RM11,979,871/= satisfied by the issuance of 8,894,500 new ordinary shares of RM1/= each in the Company at an issue price of approximately RM1.35 per ordinary share.
 - (ii) Acquisition of the entire issued and paid-up share capital of Thong Guan Plastic & Paper Industries Sdn Bhd comprising 2,496,350 ordinary shares of RM1/= each for a purchase consideration of RM9,639,517/= satisfied by the issuance of 7,156,895 new ordinary shares of RM1/= each in the Company at an issue price of approximately RM1.35 per ordinary share.
 - (iii) Acquisition of the entire issued and paid-up share capital of Jaya Uni'ang (Sabah) Sdn Bhd comprising 1,208,062 ordinary shares of RM1/= each for a purchase consideration of RM6,548,685/= satisfied by the issuance of 4,862,095 new ordinary shares of RM1/= each in the Company at an issue price of approximately RM1.35 per ordinary share.
 - (iv) Acquisition of the entire issued and paid-up share capital of Uniang Plastic Industries (Sabah) Sdn Bhd comprising 1,025,363 ordinary shares of RM1/= each for a purchase consideration of RM1,530,746/= satisfied by the issuance of 1,136,508 new ordinary shares of RM1/= each in the Company at an issue price of approximately RM1.35 per ordinary share.
- 16 September - Rights Issue of 2,250,000 new Ordinary Shares of RM1.00 each
- 01 October
- (i) Signing of the Underwriting Agreement for the public offer of 2,700,000 Ordinary Shares of RM1.00 each at the issue price of RM3.25 each
 - (ii) Appointment of Audit Committee
- 07 November
- (i) Issue of the Propectus for Offer For Sale of 9,570,000 Ordinary Shares of RM1.00 each at an offer price of RM3.25 each
 - (ii) Issue of the Propectus for Public Issue of 2,700,000 New Ordinary Shares of RM1.00 each at an issue price of RM3.25 each
- 27 November - Balloting of shares to Bumiputra and Public
- 19 December - Official Listing of the Company's shares on the Second Board of the Kuala Lumpur Stock Exchange
- 31 December - Financial year end

1998

- 26 March - Announcement of full-year preliminary unaudited results of the Group for the year ended 31 December 1997
- 3 June - Posting of Annual Report and Audited Accounts to members
- 18 June - Annual General Meeting



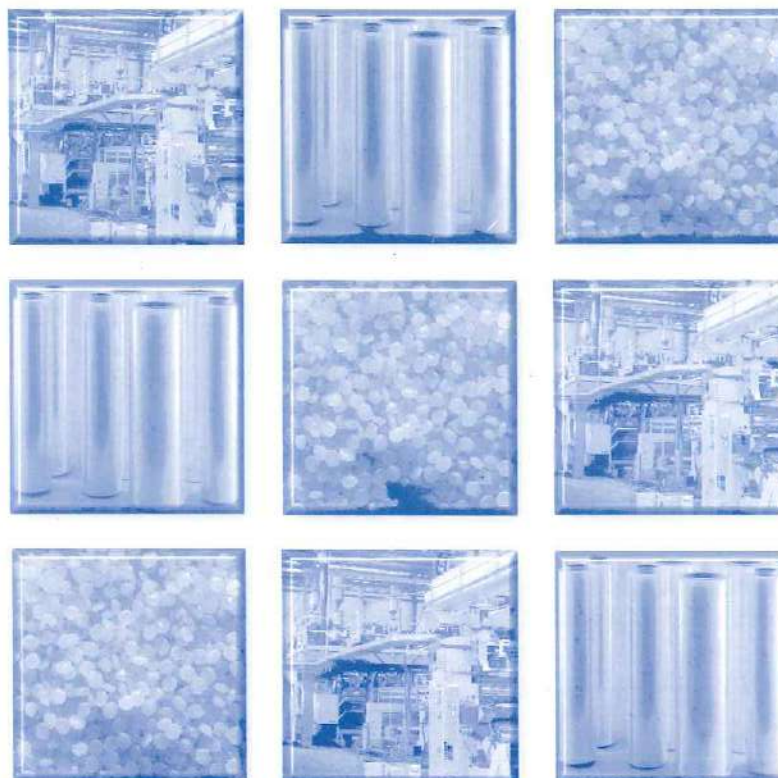
FINANCIAL STATEMENT

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203 K)

(Incorporated in Malaysia)

AND ITS SUBSIDIARY COMPANIES



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THONG GUAN INDUSTRIES BERHAD
(Company No. 324203 K)
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AND ITS SUBSIDIARY COMPANIES

Annual Report 1997

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The directors have pleasure in submitting their report and the audited accounts of the Group and of the Company for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES

The Company commenced operations as an investment holding company during the year.

The principal activities of its subsidiary companies are set out in Note 4 to the accounts.

RESULTS

	GROUP RM	COMPANY RM
Profit after taxation and extraordinary item	6,443,927	22,036
Unappropriated profits brought forward	8,949,530	-
Profits available for appropriation	15,393,457	22,036
Appropriation:		
Pre-merger dividends paid by subsidiary companies	(3,963,600)	-
Unappropriated profits carried forward	11,429,857	22,036

DIVIDENDS

No dividend is payable by the Company for the year ended 31 December 1997.

The pre-merger dividends net of tax totalling RM3,963,600 were paid by subsidiary companies on 28 April 1997.

RESERVES AND PROVISIONS

There were no material transfers to or from the reserve and provision accounts during the year except as disclosed in Note 12 to the accounts.

**THONG GUAN INDUSTRIES BERHAD**

(Company No. 324203 K)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

DIRECTORS OF THE COMPANY

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

Ang Toon Cheng @ Ang Tong Sooi	- Chairman	(Appointed on 18.9.97)
Tengku Makram Bin Tengku Ariff	- Deputy Chairman	(Appointed on 18.9.97)
Ang Poon Chuan	- Managing Director	(Appointed on 18.9.97)
Ang Poon Seong	- Executive Director	(Appointed on 18.9.97)
Ang Poon Khim		(Appointed on 18.9.97)
Wan Kassim Bin Ahmed		(Appointed on 18.9.97)
Mohd Salleh Bin Zakaria		(Appointed on 18.9.97)
Ang Toon Piah @ Ang Toon Huat		(Appointed on 18.9.97)
Ang Poon Kang		(Appointed on 18.9.97)
Teh Ngee Seh		(Resigned on 19.9.97)
Lim Lean Chin		(Resigned on 19.9.97)

In accordance with Section 129(6) of the Companies Act, 1965, Ang Toon Cheng @ Ang Tong Sooi retires at the forthcoming Annual General Meeting and, offers himself for re-election as director of the Company until the conclusion of the next Annual General Meeting.

In accordance with Article 68 of the Company's Articles of Association, all the directors except Mr Ang Poon Chuan retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTEREST IN SHARES

According to the Register of Directors' Shareholdings, the directors who have interests in the shares of the Company and its related companies are as follows:

	<u>Ordinary Shares of RM1 each</u>			
		<u>Direct Interest</u>		
<u>The Company</u>	Balance at Date of <u>Appointment</u>	Bought	(Sold)	Balance at <u>31.12.97</u>
Ang Toon Cheng @ Ang Tong Sooi	2,532,464	9,000	(2,532,464)	9,000
Tengku Makram Bin Tengku Ariff	-	9,000	-	9,000
Ang Poon Khim	2,050,800	9,000	(2,050,800)	9,000
Wan Kassim Bin Ahmed	-	9,000	-	9,000
Mohd Salleh Bin Zakaria	-	9,000	-	9,000
Ang Poon Chuan	3,609,883	8,000	(3,609,883)	8,000
Ang Poon Seong	3,125,427	9,000	(3,125,427)	9,000
Ang Toon Piah @ Ang Toon Huat	2,532,463	9,000	(2,532,463)	9,000
Ang Poon Kang	1,994,191	9,000	(1,994,191)	9,000
<u>Holding Company</u>				
- <u>Foremost Equals Sdn Bhd</u>				
Ang Toon Cheng @ Ang Tong Sooi	-	140,974	-	140,974
Ang Poon Khim	-	114,162	-	114,162
Ang Pooh Chuan	-	200,950	-	200,950
Ang Poon Seong	-	173,982	-	173,982
Ang Toon Piah @ Ang Toong Huat	-	140,974	-	140,974
Ang Poon Kang	-	111,010	-	111,010

**THONG GUAN INDUSTRIES BERHAD**

(Company No. 324203 K)
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DIRECTORS' BENEFIT

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the accounts) by reason of a contract made by the Company or a related company with a director or with a firm of which a director is a member, or with a company in which a director has a substantial financial interest other than the following:

- i) Sales and purchases made in the ordinary course of business with companies in which certain directors have substantial financial interests;
- ii) Rental receivable from /payable to companies in which certain directors have substantial financial interests; and
- iii) Pursuant to a restructuring scheme ("the Scheme") approved by the Security Commission, the Company issued 22,049,998 new ordinary shares of RM1 each at approximately RM1.35 per share as consideration for the acquisition of the entire issued and paid-up share capital of Syarikat Thong Guan Trading Sdn Bhd, Thong Guan Plastic & Paper Industries Sdn Bhd, Uniang Plastic Industries (Sabah) Sdn Bhd and Jaya Uni'ang (Sabah) Sdn Bhd for a total consideration of RM29,698,819. The shares were allotted on 30 August 1997. Certain directors of the Company may be deemed to have acquired 15,845,228 ordinary shares of RM1 each of the Company by virtue of their deemed substantial financial interests and direct interests in the said companies.

There were no arrangements during and at the end of the year which had the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than the following:

- i) Pursuant to the Scheme as mentioned above:
 - Mr Ang Toon Cheng @ Ang Tong Sooi and Mr Ang Toon Piah @ Ang Toon Huat each are deemed to have acquired 2,297,976 ordinary shares of RM1 each in the Company;
 - Mr Ang Poon Chuan is deemed to have acquired 3,275,631 ordinary shares of RM1 each in the Company;
 - Mr Ang Poon Seong is deemed to have acquired 2,836,036 ordinary shares of RM1 each in the Company;
 - Mr Ang Poon Kang is deemed to have acquired 1,809,544 ordinary shares of RM1 each in the Company; and
 - Mr Ang Poon Khim is deemed to have acquired 1,860,911 ordinary shares of RM1 each in the Company.



- ii) Prior to the listing and quotation of the Company's entire issued and paid up share capital on the Second Board of the Kuala Lumpur Stock Exchange:
- (a) The Company undertook a Rights Issue of 2,250,000 new ordinary shares of RM1 each at par, for cash on the basis of approximately one new ordinary share for every ten existing ordinary shares held. Certain of the directors by virtue of their direct interest in the shares of the Company subscribed for their rights entitlement;
 - (b) Pursuant to the Scheme and Rights Issue, the shareholders of the Company undertook a consolidation of interests by selling a portion of their interests in the Company. As a result certain directors of the Company are deemed to have acquired their shares in the holding company from the above consolidation of interests;
 - (c) The Company has also made a public issue of 2,700,000 new ordinary shares of RM1 at an issue price of RM3.25 per share, for cash; and
 - (d) 1,350,000 ordinary shares of RM1 each were reserved for the directors and eligible employees of the Group.

ISSUE OF SHARES

During the year, the Company increased its authorised share capital from RM100,000 to RM50,000,000 by the creation of an additional 49,900,000 ordinary shares of RM1 each.

The Company also increased its issued and paid-up share capital from RM2 to RM27,000,000 during the year with the issue of 26,999,998 new ordinary shares of RM1 each for the following purposes:

<u>Date</u>	<u>Number of Ordinary Shares</u>	<u>Terms of Issue</u>	<u>Purpose</u>
30.08.97	22,049,998	Acquisition of the entire issued and paid up capital of the subsidiary companies through the issue of shares at approximately RM1.35 per share pursuant to the Scheme	To acquire subsidiary companies under the Scheme
16.09.97	2,250,000	Rights Issue at RM1.00 per share) To finance acquisition of machinery, construction of factory building, repayment of bank borrowings, listing expenses and to provide for additional working capital
5.12.97	2,700,000	Public Issue of RM3.25 per share	



THONG GUAN INDUSTRIES BERHAD

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OTHER STATUTORY INFORMATION

The directors have taken reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the directors of the Company 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 accounts of the Group and of the Company inadequate to any substantial extent;
- ii) that would render the values attributed to the current assets in the accounts of the Group and of the Company misleading;
- iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; and
- iv) not otherwise dealt with in this report or in the accounts that would render any amount stated in the accounts 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; and
- 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 liabilities of any company in the Group have become enforceable, or are 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 to meet their obligations as and when they fall due.

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 1997 have not been substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Note 18 to the accounts, 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.

AUDITORS

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

Signed in accordance with a resolution of the directors in the State of Penang this 18th. May 1998

ANG TOON PIAH @ ANG TOON HUAT, AMK
Director

ANG POON CHUAN
Director



THONG GUAN INDUSTRIES BERHAD

(Company No. 324203 K)

(Incorporated in Malaysia)

AND ITS SUBSIDIARY COMPANIES

STATEMENT BY DIRECTORS

In the opinion of the directors, the accounts set out on pages 19 to 35 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 1997 and of their results and cash flows of the Group for the year ended on that date

Signed in the State of Penang this 18th. May 1998.

ANG TOON PIAH @ ANG TOON HUAT, AMK
Director

ANG POON CHUAN
Director

STATUTORY DECLARATION

I, ANG POON CHUAN (NRIC No. 1918181), being the director primarily responsible for the financial management of THONG GUAN INDUSTRIES BERHAD, do solemnly and sincerely declare that the accounts set out on pages 19 to 35 are to the best of my knowledge and belief correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above-named ANG POON CHUAN at Georgetown in the State of Penang this 18th. day of May 1998.

Before me:

Harbans Singh, KMN, AMN, BCK, PJK
Pesuruhjaya Sumpah
(Commissioner for Oaths)



THONG GUAN INDUSTRIES BERHAD

(Company No. 324203 K)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

Annual Report 1997

**REPORT OF THE AUDITORS
TO THE MEMBERS OF
THONG GUAN INDUSTRIES
BERHAD**

We have audited the accounts set out on pages 19 to 35 in accordance with approved auditing standards.

In our opinion :

- (a) the accounts give a true and fair view of the state of affairs of the Group and of the Company at 31 December 1997 and of their results and cash flows of the Group for the year ended on that date and comply with the Companies Act, 1965; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies, of which we have acted as auditors, have been properly kept in accordance with the provisions of the Act.

We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's accounts are in form and content appropriate and proper for the purposes of the preparation of the consolidated accounts and we have received satisfactory information and explanations required by us for those purposes.

Our audit reports on the accounts of the subsidiary companies were not subject to any qualification and did not include any adverse comment made under Subsection (3) of Section 174 of the Act.

KPMG PEAT MARWICK

Firm No : AF : 0758

Public Accountants

NG SWEE WENG

Partner

Approval No : 1414/3/00 (J/PH)

Penang, 18th. May 1998

**BALANCE SHEETS**

AT 31 DECEMBER 1997

THONG GUAN INDUSTRIES BERHAD(Company No. 324203 K)
(Incorporated in Malaysia)
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EMPLOYMENT OF CAPITAL	NOTE	GROUP		COMPANY	
		RM	1996 RM	RM	1996 RM
FIXED ASSETS	3	41,489,320	28,296,358	-	-
INTEREST IN SUBSIDIARY COMPANIES	4	-	-	30,625,088	-
CURRENT ASSETS					
Stocks	5	17,418,970	12,726,779	-	-
Trade debtors	6	14,641,882	15,827,187	-	-
Other debtors, deposits and prepayments	7	500,886	855,854	-	-
Fixed deposits with a licensed bank		2,000,000	-	2,000,000	-
Cash and bank balances		1,651,098	469,763	692	2
		36,212,836	29,879,583	2,000,692	2
CURRENT LIABILITIES					
Trade creditors	8	12,340,751	6,550,025	-	-
Other creditors and accruals		8,787,768	5,136,202	874,572	290,466
Bank borrowings	9	10,824,892	8,094,024	-	-
Provision for taxation		1,346,287	1,373,323	20,000	-
Proposed dividend		-	4,044,661	-	-
		33,299,698	25,198,235	894,572	290,466
NET CURRENT ASSETS/(LIABILITIES)		2,913,138	4,681,348	1,106,120	(290,464)
EXPENDITURE CARRIED FORWARD	10	-	290,466	-	290,466
		44,402,458	33,268,172	31,731,208	
CAPITAL EMPLOYED					
SHARE CAPITAL	11	27,000,000	22,050,000	27,000,000	2
SHARE PREMIUM	12	4,709,172	-	4,709,172	-
UNAPPROPRIATED PROFITS		11,429,857	8,949,530	22,036	-
		43,139,029	30,999,530	31,731,208	2
HIRE PURCHASE/LEASE CREDITORS	13	616,700	776,163	-	-
TERM LOANS	14	249,729	1,353,479	-	-
DEFERRED TAXATION		397,000	139,000	-	-
		44,402,458	33,268,172	31,731,208	2

The notes set out on pages 23 to 35 form an integral part of these accounts.



THONG GUAN INDUSTRIES BERHAD
(Company No. 324203 K)
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AND ITS SUBSIDIARY COMPANIES

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PROFIT AND LOSS ACCOUNTS

FOR THE YEAR ENDED 31 DEC 1997

		GROUP		COMPANY	
	NOTE	RM	1996 RM	RM	1996 RM
TURNOVER	15	85,270,507	69,311,983	-	-
PROFIT BEFORE TAXATION	16	8,051,767	6,988,030	42,036	-
TAXATION	17	(1,775,227)	(1,446,660)	(20,000)	-
PROFIT AFTER TAXATION BUT BEFORE EXTRAORDINARY ITEM		6,276,540	5,541,370	22,036	-
EXTRAORDINARY ITEM	18	167,387	-	-	-
PROFITS ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		6,443,927	5,541,370	22,036	-
UNAPPROPRIATED PROFITS BROUGHT FORWARD		8,949,530	10,297,840	-	-
PROFITS AVAILABLE FOR APPROPRIATION		15,393,457	15,839,210	22,036	-
APPROPRIATION:					
Pre-merger dividends paid by subsidiary companies	24	(3,963,600)	(4,044,661)	-	-
Set off against merger debit		-	(2,845,019)	-	-
		(3,963,600)	(6,889,680)	-	-
UNAPPROPRIATED PROFITS CARRIED FORWARD		11,429,857	8,949,530	22,036	-
EARNINGS PER SHARE (SEN)	19	27.37	25.13		
RETAINED BY:					
The Company		22,036	-		
Subsidiary companies		11,407,821	8,949,530		
		11,429,857	8,949,530		

The notes set out on pages 23 to 35 form an integral part of these accounts.



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1997

THONG GUAN INDUSTRIES BERHAD

(Company No. 324203 K)

(Incorporated in Malaysia)

AND ITS SUBSIDIARY COMPANIES

	RM	1996 RM
CASH FLOWS FROM OPERATING ACTIVITY		
Profit before taxation and extraordinary item	8,051,767	6,988,030
Adjustments for :		
Expenditure carried forward written off	9,297	-
Depreciation	3,671,539	3,007,613
Gain on disposal of fixed assets	(19,717)	(6,472)
Interest income	(50,644)	-
Interest expense	1,811,620	1,104,900
Operating profit before working capital changes	13,473,862	11,094,071
(Increase)/Decrease in :		
Stocks	(4,692,191)	(3,093,436)
Debtors	1,540,273	397,616
(Decrease)/Increase in :		
Creditors	9,282,829	(5,473,253)
Cash generated from operating activities	19,604,773	2,924,998
Interest expense	(1,811,620)	(1,104,900)
Tax paid	(1,544,263)	(1,900,529)
Net cash generated from/(used in) operating activities	16,248,890	(80,431)
Compensation from windstorm incident	167,387	-
	16,416,277	(80,431)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to expenditure carried forward	(3,411)	(1,578)
Purchase of fixed assets	(16,881,164)	(2,709,591)
Proceeds from disposal of fixed assets	36,380	35,848
Interest income	50,644	-
Net cash used in investing activities	(16,797,551)	(2,675,321)

The notes set out on pages 23 to 35 form an integral part of these accounts.

**THONG GUAN INDUSTRIES BERHAD**

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	RM	1996 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Listing expenses	(1,081,248)	(284,580)
Drawdown of term loan	7,651,000	780,000
Repayment of term loan	(9,113,156)	(268,731)
Pre-merger dividends paid	(8,008,261)	-
Issue of shares	11,025,000	-
Net cash generated from financing activities	473,335	226,689
Net increase/(decrease) in cash and cash equivalents	92,061	(2,529,063)
Cash and cash equivalents at beginning of year	(7,265,855)	(4,736,792)
Cash and cash equivalents at end of year	<u>(7,173,794)</u>	<u>(7,265,855)</u>

NOTE

Cash and cash equivalents included in the consolidated cash flow statement comprise the following consolidated balance sheet amounts :

	RM	1996 RM
Fixed deposits	2,000,000	-
Cash and bank balances	1,651,098	469,763
Bank overdrafts	(4,238,605)	(4,172,618)
Bankers' acceptances	(3,586,287)	(3,535,000)
Revolving credit	(3,000,000)	-
Trust receipts	-	(28,000)
	<u>(7,173,794)</u>	<u>(7,265,855)</u>

The notes set out on pages 23 to 35 form an integral part of these accounts.



**NOTES TO THE
ACCOUNTS - 31 DECEMBER 1997**

THONG GUAN INDUSTRIES BERHAD
(Company No. 324203 K)
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1. PRINCIPAL ACTIVITIES

The Company commenced operations as an investment holding company during the year.

The principal activities of its subsidiary companies are set out in Note 4 to the accounts.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

The accounts have been drawn up on the historical cost convention, modified by the revaluation of certain assets and in compliance with approved accounting standards in all material respects except for the non compliance in the disclosure requirements of the following International Accounting Standards ("IAS"):

- IAS No. 2 on Cost of Inventories as an expense during the year; and
- IAS No. 24 on Related Party Disclosure

2.2 Basis of Consolidation

The consolidated accounts include the audited accounts of the Company and its subsidiary companies made up to the end of the financial year. The results of all the subsidiary companies are consolidated using the merger method of accounting in accordance with the provision of Malaysian Accounting Standard No. 2.

Under the merger method of accounting, the results of the subsidiary companies are presented as if the companies had been combined throughout the current and previous financial years. The difference between the nominal value of the share capital issued as purchase consideration and the nominal value of the share capital of the subsidiary companies acquired is taken to merger reserve. Any merger debit arising is written off against reserves and unappropriated profits.

Inter-company transactions are eliminated on consolidation.

2.3 Investments

Investments are stated at cost less provision for diminution in value where such diminution in value is considered by the directors to be of a permanent nature.

**THONG GUAN INDUSTRIES BERHAD**

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2.4 Depreciation

Freehold land is not depreciated. Leasehold land is amortised over the remaining lease period as follows:

Long term leasehold land	58 years
Short term leasehold land	39 - 44 years

On other assets, depreciation is calculated to write off the cost or valuation of fixed assets on a straight line basis over their expected useful lives at the following principal annual rates:

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

2.5 Stocks

Stocks are stated at the lower cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work-in-progress and finished goods, cost includes direct materials, direct labour and attributable production overheads.

In the case of trading stocks, cost is determined on the first-in, first-out basis and includes cost of purchase and incidentals in bringing the stocks to their present location and condition.

2.6 Expenditure Carried Forward

The preliminary and pre-operating expenses are written off to Profit and Loss Account from the date of commencement of operations.

Deferred expenditure which relates to the restructuring scheme is set off against Share Premium Account during the year.

2.7 Finance Lease

Fixed assets acquired under finance lease are capitalised at the value equivalent to the principal sum of total lease rentals payable. The interest element of the rental obligations is charged to Profit and Loss Account over the period of the primary lease based on the "Sum of Digits" method.



2.8 Hire Purchase

Assets acquired under hire purchase instalment plans are capitalised as fixed assets and the corresponding obligations are treated as liabilities. Financing charges are allocated to the Profit and Loss Account over the hire purchase periods using the "Sum of Digits" method to give a constant periodical rate of interest on the remaining hire purchase liabilities.

2.9 Foreign Currency Translation

Assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at rates of exchange approximating those prevailing at balance sheet date.

Transactions during the year in foreign currencies are translated into Ringgit Malaysia at the rates of exchange approximating those ruling on the transaction dates.

All exchange gains and losses are included in the Profit and Loss Account.

2.10 Deferred taxation

Provision is made by the liability method for taxation deferred in respect of all timing differences except where it is thought reasonably probable that the tax effects of such deferrals will continue in the foreseeable future.

Deferred tax benefit is recognised only when there is reasonable assurance of realisation in due course.



THONG GUAN INDUSTRIES BERHAD

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3. FIXED ASSETS (Cont'd)

The freehold land, long term leasehold land and factory buildings are shown at Directors' valuation based on a valuation exercise carried out in 1995 by an independent firm of valuers based on an open market value basis.

Subsequent additions are shown at cost while disposals are at valuation or cost as appropriate.

Included in the net book value of fixed assets are the following assets acquired under hire purchase/lease instalment plans:-

	GROUP	
	RM	1996 RM
Plant and machinery	2,265,244	4,615,237
Motor vehicles	1,311,634	657,974

4. INTEREST IN SUBSIDIARY COMPANIES - COMPANY

	RM	1996 RM
Unquoted shares, at cost	22,049,998	-
Amount due from subsidiary companies	8,575,090	-
	<u>30,625,088</u>	<u>-</u>

Details of subsidiary companies are as follows :

<u>Name of Company</u>	<u>Percentage of Equity Held</u>	<u>Principal Activities</u>
	1996	
Syarikat Thong Guan Trading Sdn Bhd	100 -	Trading of plastic and paper products, beverages (such as tea and coffee) and machinery
Thong Guan Plastic & Paper Sdn Bhd	100 -	Manufacture and trading of plastic and paper products
Uni'ang Plastic Industries (Sabah) Sdn Bhd	100 -	Manufacture and trading of plastic products
Jaya Uni'ang Industries (Sabah) Sdn Bhd	100 -	Trading of plastic products and other consumables

All the above subsidiary companies are incorporated in Malaysia and audited by KPMG Peat Marwick.


THONG GUAN INDUSTRIES BERHAD

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5. STOCKS - GROUP

	RM	1996 RM
Raw materials	8,495,166	4,214,333
Work-in-progress	246,482	528,496
Finished goods	2,651,373	1,624,294
Trading stocks		
- Plastic and paper	1,760,541	1,819,570
- Food and beverage	3,726,608	4,051,928
- Machinery	538,800	488,158
	6,025,949	6,359,656
	<u>17,418,970</u>	<u>12,726,779</u>

6. TRADE DEBTORS - GROUP

	RM	1996 RM
Trade amount due from companies in which certain directors have substantial financial interests	2,414,558	4,268,994
Others	12,782,257	11,937,922
Less : Provision for doubtful debts	(554,933)	(379,729)
	12,227,324	11,558,193
	<u>14,641,882</u>	<u>15,827,187</u>

7. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS - GROUP

Included in the above is an amount of RM NIL (1996 : RM93,000) representing interest-free advances made to companies in which certain directors have substantial financial interests.

8. TRADE CREDITORS - GROUP

	RM	1996 RM
Trade amount due to companies in which certain directors have substantial financial interests	26,756	100,360
Others	12,313,995	6,449,665
	<u>12,340,751</u>	<u>6,550,025</u>



THONG GUAN INDUSTRIES BERHAD

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9. BANK BORROWINGS - GROUP

	RM	1996 RM
Bank overdrafts	4,238,605	4,172,618
Bankers' acceptances	3,586,287	3,535,000
Revolving credit	3,000,000	-
Trust receipts	-	28,000
Term loans (Note 14)	-	358,406
	<u>10,824,892</u>	<u>8,094,024</u>

The above secured bank borrowings are secured by fixed charges over the land and factory buildings of the respective subsidiary companies of which the facilities are granted.

The above bank borrowings bear interest at rates ranging from 0.75% to 2.00% (1996 : 0.75% to 2.00%) per annum above the respective bankers' base lending rates as the case may be.

10. EXPENDITURE CARRIED FORWARD, at cost - GROUP AND COMPANY

	RM	1996 RM
Preliminary expenses	2,878	2,878
Pre-operating expenses	6,419	3,008
Listing expenses	1,365,828	284,580
	<u>1,375,125</u>	<u>290,466</u>
Less : Listing expense written off against Share Premium (Note 12)	(1,365,828)	-
Deferred expenditure written off	(9,297)	-
	<u>(1,375,125)</u>	<u>-</u>
	<u>-</u>	<u>290,466</u>

Included in pre-operating expenses is an amount of RM Nil (1996 : RM300) representing auditors' remuneration for the year.



THONG GUAN INDUSTRIES BERHAD

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11. SHARE CAPITAL

Ordinary shares of RM1 each

	GROUP		COMPANY	
	RM	1996 RM	RM	1996 RM
Authorised :				
Balance at 1 January	100,000	100,000	100,000	100,000
Increased during the year	49,900,000	-	49,900,000	-
Balance at 31 December	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>100,000</u>
Issued and fully paid :				
Balance at 1 January	2	2	2	2
Issue at par, as consideration for the acquisition of the subsidiary companies	22,049,998	-	22,049,998	-
Rights issue at par, for cash	2,250,000	-	2,250,000	-
Public issue at RM3.25 per share, for cash	2,700,000	-	2,700,000	-
	<u>27,000,000</u>	<u>2</u>	<u>27,000,000</u>	<u>2</u>
Increase in share capital to reflect the merger *	-	22,049,998	-	-
Balance at end of year	<u>27,000,000</u>	<u>22,050,000</u>	<u>27,000,000</u>	<u>2</u>

* During the year, the Company issued 22,049,998 ordinary shares of RM1 each as consideration for the acquisition of the subsidiary companies. The acquisition is accounted for under the merger method of accounting. Consequently, this issue is presented above as if it had already been effected prior to the first day of the previous accounting period. The comparative figure for the issued and paid-up share capital of the Group has therefore been restated accordingly.



THONG GUAN INDUSTRIES BERHAD

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12. SHARE PREMIUM - GROUP AND COMPANY

	RM	1996 RM
Share premium arising from public issue during the year	6,075,000	-
Listing expenses written off (Note 10)	(1,365,828)	-
Balance at end of year	<u>4,709,172</u>	<u>-</u>

13. HIRE PURCHASE/LEASE CREDITORS - GROUP

	RM	1996 RM
Gross amount payable	1,971,265	3,118,571
Less : Interest in suspense	(307,587)	(415,628)
	<u>1,663,678</u>	<u>2,702,943</u>
Less : Portion payable within 12 months included in other creditors and accruals	(1,046,978)	(1,926,780)
	<u>616,700</u>	<u>776,163</u>

14. TERM LOANS, secured - GROUP

	RM	1996 RM
Amount repayable		
- Within 1 year	-	358,406
- 1 to 2 years	-	345,000
- 2 to 5 years	-	758,750
- After 5 years	249,729	249,729
	<u>249,729</u>	<u>1,711,885</u>
Less : Portion repayable within 12 months included under bank borrowings (Note 9)	-	(358,406)
	<u>249,729</u>	<u>1,353,479</u>

The term loans are secured by fixed charges over the land and factory buildings of respective subsidiary companies and bear interest at 1% to 1.75% (1996 : 1%) per annum above the respective bankers' base lending rates.

**THONG GUAN INDUSTRIES BERHAD**

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15. TURNOVER - GROUP

Turnover represents the invoiced value of goods sold less discounts and returns.

16. PROFIT BEFORE TAXATION

This arrived at :	GROUP		COMPANY	
		1996		1996
After charging :	RM	RM	RM	RM
Auditors' remuneration	39,600	39,700	1,000	-
Bad debts written off	103,692	52,015	-	-
Depreciation (Note 3)	3,671,539	3,007,613	-	-
Directors' emoluments				
Directors of the Company				
- fees	132,000	102,000	18,000	-
- others	523,507	499,340	-	-
Other Directors				
- fees	34,000	32,000	-	-
- others	171,258	148,196	-	-
Expenditure carried forward written off	9,297	-	9,297	-
Interest expense	1,938,725	1,227,265	-	-
Provision for doubtful debts	292,819	125,830	-	-
Rental expense	218,777	211,702	-	-
and crediting :				
Gain on disposal of fixed assets	19,717	6,472	-	-
Gain on foreign exchange	479,161	73,298	-	-
Interest income				
- subsidiary company	-	-	19,689	-
- others	50,644	-	50,644	-
Rental income	2,040	-	-	-



THONG GUAN INDUSTRIES BERHAD

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17. TAXATION

	GROUP		COMPANY	
	RM	1996 RM	RM	1996 RM
Current taxation				
- Based on results for the year	1,532,000	1,499,000	20,000	-
- Over provision in prior years	(14,773)	(115,340)	-	-
	<u>1,517,227</u>	<u>1,383,660</u>	<u>20,000</u>	<u>-</u>
Deferred taxation				
- Current year	258,000	3,000	-	-
- Prior year	-	60,000	-	-
	<u>258,000</u>	<u>63,000</u>	<u>-</u>	<u>-</u>
	<u>1,775,227</u>	<u>1,446,660</u>	<u>20,000</u>	<u>-</u>

GROUP

The disproportionate tax charge in relation to the results of the Group for the year is mainly due to certain tax incentives and unabsorbed capital allowances available to the Group.

Tax savings arising from the utilisation of the unabsorbed capital allowances amounting to approximately RM16,000 (1996 : NIL).

The Group has potential deferred tax benefits not taken up in the accounts under the liability method amounting to RM46,000 (1996 : RM281,000), calculated at 28% (1996 : 30%) tax rate in respect of the following items :

	RM	1996 RM
Timing differences between accounting depreciation and related capital allowances	409,000	(108,000)
Unabsorbed capital allowances	-	(57,000)
Other timing differences	(573,000)	(773,000)
	<u>(164,000)</u>	<u>(938,000)</u>

COMPANY

The tax charge for the year of the Company is in respect of interest income.

18. EXTRAORDINARY ITEM - GROUP

This is in respect of compensation from windstorm incident received by one of its subsidiary companies.

**THONG GUAN INDUSTRIES BERHAD**

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19. EARNINGS PER SHARE - GROUP

The earnings per share has been calculated based on the consolidated profit after taxation but before extraordinary item of RM6,276,540 (1996 : RM5,541,370) and on the weighted average number of ordinary shares of 22,931,250 (1996 : 22,050,000) ordinary shares in issue during the year after adjusting for the Rights and Public Issues of 4,950,000 ordinary shares.

20. HOLDING COMPANY

The holding company is Foremost Equals Sdn Bhd, a company incorporated in Malaysia.

21. CAPITAL COMMITMENT - GROUP

	RM	1996 RM
Contracted but not provided for	-	7,214,000
Approved but not contacted for	-	200,000

22. CONTINGENT LIABILITIES, secured - GROUP

	RM	1996 RM
Bills discounted	2,102,959	1,458,991

The bills discounted are secured by fixed charges over the land and factory buildings of one of the subsidiary companies of which facility is granted.

23. SEGMENT REPORTING - GROUP

	Turnover RM	Profit Before Taxation RM	Assets Employed RM
Analysis by activities:			
Manufacturing	31,986,706	3,550,326	47,705,140
Trading	53,283,801	4,459,405	27,996,324
Investment holding	-	42,036	2,000,692
	<u>85,270,507</u>	<u>8,051,767</u>	<u>77,702,156</u>
1996			
Manufacturing	22,139,465	2,429,773	28,490,262
Trading	47,172,518	4,558,257	29,685,677
Investment holding	-	-	290,468
	<u>69,311,983</u>	<u>6,988,030</u>	<u>58,466,407</u>



THONG GUAN INDUSTRIES BERHAD

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24. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR - COMPANY

Pursuant to the Company's prospectus dated 7 November 1997, in conjunction with the Scheme, Rights Issue and simultaneous Offer For Sale and Public Issue of 9,570,000 and 2,700,000 ordinary shares of RM1.00 each respectively at a price of RM3.25 per share in the Company, the entire issued and paid up share capital of the Company were granted official listing and quotation on the Second Board of the Kuala Lumpur Stock Exchange on 19 December 1997.

25. COMPARATIVE FIGURES

The acquisition of all the subsidiary companies during the year is accounted for using the merger method of accounting in accordance with Malaysian Accounting Standard No. 2. The details of the acquisition are as follows:

	RM
Nominal value of the share capital of the subsidiary companies acquired	8,464,775
Number of ordinary shares of RM1 each in the Company issued as purchase consideration	22,049,998
Merger debit	<u>13,585,223</u>
The merger debit has been applied against the following :	
Capital reserve of subsidiary	10,740,204
Unappropriated profits	2,845,019
	<u>13,585,223</u>

In accordance with the principles of merger accounting, the results and financial position of the Group have been presented as if the subsidiary companies had been combined with the Group throughout the current and previous accounting periods. Accordingly, the comparative figures have been restated.

**THONG GUAN INDUSTRIES BERHAD**

(Company No. 324203 K)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

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LIST OF PROPERTIES OWNED BY THE GROUP

Location	Description	Approximate Land Area (Sq. Feet)	Tenure
Lot No. P.T. 19449 and Lot No. 950, H.S. (M) No. 249/92 and SP 4009, Mukim of Sungai Petani, District of Kuala Muda, Kedah CAH/2001(A)/K/SC/95	Factory with office building	208,898	Freehold
Lot P.T. 18876, H.S. (D) No. 98/92, Sungai Petani Industrial Estate, Mukim of Sungai Petani, District of Kuala Muda, Kedah CAH/2001(E)/K/SC/95	Factory building	107,288	60 years leasehold, expiring on 12.4.2052
Lot Nos. 646, 647 and 648, Mukim of Sungai Petani, District of Kuala Muda, Kedah CAH/2001(D)/K/95	Agriculture lands planted with oil-palm	1,866,110	Freehold
Lot P.T. 129301, H.S. (D) KA 27799 Mukim Hulu Kinta, District of Kinta, Ipoh, Perak	Warehouse with office building	5,500	99 years leasehold, expiring on 18.7.2092
Lot No. P.T. 18877, H.S. (D) No. 99/92, Sungai Petani Industrial Estate, Mukim of Sungai Petani, District of Kuala Muda, Kedah CAH/2001(B)/K/SC/95	Factory with office building	82,067	60 years leasehold, expiring on 12.4.2052
Lot P.T. 48288, H.S. (D) No. 12034/95, Mukim of Sungai Petani, District of Kuala Kuda, Kedah CAH/2001(C)/K/SC/95	Factory with office building	339,590	Freehold
CL 015276687 House 606 Taman Bay View Off Mile 2½ Jalan Tuaran Kota Kinabalu Sabah	Double storey intermediate terrace house	2,178	999 years leasehold, expiring on 16.6.2914
CL 015373672 Lorong Rambutan Off Km 11 Jalan Tuaran Kota Kinabalu Sabah	Industrial land with factory and other buildings	82,764	60 years leasehold, expiring on 31.12.2035
TL 077549707 Lot 13, Hock Seng Industrial Estate Jalan Bomba, Off Km5, Jalan Utara Sandakan Sabah	Double storey semi- detached light industrial building	5,670	60 years leasehold, expiring on 31.12.2040
CL 105390707 Km4, Jalan Apas Tawau	Vacant industrial land	37,462	999 years leasehold, expiring on 21.5.2930



SHAREHOLDING STATISTICS AS AT 8 MAY 1998

THONG GUAN INDUSTRIES BERHAD

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AUTHORISED SHARE CAPITAL	:	RM50,000,000
ISSUED AND FULLY PAID-UP CAPITAL	:	RM27,000,000
CLASS OF SHARE	:	Ordinary shares of RM1 each fully paid
VOTING RIGHT:	:	1 vote per ordinary share

Breakdown of shareholdings

Size of Shareholdings	No. of Shareholders	No. of Shares	% of Issued Share Capital
1 - 1,000	762	755,852	2.8
1,001 - 5,000	340	930,050	3.5
5,001 - 10,000	96	708,100	2.6
10,001 - 27,000,000	45	24,605,998	91.1
	<u>1,243</u>	<u>27,000,000</u>	<u>100.0</u>

TWENTY LARGEST SHAREHOLDERS

Name	No. of Shares	% of Issued Share Capital
1. FOREMOST EQUALS SDN BHD	13,527,000	50.1 ✓
2. PERMODALAN NASIONAL BERHAD	5,265,000	19.5 ✓
3. HSBC NOMINEES (TEMPATAN) SDN BHD	2,025,000	7.5 ✓
4. ARAB-MALAYSIAN NOMINEES (TEMPATAN) SDN BHD	810,000	3.0
5. SENSIBLE MATRIX SDN BHD	781,998	2.9
6. LEE AH SEE	566,000	2.1
7. WAH TAT NOMINEES (TEMPATAN) SDN BHD	348,000	1.3
8. ANG SEE MING	300,000	1.1
9. BOLTY NOMINEES (TEMPATAN) SDN BHD	121,000	0.4
10. LAI YUN HUA	84,000	0.3
11. ALLIEDBAN NOMINEES (TEMPATAN) SDN BHD	70,000	0.3
12. MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD	65,000	0.2
13. CHEE FONG YENG	49,000	0.2
14. LAI KOK THYE	48,000	0.2
15. KHH HOLDINGS SDN BHD	45,000	0.2
16. MAT NASIR BIN MOHAMED	36,000	0.1
17. TIO SWEE IN	34,000	0.1
18. WAN MAHADI BIN WAN AHMAD	27,000	0.1
19. PAN LEE CHAN	21,000	0.1
20. MAH YUEN YING @ MAH CHEE	20,000	0.1
	<u>24,242,998</u>	<u>89.7</u>

SUBSTANTIAL SHAREHOLDERS

Shareholder	No. of Shares		% of Issued Share Capital
	Direct Interest	Deemed Interest	
1. FOREMOST EQUALS SDN BHD	13,527,000	-	50.1
2. PERMODALAN NASIONAL BERHAD	5,265,000	-	19.5
3. YAYASAN PELABURAN BUMIPUTRA	-	5,265,000	19.5
4. HSBC (MALAYSIA) TRUSTEE BERHAD	2,025,000	-	7.5



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DIRECTORS' SHAREHOLDING

AS AT 21 JANUARY 1998

No. of RM1 Ordinary Shares held

	Direct Interest	Deemed Interest
Ang Toon Cheng @ Ang Tong Sooi	9,000	-
Tengku Makram Bin Tengku Ariff	9,000	-
Ang Poon Chuan	8,000	-
Ang Poon Seong	9,000	-
Ang Toon Piah @ Ang Toon Huat	9,000	-
Ang Poon Kang	9,000	-
Ang Poon Khim	9,000	-
Haji Wan Kassim Bin Ahmed	9,000	-
Haji Mohd Salleh Bin Zakaria	9,000	-

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THONG GUAN INDUSTRIES BERHAD

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