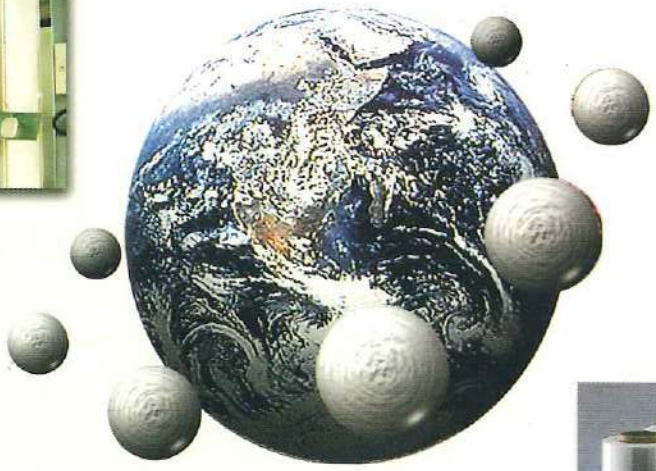
THONG GUAN INDUSTRIES BERHAD

324203-K



ANNUAL REPORT '99

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INTRODUCTION

Thong Guan's operations began in 1942 as a family oriented business. It started as a trading company distributing tea locally under its "888" brand. Thong Guan has come a long way since its inception. Today it has grown to be one of the largest manufacturer of plastic packaging products in Malaysia. Its traditional beverage and trading activities still contributes to overall group performance.

Thong Guan's growth process was gradual and steady. From its trading activities in the early days, it developed a marketing network with a fleet of vans that serviced its customer base of grocery and coffee shops, food outlets and general traders with its beverages and consumer products. In the late 1960s it ventured into the manufacturing of plastic string and drinking straws with the ready market, thus the beginning of a foray into manufacturing and the plastic industry. Due to the relatively small local market then, the 1970s saw a diversification spree with ventures into the manufacturing of plastic rope, bags and paper serviettes and towels. The 1980s was the beginning of the industrialization of the Malaysian economy. Thong Guan mordenised its machinery to produce quality plastic packaging to cater for the requirements of the Multi National Companies ("MNC") and other local factories. Operations were also expanded to Sabah to tap the local market there. Thong Guan successfully penetrated the export market in the early 1990s with its experienced supplying quality products the local MNC. The stress on quality was rewarded when both its manufacturing subsidiaries were accredited with the ISO 9002 internationally acclaimed certification in 1996 and 1998 respectively.

Today, Thong Guan operations are equipped with the latest state of the art machinery utilizing sophisticated computer aided manufacturing techniques that are able to rival the best in the world. A majority of its total Group turnover consist of export sales to countries such as Japan, Australia, ASEAN Countries, Europe, the United States, Taiwan and Hong Kong.

Thong Guan Industries Berhad was incorporated in 1994 as a private limited company, under the name of Thong Guan Industries Sdn. Bhd. The company was subsequently converted into a public limited company in 1996 and assumed its present name. It was listed on the Kuala Lumpur Stock Exchange in 1997 after the completion of a restructuring exercise which has seen it assumed the ownership of its four subsidiary companies.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifth 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 Wednesday, 31 May 2000 at 11:30 a.m. for the following purposes :-

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended ended 31 December **Resolution 1**

2.(i) To re-elect the following Directors who retire in accordance with Section 129 of the Companies Act, 1965 :-

(a) Mr Ang Toon Cheng @ Ang Tong Sooi **Resolution 2**
(b) Mr Ang Toon Piah @ Ang Toon Huat **Resolution 3**

(ii) To re-elect the following Directors who retire in accordance with Article 63 of the Company's Articles of Association :-

(a) Mr Ang Poon Kang **Resolution 4**
(b) Mr Ang Poon Khim **Resolution 5**

3. To approve Directors' Fees of RM90,000 for the year ended 31 December 1999 **Resolution 6**

4. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

5. AS SPECIAL BUSINESS
To consider and if thought fit, to pass the following resolution as an Ordinary Resolution :-

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, the Board of Directors of the Company be and is hereby authorised to issue and allot from time to time such number of ordinary shares of the Company as may be required to be issued pursuant to the exercise of the options under the Thong Guan Industries Berhad Employees' Share Option Scheme PROVIDE ALWAYS THAT the aggregate number of the ordinary shares to be issued pursuant to this resolution does not exceed 10%of the total issued share capital of the Company from time to time and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

6. 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
Company Secretary
(MIA 4793)

Penang, 15 May 2000

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 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.

Explanatory Note on Special Business:

1. The proposed Resolution 8, if passed will empower the Board of the Directors to issue and allot ordinary shares in the Company pursuant to the terms and conditions of the Thong Guan Industries Berhad Employees' Shares Option Scheme which was approved at the Extraordinary General Meeting of the Company held on 29 June 1999.

CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Ang Toon Cheng @ Ang Tong Sooi, AMK, JP, SDK - *Chairman* Tengku Makram Bin Tengku Ariff - *Deputy Chairman* Ang Poon Chuan - *Managing Director* 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)
AUDIT COMMITTEE	:	Wan Kassim Bin Ahmed Mohd Salleh Bin Zakaria Ang Poon Chuan
REGISTERED OFFICE	:	1st 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 1st Floor (Room 102) Wisma Penang Garden 42 Jalan Sultan Ahmad Shah 10050 Penang Tel No : 04-2294390 Fax No : 04-2265860
AUDITORS	:	KPMG, Penang
PRINCIPAL BANKERS	:	HSBC Bank Malaysia Berhad Hong Leong Bank Berhad Malayan Banking Berhad United Overseas Bank (Malaysia) Berhad
STOCK EXCHANGE LISTING	:	Kuala Lumpur Stock Exchange, Second Board

AUDIT COMMITTEE

1. Members

I) Wan Kassim Bin Ahmed	-	Chairman
	-	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.

GROUP STRUCTURE AND ACTIVITIES

THONG GUAN INDUSTRIES BERHAD (324203 K)

100% THONG GUAN PLASTIC & PAPER INDUSTRIES SDN BHD (73976-V)

MANUFACTURING AND MARKETING OF PLASTICS AND PAPER PRODUCTS

100% SYARIKAT THONG GUAN TRADING SDN BHD (29442-K)

TRADING OF BEVERAGES, PLASTICS AND PAPER PRODUCTS AND PLASTIC RELATED MACHINERY

100% UNIANG PLASTIC INDUSTRIES (SABAH) SDN BHD (57039-K)

MANUFACTURING AND MARKETING OF PLASTICS PRODUCTS

100% JAYA UNI'ANG INDUSTRIES (SABAH) SDN BHD (96114-P)

TRADING OF PLASTIC AND OTHER CONSUMABLE PRODUCTS

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Accounts of Thong Guan Industries Berhad for the financial year ended 31 December 1999.

Economic Review

The Malaysian economy performed well above expectation in 1999. Robust economic activities spearheaded by the manufacturing and services sectors helped the Gross Domestic Product (GDP) to register a growth rate of 5.4% compared to an earlier conservative 1% growth estimate by the Malaysian Government. This also reverses the contraction of 7.5% recorded in 1998 thus lifting the economy out of the recession.

During the course of the year, economic indicators have steadily produced positive signals to show clear and healthy signs of an imminent recovery. Examples of such indicators are the monthly trade surplus of RM 8.6 billion in December 1999 and the current account surplus of RM 47.4 billion for 1999 are the highest ever recorded, private consumption grew at a commendable 2.9%, and the sharp upsurge in the Malaysian Industrial Economic Research (MIER) consumer sentiment index. The benchmark Kuala Lumpur Composite Index closed the year at 812.3 points after hitting a high of 851.7 points on 9 July 1999 a far cry from its close of 586.1 points at the end of 1998.

Inflation fell to 2.8% well below 1998's level of 5.3%. The drop in inflationary pattern prompted the Government to continue to pressure down the interest rates level slashing down 3% between February and April 1999. Interest rates at the end of 1999 has fallen to pre-crisis level with the benchmark 3-month KLIBOR rates closing the year at 3.2%. In recognition to the significant progress, major international rating agencies such as Moody's and Standard and Poor's have issued improved sovereign ratings for Malaysia.

The rebounded Malaysian economy has helped the Group to register a significant 12% growth in its local sales and operations which has contracted approximately 17% in 1998. Export sales continued its positive growth trend with the peg of the Malaysian Ringgit providing much stability.

Financial Results

1999 was a landmark year for Thong Guan Industries Berhad whereby Group turnover breached the RM 100 million barrier and Group profit after tax broke the RM 10 million hurdle. Group turnover registered a growth of 11.4% to RM 104.1 million from RM 95.5 million recorded in the previous year while consolidated profit after tax and attributable to shareholders was RM 12.1 million, an increase of 49.4% over 1998's figure of RM 8.1 million. The sharp increase is due partly to the corporate tax waiver for 1999 and the company's policy to concentrate on more value added products that offer better margins. Net earnings per share increased from 29.9 sen in 1998 to 44.8 sen in 1999 while Net tangible asset per share rose 42 sen from RM 1.88 per share in 1998 to 2.30 per share in 1999

Dividends

The Board of Directors has decided not to recommend any payment of dividend for the year ended 31 December 1999 to conserve resources for the Group's expansion plans.

Prospects & Outlook

The Government has forecasted a GDP growth rate of 5.8% for the year 2000, while the Malaysian Institute of Economic Research (MIER)'s forecast was 6.0% and that of Rating Agency Malaysia Berhad was 6.1% respectively. A strong growth is expected in private consumption with the MIER projecting an 8% growth compared to 2,9% recorded for 1999. Interest rates are expected to gradually increase in the second half of 2000 when inflation is expected to pick up with the stronger economy. The Group is set to take advantage of the stronger growth of the local and regional economies.

Year 2000 Issue

In addressing the Y2K issue, The Group has set up a task force team to map out comprehensive measures to ensure that the Group's operations are not in any way affected by the bug. These actions have enabled the Group to successfully cross-over the millennium on 1 January 2000 without any glitches.

Corporate Developments

In recognition to the dedication, commitment and loyalty of the management and staff as well as the need for incentives to motivate, retain and reward its employee base to ensure continued high performance of the Group, an Employee Share Option Scheme ("ESOS") was proposed and implemented during the year under review. In addition the ESOS is a valuable incentive package to attract employment to the Group without adversely affecting its cashflows and cost levels.

Acknowledgements

I wish to 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 maintain its high performance standards and achieve the financial milestone mentioned earlier.

I would also like to express my appreciation to our valued shareholders for their continued confidence in both the Board and the Management, the various Government agencies for their guidance and my fellow Directors for their support.

Ang Toon Cheng
Chairman

MANAGING DIRECTOR'S REVIEW

The year 1999 was a significant year for Thong Guan Industries Berhad ("TGI") as it marks our graduation to be a RM 100 million company.

Group consolidated turnover reached RM 104.1 million while profit before tax was RM 12.4 million returning a profit margin of 11.95 %. This represents a significant increase of 2.2% over 1998's margin of 9.75%. It is the Group's goal to maintain profit margin above the 10% level. As mentioned in the previous reports, the Group has constantly strive to focus on value added products and cost rationalization to achieve this goal.

Operational Activities

The year under review has witnessed confidence gradually returning to local demand for the Group's plastic packaging and consumable products. Sales to local customers surged during the last quarter of 1999 to register figures higher than that of pre-crisis levels. Local sales has contracted significantly in 1998 as a result of lower consumer confidence, tighter credit policy adopted by the Group, general tight liquidity and increased prices due to the depreciation of the Ringgit.

The year also saw the Group taking delivery of its second stretch film line. The new line has enabled the Group to double its production capacity to more than 12,000 metric tons per annum thus establishing itself as one of the largest producer of pallet stretch film in the South East Asian region. TGI has placed orders for additional stretch film lines to further expand its production capacity. Two more lines are expected to be delivered in the current year 2000 and this will make the Group to be one of the largest stretch film producer in Asia-Pacific.

It is heartening to report that the Group's venture into co-extrusion with blown film technology in 1998 with the commissioning of a fully computerized 3-layer line is progressing well. The initial production and marketing glitches has been solved and currently the machine's capacity has been fully utilized. The Group is looking at further acquiring similar or better lines to cope with increasing demand.

During the year, the production capacity of the Group's export factory has been further expanded to accommodate the increasing export orders. The Group plans to install new co-extrusion machines to further add value to the division by taking advantage of down gauge and material blending techniques. Existing machines are also continually upgraded to ensure peak performance and consistent quality.

The Group has also invested substantially on information technology by upgrading its computers, communications and management information systems to streamline with its business growth and expansion. It has commissioned a new Integrated Business Application Software designed to enhance information flows, communications, uniformity and work speed within the group. As part of the effort a new company wide electronic mail system and a web site (www.thongguan.com) was introduced.

Future Strategy

The Group believes that the Malaysian and regional economies has seen its worse and will return back to its high growth levels in the near future. It has thus positioned itself to take advantage of the situation by investing strategically in its chosen areas where it command significant competitive advantages. It envisaged to be a major regional player within the industry. This is inevitable with the imminent trade liberalization, the force of globalisation and the spate of mega consolidation and mergers happening in the world.

Whilst pursuing its various growth and developments, the Board of Directors and management team of the Group remain at all time cognizant of the need for value added corporate and public relations, corporate governance, prudent risk management and compliance with regulatory requirements. The Group is constantly working towards achieving the highest standards of best business practice.

Conclusion

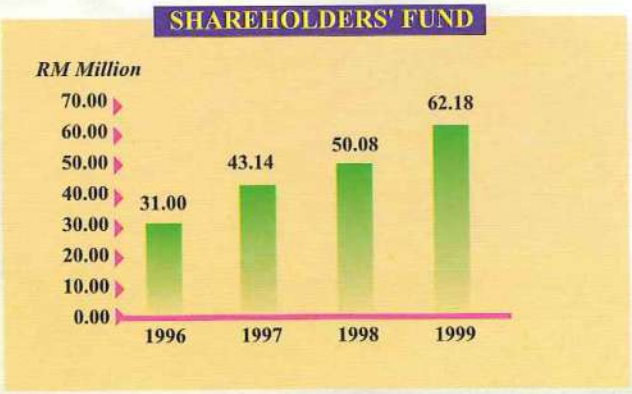
The success, performance and continued growth of the Group relies upon the dedication and hard work of the management team and staff and the continued support of its clients, suppliers, business associates, shareholders and related Government agencies.

To all of them I say ..... *Terima Kasih.*

Ang Poon Chuan
Managing Director

FINANCIAL SUMMARY

	Proforma 1996	1997	1998	1999
In RM'000				
Turnover	69,312	85,271	93,506	104,126
Profit Before Taxation	6,988	8,052	9,122	12,441
Profit Attributable To Shareholders	5,541	6,444	8,060	12,100
Dividends	-	-	1,350	-
Shareholders' Fund	31,000	43,139	50,076	61,176
In Sen				
Earnings Per Share	25.13	27.37	29.85	44.82
Net Tangible Assets Per Share	140.59	159.77	188.55	230.28
Gross Dividend Per Share	-	-	0.05	-



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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

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 1999.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	GROUP RM	COMPANY RM
Profit after taxation	12,100,066	88,516
Unappropriated profits brought forward	18,366,785	524,416
Unappropriated profits carried forward	30,466,851	612,932

DIVIDENDS

No dividend is payable for the year.

The 1998 final tax exempt dividend of 2% totalling RM540,000 was paid on 8 September 1999.

RESERVES AND PROVISIONS

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

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company's Employees' Share Option Scheme (the "Scheme") was approved by the shareholders at the Extraordinary General Meeting held on 29 June 1999.

The main features of the Scheme are as follows :

i) Eligible employees are those full time employees of the Group who have been confirmed with at least 2 years of service before the offer date or are full time Executive Directors of the Company who are specifically approved as eligible to participate in the Scheme by the Company in General Meeting;

ii) The total number of shares to be offered under the Scheme shall not exceed 10% of the issued and paid up share capital of the Company at any time during the existence of the Scheme. However, in the event, the maximum number of shares comprised in the options granted under the ESOS exceeds the aggregate of 10% of the issued and paid up share capital of the Company as a result of the Company purchasing its own shares and thereby diminishing its issued and paid up share capital then such options granted prior to the adjustment of the issued and paid up share capital of the Company shall remain valid and exercisable;

iii) No options shall be granted for less than 1,000 nor more than 300,000 shares to selected employee;

iv) The options price of each share shall be the average of the mean market quotation of the sharesshown in the daily official list issued by the Kuala Lumpur Stock Exchange for the five trading days preceding the date of offer of the Options, or at the par value of the ordinary shares of the Company, whichever is the higher; and

v) The Scheme shall continue to be in force for a period of 5 years commencing from 7 September 1999.

On 25 November 1999, the employees had been granted options to subscribe for 2,289,000 shares of RM1 each at RM2.14 per share. As at 31 December 1999, all the options had been accepted and remained unexercised.

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 and Mr Ang Toon Piah @ Ang Toon Huat retire at the forthcoming Annual General Meeting and, offer themselves for re-election as directors of the Company until the conclusion of the next Annual General Meeting.

	Ordinary Shares of RM1 each Direct Interest		
The Company	Balance at 1.1.99	Bought/ (Sold)	Balance at 31.12.99
Ang Toon Cheng @ Ang Tong Sooi	9,000	-	9,000
Tengku Makram Bin Tengku Ariff	12,000	-	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	15,000	-	15,000
Ang Poon Khim	9,000	-	9,000
Wan Kassim Bin Ahmed	9,000	-	9,000
Mohd Salleh Bin Zakaria	3,000	-	3,000
Holding Company - Foremost Equals Sdn Bhd			
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	1,772	175,754
Ang Poon Kang	111,010	885	111,895
Ang Poon Khim	114,162	1,772	115,934

According to the Register of Directors' Shareholdings, the directors who have interests in the Share Option of the Company are as follows :

The Company	Number of Options for Ordinary Shares		
	At date of Offer	Exercised for Ordinary Shares	Balance at 31.12.99
Ang Toon Cheng @ Ang Tong Sooi	80,000	-	80,000
Ang Poon Chuan	190,000	-	190,000
Ang Poon Khim	150,000	-	150,000
Ang Poon Seong	150,000	-	150,000
Ang Toon Piah @ Ang Toon Huat	80,000	-	80,000

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) Sales 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 than as disclosed in this report.

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 1999 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, Messrs KPMG, 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 : 21st April 2000

STATEMENT BY DIRECTORS & STATUTORY DECLARATION

In the opinion of the directors, the accounts set out on pages 22 to 36 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 1999 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 : 21st April 2000

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 22 to 36 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)
Sungai Petani in the State of Kedah Darul Aman)
this 21st day of April 2000.)

Before me :

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the accounts set out on pages 22 to 36. 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 1999 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
Firm No : AF : 0758
Public Accountants

LEE KEAN TEONG
Partner
Approval No : 1857/02/02 (J)

Penang,

Date : 21 April 2000

BALANCE SHEET AT 31 DECEMBER 1999

	NOTE	Group RM	Group 1998 RM	Company RM	Company 1998 RM
EMPLOYMENT OF CAPITAL					
FIXED ASSETS	3	46,344,619	39,091,802		
INTEREST IN SUBSIDIARY COMPANIES	4			32,413,673	32,373,588
CURRENT ASSETS					
Stocks	5	22,681,198	15,812,829	-	32,800
Trade debtors	6	19,891,153	16,074,293	42,244	129,466
Other debtors, deposits and prepayments		4,038,900	2,590,406	-	-
Fixed deposits with a licensed bank		1,000,000	-	-	-
Dividend receivable from a subsidiary company		-	-	-	549,197
Cash and bank balances		619,167	1,018,797	20,285	200,735
		48,230,418	35,496,325	62,529	912,198
CURRENT LIABILITIES					
Trade creditors		11,265,459	9,117,967	-	264,250
Other creditors and accruals		8,693,934	3,345,965	126,905	149,024
Bank borrowings	7	8,149,005	8,048,315	27,193	-
Provision for taxation		-	1,001,062	-	98,924
Proposed dividend		-	540,000	-	540,000
		28,108,398	22,053,309	154,098	1,052,198
NET CURRENT ASSETS/(LIABILITIES)		20,122,020	13,443,016	(91,569)	(140,000)
		66,466,639	52,534,818	32,322,104	32,233,588
CAPITAL EMPLOYED					
SHARE CAPITAL	8	27,000,000	27,000,000	27,000,000	27,000,000
SHARE PREMIUM		4,709,172	4,709,172	4,709,172	4,709,172
UNAPPROPRIATED PROFITS		30,466,851	18,366,785	612,932	524,416
		62,176,023	50,075,957	32,322,104	32,233,588
HIRE PURCHASE/LEASE CREDITORS	9	125,919	304,312	-	-
TERM LOANS	10	3,413,697	2,041,549	-	-
DEFERRED TAXATION		751,000	113,000	-	-
		66,466,639	52,534,818	32,322,104	32,233,588

The notes set out on pages 26 to 36 form an integral part of these accounts

PROFIT AND LOST ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	NOTE	Group RM	Group 1998 RM	Company RM	Company 1998 RM
TURNOVER	11	104,126,192	93,506,401	670,750	2,396,359
PROFIT BEFORE TAXATION	12	12,440,995	9,122,050	152,661	1,953,288
TAXATION	13	(340,929)	(1,061,922)	(64,145)	(327,708)
PROFIT AFTER TAXATION		12,100,066	8,060,128	88,516	1,625,580
UNAPPROPRIATED PROFITS BROUGHT FORWARD		18,366,785	11,429,857	524,416	22,036
PROFITS AVAILABLE FOR APPROPRIATION		30,466,851	19,489,985	612,932	1,647,616
APPROPRIATIONS :					
Paid - Interim dividend of NIL (1998 : 3% less 28% tax)		-	(583,200)	-	(583,200)
Proposed - Final dividend of NIL (1998 : 2% tax exempt)		-	(540,000)	-	(540,000)
		-	(1,123,200)	-	(1,123,200)
UNAPPROPRIATED PROFITS CARRIED FORWARD		30,466,851	18,366,785	612,932	524,416
EARNING PER SHARE (SEN)	14	44.81	29.85		

RETAINED BY:

THE COMPANY	612,932	524,416
SUBSIDIARY COMPANIES	29,853,919	17,842,369
	30,466,851	18,366,785

The notes set out on pages 26 to 36 form an integral part of these accounts

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1999

	RM	1998 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,440,995	9,122,050
Adjustments for :		
Bad debts written off	24,663	42,396
Depreciation	4,313,380	4,136,946
Gain on disposal of fixed assets	(302,832)	(136,697)
Fixed assets written off	-	1,614
Interest income	(3,610)	(12,810)
Interest expense	883,176	1,725,303
Provision for bad and doubtful debts	1,345,619	309,129
Provision for slow moving stocks	366,000	-
Operating profit before working capital changes	19,067,391	15,187,931
(Increase)/Decrease in :		
Stocks	(7,234,369)	1,606,141
Debtors	(6,616,110)	(3,873,456)
Increase/(Decrease) in :		
Creditors	7,569,884	(8,005,650)
Cash generated from operating activities	12,786,796	4,914,966
Interest paid	(883,176)	(1,725,303)
Tax paid	(723,519)	(1,691,147)
Net cash generated from operating activities	11,180,101	1,498,516
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(11,431,064)	(1,792,478)
Proceeds from disposal of fixed assets	338,201	188,133
Interest received	3,610	12,810
Net cash used in investing activities	(11,089,253)	(1,591,535)

The notes set out on pages 26 to 36 form an integral part of these accounts

CONSOLIDATED CASH FLOW STATEMENT (Con't)

	RM	1998 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Hire purchase/lease - net of financing obtained and repayment	(423,316)	(971,325)
Term loan drawdown	3,000,000	3,000,000
Repayment of term loan	(780,508)	(461,107)
Dividend paid	(540,000)	(583,200)
Drawdown/(Repayment) of short term borrowings, net	431,409	(3,653,042)
Net cash generated from/(used in) financing activities	1,687,585	(2,668,674)
Net increase/(decrease) in cash and cash equivalents	1,778,433	(2,761,693)
Cash and cash equivalents at beginning of year	(3,349,200)	(587,507)
Cash and cash equivalents at end of year	(1,570,767)	(3,349,200)

NOTE

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

	RM	1998 RM
Fixed deposits with a licensed bank	1,000,000	-
Cash and bank balances	619,167	1,018,797
Bank overdrafts	(3,189,934)	(4,367,997)
	(1,570,767)	(3,349,200)

The notes set out on pages 26 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.

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 fixed assets and in compliance with approved accounting standards in Malaysia.

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 lease period as follows:

Long term leasehold land	60 and 99 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 of 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 benefits 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 consists of cash in hand and balances with banks (including bank overdrafts). Cash equivalents comprise short term, highly liquid investments with maturities of three months or less from date of acquisition, readily convertible to cash with insignificant changes in value.

3. FIXED ASSETS

GROUP Cost/Valuation	Land and buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital expenditure-in-progress RM	Total RM
At 1 January 1999	19,606,185	29,297,366	2,536,970	5,592,675	24,944	57,058,140
Additions	865,159	1,369,597	342,324	793,066	8,231,420	11,601,566
Disposals	-	(320,902)	-	(336,677)	-	(657,579)
At 31 December 1999	20,471,344	30,346,061	2,879,294	6,049,064	8,256,364	68,002,127
Accumulated Depreciation						
At 1 January 1999	1,379,689	11,242,409	1,549,603	3,794,637	-	17,966,338
Charge for the year	448,355	2,874,031	261,041	729,953	-	4,313,380
Disposals	-	(290,874)	-	(331,336)	-	(622,210)
At 31 December 1999	1,828,044	13,825,566	1,810,644	4,193,254	-	21,657,508
Net Book Value						
At 31 December 1999	18,643,300	16,520,495	1,068,650	1,855,810	8,256,364	46,344,619
At 31 December 1998	18,226,496	18,054,957	987,367	1,798,038	24,944	39,091,802
Depreciation For The Year Ended 31December 1998	456,775	2,811,937	233,683	634,551	-	4,136,946

Land and buildings comprise :

	Cost/Valuation		Net Book Value	
	RM	1998 RM	RM	1998 RM
At valuation				
Freehold land	5,839,000	5,839,000	5,839,000	5,839,000
Long term leasehold land	1,690,000	1,690,000	1,602,333	1,624,250
Short term leasehold land	2,096,370	2,096,370	1,889,586	1,982,591
Factory buildings	7,400,249	7,400,249	6,312,112	6,566,907
At cost				
Long term leasehold land	55,000	55,000	52,067	53,167
Factory buildings	3,390,725	2,525,566	2,948,202	2,200,581
	18,643,300	19,606,185	18,643,300	18,266,496

3. FIXED ASSETS - GROUP (Con't)

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. It is envisaged that the current market values of the revalued properties are no less than their net book values.

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

At valuation	Cost RM	Accumulated Depreciation RM	Net Book Value RM
Freehold land	1,143,129	-	1,143,129
Long term leasehold land	934,165	70,007	864,158
Short term leasehold land	858,181	84,872	773,309
Factory buildings	3,680,932	850,557	2,830,375
	6,616,407	1,005,436	5,610,971
1998			
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
	6,616,407	831,610	5,784,797

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

	RM	1998 RM
Plant and machinery	43,400	153,272
Motor vehicles	641,899	974,680

4. INTEREST IN SUBSIDIARY COMPANIES - COMPANY

	RM	1998 RM
Unquoted shares, at cost	22,049,998	22,049,998
Amount due from subsidiary companies	10,363,675	10,323,590
	32,413,673	32,373,588

Details of subsidiary companies are as follows :

Name of Company	Percentage of Equity Held	1998	Principal Activities
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.
Uniang Plastic Industries (Sabah) Sdn Bhd	100	100	Manufacture and trading of plastic products
Jaya Uni'ang (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.

5. STOCKS

	GROUP		COMPANY	
	RM	1998 RM	RM	1998 RM
Raw materials	13,064,781	8,509,090	-	-
Work-in-progress	495,362	232,567	-	-
Finished goods	3,552,384	2,518,640	-	-
Trading stocks				
- Plastic and paper	2,041,661	1,717,669	-	32,800
- Beverages	3,798,875	2,760,946	-	-
- Machinery	94,135	73,917	-	-
	5,934,671	4,552,532	-	32,800
	23,047,198	15,812,829	-	32,800
Less : Provision for slow moving stocks	(366,000)	-	-	-
	22,681,198	15,812,829	-	32,800

6. TRADE DEBTORS

	GROUP		COMPANY	
	RM	1998 RM	RM	1998 RM
Amount due from companies in which certain directors have substantial financial interests	1,321,263	1,535,171	-	-
Others	20,532,795	15,327,963	42,244	129,466
Less : Provision for doubtful debts	(1,962,905)	(788,841)	-	-
	18,569,890	14,539,122	42,244	129,466
	19,891,153	16,074,293	42,244	129,466

7. BANK BORROWINGS

	GROUP		COMPANY	
	RM	1998 RM	RM	1998 RM
Secured				
Bank overdrafts	3,162,741	4,339,197	-	-
Bankers' acceptances	2,941,654	1,683,410	-	-
Revolving credit	-	500,000	-	-
Trust receipts	-	99,835	-	-
Term loans (Note 10)	1,594,417	747,073	-	-
	7,698,812	7,369,515	-	-
Unsecured				
Bank overdrafts	27,193	28,800	27,193	-
Bankers' acceptances	423,000	650,000	-	-
	450,193	678,800	27,193	-
	8,149,005	8,048,315	27,193	-

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

The above bank borrowings bear interest at rates ranging from 0.75% to 1.50% (1998 : 0.75% to 2.00%) per annum above the respective bankers' base lending rates or cost of funds as the case may be.

8. SHARE CAPITAL

		1998
	RM	RM
Ordinary shares of RM1 each		
Authorised :	50,000,000	50,000,000
Issued and fully paid :	27,000,000	27,000,000

9. HIRE PURCHASE/LEASE CREDITORS - GROUP

	RM	1998 RM
Gross amount payable	533,478	829,605
Less : Interest in suspense	(93,941)	(137,252)
	439,537	692,353
Less : Portion payable within 12 months included in other creditors and accruals	(313,618)	(388,041)
	125,919	304,312

10. TERM LOANS, secured - GROUP

	RM	1998 RM
Amount repayable		
- Within 1 year	1,594,417	747,073
- After 1 year	3,413,697	2,041,549
	5,008,114	2,788,622
Less : Portion repayable within 12 months included under bank borrowings (Note 7)	(1,594,417)	(747,073)
	3,413,697	2,041,549

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% (1998 : 1.25% to 1.75%) per annum above the respective bankers' base lending rates.

11. TURNOVER

	GROUP		COMPANY	
	RM	1998 RM	RM	1998 RM
Invoiced value of goods sold less discounts and returns	104,126,192	93,506,401	670,750	1,025,462
Dividend income from a subsidiary company	-	-	-	1,370,897
	104,126,192	93,506,401	670,750	2,996,359

12. PROFIT BEFORE TAXATION

This is arrived at :	GROUP		COMPANY	
	RM	1998 RM	RM	1998 RM
After charging :				
Auditors' remuneration				
- current year	42,000	45,400	5,000	5,000
- prior year	(6,100)	3,405	-	4,000
Bad debts written off	24,663	42,396	-	-
Depreciation (Note 3)	4,313,380	4,136,946	-	-
Directors' emoluments				
Directors of the Company				
- fees	222,000	216,000	90,000	90,000
- others	886,021	648,235	-	-
Other Directors				
- fees	42,000	46,000	-	-
- others	205,244	171,433	-	-
Fixed assets written off	-	1,614	-	-
Interest expense	883,176	1,725,303	4,652	-
Loss on foreign exchange				
- Realised	8,496	18,727	-	-
Provision for doubtful debts	1,345,619	309,129	-	-
Rental expense	272,748	228,379	-	-
Provision for slow moving stocks.	366,000	-	-	-
and crediting :				
Dividend income	-	-	-	1,370,897
Lease rental rebate	186,925	-	-	-
Bad debts recovered	-	5,130	-	-
Gain on disposal of fixed assets	302,832	136,697	-	-
Gain on foreign exchange				
- Unrealised	-	64,932	-	-
Interest income				
- a subsidiary company	-	-	478,954	713,550
- others	3,610	12,810	-	12,740
Rental income	2,190	2,040	-	-

13. TAXATION

	GROUP		COMPANY	
	RM	1998 RM	RM	1998 RM
Current taxation				
- Based on results for the year	-	1,391,924	-	329,000
- (Over)/Under provision in prior years	(297,071)	(46,002)	64,145	(1,292)
	(297,071)	1,345,922	64,145	327,708
Deferred taxation				
- Current year	638,000	(284,000)	-	-
	340,929	1,061,922	64,145	327,708

There is no current taxation in view of the tax waiver for business income earned for the financial year ended 31 December 1999.

Subject to agreement with the Inland Revenue Board, the Company has sufficient Section 108 tax credit and exempt income to frank/distribute its entire unappropriated profits if paid out as dividends.

The Group has potential deferred tax benefits not taken up in the accounts under the liability method amounting to RM26,000 (1998 : RM1,501,000), in respect of other timing differences amounting to RM92,000 (1998 : RM5,360,000).

14. EARNINGS PER SHARE - GROUP

The earnings per share has been calculated based on the consolidated profit after taxation of RM12,100,066 (1998 : RM8,060,128) and on 27,000,000 ordinary shares in issue during the year.

The assumed conversion from the exercise of the outstanding share options under the Employees' Share Option Scheme will not have any material dilution to earnings per share for the year and therefore, the fully diluted earnings per share is not disclosed.

15. HOLDING COMPANY

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

16. CAPITAL COMMITMENT - GROUP

		1998
	RM'000	RM'000
Contracted but not provided for	21,891	7,849

17. CONTINGENT LIABILITY

GROUP		1998
Secured	RM'000	RM'000
Bills discounted	1,140	1,480

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

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 RM34.0 million (1998 : RM22.0 million) of which RM11.5 million (1998 : RM9.3 million) 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 RM1,084,000 (1998 : RM84,000) of which RM35,000 (1998 : RM77,000) has been utilised as at balance sheet date.

iii) The Company has issued a corporate guarantee amounting to RM7.5 million (1998 : RM7.5 million) to vendor 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 RM4.1 million (1998 : RM3.7 million).

18. SEGMENT REPORTING - GROUP

	Turnover	Profit Before Taxation	Assets Employed
	RM	RM	RM
Analysis by activities:			
Manufacturing	64,269,191	9,628,141	66,794,523
Trading	39,857,001	2,812,854	27,717,985
Investment holding	-	-	62,529
	104,126,192	12,440,995	94,575,037
1998			
Manufacturing	51,655,989	6,583,294	47,205,618
Trading	41,850,412	2,526,015	27,382,509
Investment holding	-	12,741	-
	93,506,401	9,122,050	74,588,127

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

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

COMPANY

Transactions with related companies :

	RM	1998 RM
Sales	419,500	61,501
Purchases	48,750	51,000
Interest income	478,954	713,550

GROUP

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

	RM	1998 RM
Sales	2,589,942	2,919,782
Purchases	3,623,168	3,832,299
Rental expense	78,760	69,315
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 OWNED BY THE GROUP

	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	3 - 15 years	Freehold	4.71
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	3 years	60 years leasehold, expiring on 12.4.2052	2.40
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 Hulu Kinta, District of Kinta, Ipoh, Perak	Warehouse with office building	5,500	15 years	99 years leasehold, expiring on 18.7.2092	0.21
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	6 years	60 years leasehold, expiring on 12.4.2052	3.33
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	17 years	Freehold	3.50
CL 015276687 House 606 Taman Bay View Off Mile 2½ Jalan Tuaran Kota Kinabalu, Sabah	Double storey intermediate terrace house	2,178	21 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	11 years	60 years leasehold, expiring on 31.12.2035	3.11
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	8 years	60 years leasehold, expiring on 31.12.2040	0.29
CL 105390707 Km4, Jalan Apas Tawau, Sabah	Vacant industrial land	37,462	-	999 years leasehold, expiring on 21.5.2930	0.31

SHAREHOLDING STATISTICS AS AT 13 APRIL 2000

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

Size of Shareholdings	*No. of Shareholders/ Depositor*	*No. of Shares*	*% of Issued Share Capital*
1 - 1,000	607	600,950	2.2258
1,001 - 5,000	340	977,050	3.6187
5,001 - 10,000	94	707,000	2.6185
10,001 and above	56	24,715,000	91.5370
Grand Total	**1,097**	**27,000,000**	**100.0000**

TWENTY LARGEST SHAREHOLDERS

	Name	*No. of Shares*	*% of Issued Share Capital*
1.	Foremost Equals Sdn Bhd	13,527,000	50.1000
2.	Permodalan Nasional Berhad	5,265,000	19.5000
3.	Amanah Saham Kedah	2,025,000	7.5000
4.	Arab-Malaysian Merchant Bank Bhd#	810,000	3.0000
5.	Sensible Matrix Sdn Bhd	772,998	2.8630
6.	Lee Ah See	566,000	2.0963
7.	Ismail Affendee Bin Nik	348,000	1.2889
8.	Ang See Ming	300,002	1.1111
9.	Savern Finance Limited	120,000	0.4444
10.	Ng Soo Yong	61,000	0.2259
11.	Ng Poh Pheng @ Wong Poh Pheng	53,000	0.1962
12.	Khoo Phaik Imm	51,000	0.1889
13.	Toh Kam Choy	50,000	0.1852
14.	Ang Choon Ho	49,000	0.1815
15.	Lai Kok Thye	48,000	0.1778
16.	Chee Fong Yeng	40,000	0.1481
17.	Tio Swee In	29,000	0.1074
18.	Keng Ah Gaik @ Chok Yew	25,000	0.0926
19.	Chong Ah Ten @ Chong Geik Ting	25,000	0.0926
20.	KHH Holdings Sdn Bhd	24,000	0.0889
	GRAND TOTAL	**24,189,000**	**89.5889**

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS SHAREHOLDINGS

DIRECTOR'S SHAREHOLDINGS AS AT 21 JANUARY 1998

	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 Toon Piah @ Ang Toon Huat	9,000	-
Ang Poon Seong	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 13 APRIL 2000

		No. of Shares Held		*% of Issued*
	Name	*Direct*	*Indirect*	*Share Capital*
1.	Foremost Equals Sdn Bhd	13,527,000	-	50.1000
2.	Permodalan Nasional Berhad	5,265,000	-	19.5000
3.	Yayasan Pelaburan Bumiputra	-	5,265,000	19.5000
4.	Amanah Saham Kedah	2,025,000	-	7.5000
5.	Arab-Malaysian Merchant Bank Bhd#	810,000	-	3.0000
6.	Sensible Matrix Sdn Bhd	772,998	-	2.8630
7.	Lee Ah See	566,000	-	2.0963

Note:
The shares are reserved for Bumiputera Allocation

I/We, ...

of .....

being a member/members of the above named Company, hereby appoint .....

Of .....

or failing him .....

of .....

as my/our proxy, to vote for me/us and on my/our behalf at the FIFTH ANNUAL GENERAL MEETING of the Company which will be held at Serindit Room (Lower Level 1, Main Wing), Hotel Equatorial, No.1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Wednesday, 31 May 2000 at 11:30 a.m.or at any adjournment thereof.

	RESOLUTIONS	***FOR***	***AGAINST***
1.	Resolution 1		
2(i)(a)	Resolution 2		
2(i)(b)	Resolution 3		
2(ii)(a)	Resolution 4		
2(ii)(b)	Resolution 5		
3.	Resolution 6		
4.	Resolution 7		
5.	Resolution 8		

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

Signed this _____ day of May 2000

Number of Ordinary Shares Held

_____
Signature of Shareholder

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 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 appointed or his attorney duly authorised in writing, or if the appointed 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.

THONG GUAN INDUSTRIES BERHAD (324203-K)
LOT 52, JALAN PKNK 1/6, KAWASAN PERUSAHAAN SUNGAI PETANI,
08000 SUNGAI PETANI, KEDAH DARUL AMAN, MALAYSIA.
TEL: 04-4417888 FAX: 04-4419888