

# ANNUAL REPORT 98



**THONG GUAN INDUSTRIES BERHAD**

324203-K



Thong Guan Industries Berhad

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NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of shareholders of the Company will be held at Serindit Room (Lower Level 1, Main Wing), Hotel Equatorial, No 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Tuesday, 29 June 1999 at 2:30 p.m. for the following purposes :-

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended 31 December 1998. **Resolution 1**
- 2.(i) To re-elect Mr Ang Toon Cheng @ Ang Tong Sooi who retires in accordance with Section 129 of the Companies Act, 1965. **Resolution 2**
- (ii) To re-elect the following Directors who retire in accordance with Article 63 of the Company's Articles of Association :-
  - (a) Tengku Makram Bin Tengku Ariff **Resolution 3**
  - (b) Mr Ang Poon Seong **Resolution 4**
3. To approve a Final 2% Tax Exempt Dividend of RM540,000/= in respect of the year ended 31 December 1998 **Resolution 5**
4. To approve Directors' Fees for the year ended 31 December 1998 **Resolution 6**
5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**
6. AS SPECIAL BUSINESS To consider and if thought fit, to pass the following resolutions as Ordinary and Special Resolutions :-
  - (i) ORDINARY RESOLUTION **Resolution 8**

**Power To Issue Shares pursuant to Section 132D of the Companies Act, 1965** "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
  - (ii) SPECIAL RESOLUTION **Resolution 9**

**Proposed Amendments to the Memorandum of Association** That, in line with the introduction of the new Section 67A of the Companies Act, 1965 which allows a public company with share capital to purchase its own shares, the Memorandum of Association of the Company be and is hereby amended by the insertion of a new Clause 3.(57) after Clause 3.(56), to read as follows :-

"3.(57) To purchase its own shares and to deal with the purchased shares in the manner subject to and in accordance with the provisions of the Companies Act, 1965 and the rules, regulations and orders made pursuant thereto and the requirements of the Kuala Lumpur Stock Exchange and/or any other relevant authorities."



(iii) SPECIAL RESOLUTION

Resolution 10

**Proposed Amendments to the Articles of Association** That, in line with the amendment of Clause 3.43A of the Listing Requirements (Second Board) of the Kuala Lumpur Stock Exchange ("KLSE") which requires a company to include in its Articles of Association a provision that all new issues of securities must be made by way of crediting the securities into the securities accounts of the securities holders maintained with Malaysian Central Depository Sdn Bhd, and to prohibit the issue of certificates to securities holders in respect of new issues of securities, the Articles of Association of the Company be and are hereby amended as contained in Appendix 1.

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

**DIVIDEND ANNOUNCEMENT**

**NOTICE IS ALSO HEREBY GIVEN** that a depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Shares transferred into the Depositor's Securities Account before 12:30 p.m. on 16 August 1999 in respect of ordinary transfers; and
- b. Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

The final dividend, if approved will be paid on 8 September 1999 to depositors registered in the Records of Depositors at the close of business on 16 August 1999.

**By Order of the Board**

**LAM VOON KEAN**  
Secretary (MIA 4793)

Penang, 7 June 1999

**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 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 the 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 proxies to attend at the same meeting, 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 appointed for holding the meeting or adjourned meeting.





Proposed Amendments to the Articles of Association of Thong Guan Industries Berhad.

Appendix 1

- a. The following definitions in Article 2 be added or modified as follows :-

WORDS	MEANINGS
Securities Account	..... An Account established by the Central Depository for a depositor for the recording of deposit of securities and for dealing in such securities by the depositor.
Requirements	..... Means listing requirements of the KLSE.
Approved Market Place	..... Means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) Exemption Order, 1998.
Securities	..... Has the meaning as assigned to it in the Central Depositories Act.

- b. That the present Article 3(A) be deleted in its entirety and to substitute in lieu thereof with the following provision :-

"3(A). Purchase of own shares. Subject to the provisions of the Act, rules, regulations and orders made pursuant to the Act, the conditions, restriction, and limitations expressed in these Articles and the requirements of the Exchange and any other relevant authority and other laws made or passed from time to time pertaining to such purchases, the Company shall have power to purchase its own shares and any shares so purchased by the Company may be dealt with as provided by the Act and the requirements of the Exchange and/or any other relevant authorities."

- c. That the new Article 3(B) be inserted immediately after Article 3(A) to read as follows :-

"3(B). Issue of securities. All new issues of securities for which listing is sought are made by way of crediting the securities accounts of the allottees with such securities save and except where it is specifically exempted from compliance with section 38 of the Securities Industry (Central Depositories) Act, 1991, in which event it shall so similarly be exempted from compliance with this requirement. For this purpose, the Company must notify the Central Depository of the names of the allottees and all such particulars required by the Central Depository, to enable the Central Depository to make the appropriate entries in the securities accounts of such allottees."

- d. That the present Article 7 be deleted in its entirety and to substitute in lieu thereof with the following provision :-

"7. Issue of notice of allotment. The Company must allot securities and despatch notices of allotment to the allottees, within twenty (20) Market Days of the final applications closing date for an issue of securities or such other period as may be prescribed by the Exchange."

- e. That the present Article 7(A) be deleted in its entirety.

- f. That the present Article 20 be deleted in its entirety and to substitute in lieu thereof with the following provision :-

"20. Transfers of securities. The transfer of any securities or class of securities of a company, shall be by way of book entry by the Central Depository in accordance with the rules of the Central Depository and, notwithstanding sections 103 and 104 of the Companies Act, 1965, but subject to subsection 107C(2) of the Companies Act, 1965 and any exemption that may be made from compliance with subsection 107C(1) of the Companies Act, 1965, the Company shall be precluded from registering and effecting any transfer of securities."



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	- Chairman - Deputy Chairman - Managing Director
SECRETARY	: Lam Voon Kean (MIA 4793)	
AUDIT COMMITTEE	: Wan Kassim Bin Ahmed Mohd Salleh Bin Zakaria Ang Poon Chuan	
REGISTERED OFFICE	: 1 <sup>st</sup> Floor (Room 102) Wisma Penang Garden 42 Jalan Sultan Ahmad Shah 10050 Penang Tel No : 04-2294390 Fax No : 04-2265860	
REGISTRAR	: M & C Services Sdn Bhd 1 <sup>st</sup> Floor (Room 102) Wisma Penang Garden 42 Jalan Sultan Ahmad Shah 10050 Penang Tel No : 04-2294390 Fax No : 04-2265860	
AUDITORS	: KPMG Peat Marwick Penang	
PRINCIPAL BANKERS	: HSBC Bank Malaysia Berhad Malayan Banking Berhad Hong Leong Bank Berhad	}
STOCK EXCHANGE LISTING	: Kuala Lumpur Stock Exchange, Second Board	



## 1. Members

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

## 2. Terms of Reference

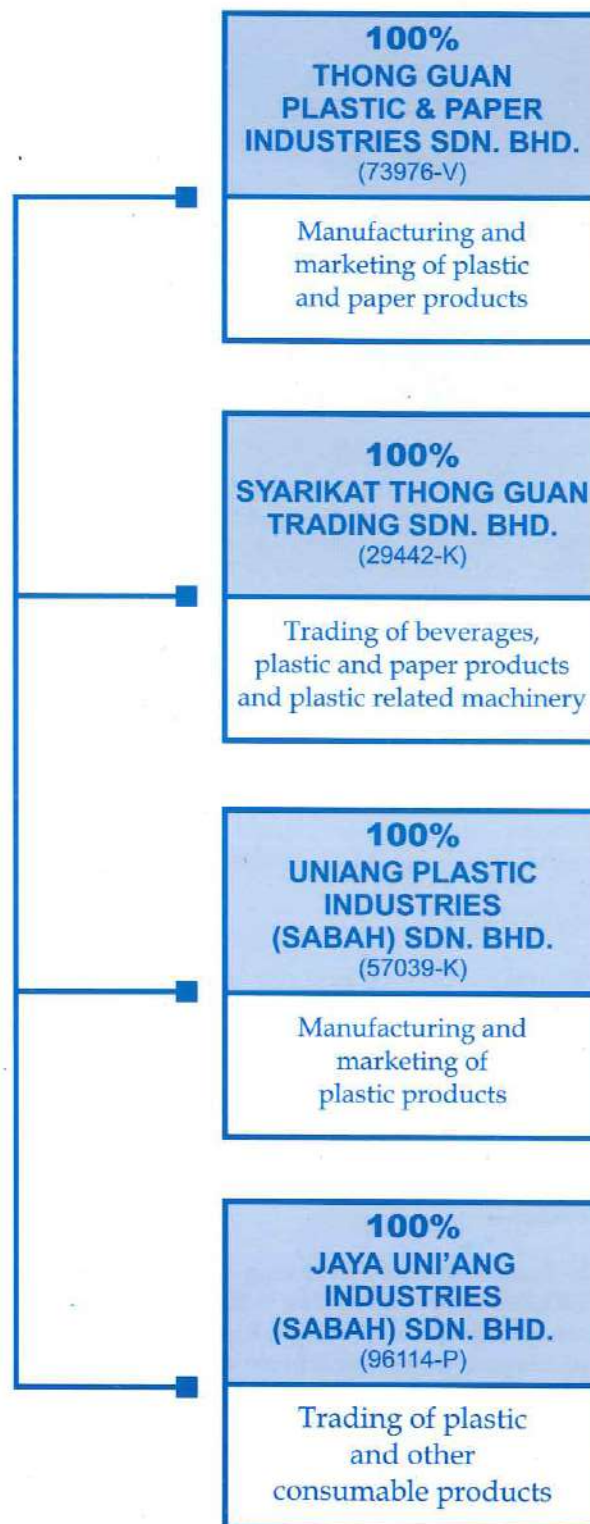
- i) Reviewing the effectiveness of management information and systems of internal control within the Company and Group.
- ii) Reviewing management's compliance with established policies, plans, procedures, laws and regulations.
- iii) Reviewing with the External Auditors the scope of their audit plan, their evaluation of the systems of internal control and the audit report 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.





# THONG GUAN INDUSTRIES BERHAD

(Company No..324203 K)







On behalf of the Board of Directors it is with great pleasure that I present the Annual Report and Audited Accounts of Thong Guan Industries Berhad for the financial year ended 31 December 1998.

### Overview For The Year

The economic downturn affecting Malaysia and other countries in the region that started in mid-1997 grew worse in 1998. The year started with the Ringgit depreciating to the RM 5.00 against USD 1.00 level. Massive fluctuations in the value of the Ringgit that created much uncertainty continued until 1 September 1998 when Malaysia took a radical step of imposing selective capital controls. The Ringgit was fixed at RM3.80 to USD 1.00.

The uncertainties had caused investors to withdraw their positions in Malaysia which led to large falls of the stock market causing the Kuala Lumpur Composite Index to hit a 10-year low of 250 points level. The Government increased interest rates causing a credit crunch during the first nine months with base lending rates (BLR) touching a high of 12.1% in June 1998. BLR has since decreased to 8.05% in November 1998 and is currently at 7.25% (May, 1999).

Malaysia's Gross Domestic Product (GDP) contracted by 6.7% in 1998, a negative growth for the first time since 1985. The country's ratings were also downgraded by international rating agencies. Signs of recovery had however begun to swept through and felt in the Second Quarter of 1999 with international rating agencies reaffirming Malaysia's ratings.

The adverse conditions in 1998 had warranted the Group to concentrate on its core activities in the plastic packaging and general consumer products with emphasis on the export market, which continued to be favourable. Despite the general economic constraint, I am pleased to report that the Group has continued its consistent and steady growth by delivering another set of commendable results.

### Financial Results

1998 was another successful year for Thong Guan Industries Berhad. Group profit after tax and attributable to shareholders reached another year of record high of RM 8.1 million. This is an increase of 26.6% over 1997's figure of RM 6.4 million. Net earnings per share increased from 27.4 sen in 1997 to 29.9 sen in 1998.

Group turnover improved by 9.7% to RM 93.5 million from RM 85.3 million recorded in the previous year. The marked improvements in results were mainly due to the expanding export contribution with the favourable exchange rates. Export sales had made up approximately 40% of total Group turnover in 1998 compared to approximately 19% in 1997.

### Dividends

The Board of Directors has recommended a final dividend payment of 2 sen per share tax exempt on the issued share capital of 27,000,000 ordinary share. This will require a cash payout of RM 540,000. Including the interim dividend of 3 sen per share less income tax at 28% amounting to RM 583,200 paid during 1998, the total dividend payment for the year will be RM 1,123,200, indicating a dividend rate of 5 sen per share.





## Prospects & Outlook

The Malaysian and regional economies had shown signs of recovering. Regional currency and stock market had recovered from their lows and many are predicting a small GDP growth for 1999. For the current ensuing financial year ending 31 December 1999, the Group expects to maintain its momentum of steady growth riding on the gradual recovery of the Malaysian and regional economies.

## Year 2000 Problem

The Group is aware of the serious implications of the Millenium Bug to its computer and electronic systems. However it does not expect the bug to cause problems to its activities. Necessary steps and measures have either been taken or planned to ensure that the Group's systems and applications are fully Y2K compliant within the time frame available.

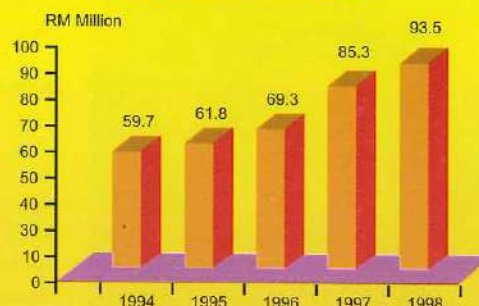
## Acknowledgements

I congratulate the management and staff of the Group for the hard work they have put in during the year just ended. The effort has made it possible for the Group to keep up its high performance standards and attain continued record business results during a year plague by uncertainties.

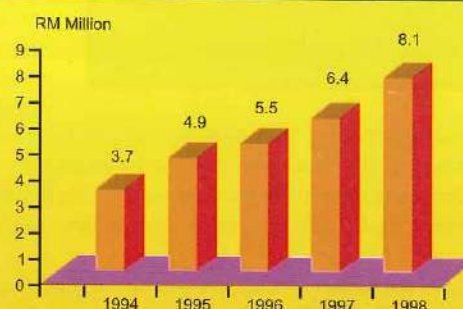
I also wish to record a special thank you to our shareholders, customers, suppliers, the mass media as well as the various Government departments and agencies and well-wisher at large for their support, guidance and assistance throughout 1998.

*Ang Toon Cheng*  
Chairman

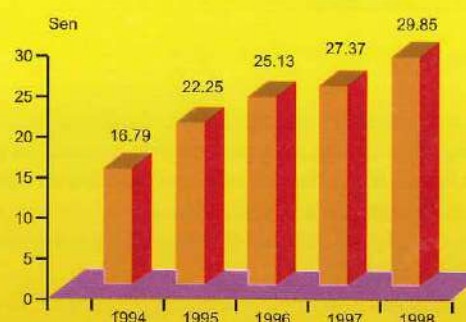
## TURNOVER



## PROFIT ATTRIBUTABLE TO SHAREHOLDERS



## NET EARNINGS PER SHARE







The year ended 31 December 1998 was another encouraging year at Thong Guan Industries Berhad (TGI) despite it being the worse year for the country for over a decade.

### Operational Activities

The events in the economic front that took place during 1998 underscored that we are constantly dealing with a dynamic predicament. A dynamic situation demands the ability to recognize new ideas, to think laterally and to make adaptations as circumstances dictate. The Group has demonstrated its ability to deal with changes and uncertainties brought about by the changing playing field. It has consolidated its position by channeling new and available capacities brought about by the lower demand in the local market to the export market. It has managed to interface with new clients and suppliers effectively and in the process gaining the trust and confidence of its new business associates.

The year under review has also seen the group devising and realigning new strategies for its business units. A key objective of this exercise is to make the company a cost leader while at the same time not compromising on product and service quality to enable the Group to compete effectively in the global market place. This is especially relevant with the Group's venture

into the manufacturing of pallet stretch film which is volume based. The production capacity of the new machine commissioned in 1997 has been depleted with healthy export orders. The Group has placed order for another line during the year, which would require an investment of over RM8 million. The new line is scheduled to be delivered in the middle of 1999 and will enable the Group to commit more volume to its customers and expand its marketing effort.

I am also pleased to report that the Group's export factory which was set up in 1995 has during the year surpassed its initial target of producing 6,000 Metric Tons per annum. The performance of this relatively new division has been promising and efforts have been made to further increase its production volume.

Continuous quality improvements have always been a commitment and priority of the Group. As mentioned in the previous report, another of the Group's factory, this time its operation in the state of Sabah under its wholly owned subsidiary company Uniang Plastic Industries (Sabah) Sdn. Bhd. has been accorded the ISO 9002 accreditation. My congratulations to our Sabah team for a job well done.

### Future Strategy

The various initiatives undertaken by the Government to rectify the economic situation in the country has shown signs that it is working. The Group is confident that economies in the Asian region has bottomed out and will bounce back in the near future. It has thus positioned itself to capitalise on the situation by investing strategically on its chosen field. With the delivery of its second stretch film line, the Group may emerge to be the largest producer of pallet stretch film in the ASEAN region. This is a position that it intends to uphold with the continued high growth rate of stretch film usage and the imminent liberalisation of trade in the region.



Investment would continue to be conveyed to the areas of human resources development, cost control, operational process improvement and information technology upgrading.

## Conclusion

The Group are blessed with considerable strength, backed by fairly good knowledge of the challenges that we will be up against in the coming years. We will uphold and improve on the success that we have carved out in the past years and are geared up for the challenges of the next millenium.

*Ang Poon Chuan*  
*Managing Director*







**1998**

- 23 September - Announcement of unaudited interim results of the Group and of the Company for the six months ended 30 June 1998

**1999**

- 19 March - Announcement of Preliminary Statement and Dividend for the year ended 31 December 1998

- 5 April - Announcement of the proposed establishment of an Employees Share Option Scheme

- 13 April - Approval from KLSE pertaining to the Proposed Amendments to the Memorandum and Articles of Association

- 7 June - Posting of Annual Report and Accounts to Shareholders

- 29 June - Annual General Meeting



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## Directors' Report For The Year Ended 31st December 1998

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 1998.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company and commenced operations in trading of plastic and paper products 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	8,060,128	1,625,580
Unappropriated profits brought forward	11,429,857	22,036
	<hr/>	<hr/>
Profits available for appropriation	19,489,985	1,647,616
Appropriations :		
Paid - interim dividend of 3% less 28% tax	(583,200)	(583,200)
Proposed - final dividend of 2% tax exempt	(540,000)	(540,000)
	<hr/>	<hr/>
Unappropriated profits carried forward	18,366,785	524,416

### DIVIDENDS

A final tax exempt dividend of 2% totalling RM540,000 in respect of the year ended 31 December 1998 has been recommended by the directors subject to shareholders' approval.

The interim dividend of 3% less 28% tax, totalling RM583,200, for the year ended 31 December 1998 was paid on 18 December 1998.

### RESERVES AND PROVISIONS

There were no material transfers to or from the reserve and provision accounts during the year.

**DIRECTORS OF THE COMPANY**

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

Ang Toon Cheng @ Ang Tong Sooi	- Chairman
Tengku Makram Bin Tengku Ariff	- Deputy Chairman
Ang Poon Chuan	- Managing Director
Ang Toon Piah @ Ang Toon Huat	
Ang Poon Seong	
Ang Poon Kang	
Ang Poon Khim	
Wan Kassim Bin Ahmed	
Mohd Salleh Bin Zakaria	

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

In accordance with Article 63 of the Company's Articles of Association, Tengku Makram Bin Tengku Ariff and Mr Ang Poon Seong retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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:

	Ordinary Shares of RM1 each			
	Direct Interest			
	Balance at 1.1.98	Bought	(Sold)	Balance at 31.12.98
<b>The Company</b>				
Ang Toon Cheng @ Ang Tong Sooi	9,000	-	-	9,000
Tengku Makram Bin Tengku Ariff	9,000	6,000	(3,000)	12,000
Ang Poon Chuan	8,000	-	-	8,000
Ang Toon Piah @ Ang Toon Huat	9,000	-	-	9,000
Ang Poon Seong	9,000	-	-	9,000
Ang Poon Kang	9,000	6,000	-	15,000
Ang Poon Khim	9,000	-	-	9,000
Wan Kassim Bin Ahmed	9,000	-	-	9,000
Mohd Salleh Bin Zakaria	9,000	-	(6,000)	3,000





Ordinary Shares of RM1 each  
Direct Interest

	Balance at 1.1.98	Bought/ (Sold)	Balance at 31.12.98
<b>Holding Company</b>			
<b>- Foremost Equals Sdn Bhd</b>			
Ang Toon Cheng @ Ang Tong Sooi	140,974	-	140,974
Ang Poon Chuan	200,950	-	200,950
Ang Toon Piah @ Ang Toon Huat	140,974	-	140,974
Ang Poon Seong	173,982	-	173,982
Ang Poon Kang	111,010	-	111,010
Ang Poon Khim	114,162	-	114,162

**DIRECTORS' BENEFITS**

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) Sale and purchases entered in the ordinary course of business with companies in which certain directors have substantial financial interests; and
- ii) Rental receivable from/payable to companies in which certain directors have substantial financial interests.

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 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 1998 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.

#### AUDITORS

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

Signed in accordance with a resolution of the directors:

ANG TOON PIAH @ ANG TOON HUAT  
Director

ANG POON CHUAN  
Director

Date : 18 March 1999





Thong Guan Industries Berhad

## STATEMENT BY DIRECTORS

In the opinion of the directors, the accounts set out on pages 19 to 35 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 1998 and of their results and cash flows of the Group for the year ended on that date.

On behalf of the Board,

ANG TOON PIAH @ ANG TOON HUAT  
Director

ANG POON CHUAN  
Director

Date : 18 March 1999

## STATUTORY DECLARATION

I, ANG POON CHUAN (NRIC No. : 440728-02-5307), 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 18<sup>th</sup> day of March 1999.

Before me:

CH'NG CHIN KUAN  
DJN, AMN, PJK, PJM, JP  
Pesuruhjaya sumpah  
(Commissioner for Oaths)

# Report Of The Auditors To The Members



Thong Guan Industries Berhad

We have audited the accounts set out on pages 19 to 35. The preparation of the accounts is the responsibility of the Company's directors. Our responsibility is to express an opinion on the accounts based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the accounts are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the accounts. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the accounts. We believe our audit provides a reasonable basis for our opinion.

In our opinion :

- a) the accounts are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :
  - i) the state of affairs of the Group and of the Company at 31 December 1998 and the results of their operations and cash flows of the Group for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the accounts of the Group and of the Company; and
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the said 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.

None of the audit reports on the accounts of the subsidiary companies were subject to any qualification nor included any comment under sub-section (3) of Section 174 of the Act.

**KPMG Peat Marwick**  
Firm No : AF : 0758  
Public Accountants

**LEE KEAN TEONG**  
Partner  
Approval No : 1857/2/00 (J)

Penang,  
Date : 18 March 1999





Thong Guan Industries Berhad

## Balance Sheets As At 31st December 1998

Employment Of Capital	Note	Group		Company	
		1998 RM	1997 RM	1998 RM	1997 RM
<b>Fixed Assets</b>	3	39,091,802	41,489,320	-	-
<b>Interest In Subsidiary Companies</b>	4	-	-	32,373,588	30,625,088
<b>Current Assets</b>					
Stocks	5	15,812,829	17,418,970	32,800	-
Trade debtors	6	16,074,293	14,641,882	129,466	-
Other debtors, deposits and prepayments		2,590,406	500,886	-	-
Fixed deposits with a licensed bank		-	2,000,000	-	2,000,000
Dividend receivable from a subsidiary companies		-	-	549,197	-
Cash and bank balances		1,018,797	1,651,098	200,735	692
		35,496,325	36,212,836	912,198	2,000,692
<b>Current liabilities</b>					
Trade creditors	7	9,117,967	12,340,751	264,250	-
Other creditors and accruals		3,345,965	8,787,768	149,024	874,572
Bank borrowings	8	8,048,315	10,824,892	-	-
Provision for taxation		1,001,062	1,346,287	98,924	20,000
Proposed dividend		540,000	-	540,000	-
		22,053,309	33,299,698	1,052,198	894,572
<b>Net Current Assets/(Liabilities)</b>		13,443,016	2,913,138	(140,000)	1,106,120
		52,534,818	44,402,458	32,233,588	31,731,208
<b>Capital Employed</b>					
Share Capital	9	27,000,000	27,000,000	27,000,000	27,000,000
Share Premium	10	4,709,172	4,709,172	4,709,172	4,709,172
Unappropriated Profits		18,366,785	11,429,857	524,416	22,036
		50,075,957	43,139,029	32,233,588	31,731,208
Hire Purchase/Lease Creditors	11	304,312	616,700	-	-
Term Loans	12	2,041,549	249,729	-	-
Deferred Taxation		113,000	397,000	-	-
		52,534,818	44,402,458	32,233,588	31,731,208

The notes set out on pages 24 to 36 form an integral part of these accounts.

# Profit And Loss Accounts For The Year Ended 31st December 1998



Thong Guan Industries Berhad

	Note	Group		Company	
		1998 RM	1997 RM	1998 RM	1997 RM
Turnover	13	93,506,401	85,270,507	2,396,359	-
Profit Before Taxation	14	9,122,050	8,051,767	1,953,288	42,036
Taxation	15	(1,061,922)	(1,775,227)	(327,708)	(20,000)
Profit After Taxation But Before Extraordinary Item		8,060,128	6,276,540	1,625,580	22,036
Extraordinary Item	16	-	167,387	-	-
Profits Attributable To Shareholders Of The Company		8,060,128	6,443,927	-	-
Unappropriated Profits Brought Forward		11,429,857	8,949,530	22,036	-
Profits Available For Appropriation		19,489,985	15,393,457	1,647,616	22,036
Appropriations:					
Paid - interim dividend of 3% (1997 : Nil) less 28% tax (1997: Nil)		(583,200)	-	(583,200)	-
Proposed - final dividend of 2 % (1997 : Nil) tax exempt		(540,000)	-	(540,000)	-
Pre-merger dividends paid by subsidiary companies		-	(3,963,600)	-	-
		(1,123,200)	(3,963,600)	(1,123,200)	-
Unappropriated Profits Carried Forward		18,366,785	11,429,857	524,416	22,036
Earnings Per Share (sen)	17	29.85	27.37	-	-
Retained By:					
The Company		524,416	22,036		
Subsidiary Companies		17,842,369	11,407,821		
		18,366,785	11,429,857		

The notes set out on pages 24 to 36 form an integral part of these accounts





Thong Guan Industries Berhad

# Consolidated Cash Flow Statement For The Year Ended 31st December 1998

	1998 RM	1997 RM
<b>CASH FLOWS FROM OPERATING ACTIVITY</b>		
Profit before taxation and extraordinary item	9,122,050	8,051,767
Adjustments for :		
Expenditure carried forward written off	-	9,297
Depreciation	4,136,946	3,671,539
Gain on disposal of fixed assets	(136,697)	(19,717)
Fixed assets written off	1,614	-
Interest income	(12,810)	(50,644)
Interest expense	1,725,303	1,938,725
Operating profit before working capital changes	14,836,406	13,600,967
(Increase)/Decrease in:		
Stocks	1,606,141	(4,692,191)
Debtors	(3,521,931)	1,540,273
(Decrease)/Increase in:		
Creditors	(8,005,650)	10,322,094
Cash generated from operating activities	4,914,966	20,771,143
Interest expense	(1,725,303)	(1,938,725)
Tax paid	(1,691,147)	(1,544,263)
Net cash generated from operating activities	1,498,516	17,288,155
Compensation from windstorm incident	-	167,387
	1,498,516	17,455,542
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to expenditure carried forward	-	(3,411)
Purchase of fixed assets	(1,792,478)	(16,881,164)
Proceeds from disposal of fixed assets	188,133	36,380
Interest income	12,810	50,644
Net cash used in investing activities	(1,591,535)	(16,797,551)



(Continued)

CASH FLOWS FROM FINANCING ACTIVITIES	1998 RM	1997 RM
Hire purchase/lease - net of financing obtained and repayment	(971,325)	(1,039,265)
Draw down of term loan	3,000,000	7,651,000
Repayment of term loan	(461,107)	(9,113,156)
Dividend/Pre-merger dividends paid	(583,200)	(8,008,261)
Listing expenses	-	(1,081,248)
Issue of shares	-	11,025,000
Short term borrowings	(3,653,042)	3,023,287
Net cash (used in) / generated from financing activities	(2,668,674)	2,457,357
Net increase in cash and cash equivalents	(2,761,693)	3,115,348
Cash and cash equivalents at beginning of year	(587,507)	(3,702,855)
Cash and cash equivalents at end of year	(3,349,200)	(587,507)

## NOTE

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

	1998 RM	1997 RM
Fixed deposits with a licensed bank	-	2,000,000
Cash and bank balances	1,018,797	1,651,098
Bank overdrafts	(4,367,997)	(4,238,605)
	(3,349,200)	(587,507)

The notes set out on pages 24 to 36 form an integral part of these accounts.





### 1. PRINCIPAL ACTIVITIES

The Company is an investment holding company and engaged in trading of plastic and paper products.

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, as modified by the revaluation of certain fixed assets and in compliance with approved accounting standards in Malaysia in all material respects except for the non-compliance in the disclosure requirements of International Accounting Standard 2 on Cost of Inventories as an expense during the year.

#### 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 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.

Dividend income from subsidiary companies is recognised on a declared basis.



## 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	6.7 - 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 includes cost of purchase and incidental in bringing the stocks to their present location and condition.

## 2.6 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 lease obligations is charged to Profit and Loss Account over the period of the primary lease based on the "Sum of Digits" method.





## 2.7 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.

## 2.8 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 in foreign currencies during the year 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.

## 2.9 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.

In arriving at the calculation of deferred taxation, future income tax benefit arising from unutilised reinvestment allowances have also been accounted for.

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

## 2.10 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, balances with banks (including bank overdrafts) and fixed deposits.



3. FIXED ASSETS - GROUP

	At Valuation				At Cost						
	Freehold land RM	Long term leasehold land RM	Short term leasehold land RM	Factory buildings RM	Long term leasehold land RM	Factory buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital expenditure in-progress RM	Total RM
Valuation/Cost											
At 1 January 1998	5,839,000	1,690,000	2,096,370	7,400,249	55,000	2,423,609	22,847,808	2,392,596	5,404,152	5,612,253	55,761,037
Additions	-	-	-	-	-	101,957	837,305	148,663	679,609	24,944	1,792,478
Disposals/Write-off	-	-	-	-	-	-	-	(4,289)	(491,086)	-	(495,375)
Transfers	-	-	-	-	-	-	5,612,253	-	-	(5,612,253)	-
At 31 December 1998	5,839,000	1,690,000	2,096,370	7,400,249	55,000	2,525,566	29,297,366	2,536,970	5,592,675	24,944	57,058,140
Accumulated Depreciation											
At 1 January 1998	-	43,834	100,774	568,032	733	209,541	8,430,472	1,317,008	3,601,323	-	14,271,717
Charge for the year	-	21,916	53,005	265,310	1,100	115,444	2,811,937	233,683	634,551	-	4,136,946
Disposals/Write-off	-	-	-	-	-	-	-	(1,088)	(441,237)	-	(442,325)
At 31 December 1998	-	65,750	153,779	833,342	1,833	324,985	11,242,409	1,549,603	3,794,637	-	17,966,338
Net Book Value											
At 31 December 1998	5,839,000	1,624,250	1,942,591	6,566,907	53,167	2,200,581	18,054,957	987,367	1,798,038	24,944	39,091,802
At 31 December 1997	5,839,000	1,646,166	1,995,596	6,832,217	54,267	2,214,068	14,417,336	1,075,588	1,802,829	5,612,253	41,489,320
Depreciation for the year ended 31 December 1997	-	22,287	47,818	256,175	370	76,629	2,385,674	223,260	659,696	-	3,671,539





### 3. FIXED ASSETS - GROUP (Cont'd)

The freehold land, 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.

It is the Company's policy to state fixed assets at cost. Revaluation of certain properties was carried out in 1995 in conjunction with the listing exercise of the Company then and was not intended to effect a change in accounting policy to one of revaluation of properties.

The net book value of those revalued assets stated at their original costs less accumulated depreciation are as follows :

	Cost RM	Accumulated Depreciation RM	Net Book Value RM
<b>1998</b>			
Freehold land	1,143,129	-	1,143,129
Long term leasehold land	934,165	(60,006)	874,159
Short term leasehold land	858,181	(63,654)	794,527
Factory buildings	3,680,932	(707,950)	2,972,982
	<u>6,616,407</u>	<u>(831,610)</u>	<u>5,784,797</u>
<b>1997</b>			
Freehold land	1,143,129	-	1,143,129
Long term leasehold land	934,165	(55,720)	878,445
Short term leasehold land	858,181	(42,436)	815,745
Factory buildings	3,680,932	(569,121)	3,111,811
	<u>6,616,407</u>	<u>(667,277)</u>	<u>5,949,130</u>

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

	1998 RM	1997 RM
Plant and machinery	153,272	2,265,244
Motor vehicles	974,680	1,311,634
	<u>1,127,952</u>	<u>3,576,878</u>



4. INTEREST IN SUBSIDIARY COMPANIES - COMPANY

	1998 RM	1997 RM
Unquoted shares, at cost	22,049,998	22,049,998
Amount due from subsidiary companies	10,323,590	8,575,090
	<u>32,373,588</u>	<u>30,625,088</u>

Details of subsidiary companies are as follows :

Name of Company	Percentage of Equity Held		Principal Activities
	1998	1997	
Syarikat Thong Guan Trading Sdn Bhd	100	100	Trading of plastic and paper products, beverages (such as tea and coffee) and machinery
Thong Guan Plastic & Paper Industries Sdn Bhd	100	100	Manufacture and trading of plastic and paper products
Uni'ang Plastic Industries (Sabah) Sdn Bhd	100	100	Manufacture and trading of plastic products
Jaya Uni'ang Industries (Sabah) Sdn Bhd	100	100	Trading of plastic products and other consumables

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

5. STOCKS

	Group		Company	
	1998 RM	1997 RM	1998 RM	1997 RM
Raw materials	8,509,090	8,495,166	-	-
Work-in-progress	232,567	246,482	-	-
Finished goods	2,518,640	2,651,373	-	-
Trading stocks				
- Plastic and paper	1,717,669	1,760,541	32,800	-
- Beverages	2,760,946	3,726,608	-	-
- Machinery	73,917	538,800	-	-
	<u>4,552,532</u>	<u>6,025,949</u>	<u>32,800</u>	<u>-</u>
	<u>15,812,829</u>	<u>17,418,970</u>	<u>32,800</u>	<u>-</u>





6. TRADE DEBTORS

	Group		Company	
	1998 RM	1997 RM	1998 RM	1997 RM
Amount due from companies in which certain directors have substantial financial interests	1,535,171	2,414,558	-	-
Others	15,327,963	12,782,257	129,466	-
Less : Provision for doubtful debts	(788,841)	(554,933)	-	-
	14,539,122	12,227,324	129,466	-
	<u>16,074,293</u>	<u>14,641,882</u>	<u>129,466</u>	<u>-</u>

7. TRADE CREDITORS

	Group		Company	
	1998 RM	1997 RM	1998 RM	1997 RM
Amount due to companies in which certain directors have substantial financial interests	-	26,756	-	-
Others	9,117,967	12,313,995	264,250	-
	<u>9,117,967</u>	<u>12,340,751</u>	<u>264,250</u>	<u>-</u>

8. BANK BORROWINGS - GROUP

	1998 RM	1997 RM
Secured		
Bank overdrafts	4,339,197	4,238,605
Bankers' acceptances	1,683,410	3,586,287
Revolving credit	500,000	3,000,000
Trust receipts	99,835	-
Term loans (Note 12)	747,073	-
	<u>7,369,515</u>	<u>10,824,892</u>
Unsecured		
Bank overdrafts	28,800	-
Bankers' acceptances	650,000	-
	<u>678,800</u>	<u>-</u>
	<u>8,048,315</u>	<u>10,824,892</u>

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

The above bank borrowings bear interest at rates ranging from 0.75% to 1.50% (1997 : 0.75% to 2.00%) per annum above the respective bankers' base lending rates.



## 9. SHARE CAPITAL

	1998 RM	1997 RM
Ordinary shares of RM1 each		
Authorised :		
Balance at 1 January	50,000,000	100,000
Increased during the year	-	49,900,000
Balance at 31 December	50,000,000	50,000,000
Issued and fully paid :		
Balance at 1 January	27,000,000	2
Issued at par, as consideration for the acquisition of subsidiary companies	-	22,049,998
Rights issue at par, for cash	-	2,250,000
Public issue at RM3.25 per share, for cash	-	2,700,000
Balance at 31 December	27,000,000	27,000,000

## 10. SHARE PREMIUM - GROUP AND COMPANY

	1998 RM	1997 RM
Balance at 1 January	4,709,172	-
Share premium arising from public issue during the year	-	6,075,000
Listing expenses written off	-	(1,365,828)
Balance at 31 December	4,709,172	4,709,172

## 11. HIRE PURCHASE/LEASE CREDITORS - GROUP

	1998 RM	1997 RM
Gross amount payable	829,605	1,971,265
Less : Interest in suspense	(137,252)	(307,587)
	692,353	1,663,678
Less : Portion payable within 12 months included in other creditors and accruals	(388,041)	(1,046,978)
	304,312	616,700





12. TERM LOANS, secured - GROUP

	1998 RM	1997 RM
Amount repayable		
- Within 1 year	747,073	
- 1 to 2 years	1,494,147	
- 2 to 5 years	297,673	
- After 5 years	249,729	249,729
	<u>2,788,622</u>	<u>249,729</u>
Less : Portion repayable within 12 months included under bank borrowings (Note 8)	(747,073)	-
	<u>2,041,549</u>	<u>249,729</u>

The term loans are secured by fixed charges over the land and factory buildings of the respective subsidiary companies and bear interest at 1.25% to 1.75% (1997 : 1% to 1.75%) per annum above the respective bankers' base lending rates.

13. TURNOVER

	Group		Company	
	1998 RM	1997 RM	1998 RM	1997 RM
Invoiced value of goods sold less discounts and returns	93,506,401	85,270,507	1,025,462	-
Dividend income from a subsidiary company	-	-	1,370,897	-
	<u>93,506,401</u>	<u>85,270,507</u>	<u>2,396,359</u>	<u>-</u>

14. PROFIT BEFORE TAXATION

	Group		Company	
	1998 RM	1997 RM	1998 RM	1997 RM
This is arrived at :				
After charging :				
Auditors' remuneration				
- current year	45,400	39,600	5,000	1,000
- prior year	3,405	-	4,000	-
Bad debts written off	42,396	103,692	-	-
Depreciation (Note 3)	4,136,946	3,671,539	-	-
Directors' emoluments				
Directors of the Company				
- fees	216,000	132,000	90,000	18,000
- others	648,235	523,507	-	-
Other Directors				
- fees	46,000	34,000	-	-
- others	171,433	171,258	-	-
Expenditure carried forward written off	-	9,297	-	9,297



14 PROFIT BEFORE TAXATION (Continued)

	Group		Company	
	1998 RM	1997 RM	1998 RM	1997 RM
Fixed assets written off	1,614	-	-	-
Interest expense	1,725,303	1,938,725	-	-
Loss on foreign exchange				
- Realised	18,727	-	-	-
Provision for doubtful debts	309,129	292,819	-	-
Rental expense	228,379	218,777	-	-
And crediting :				
Bad debts recovered	5,130	-	-	-
Gain on disposal of fixed assets	136,697	19,717	-	-
Gain on foreign exchange				
- Realised	-	291,411	-	-
- Unrealised	64,932	187,750	-	-
Interest income				
- a subsidiary company	-	-	713,550	19,689
- others	12,810	50,644	12,740	50,644
Rental income	2,040	-	-	-

15. TAXATION

	Group		Company	
	1998 RM	1997 RM	1998 RM	1997 RM
Current taxation				
- Based on results for the year	1,391,924	1,532,000	329,000	20,000
- Over provision in prior years	(46,002)	(14,773)	(1,292)	-
	1,345,922	1,517,227	327,708	20,000
Deferred taxation				
- Current year	(284,000)	258,000	-	-
	1,061,922	1,775,227	327,708	20,000

GROUP

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

The Group has potential deferred tax benefits not taken up in the accounts under the liability method amounting to RM1,501,000 (1997 : RM46,000), calculated at 28% (1997 : 28%) tax rate in respect of the following items :

	1998 RM	1997 RM
Timing differences between accounting depreciation and related capital allowances	1,724,000	409,000
Other timing differences	-	(573,000)
Unutilised reinvestment allowances	(7,084,000)	-
	(5,360,000)	(164,000)





**15 TAXATION (Continued)**

The unutilised reinvestment allowance is subject to agreement with the Inland Revenue Board.

**COMPANY**

The disproportionate tax charge in relation to the results of the Company is mainly due to certain dividend income which are exempted from tax.

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax credit to frank its entire unappropriated profits if paid out as dividends.

Pursuant to the requirement of Section 365 (1A) of the Companies Act, 1965, future distribution of profits as dividends will be restricted to the greater of the profits after tax for that particular financial year and the average dividends declared in respect of the two financial years immediately preceding that financial year.

**16. EXTRAORDINARY ITEM - GROUP**

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

**17. EARNINGS PER SHARE - GROUP**

The earnings per share has been calculated based on the consolidated profit after taxation but before extraordinary item of RM8,060,128 (1997 : RM6,276,540) and on the weighted average number of ordinary shares of 27,000,000 (1997 : 22,931,250) ordinary shares in issue during the year.

**18. HOLDING COMPANY**

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

**19. CAPITAL COMMITMENT - GROUP**

	1998 RM	1997 RM
Contracted but not provided for	7,849,000	-

**20. CONTINGENT LIABILITIES**

GROUP	1998 RM'000	1997 RM'000
Secured		
Bills discounted	1,480	2,103

The bills discounted are secured by fixed charges over all of the fixed assets of the subsidiary company for which facility is granted.



## 20. CONTINGENT LIABILITIES (Continued)

## COMPANY

## Unsecured

- i) The Company has issued corporate guarantees to a licensed bank for banking facilities granted to certain subsidiary companies up to a limit of RM22.0 million (1997 : RM NIL) of which RM9.3 million (1997 : RM NIL) have been utilised as at balance sheet date.
- ii) The Company has issued corporate guarantee to a financial institution for credit facility granted to one of its subsidiary companies up to a limit of RM84,000 (1997 : RM NIL) of which RM77,000 (1997 : RM NIL) has been utilised as at balance sheet date.
- iii) The Company has issued a corporate guarantee amounting to RM7.5 million (1997 : RM NIL) to vendors for the purchase of raw materials by certain subsidiary companies. The amount owing by the subsidiary companies to those vendors at balance sheet date amounted to RM3.7 million (1997 : RM NIL).

## 21. SEGMENT REPORTING - GROUP

	Turnover RM	Profit Before Taxation RM	Assets Employed RM
1998			
Analysis by activities:			
Manufacturing	51,655,989	6,583,294	47,205,618
Trading	41,850,412	2,526,015	27,382,509
Investment holding	-	12,741	-
	<u>93,506,401</u>	<u>9,122,050</u>	<u>74,588,127</u>
1997			
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>

No segment information by geographical area has been presented as the Group only operator in Malaysia.





## 22. SIGNIFICANT RELATED PARTY TRANSACTIONS

### COMPANY

Transactions with related companies :

	1998 RM	1997 RM
Sales	61,501	-
Purchases	51,000	-
Interest income	713,550	19,689

### GROUP

Transactions with companies in which certain directors have substantial financial interests :

	1998 RM	1997 RM
Sales	2,919,782	4,946,360
Purchases	3,832,299	7,400,578
Rental expense	69,315	12,255
Rental income	750	-

The directors of the Company are of the opinion that the above transactions were entered in the normal course of business and have been established on a negotiated basis.

# List Of Properties Own By The Group



Thong Guan Industries Berhad

Location	Description	Approximate Land Area (Sq. Feet)	Age of Building	Tenure	Net Book Value RM million
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	2 - 14 years	Freehold	4.72
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	2 years	60 years leasehold, expiring on 12.4.2052	1.66
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	0.69
Lot P.T. 129301, H.S. (D) KA 27799 Mukim Huluh Kinta, District of Kinta, Ipoh, Perak	Warehouse with office building	5,500	14 years	99 years leasehold, expiring on 18.7.2092	0.22
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	5 years	60 years leasehold, expiring on 12.4.2052	3.52
Lot P.T. 48288, H.S. (D) No.12034/95, Mukim of Sungai Petani, District of Kuala Muda, Kedah CAH/2001(C)/K/SC/95	Factory with office building	339,590	16 years	Freehold	3.53
CL 015276687 House 606 Taman Bay View Off Mile 2½ Jalan Tuaran Kota Kinabalu Sabah	Double storey intermediate terrace house	2,178	20 years	999 years leasehold, expiring on 16.6.2914	0.14
CL 015373672 Lorong Rambutan Off Km 11 Jalan Tuaran Kota Kinabalu Sabah	Industrial land with factory and other buildings	82,764	10 years	60 years leasehold, expiring on 31.12.2035	3.12
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	7 years	60 years leasehold, expiring on 31.12.2040	0.29
CL 105390707 Km4, Jalan Apas Tawau	Vacant industrial land	37,462	-	999 years leasehold, expiring on 21.5.2930	0.31





Thong Guan Industries Berhad

## Shareholding Statistic As At 5th May 1999

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 RIGHTS	: One (1) vote per share

### Breakdown of shareholdings

<i>Size of Shareholdings</i>	<i>No. of Shareholders/ Depositors</i>	<i>No. of Shares</i>	<i>% of Issued Share Capital</i>
1 - 1,000	710	703,852	2.61
1,001 - 5,000	355	989,050	3.66
5,001 - 10,000	97	725,000	2.69
10,001 and above	48	24,582,098	91.04
<b>Grand Total</b>	<b>1210</b>	<b>27,000,000</b>	<b>100.00</b>

### TWENTY LARGEST SHAREHOLDERS

<i>Name</i>	<i>No. of Shares</i>	<i>% of Issued Share Capital</i>
1. ✓ Foremost Equals Sdn Bhd	13,527,000	50.10
2. Permodalan Nasional Berhad	5,265,000	19.50
3. HSBC Nominees (Tempatan) Sdn Bhd HSBC (Malaysia) Trustee Berhad For Amanah Saham Kedah	2,025,000	7.50
4. Arab-Malaysian Nominees (Tempatan) Sdn Bhd Arab-Malaysian Merchant Bank Bhd	810,000	3.00
5. ✓ Sensible Matrix Sdn Bhd	772,998	2.86
6. ✓ Trader Nominees (Tempatan) Sdn Bhd ✓ Pledge Securities Account For Lee Ah See	450,000	1.67
7. Wah Tat Nominees (Tempatan) Sdn Bhd Pledge Securities Account For Ismail Affendee Bin Nik	348,000	1.29
8. ✓ Ang See Ming	300,002	1.11
9. ✓ Lee Ah See	167,000	0.62
10. Tasec Nominees (Asing) Sdn Bhd For Savern Finance Limited	120,000	0.44
11. Ang Huat Keat	81,100	0.30
12. Chee Fong Yeng	49,000	0.18
13. Lai Kok Thye	48,000	0.18
14. Ng Poh Pheng	48,000	0.18
15. Liew Yoon Peck	42,000	0.16
16. KHH Holdings Sdn Bhd	40,000	0.15
17. Tio Swee In	34,000	0.13
18. Mohd Adib Bin Zakaria	33,000	0.12
19. Mah Yuen Ying @ Mah Chee	30,000	0.11
20. Rozita Binti Yusof	22,000	0.08
<b>GRAND TOTAL</b>	<b>24,212,100</b>	<b>89.68</b>

# Director's Shareholdings As At 21st January 1998



Thong Guan Industries Berhad

## No. of RM1.00 Ordinary Shares held

	Direct Interest	Deemed Interest
Ang Toon Cheng @ Ang Tong Sooi	9,000	-
Tengku Makram Bin Tengku Ariff	12,000	-
Ang Poon Chuan	8,000	-
Ang Poon Seong	9,000	-
Ang Toon Piah @ Ang Toon Huat	9,000	-
Ang Poon Kang	15,000	-
Ang Poon Khim	9,000	-
Wan Kassim Bin Ahmed	9,000	-
Mohd Salleh Bin Zakaria	3,000	-

## SUBSTANTIAL SHAREHOLDERS AS AT 5 MAY 1999

Name	No. of Shares Held		% of Issued Share Capital
	Direct	Indirect	
1. Foremost Equals Sdn Bhd	13,527,000	-	50.10
2. Permodalan Nasional Berhad	5,265,000	-	19.50
3. Yayasan Pelaburan Bumiputra	-	5,265,000	19.50
4. HSBC Nominees (Tempatan) Sdn Bhd *	2,025,000	-	7.50
5. Arab-Malaysian Nominees (Tempatan) Sdn Bhd #	810,000	-	3.00
6. Sensible Matrix Sdn Bhd	772,998	-	2.86
7. Lee Ah See	617,000	-	2.29

### Notes :

\* HSBC Nominees (Tempatan) Sdn Bhd has declared in its letter dated 12 November 1998 that it is the substantial shareholder and whose shares are held through HSBC (Malaysia) Trustee Berhad who holds the shares in trust for Amanah Saham Kedah

# The shares are reserved for Bumiputra allocation.





## **THONG GUAN INDUSTRIES BERHAD**

324203-K

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