

Annual Report 2000

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



THONG GUAN INDUSTRIES BERHAD
(Co. No. 324203-K)



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I n t r o d u c t i o n

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 modernised 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 experience in supplying quality products to 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 Sixth 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, 27 June 2001 at 11.30 a.m. to transact the following business:

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2000 and the Reports of Directors and Auditors thereon. Ordinary 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 Ordinary Resolution 2
 - (b) Mr Ang Toon Piah @ Ang Toon Huat Ordinary Resolution 3
- (ii) To re-elect the following Directors who retire in accordance with Article 63 of the Company's Articles of Association:-
 - (a) Datuk Wan Kassim Bin Ahmed Ordinary Resolution 4
 - (b) Tuan Haji Mohd Salleh Bin Zakaria Ordinary Resolution 5
- (iii) To re-elect Datuk Ahmad Bin Tokimin who retires in accordance with Article 68 of the Company's Articles of Association Ordinary Resolution 6
3. To approve Directors' Fees. Ordinary Resolution 7
4. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. Ordinary Resolution 8
5. AS SPECIAL BUSINESS
To consider and if thought fit, to pass the following as Ordinary and Special Resolutions:-
 - (i) ORDINARY RESOLUTION
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 in any one financial year 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". Ordinary Resolution 9
 - (ii) SPECIAL RESOLUTION
Proposed Amendments To The Articles of Association.
"THAT the alterations, modifications or additions to the Articles of Association of the Company as contained in Appendix I attached herewith be and are hereby approved". Special Resolution 1
6. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association.

Notice of Annual General Meeting

By Order of the Board

Lam Voon Kean
Company Secretary
(MIA 4793)

Penang, 31 May 2001.

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 Notes on Special Business:

1. The Proposed Ordinary Resolution 9, if passed, will give authority to the Board of Directors to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority, unless revoked or varied at a General Meeting, will expire at the next Annual General Meeting of the Company.
2. The proposed Special Resolution 1, if passed, will amend the Articles of Association of the Company to be in line with the revamped Listing Requirements of Kuala Lumpur Stock Exchange.

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
Datuk Wan Kassim Bin Ahmed
Mohd Salleh Bin Zakaria
Datuk Ahmad Bin Tokimin

COMPANY SECRETARY

Lam Voon Kean (MIA 4793)

AUDIT COMMITTEE

Datuk 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

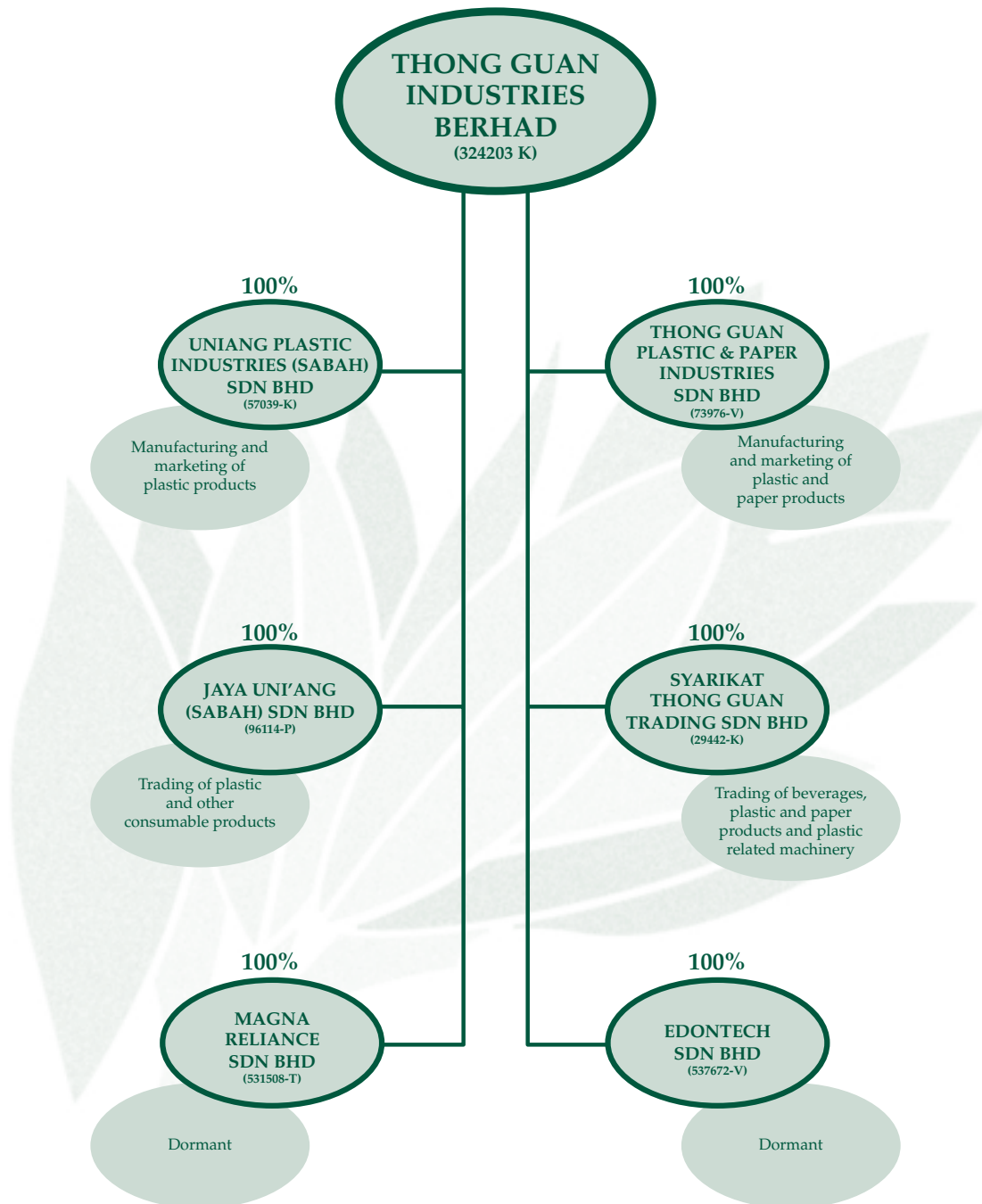
- | | | |
|------|----------------------------|--------------------------------------|
| i) | Datuk Wan Kassim Bin Ahmed | – Chairman |
| | | – Independent Non-Executive Director |
| ii) | Mohd Salleh Bin Zakaria | – Independent Non-Executive Director |
| iii) | Ang Poon Chuan | – Managing Director |

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.

Thong Guan Industries Berhad (324203-K)

Group Structure and Activities at 22 May 2001





C h a i r m a n ' s S t a t e m e n t

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and the Audited Accounts of Thong Guan Industries Berhad for the financial year ended 31 December 2000.

Economic Review

After registering a Gross Domestic Product (GDP) growth of 5.4% in 1999, the Malaysian economy ushered in the Millennium with strong upbeat sentiments recording GDP growth rates of 11.4% and 8.4% in the first two quarters of 2000 respectively. The Government's expansionary fiscal and monetary policies implemented in the past two years coupled with the selective capital control and fixed exchange rate regime have proven to be effective. The year started with a "dot.com" boom whereby stock markets around the world were bullish driven by much hype in the surging internet industry. Ubiquitous intensive interest in technology, media, telecommunications and especially internet related counters witnessed such stocks surging to command high values whether in Malaysia or elsewhere in the world. The Kuala Lumpur Stock Exchange (KLSE) witnessed sustained buying interests with the Composite Index (CI) hitting a 31-month high of 1031 points on 18 February 2000.

However, by the middle of the year, the initial interest could not be sustained and the bubble started to burst beginning in the United States (US) with the NASDAQ and spreading to Europe and Asia. By the year's end, most internet and technology stocks have lost their lustre. The KLSE's CI could not sustain its earlier rally despite the reinstatement of Malaysia into the Morgan Stanley Capital Indices in June and drifted down to close the year at 680 points.

The slowdown in the US economy in the second half of 2000 triggered by the disappointment in E-commerce expectations and collapse of many "dot.com" startups was a major concern to the health of the world economy including Malaysia. With US being Malaysia's largest export market especially for electronic products the slowdown would have a direct negative impact on Malaysia's growth prospect as electronic products form the largest portion of Malaysia's export cake. The local economy started to show signs of softening beginning with the third quarter whereby GDP growth was 7.8%. The softening was more apparent in the final quarter with GDP growth of 6.5%. Overall Malaysia's GDP grew by 8.5% in 2000.

Financial Results

Group turnover registered a growth of 27.9% to RM 133.2 million from RM 104.1 million recorded in the previous year while pre-tax profit was RM 14.6 million, an increase of 17.7% over 1999's figure of RM 12.4 million. The sharp increase in both turnover and pre-tax profit was mainly due to the Group's robust performance in the first half of 2000 buoyed by solid local and export demand for its plastic packaging products. This was backed by strong consumer sentiment and high growth in the local and regional economies. The full production of the Group's second stretch film line and the commissioning of its third stretch film line in the third quarter of 2000 was timely to cope with the growth.

Profit after tax and attributable to shareholders had however only increased slightly by 1.6% to RM 12.3 million compared to RM 12.1 million recorded in 1999. The Group incurred RM 2.3 million in tax charges for the current financial year whereas 1999 was a corporate tax waiver year. Similarly net earnings per share increased marginally from 44.8 sen in 1999 to 45.2 sen in 2000. Net tangible asset per share increased by 43 sen from RM 2.30 per share in 1999 to 2.73 per share in 2000.

Dividends

The Company paid a 5% tax exempt interim dividend totaling RM 1.4 million in respect of the year ended 31 December 2000 on 28 November 2000.

Prospects & Outlook

With the forecast of slower growth in the local and regional economies and the expected further slowdown in the US, Europe and Japan, the Board of Directors is taking every precautions to be prudent in respect of charting the Group's direction. The year



2001 is expected to pose some challenges to the Group. Nevertheless, we believe that the Group has considerable positive traits and competitive advantages backed by good reputation to propel it through difficult times as proven during the economic crisis of 1997 and 1998. The Board of Directors believe the Group will continue to grow and chart satisfactory results in the current financial year.

Acknowledgments

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.

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 also saw the Group taking delivery of its third and fourth fully computerised stretch film lines from Europe thus increasing its total production capacity of stretch film to 12,000 metric tons per annum. This has meant that the Group has emerged to be the largest producer of pallet stretch film in South East Asia. With the increased capacity the Group is poised to realise the economies of scale to enable it to compete more effectively with other global players in Asia Pacific (estimated market size of 240,000 metric tons per annum) and throughout the world (estimated consumption of 2,00,000 metric tons per annum). TGI is also well positioned to capture the growth in usage of stretch film estimated at 20% per annum in Asia Pacific and a growth of 10% for the world in general.

It is pleasing to report that the Group's factory which serve the local industry requirements has been further upgraded with new extruder machines and sensor fitted electronically controlled bag making machines. Production floor has been reengineered and older machines overhauled. As a result efficiency and productivity have increased and this was reflected in the bottom line. The Group's export factory has continued to table good results and its co-extrusion division has improved over the years. It is also heartening to recount that Group production output had during the course of the year breached the 3,000 metric tons per month figure set as a goal a few years ago.

The financial year ended 31 December 2000 was another growth year for Thong Guan Industries Berhad ("TGI"). Group turnover grew by 27.9% to RM 133.2 million while pre-tax profit increased by 17.7% to RM 12.4 million. The encouraging growth was attributable to the strong results recorded in the first three quarters of 2000. Signs of slowdown in growth could however be felt in the final quarter of 2000 with the depreciation against the Ringgit of major currencies in which the Group export to. An elevated level of competition was also experienced both locally and regionally as regional competitors became more competitive with their depreciated currencies.

Operational Activities

The year under review has witnessed high growth for the Group in the first half and an apparent slowdown in the second half. This is consistent with the performance of the Malaysian economy in general as highlighted by the Chairman in his Statement.



Corporate Developments

During the course of the year 2000, the Company submitted the following corporate proposals to the Securities Commission (SC):-

- Proposed Bonus Issue of up to 14,850,000 new ordinary shares of RM 1.00 each to be credited as fully paid to the existing shareholder of the Company, on the basis of one (1) new ordinary share of RM 1.00 for every two (2) existing shares held in the Company;
- Proposed Renounceable Rights Issue of up to 29,700,000 new ordinary shares of RM 1.00 each on the basis of one (1) new share for every one (1) existing share held prior to the Proposed Bonus Issue;
- Proposed Amendments to the Bye-Laws of the Thong Guan Industries Berhad Employee Share Option Scheme (ESOS);
- Proposed Transfer of the listing of and quotation for the entire issued and paid-up share capital of the Company from the Second Board to the Main Board of the Kuala Lumpur Stock Exchange (KLSE); and
- Raise the necessary fund for the repayment of bank borrowing, capital expenditure and working capital of the Group;
- Enable the Company to comply with the minimum RM 40,000,000 issued and paid up share capital requirement of the SC for company listed on the Second Board and RM 60,000,000 for company listed on the Main Board.
- Give greater prestige and prominence to the Group among investors and the public
- Enable more employees to be eligible to participate and benefit from the Company's ESOS

The proposals are intended to:-

- Increase the capital base of the Company to better reflect its current scale of operations and extent of activities;
- Reward the shareholders for their continuous support and provide opportunities for the shareholders to further participate in the equity of the company without diluting existing interest



Conclusion

The continuous growth, satisfactory performance and good prospect 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.

I would like to take this opportunity to thank each and everyone of them.

Ang Poon Chuan
Managing Director

Financial Summary

| | Proforma 1996 | 1997 | 1998 | 1999 | 2000 |
|-------------------------------------|------------------|--------|--------|---------|---------|
| In RM'000 | | | | | |
| Turnover | 69,312 | 85,271 | 93,506 | 104,126 | 133,326 |
| Profit Before Taxation | 6,988 | 8,052 | 9,122 | 12,441 | 14,631 |
| Profit Attributable To Shareholders | 5,541 | 6,444 | 8,060 | 12,100 | 12,291 |
| Dividends | – | – | 1,350 | – | – |
| Shareholders' Fund | 31,000 | 43,139 | 50,076 | 61,176 | 74,162 |

In Sen

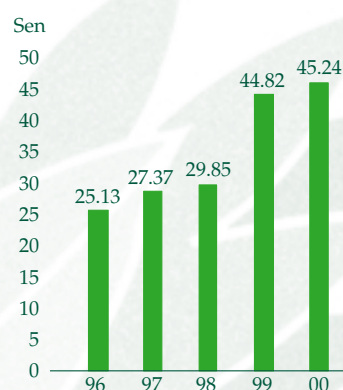
| | | | | | |
|-------------------------------|--------|--------|--------|--------|--------|
| Earnings Per Share | 25.13 | 27.37 | 29.85 | 44.82 | 45.24 |
| Net Tangible Assets Per Share | 140.59 | 159.77 | 188.55 | 230.28 | 272.97 |
| Gross Dividend Per Share | – | – | 0.05 | – | 0.05 |

* Financial year 1999 was a tax waiver year

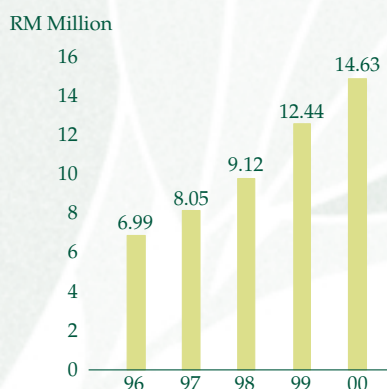
TURNOVER



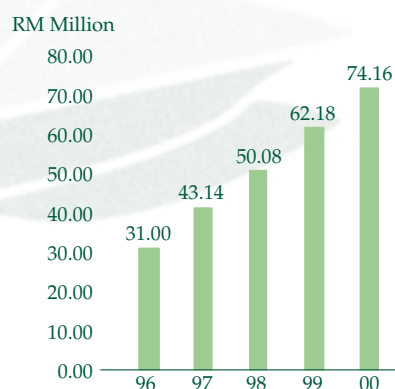
NET EARNINGS PER SHARE

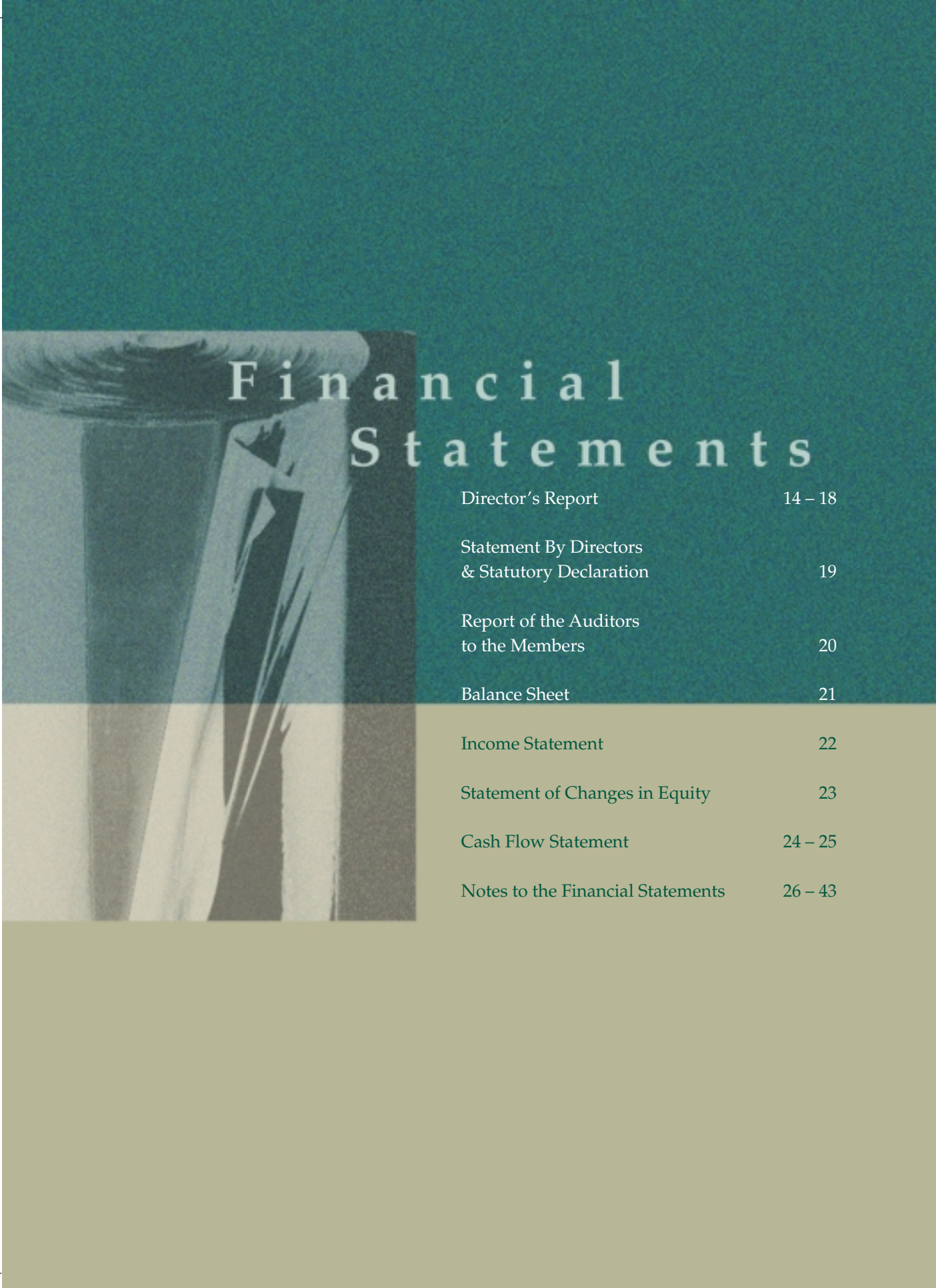


PROFIT BEFORE TAXATION



SHAREHOLDERS' FUND





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Director's Report

for the year ended 31 December 2000

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and also engaged in trading of plastic and paper products, whilst the principal activities of the subsidiary companies are as stated in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

| | Group RM | Company RM |
|-----------------------------------|-------------------|-------------------|
| Net profit after tax for the year | <u>12,290,516</u> | <u>10,458,695</u> |

DIVIDEND

Since the end of the previous financial year, the Company paid an interim 5% tax exempt dividend totalling RM1,370,550 in respect of the year ended 31 December 2000 on 28 November 2000.

No final dividend was recommended for the year under review.

RESERVES

There were no material transfers to or from reserves and provisions during the year under review.

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 | |
| Datuk Wan Kassim Bin Ahmed | |
| Tuan Haji Mohd Salleh Bin Zakaria | |
| Datuk Ahmad Bin Tokimin | (Appointed on 6. 10. 2000) |

Director's Report

for the year ended 31 December 2000

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

| The Company | Ordinary Shares of RM1 each | | |
|-----------------------------------|-----------------------------|--------------------------------------|--------------------------|
| | Balance at 1.1.2000 | Direct Interest Bought/ (Sold) | Balance at 31.12.2000 |
| 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 | (1,000) | 14,000 |
| Ang Poon Khim | 9,000 | — | 9,000 |
| Datuk Wan Kassim Bin Ahmed | 9,000 | — | 9,000 |
| Tuan Haji Mohd Salleh Bin Zakaria | 3,000 | — | 3,000 |

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 | | |
|--------------------------------|---------------------------------------|-------------------------------------|--------------------------|
| | Balance at 1.1.2000 | Exercised for Ordinary Shares | Balance at 31.12.2000 |
| Ang Toon Cheng @ Ang Tong Sooi | 80,000 | — | 80,000 |
| Ang Poon Chuan | 190,000 | — | 190,000 |
| Ang Toon Piah @ Ang Toon Huat | 80,000 | — | 80,000 |
| Ang Poon Seong | 150,000 | — | 150,000 |
| Ang Poon Khim | 150,000 | — | 150,000 |

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 as shown in the financial statements) by reason of a contract made by the Company or a related company with a director or 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;
- ii) Rental payable to companies in which certain directors have substantial financial interests; and
- iii) Options over shares granted by the Company to eligible employees, including certain directors of the Company, pursuant to the Employees' Share Option Scheme.

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 apart from the issue of Employees' Share Option Scheme.

Director's Report

for the year ended 31 December 2000

ISSUE OF SHARES

During the financial year, the issued and fully paid-up share capital of the Company was increased from RM27,000,000 to RM27,498,000 by the issue of 498,000 new ordinary shares of RM1 each at RM2.14 per share pursuant to the exercise of share options under the Company's Employees' Share Option Scheme. These new shares were issued for cash as fully paid and rank pari passu in all respects with the existing ordinary shares of the Company in issue.

OPTIONS GRANTED OVER UNISSUED SHARES AND DEBENTURES

No options were granted to any person to take up unissued shares or debentures of the Company during the year apart from the issue of Employees' Share Option Scheme.

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.

On 9 March 2001, the shareholders at the Extraordinary General Meeting approved certain amendments to the Scheme and 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 1 year 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 option price shall be the higher of the following:
 - a) at a discount of not more than 10% from the weighted average market price of the shares as shown in the daily official list issued by the Kuala Lumpur Stock Exchange for the 5 market days preceding the date of offer; and
 - b) the par value of the shares.
- v) The Scheme shall continue to be in force for a period of 5 years commencing from 7 September 1999. However the Company, may, if the Board deems fit upon the recommendation of the option committee, renew the ESOS for a further 5 years.

Director's Report

for the year ended 31 December 2000

The movements during the year in the number of options over the shares of the Company are as follows:

| | RM | 1999 RM |
|-----------------------------|------------------|------------------|
| At 1 January | 2,289,000 | – |
| Granted at RM2.14 per share | – | 2,289,000 |
| Exercised | (498,000) | – |
| At 31 December | <u>1,791,000</u> | <u>2,289,000</u> |

At 31 December 2000, there were 1,791,000 unissued ordinary shares under option at an exercise price of RM2.14 per share.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

Thong Guan Industries Berhad (324203-K)

Director's Report

for the year ended 31 December 2000

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 2000 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 POON CHUAN
Director



ANG TOON PIAH @ ANG TOON HUAT
Director

Penang,

Date: 27 April 2001

Statement by Directors & Statutory Declaration

Pursuant to Section 169 (15) of the Companies Act, 1965

In the opinion of the directors, the financial statements set out on pages 21 to 43, 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 2000 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the directors:



ANG POON CHUAN
Director



ANG TOON PIAH @ ANG TOON HUAT
Director

Penang,

Date: 27 April 2001

I, ANG POON CHUAN (NRIC No.: 440728-02-5307), the director primarily responsible for the financial management of THONG GUAN INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 21 to 43, 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)
on 27 April 2001)



BEFORE ME:

Chai Choon Kiat, PJM (P073)
Commissioner for Oaths
Georgetown, Penang

Report of the Auditors to the Members of Thong Guan Industries Berhad

We have audited the financial statements set out on pages 21 to 43. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. 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 financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the financial statements 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 2000 and the results of their operations and cash flows 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 financial statements 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 financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

None of the audit reports on the financial statements of the subsidiary companies were subject to any qualification nor included any comment made 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: 27 April 2001

Balance Sheet

at 31 December 2000

| | | Group | | Company | |
|---|------|------------|------------|------------|------------|
| | Note | RM | 1999 RM | RM | 1999 RM |
| PROPERTY, PLANT AND EQUIPMENT | 2 | 56,684,148 | 46,344,619 | – | – |
| INTEREST IN SUBSIDIARY COMPANIES | 3 | – | – | 41,120,570 | 32,413,673 |
| CURRENT ASSETS | | | | | |
| Inventories | 4 | 30,000,970 | 22,681,198 | – | – |
| Trade and other receivables | 5 | 30,921,067 | 23,930,053 | 1,566,763 | 42,244 |
| Cash and cash equivalents | 6 | 3,391,055 | 1,619,167 | 51,274 | 20,285 |
| | | 64,313,092 | 48,230,418 | 1,618,037 | 62,529 |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 7 | 21,555,105 | 19,645,775 | 262,638 | 126,905 |
| Bank borrowings | 8 | 13,348,669 | 8,462,623 | – | 27,193 |
| Provision for taxation | | 1,164,000 | – | – | – |
| | | 36,067,774 | 28,108,398 | 262,638 | 154,098 |
| NET CURRENT ASSETS/(LIABILITIES) | | 28,245,318 | 20,122,020 | 1,355,399 | (91,569) |
| | | 84,929,466 | 66,466,639 | 42,475,969 | 32,322,104 |
| Financed by: | | | | | |
| SHARE CAPITAL | 9 | 27,498,000 | 27,000,000 | 27,498,000 | 27,000,000 |
| RESERVES | 10 | 46,663,709 | 35,176,023 | 14,977,969 | 5,322,104 |
| SHAREHOLDERS' FUNDS | | 74,161,709 | 62,176,023 | 42,475,969 | 32,322,104 |
| BANK BORROWINGS | 8 | 10,016,757 | 3,539,616 | – | – |
| DEFERRED TAXATION | | 751,000 | 751,000 | – | – |
| | | 84,929,466 | 66,466,639 | 42,475,969 | 32,322,104 |

The notes set out on pages 26 to 43 form an integral part of, and should be read in conjunction with, these financial statements.

Thong Guan Industries Berhad (324203-K)

Income Statement
for the year ended 31 December 2000

| | | Group | | Company | |
|---|-------------|----------------------|--------------------|-------------------|--------------------|
| | Note | RM | 1999 RM | RM | 1999 RM |
| Revenue | 11 | 133,326,101 | 104,126,192 | 11,120,521 | 670,750 |
| Cost of sales | | (103,634,510) | (75,459,313) | (816,600) | (655,350) |
| Gross profit | | 29,691,591 | 28,666,879 | 10,303,921 | 15,400 |
| Distribution costs | | (6,137,858) | (5,134,532) | – | – |
| Administrative expenses | | (9,773,335) | (11,089,877) | (252,378) | (337,041) |
| Other operating expenses | | (252,685) | – | – | – |
| Other operating income | | 2,219,084 | 1,360,234 | 471,985 | 478,954 |
| Operating profit | 12 | 15,746,797 | 13,802,704 | 10,523,528 | 157,313 |
| Finance costs | | (1,115,500) | (1,361,709) | (3,262) | (4,652) |
| Profit before tax | | 14,631,297 | 12,440,995 | 10,520,266 | 152,661 |
| Tax expense | 14 | (2,340,781) | (340,929) | (61,571) | (64,145) |
| Net profit after tax for the year | | 12,290,516 | 12,100,066 | 10,458,695 | 88,516 |
| Basic earnings per ordinary share (sen) | 15 | 45.24 | 44.82 | | |
| Diluted earnings per ordinary share (sen) | 15 | 44.72 | 44.55 | | |
| Dividend per ordinary share (sen) | | 5.00 | – | | |

The notes set out on pages 26 to 43 form an integral part of, and should be read in conjunction with, these financial statements.

Statement Of Changes In Equity

for the year ended 31 December 2000

| | Share Capital RM | Share Premium RM | Retained Profits RM | Total RM |
|--|------------------------|------------------------|---------------------------|-------------|
| GROUP | | | | |
| At 1 January 1999 | 27,000,000 | 4,709,172 | 18,366,785 | 50,075,957 |
| Net profit after tax for the year | – | – | 12,100,066 | 12,100,066 |
| At 31 December 1999 | 27,000,000 | 4,709,172 | 30,466,851 | 62,176,023 |
| Arising from issue of new ordinary shares by virtue of the exercise of option under ESOS at RM2.14 per share | 498,000 | 567,720 | – | 1,065,720 |
| Net profit after tax for the year | – | – | 12,290,516 | 12,290,516 |
| Dividend paid: – Interim 5% tax exempt | – | – | (1,370,550) | (1,370,550) |
| At 31 December 2000 | 27,498,000 | 5,276,892 | 41,386,817 | 74,161,709 |
| | | Note 9 | Note 10 | Note 10 |
| | Share Capital RM | Share Premium RM | Retained Profits RM | Total RM |
| COMPANY | | | | |
| At 1 January 1999 | 27,000,000 | 4,709,172 | 524,416 | 32,233,588 |
| Net profit after tax for the year | – | – | 88,516 | 88,516 |
| At 31 December 1999 | 27,000,000 | 4,709,172 | 612,932 | 32,322,104 |
| Arising from issue of new ordinary shares by virtue of the exercise of option under ESOS at RM2.14 per share | 498,000 | 567,720 | – | 1,065,720 |
| Net profit after tax for the year | – | – | 10,458,695 | 10,458,695 |
| Dividend paid: – Interim 5% tax exempt | – | – | (1,370,550) | (1,370,550) |
| At 31 December 2000 | 27,498,000 | 5,276,892 | 9,701,077 | 42,475,969 |
| | | Note 9 | Note 10 | Note 10 |

The notes set out on pages 26 to 43 form an integral part of, and should be read in conjunction with, these financial statements.

Cash Flow Statement

for the year ended 31 December 2000

| | Group | | Company | |
|---|--------------|--------------|--------------|------------|
| | RM | 1999 RM | RM | 1999 RM |
| FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before tax | 14,631,297 | 12,440,995 | 10,520,266 | 152,661 |
| Adjustments for: | | | | |
| Bad debts written off | 9,257 | 24,663 | — | — |
| Provision for doubtful debts | — | 1,345,619 | — | — |
| Write back of provision for doubtful debts | (944,676) | — | — | — |
| Depreciation | 4,916,506 | 4,313,380 | — | — |
| Gain on disposal of plant and equipment | (290,627) | (302,832) | — | — |
| Interest income | (23,493) | (3,610) | (469,685) | (478,954) |
| Interest expense | 1,115,500 | 1,361,709 | 3,262 | 4,652 |
| Dividend income | — | — | (10,300,371) | — |
| Net loss on assets destroyed by fire | 438,118 | — | — | — |
| Provision for slow moving inventories | — | 366,000 | — | — |
| Write back of provision for slow moving inventories | (366,000) | — | — | — |
| Operating profit before working capital changes | 19,485,882 | 19,545,924 | (246,528) | (321,641) |
| (Increase)/Decrease in: | | | | |
| Inventories | (9,468,771) | (7,234,369) | — | 32,800 |
| Trade and other receivables | (5,987,212) | (6,616,110) | (1,436,609) | 87,222 |
| Amount due from subsidiary companies | — | — | 215,124 | (40,085) |
| Increase/(Decrease) in: | | | | |
| Trade and other payables | 1,909,330 | 7,569,884 | 135,733 | (286,369) |
| Cash generated from/(used in) operating activities | 5,939,229 | 13,265,329 | (1,332,280) | (528,073) |
| Interest paid | (1,115,500) | (1,361,709) | (3,262) | (4,652) |
| Tax paid | (1,245,164) | (723,519) | (149,481) | (163,069) |
| Net cash generated from/(used in) operating activities | 3,578,565 | 11,180,101 | (1,485,023) | (695,794) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from insurance claim on assets destroyed by fire | 4,037,500 | — | — | — |
| Purchase of property, plant and equipment (Note A) | (17,062,267) | (11,431,064) | — | — |
| Proceeds from disposal of plant and equipment | 382,920 | 338,201 | — | — |
| Interest received | 23,493 | 3,610 | 469,685 | 478,954 |
| Proceeds from exercise of ESOS | 1,065,720 | — | 1,065,720 | — |
| Dividend received | — | — | 1,378,350 | 549,197 |
| Net cash (used in)/generated from investing activities | (11,552,634) | (11,089,253) | 2,913,755 | 1,028,151 |

The notes set out on pages 26 to 43 form an integral part of, and should be read in conjunction with, these financial statements.

Cash Flow Statement

for the year ended 31 December 2000

| | Group | | Company | |
|--|-------------|-------------|-------------|------------|
| | RM | 1999 RM | RM | 1999 RM |
| FLows FROM FINANCING ACTIVITIES | | | | |
| Drawdown of revolving credit | 3,610,000 | — | — | — |
| Repayment of revolving credit | (606,552) | — | — | — |
| Repayment of finance lease | (366,421) | (423,316) | — | — |
| Term loan drawdown | 7,089,495 | 3,000,000 | — | — |
| Repayment of term loan | (1,015,658) | (780,508) | — | — |
| Dividend paid | (1,370,550) | (540,000) | (1,370,550) | (540,000) |
| Drawdown of short term bank borrowings, net | 4,175,676 | 431,409 | — | — |
| Net cash generated from/(used in) financing activities | 11,515,990 | 1,687,585 | (1,370,550) | (540,000) |
| Net increase/(decrease) in cash and cash equivalents | 3,541,921 | 1,778,433 | 58,182 | (207,643) |
| Cash and cash equivalents at beginning of year | (1,570,767) | (3,349,200) | (6,908) | 200,735 |
| Cash and cash equivalents at end of year (Note B) | 1,971,154 | (1,570,767) | 51,274 | (6,908) |

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

A. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM17,308,947, of which RM246,680 was acquired by means of hire purchase. The balance of RM17,062,267 was acquired by cash payments.

B. Cash and cash equivalents

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

| | Group | | Company | |
|--|-------------|-------------|---------|------------|
| | RM | 1999 RM | RM | 1999 RM |
| Short term fixed deposits with a licensed bank | 1,000,000 | 1,000,000 | — | — |
| Cash and bank balances | 2,391,055 | 619,167 | 51,274 | 20,285 |
| Bank overdrafts | (1,419,901) | (3,189,934) | — | (27,193) |
| | 1,971,154 | (1,570,767) | 51,274 | (6,908) |

The notes set out on pages 26 to 43 form an integral part of, and should be read in conjunction with, these financial statements.

Notes To The Financial Statements

– 31 December 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

1.1 Basis of Accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention as modified by the revaluation of certain properties and in compliance with applicable approved accounting standards in Malaysia.

1.2 Basis of Consolidation

Subsidiary companies are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiary companies are consolidated using the merger method of accounting.

A subsidiary company is excluded from consolidation when control is intended to be temporary as the subsidiary company is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiary companies excluded on these grounds are accounted for as investments.

Under the merger method of accounting, the results of the subsidiaries brought in for the first time are included in the consolidated Income Statement for the entire year without any adjustment in respect of that part of period prior to merger. The difference between the nominal value of the share capital issued as purchase consideration and the nominal value of the share capital of the subsidiaries acquired is taken to merger reserve.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

1.3 Property, Plant and Equipment

Property, plant and equipment except for freehold land are stated at cost/valuation less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amounts of the assets are estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it will be charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

Notes To The Financial Statements

– 31 December 2000

1.4 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 the 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 |

1.5 Investments

Long term investments are stated at cost. A provision is made when the directors are of the view that there is a permanent diminution in their value.

1.6 Inventories

Inventories are stated at the lower of cost and net realisable value with first-in, first-out being the main basis for cost. In arriving at net realisable value, provision is made, where necessary, for obsolete and slow-moving items.

The cost of finished goods and work-in-progress includes cost of raw materials, indirect materials, direct labour and an appropriate allocation of manufacturing overheads. The cost of raw materials and indirect materials comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition.

In case of trading inventories, cost includes cost of purchase and incidental in bringing the inventories to their present location and condition.

1.7 Foreign Currency

Transactions in foreign currencies are translated into Ringgit Malaysia at rates approximating those ruling at transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising from translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:

| | |
|-----|---------|
| USD | RM3.80 |
| AUD | RM2.10 |
| YEN | RM0.033 |
| SGD | RM2.20 |

Notes To The Financial Statements

– 31 December 2000

1.8 Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications they will reverse thereafter. In arriving at the calculation of deferred taxation, future income tax benefits arising from unutilised reinvestment allowances have also been accounted for. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

1.9 Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

1.10 Finance Costs

All interest and other costs incurred in connection with borrowings are expensed as incurred.

1.11 Income Recognition

i) Goods sold

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

iii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

Notes To The Financial Statements

– 31 December 2000

2. PROPERTY, PLANT AND EQUIPMENT

| GROUP | Land and buildings RM | Plant and machinery RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Capital expenditure- in-progress RM | Total RM |
|---|-----------------------------|------------------------------|---|-------------------------|--|-------------|
| Cost/Valuation | | | | | | |
| At 1 January 2000 | 20,471,344 | 30,346,051 | 2,879,294 | 6,049,064 | 8,256,374 | 68,002,127 |
| Additions | 43,740 | 11,760,856 | 381,358 | 980,182 | 4,142,811 | 17,308,947 |
| Disposals | (1,616,619) | (2,117,744) | (636,647) | (235,228) | – | (4,606,238) |
| Reclassifications | – | 8,256,374 | – | – | (8,256,374) | – |
| At 31 December 2000 | 18,898,465 | 48,245,537 | 2,624,005 | 6,794,018 | 4,142,811 | 80,704,836 |
| Accumulated Depreciation | | | | | | |
| At 1 January 2000 | 1,828,044 | 13,825,566 | 1,810,644 | 4,193,254 | – | 21,657,508 |
| Charge for the year | 457,871 | 3,455,715 | 242,911 | 760,009 | – | 4,916,506 |
| Disposals | (189,948) | (1,513,362) | (626,993) | (223,023) | – | (2,553,326) |
| At 31 December 2000 | 2,095,967 | 15,767,919 | 1,426,562 | 4,730,240 | – | 24,020,688 |
| Net Book Value | | | | | | |
| At 31 December 2000 | 16,802,498 | 32,477,618 | 1,197,443 | 2,063,778 | 4,142,811 | 56,684,148 |
| At 31 December 1999 | 18,643,300 | 16,520,485 | 1,068,650 | 1,855,810 | 8,256,374 | 46,344,619 |
| Depreciation For The Year Ended 31 December 1999 | 448,355 | 2,874,031 | 261,041 | 729,953 | – | 4,313,380 |

Land and buildings comprise:

| | Group | | Company | |
|---------------------------|------------|------------|------------|------------|
| | RM | 1999 RM | RM | 1999 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 | 1,580,416 | 1,602,333 |
| Short term leasehold land | 2,096,370 | 2,096,370 | 1,836,581 | 1,889,586 |
| Factory buildings | 5,783,630 | 7,400,249 | 4,663,178 | 6,312,112 |
| At cost | | | | |
| Long term leasehold land | 55,000 | 55,000 | 50,967 | 52,067 |
| Factory buildings | 3,434,465 | 3,390,725 | 2,832,356 | 2,948,202 |
| | 18,898,465 | 20,471,344 | 16,802,498 | 18,643,300 |

Notes To The Financial Statements

– 31 December 2000

2. PROPERTY, PLANT AND EQUIPMENT (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 property, plant and equipment 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:

| | Cost RM | Accumulated Depreciation RM | Net Book Value RM |
|---------------------------|------------------|-----------------------------------|-------------------------|
| Freehold land | 1,143,129 | – | 1,143,129 |
| Long term leasehold land | 934,165 | 80,009 | 854,156 |
| Short term leasehold | 858,181 | 106,090 | 752,091 |
| Factory buildings | 3,229,681 | 895,082 | 2,334,599 |
| | 6,165,156 | 1,081,181 | 5,083,975 |
| 1999 | | | |
| 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 |

Included in the net book value of property, plant and equipment are the following assets acquired under finance lease:

| | RM | 1999 RM |
|---------------------|----------------|----------------|
| Plant and machinery | 237,161 | 43,400 |
| Motor vehicles | 338,758 | 641,899 |

The amount of property pledged as securities for term loans and other bank borrowings was up to the limit of RM12,820,000 (1999: RM12,820,000).

Notes To The Financial Statements

– 31 December 2000

3. INTEREST IN SUBSIDIARY COMPANIES – COMPANY

| | RM | 1999 RM |
|--------------------------------------|-------------------|-------------------|
| Unquoted shares, at cost | 22,049,998 | 22,049,998 |
| Dividends receivable | 8,922,021 | – |
| Amount due from subsidiary companies | 10,148,551 | 10,363,675 |
| | 41,120,570 | 32,413,673 |

Details of subsidiary companies are as follows:

| Name of Company | Percentage of Equity Held 1999 | | 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 consumable products |

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

4. INVENTORIES – GROUP

| | RM | 1999 RM |
|---|-------------------|-------------------|
| Raw materials | 19,421,633 | 13,064,781 |
| Work-in-progress | 938,080 | 495,362 |
| Finished goods | 3,736,460 | 3,552,384 |
| Trading inventories | 5,904,797 | 5,934,671 |
| | 30,000,970 | 23,047,198 |
| Less: Provision for slow moving inventories | – | (366,000) |
| | 30,000,970 | 22,681,198 |

Notes To The Financial Statements

– 31 December 2000

5. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|------------------------------------|-------------------|-------------------|------------------|---------------|
| | RM | 1999 RM | RM | 1999 RM |
| Trade receivables | 25,493,500 | 21,854,058 | – | 42,244 |
| Less: Provision for doubtful debts | (1,018,027) | (1,962,905) | – | – |
| | <u>24,475,473</u> | <u>19,891,153</u> | <u>–</u> | <u>42,244</u> |
| Other receivables | 6,357,684 | 4,019,373 | 1,478,853 | – |
| Tax refundable | 87,910 | 19,527 | 87,910 | – |
| | <u>30,921,067</u> | <u>23,930,053</u> | <u>1,566,763</u> | <u>42,244</u> |

Included in trade receivables and other receivables of the Group are amounts of RM1,236,264 (1999: RM1,321,263) and RM315,102 (1999: RM NIL) respectively due from companies in which certain directors have substantial financial interests.

6. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|------------------|------------------|---------------|---------------|
| | RM | 1999 RM | RM | 1999 RM |
| Cash and bank balances | 2,391,055 | 619,167 | 51,274 | 20,285 |
| Short term fixed deposits with a licensed bank | 1,000,000 | 1,000,000 | – | – |
| | <u>3,391,055</u> | <u>1,619,167</u> | <u>51,274</u> | <u>20,285</u> |

7. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---------------------------|-------------------|-------------------|----------------|----------------|
| | RM | 1999 RM | RM | 1999 RM |
| Trade payables | 14,200,505 | 11,265,459 | – | – |
| Other payables | 7,331,250 | 8,380,316 | 262,638 | 126,905 |
| Amount owing to directors | 23,350 | – | – | – |
| | <u>21,555,105</u> | <u>19,645,775</u> | <u>262,638</u> | <u>126,905</u> |

Included in other payables of the Group is an amount of RM48,500 (1999: RM NIL) due to a company in which certain directors have substantial financial interests.

The amount owing to directors is unsecured, interest-free and has no fixed terms of repayment.

Notes To The Financial Statements

– 31 December 2000

8. BANK BORROWINGS

| | Group | | Company | |
|------------------------------|------------|------------|---------|------------|
| | RM | 1999 RM | RM | 1999 RM |
| Current: | | | | |
| Secured | | | | |
| – Term Loans | 2,976,745 | 1,594,417 | – | – |
| – Overdrafts | 1,394,670 | 3,162,741 | – | – |
| – Bankers' acceptances | 2,637,330 | 2,941,654 | – | – |
| | 7,008,745 | 7,698,812 | – | – |
| Unsecured | | | | |
| – Overdrafts | 25,231 | 27,193 | – | 27,193 |
| – Bankers' acceptances | 4,903,000 | 423,000 | – | – |
| – Revolving credit | 1,216,000 | – | – | – |
| | 6,144,231 | 450,193 | – | 27,193 |
| Finance lease liabilities | 195,693 | 313,618 | – | – |
| | 13,348,669 | 8,462,623 | – | 27,193 |
| Non-current: | | | | |
| Long term loans - secured | 8,105,206 | 3,413,697 | – | – |
| Revolving credit - unsecured | 1,787,448 | – | – | – |
| Finance lease liabilities | 124,103 | 125,919 | – | – |
| | 10,016,757 | 3,539,616 | – | – |

8.1 Terms and debt repayment schedule

8.1.1 Term loans are payable as follows:

| GROUP | Total RM | Within 1 year RM | 1 to 2 years RM | 2 to 5 years RM |
|------------------------|-------------|------------------------|--------------------|--------------------|
| As at 31 December 2000 | 11,081,951 | 2,976,745 | 3,717,069 | 4,388,137 |
| As at 31 December 1999 | 5,008,114 | 1,594,417 | 2,112,825 | 1,300,872 |

The overdrafts, bankers' acceptances, revolving credit and term loans of the Group and Company are subject to interest at rates ranging from 0.75% to 1.50% (1999: 0.75% to 1.50%) per annum above the respective bankers' base lending rates or cost of funds as the case may be.

Finance leases are subject to a fixed interest rate of 7% (1999: 7%) per annum.

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.

Notes To The Financial Statements

– 31 December 2000

8.1.2 Finance lease liabilities are payable as follows:

| Group | Payments RM | Interest RM | Principal RM | 1999 | | |
|--------------------------|----------------|----------------|-----------------|----------------|----------------|-----------------|
| | | | | Payments RM | Interest RM | Principal RM |
| Within 1 year | 236,002 | (40,309) | 195,693 | 380,005 | (66,387) | 313,618 |
| Between 1 and 5 years | 149,666 | (25,563) | 124,103 | 153,473 | (27,554) | 125,919 |
| | 385,668 | (65,872) | 319,796 | 533,478 | (93,941) | 439,537 |

9. SHARE CAPITAL

| | RM | 1999 RM |
|---|-------------------|------------|
| Ordinary shares of RM1 each | | |
| Authorised: | 50,000,000 | 50,000,000 |
| Issued and fully paid: | | |
| Balance at 1 January | 27,000,000 | 27,000,000 |
| Exercise of ESOS at RM2.14 per share for cash | 498,000 | – |
| Balance at 31 December | 27,498,000 | 27,000,000 |

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.

On 9 March 2001, the shareholders at the Extraordinary General Meeting approved certain amendments to the Scheme and 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 1 year 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 option price shall be the higher of the following:
 - a) at a discount of not more than 10% from the weighted average market price of the shares as shown in the daily official list issued by the Kuala Lumpur Stock Exchange for the 5 market days preceding the date of offer; and
 - b) the par value of the shares.

Notes To The Financial Statements

– 31 December 2000

- v) The Scheme shall continue to be in force for a period of 5 years commencing from 7 September 1999. However the Company, may, if the Board deems fit upon the recommendation of the option committee, renew the ESOS for a further 5 years.

The movements during the year in the number of options over the shares of the Company are as follows:

| | RM | 1999 RM |
|-----------------------------|------------------|------------------|
| At 1 January | 2,289,000 | – |
| Granted at RM2.14 per share | – | 2,289,000 |
| Exercised | (498,000) | – |
| At 31 December | <u>1,791,000</u> | <u>2,289,000</u> |

At 31 December 2000, there were 1,791,000 unissued ordinary shares under option at an exercise price of RM2.14 per share.

10. RESERVES

| | Group | | Company | |
|-------------------|-------------------|-------------------|-------------------|------------------|
| | RM | 1999 RM | RM | 1999 RM |
| Non-distributable | | | | |
| Share premium | 5,276,892 | 4,709,172 | 5,276,892 | 4,709,172 |
| Distributable | | | | |
| Retained profits | 41,386,817 | 30,466,851 | 9,701,077 | 612,932 |
| | <u>46,663,709</u> | <u>35,176,023</u> | <u>14,977,969</u> | <u>5,322,104</u> |

11. REVENUE

| | Group | | Company | |
|--|--------------------|--------------------|-------------------|----------------|
| | RM | 1999 RM | RM | 1999 RM |
| Invoice value of goods sold less discounts and returns | 133,326,101 | 104,126,192 | 820,150 | 670,750 |
| Dividend income from subsidiary companies | – | – | 10,300,371 | – |
| | <u>133,326,101</u> | <u>104,126,192</u> | <u>11,120,521</u> | <u>670,750</u> |

Notes To The Financial Statements

– 31 December 2000

12. OPERATING PROFIT

Operating profit is arrived at:

| | Group | | Company | |
|--|-----------|------------|------------|------------|
| | RM | 1999 RM | RM | 1999 RM |
| After charging: | | | | |
| Auditors' remuneration | | | | |
| – current year | 42,070 | 42,000 | 5,000 | 5,000 |
| – prior year | – | (6,100) | – | 4,000 |
| Bad debts written off | 9,257 | 24,663 | – | – |
| Depreciation (Note 2) | 4,916,506 | 4,313,380 | – | – |
| Directors' emoluments | | | | |
| Directors of the Company | | | | |
| – fees | 224,500 | 222,000 | 92,500 | 90,000 |
| – others | 1,016,000 | 886,021 | – | – |
| Other Directors | | | | |
| – fees | 32,000 | 42,000 | – | – |
| – others | 149,248 | 205,244 | – | – |
| Loss on foreign exchange | | | | |
| – Realised | – | 8,496 | – | – |
| – Unrealised | 494 | – | – | – |
| Provision for doubtful debts | – | 1,345,619 | – | – |
| Rental expense | 780,305 | 272,748 | – | – |
| Provision for slow moving inventories | – | 366,000 | – | – |
| Net loss on assets destroyed by fire | 438,118 | – | – | – |
| and crediting: | | | | |
| Interest income | 23,493 | 3,610 | 469,685 | 478,954 |
| Dividend income (gross) receivable from subsidiary companies | – | – | 10,300,371 | – |
| Lease rental rebate | – | 186,925 | – | – |
| Write back of provision for doubtful debts | 944,676 | – | – | – |
| Gain on disposal of plant and equipment | 290,627 | 302,832 | – | – |
| Realised gain on foreign exchange | 269,618 | – | – | – |
| Rental income | 780 | 2,190 | – | – |
| Write back of provision for slow moving inventories | 366,000 | – | – | – |

Notes To The Financial Statements

– 31 December 2000

13. EMPLOYEES' INFORMATION

| | Group | | Company | |
|------------|-------------------|------------|---------------|------------|
| | RM | 1999 RM | RM | 1999 RM |
| Staff cost | 11,083,613 | 10,787,397 | 61,416 | 35,919 |

The number of employees of the Group and of the Company (including directors) at the end of the year was 668 (1999: 686) and 3 (1999 : 2) respectively.

14. TAX EXPENSE

| | Group | | Company | |
|---|------------------|------------|---------------|------------|
| | RM | 1999 RM | RM | 1999 RM |
| Current tax expense | | | | |
| – Based on results for the year | 1,640,781 | – | 61,571 | – |
| – (Over)/Under provision in prior years | 700,000 | (297,071) | – | 64,145 |
| | 2,340,781 | (297,071) | 61,571 | 64,145 |
| Deferred tax expense | | | | |
| – Current year | – | 638,000 | – | – |
| | 2,340,781 | 340,929 | 61,571 | 64,145 |

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

The disproportionation tax charge in relation to the results of the Company for the year is mainly due to tax exempt dividends received.

There was no taxation for the Group and Company for the last financial year 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 retained profits if paid out as dividends.

Notes To The Financial Statements

– 31 December 2000

15. EARNINGS PER ORDINARY SHARE – GROUP

i) Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM12,290,516 (1999: RM12,100,066) and the weighted average number of ordinary shares outstanding during the year of 27,168,000 (1999: 27,000,000) calculated as follows:

Weighted average number of ordinary shares

| | RM | 1999 RM |
|---|--------|------------|
| Issued ordinary shares at beginning of year | 27,000 | 27,000 |
| Effect of shares issued in: | | |
| July 2000 | 97 | – |
| August 2000 | 45 | – |
| October 2000 | 17 | – |
| November 2000 | 7 | – |
| December 2000 | 2 | – |
| | 168 | – |
| Weighted average number of ordinary shares | 27,168 | 27,000 |

ii) Diluted earnings per share

The calculation of diluted earnings per share is based on the net profit attributable to ordinary shareholders of RM12,290,516 (1999: RM12,100,066) and the weighted average number of ordinary shares outstanding during the year of 27,485,000 (1999: 27,159,000) calculated as follows:

Weighted average number of ordinary shares (diluted)

| | RM | 1999 RM |
|--|--------|------------|
| Issued ordinary shares at beginning of year | 27,000 | 27,000 |
| Effect of shares options | 485 | 159 |
| Weighted average number of ordinary shares (diluted) | 27,485 | 27,159 |

16. HOLDING COMPANY

The holding company is Foremost Equals Sdn Bhd ("FESB"), a company incorporated in Malaysia.

During the year, FESB ceased to be the holding company as its equity interest in the company has been diluted to 49.2% as a result of the exercise of Employees' Share Option Scheme.

Notes To The Financial Statements

– 31 December 2000

17. CAPITAL COMMITMENT – GROUP

| | RM | 1999 RM |
|---------------------------------|--------|------------|
| Contracted but not provided for | 15,054 | 21,891 |

18. CONTINGENT LIABILITY

GROUP

| | RM'000 | 1999 RM'000 |
|------------------|--------|----------------|
| Secured | | |
| Bills discounted | 1,330 | 1,140 |

The bills discounted are secured by fixed charges over all the property, plant and equipment of the subsidiary company for which the facility is granted.

COMPANY

Unsecured

- i) The Company has issued corporate guarantees to licensed banks for banking facilities granted to certain subsidiary companies up to a limit of RM67.0 million (1999: RM34.0 million) of which RM21.4 million (1999: RM11.5 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 RM75,000 (1999: RM1,084,000) of which RM73,000 (1999: RM35,000) has been utilised as at balance sheet date.
- iii) The Company has issued a corporate guarantee amounting to RM9.5 million (1999: RM7.5 million) 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 RM5.2 million (1999: RM4.1 million).

Notes To The Financial Statements

– 31 December 2000

19. SEGMENT REPORTING – GROUP

| | Revenue RM | Profit Before Tax RM | Assets Employed RM |
|-------------------------|--------------------|----------------------------|--------------------------|
| Analysis by activities: | | | |
| Manufacturing | 91,572,237 | 10,952,871 | 91,805,654 |
| Trading | 41,753,864 | 3,458,531 | 27,573,549 |
| Investment holding | – | 219,895 | 1,618,037 |
| | <u>133,326,101</u> | <u>14,631,297</u> | <u>120,997,240</u> |
| 1999 | | | |
| Manufacturing | 64,269,191 | 9,628,141 | 66,794,523 |
| Trading | 39,857,001 | 2,812,854 | 27,717,985 |
| Investment holding | – | – | 62,529 |
| | <u>104,126,192</u> | <u>12,440,995</u> | <u>94,575,037</u> |

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

20. RELATED PARTIES

20.1 Related party relationships

i) Companies controlled by the Company

– Details of the subsidiaries are disclosed in Note 3 and transactions with the subsidiaries are disclosed in Note 20.2.1

ii) Companies in which all the directors except Tengku Makram Bin Tengku Ariff, Datuk Wan Kassim Bin Ahmed, Tuan Haji Mohd Salleh Bin Zakaria and Datuk Ahmad Bin Tokimin are deemed to have substantial financial interests:

| | |
|--|------------|
| – Nice Saga Sdn. Bhd. | ("NS") |
| – Tong Yuan Enterprise Co. | ("TYE") |
| – Thong Guan Plastic Industries (Kelantan) Sdn. Bhd. | ("TGPK") |
| – Herh Fuah (Sabah) Sdn. Bhd. | ("HFS") |
| – T. G. Plastic Pack (Export) Sdn. Bhd. | ("TGPPEX") |
| – Kimanis Food Industry Sdn. Bhd. | ("KFI") |
| – Komet Makmur Sdn. Bhd. | ("KM") |

iii) Key management personnel and persons connected with the directors of the Company:

- Ang Poon Khim
- Ang Poon Chuan
- Ang Poon Seong
- Ang See Ming
- Ang See Cheong

Notes To The Financial Statements

– 31 December 2000

20.2 Related party transactions

20.2.1 Transactions with related companies:

COMPANY

| | RM | 1999 RM |
|-----------------|---------|------------|
| Sales | 820,150 | 419,500 |
| Purchases | – | 48,750 |
| Interest income | 469,685 | 478,954 |

20.2.2 The Group's transactions with companies in which certain directors have substantial financial interests:

i) Sales to:

| | RM | 1999 RM |
|------|---------|------------|
| KFI | – | 150,214 |
| TYE | 357,272 | 681,991 |
| TGPK | 358,406 | 841,881 |
| NS | 49,209 | 179,117 |
| HFS | 616,591 | 736,739 |

ii) Purchases from:

| | RM | 1999 RM |
|------|-----------|------------|
| KFI | 2,909,065 | 3,181,756 |
| TYE | 53,482 | – |
| TGPK | 316,186 | 151,145 |
| NS | 5,943 | 20,534 |
| HFS | 24,375 | 15,318 |
| KM | 185,652 | 254,415 |

iii) Rental expense payable to:

| | RM | 1999 RM |
|--------|---------|------------|
| KFI | 80,000 | 22,360 |
| TGPK | 56,400 | 56,400 |
| TGPPEX | 416,500 | – |

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.

iv) There are no individually significant outstanding balances arising from transactions other than normal trade transactions. Details of the balance are disclosed in Note 5 and 7.

Notes To The Financial Statements

– 31 December 2000

20.3 There were no transactions with key management personnel other than the following:

- i) Remuneration package paid to them as employees of the Group/Company.
- ii) Share options granted to key management personnel

The option over ordinary shares of the Company granted to key management personnel of the Group during the year are as follows:

| | Number of option over ordinary shares of RM1 each | | | |
|----------------|---|------------|--------------------------|------------|
| | Granted during the year | | Unexercised option as at | |
| | 31.12.2000 | 31.12.1999 | 31.12.2000 | 31.12.1999 |
| Ang Poon Khim | – | 150,000 | 150,000 | 150,000 |
| Ang Poon Chuan | – | 190,000 | 190,000 | 190,000 |
| Ang Poon Seong | – | 150,000 | 150,000 | 150,000 |
| Ang See Ming | – | 50,000 | 50,000 | 50,000 |

The share options were given to these key management personnel under the same terms and conditions as those offered to other employees of the Group pursuant to the ESOS (Note 9).

- iii) Rental of RM35,200 payable to Bounty Value Sdn. Bhd., a company in which Mr. Ang See Ming and Mr. Ang See Cheong have substantial financial interests.

21. POST BALANCE SHEET EVENTS

- a) On 29 January 2001, Securities Commission ("SC") has approved the following:
 - i) Proposed bonus issue of up to 14,850,000 new shares on the basis of one (1) new share for every two (2) existing shares held in the Company; and
 - ii) Proposed renounceable rights issue of up to 29,700,000 new shares at an issue price of RM1 per share on the basis of one (1) new share for every one (1) existing share held.

In order to accommodate the Bonus Shares and Rights Shares, the Board proposed to increase the Company's authorised share capital to RM500,000,000, divided into 500,000,000 shares by the creation of an additional 450,000,000 new shares.

In conjunction with the amendments to the Act and the amendments made by the SC to the Issues Guidelines, the Board proposed to amend the existing Bye-Laws to reflect the changes of the relevant statutory and regulatory requirements.

The shareholders have approved the above proposals during the Extraordinary General Meeting held on 9 March 2001.

- b) Subsequent to the balance sheet date, the issued and fully paid-up share capital of the Company was increased from RM27,498,000 to RM27,638,000 by the issue of 140,000,000 new ordinary shares of RM1 each at RM2.14 per share pursuant to the exercise of options under the Company's Employees' Share Option Scheme. These new shares were issued for cash as fully paid and rank pari passu in all respects with the existing ordinary shares of the Company in issue.

Notes To The Financial Statements

– 31 December 2000

22. COMPARATIVES

Following the adoption of the Standards of the Malaysian Accounting Standards Board in the preparation of this set of financial statements, the presentation and classification of certain items in the financial statements have been amended.

Accordingly, comparative amounts for those items have been reclassified to ensure comparability with the current financial year.

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 | 4-16 years | Freehold | 4.66 |
| 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 | 4 years | 60 years leasehold, expiring on 12.4.2052 | 2.31 |
| 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 | 16 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 | 7 years | 60 years leasehold, expiring on 12.4.2052 | 3.15 |
| 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 | 18 years | Freehold | 3.47 |
| CL 015276687 House 606 Taman Bay View Off Mile 2 ½ Jalan Tuaran Nota Kinabalu, Sabah | Double storey intermediate terrace house | 2,178 | 22 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 | 12 years | 60 years leasehold, expiring on 31.12.2035 | 1.16 |
| TL 077549707 Lot 13, Hock Seng Industrial Estate Jalan Bomba, Off Km5, Jalan Utara Sandakan, | Double storey semi-detached light industrial building | 5,670 | 9 years | 60 years leasehold, expiring on 31.12.2040 | 0.27 |
| CL 105390707 Km4, Jalan Apas Tawau, Sabah | Vacant industrial land | 37,462 | – | 999 years leasehold, expiring on 21.5.2930 | 0.31 |

Shareholding Statistics

at 30 April 2001

STATISTICS OF SHAREHOLDINGS AS AT 30 APRIL 2001

| | |
|----------------------------------|--|
| AUTHORISED SHARE CAPITAL | : RM500,000,000/= |
| ISSUED AND FULLY PAID-UP CAPITAL | : RM27,638,000/= |
| CLASS OF SHARE | : Ordinary shares of RM1 each fully paid |
| VOTING RIGHTS | : One (1) vote per share |

ANALYSIS BY SIZE OF SHAREHOLDERS

| Size of Shareholding | No. of Shareholders/ Depositors | No. of Shares | % of Issued Capital |
|--|------------------------------------|-------------------|------------------------|
| Less than 1,000 | 9 | 950 | 0.0034 |
| 1,000 – 10,000 | 1,090 | 2,580,050 | 9.3352 |
| 10,001 – 100,000 | 67 | 1,463,000 | 5.2934 |
| 100,001 to less than 5% of issued shares | 7 | 2,777,000 | 10.0478 |
| 5% and above of issued shares | 3 | 20,817,000 | 75.3202 |
| Total | 1,176 | 27,638,000 | 100.0000 |

THIRTY LARGEST SHAREHOLDERS

| Name | Shareholdings | % Issued Capital |
|--|-------------------|---------------------|
| 1. Foremost Equals Sdn Bhd | 13,527,000 | 48.9435 |
| 2. Permodalan Nasional Berhad | 5,265,000 | 19.0498 |
| 3. HSBC Nominees (Tempatan) Sdn Bhd | 2,025,000 | 7.3269 |
| HSBC (Malaysia) Trustee Berhad For Amanah Saham Kedah | | |
| 4. Arab-Malaysian Nominees (Tempatan) Sdn Bhd | 810,000 | 2.9307 |
| Arab-Malaysian Merchant Bank Bhd | | |
| 5. Sensible Matrix Sdn Bhd | 772,998 | 2.7969 |
| 6. Traders Nominees (Tempatan) Sdn Bhd | 450,000 | 1.6282 |
| Lee Ah See | | |
| 7. Ang See Ming | 300,002 | 1.0855 |
| 8. Wah Tat Nominees (Tempatan) Sdn Bhd | 208,000 | 0.7526 |
| Pledged Securities Account For Ismail Affendee Bin Nik (WTBB Penang) | | |
| 9. TASEC Nominees (Asing) Sdn Bhd | 120,000 | 0.4342 |
| Meespierson Asia Limited For Savern Finance Limited | | |
| 10. Lee Ah See | 116,000 | 0.4197 |
| 11. Khoo Phaik Imm | 51,000 | 0.1845 |
| 12. Toh Kam Choy | 50,000 | 0.1809 |
| 13. Ang Choon Ho | 49,000 | 0.1773 |
| 14. Lai Kok Thye | 48,000 | 0.1737 |
| 15. Alliedban Nominees (Tempatan) Sdn Bhd | 45,000 | 0.1628 |
| Pledged Securities For Ng Poh Pheng @ Wong Poh Pheng | | |
| 16. Lim Tuang Yeo | 43,000 | 0.1556 |
| 17. Ang Poon Seong | 39,000 | 0.1411 |
| 18. Perdana Merchant Bankers Berhad | 39,000 | 0.1411 |
| United Merchant Group Berhad | | |
| 19. ABN Amro Nominees (Tempatan) Sdn Bhd | 34,000 | 0.1230 |
| PHEIM Asset Management Sdn Bhd For Lim Thian Kiat | | |
| 20. Lim Joo Hock | 30,000 | 0.1085 |
| 21. Chee Fong Yeng | 30,000 | 0.1085 |
| 22. Goey Seong Hee | 30,000 | 0.1085 |
| 23. Percy Teh @ Lee Geok Mooi | 30,000 | 0.1085 |
| 24. Ang Toon Cheng @ Ang Tong Sooi | 29,000 | 0.1049 |
| 25. Tio Swee In | 29,000 | 0.1049 |
| 26. Tai Keik Hock | 25,000 | 0.0905 |
| 27. Keng Ah Gaik @ Chok Kew | 25,000 | 0.0905 |
| 28. Chong Ah Ten @ Chong Geik Ting | 25,000 | 0.0905 |
| 29. Tham Kien Wei | 25,000 | 0.0905 |
| 30. Tseng Chin-Tang, Samuel | 25,000 | 0.0905 |
| TOTAL | 24,295,000 | 87.9043 |

Shareholding Statistics

at 30 April 2001

DIRECTORS' SHAREHOLDING AS AT 21 JANUARY 2001

| Name of Directors | No. of Shares Held | | % of Issued Capital | No. of Unexercised ESOS Option |
|--------------------------------------|--------------------|-------------------|---------------------|--------------------------------|
| | Direct Interest | Indirect Interest | | |
| 1. Ang Toon Cheng @ Ang Tong Sooi | 9,000 | — | 0.0327 | 80,000 |
| 2. Tengku Makram Bin Tengku Ariff | 12,000 | — | 0.0436 | — |
| 3. Ang Poon Chuan | 8,000 | — | 0.0291 | 190,000 |
| 4. Ang Toon Piah @ Ang Toon Huat | 9,000 | — | 0.0327 | 80,000 |
| 5. Ang Poon Seong | 9,000 | — | 0.0327 | 150,000 |
| 6. Ang Poon Kang | 14,000 | — | 0.0509 | — |
| 7. Ang Poon Khim | 9,000 | — | 0.0327 | 150,000 |
| 8. Datuk Wan Kassim Bin Ahmed | 9,000 | — | 0.0327 | — |
| 9. Mohd Salleh Bin Zakaria | 3,000 | — | 0.0109 | — |
| 10. Datuk Ahmad Bin Tokimin | — | — | — | — |

SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2001

| Name | No. of Shares Held | | % of Issued Capital |
|---------------------------------------|--------------------|-------------------|---------------------|
| | Direct Interest | Indirect Interest | |
| 1. Foremost Equals Sdn Bhd | 13,527,000 | — | 48.9435 |
| 2. Permodalan Nasional Berhad | 5,265,000 | — | 19.0498 |
| 3. Yayasan Pelaburan Bumiputra | — | 5,265,000 | 19.0498 |
| 4. Amanah Saham Kedah | 2,025,000 | — | 7.3269 |
| 5. Arab-Malaysian Merchant Bank Bhd # | 810,000 | — | 2.9307 |
| 6. Sensible Matrix Sdn Bhd | 772,998 | — | 2.7969 |

Note:

The shares are reserved for Bumiputera Allocation

Special Resolution No. 1

proposed amendments to the Articles of Association

Appendix 1

THAT the Articles of Association of the Company be amended in the following manner:-

Existing Provisions

4(C).(3) Rights of preference shareholders as regards to notices of meetings.

Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and balance sheets, and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of the undertaking, or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is in arrears more than six (6) months.

Amended Provisions

Rights of preference shareholders as regards to notices of meetings.

The holders of preference shares shall have the same rights as the holders of ordinary shares as regards to receiving notices, reports and audited accounts and attending general meetings of the Company but shall only have right to vote at any general meeting convened for the following purposes:-

- (i) when the dividend or part of the dividend on the share is in arrears for more than 6 months;
- (ii) on a proposal to reduce the Company's share capital;
- (iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
- (iv) on a proposal that affects rights attached to the share;
- (v) on a proposal to wind up the Company; and
- (vi) during the winding up of the Company.

Existing Provisions

4(C).(5) New provision to be inserted immediately after Article 4(C).(4).

Amended Provisions

Rights of preference shareholders as regards to return of capital.

The holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.

Existing Provisions

4(D) New shares to be first offered to existing members.

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares shall, before issue be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing share to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they may think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.

Special Resolution No. 1

proposed amendments to the Articles of Association

Amended Provisions

New shares to be first offered to existing members.

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those share or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Article.

Existing Provisions

9. Company to have a paramount lien.

The Company shall have a first and paramount lien upon all shares registered in the name of any member, or as the case may be, upon Deposited Securities in his Securities Account, either alone or jointly with any other person, which shall be restricted to unpaid calls and installments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the member or deceased member, and such lien shall extend to all dividends from time to time declared in respect of such shares, but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article.

Amended Provisions

Company to have a paramount lien.

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of that share, and the Company shall also have a first and paramount lien on all shares (other than fully paid shares) registered in the name of a member for all moneys (whether presently payable or not) payable by him or his estate to the Company; but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The Company's lien, if any, on a share shall extend to all dividends payable thereon.

Existing Provisions

15. Joint holders.

The joint holders of a shares shall be jointly and severally liable to pay all calls and instalments in respect thereof.

Amended Provisions

Deleted.

Existing Provisions

22. Registration of transfers.

The Company shall not refuse to register or give effect to any transfer or fail to register any transfer in registrable form except where the registration of the transfer would result in a contravention of or failure to observe the provisions of a law of Malaysia or these Articles.

Amended Provisions

Deleted.

Special Resolution No. 1

proposed amendments to the Articles of Association

23. *Existing Provisions*
Directors may refuse registration of transfers.
- The Directors may, in their discretion, refuse to register a transfer of any share on which the Company has a lien or where the registration of the transfer would result in a contravention of or failure to observe the provisions of any of the laws of Malaysia.
- Amended Provisions*
Deleted.
- 23.(A) *Existing Provisions*
Notice of refusal.
- If the Directors refuse to register a transfer pursuant to Articles 22 or 23 above, they shall within three (3) Market Days after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal in accordance with section 105 of the Act.
- Amended Provisions*
Deleted.
24. *Existing Provisions*
Transfer fee.
- The Company shall be entitled to charge a fee not exceeding Ringgit Malaysia Three (RM3/-) (or such other amount as the Exchange may from time to time prescribe plus the amount of the proper stamp duty chargeable under any law for the time being in force relating to stamp duty on the registration of every transfer.
- Amended Provisions*
Deleted.
25. *Existing Provisions*
Closing of Register.
- The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year. Eighteen (18) Market Days' notice or such other period as may from time to time be specified by the Exchange, of intention to close the Register shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Exchange. The said notice shall state the period and purpose(s) for which the Register is being closed. The Company shall give notice in accordance with the Rules to the Central Depository to prepare the appropriate Record of Depositors.
- Amended Provisions*
Closing of Register.
- The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year. Twelve (12) clear Market Days' notice or such other period as may from time to time be specified by the Exchange, of intention to close the register shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Exchange. The said notice shall state the period and purpose(s) for which the Register is being closed. The Company shall give notice in accordance with the Rules to the Central Depository to prepare the appropriate Record of Depositors.

Special Resolution No. 1

proposed amendments to the Articles of Association

26. *Existing Provisions*
Transmission.

In the case of the death of a member the survivors or survivor, where the deceased was a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder shall be the only person recognised by the Company as having any title to his shares, but nothing herein contained shall release the estate of deceased joint holder from any liability in respect of any share jointly held by him.

Amended Provisions
Transmission.

In the case of the death of a Member, the legal personal representative or representatives of the deceased shall be the only persons recognised by the Company as having any title to his interest in the shares.

43.(1) *Existing Provisions*
Notice of meetings.

Subject to the provisions of the Act relating to Special Resolution, the notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all members, at least fourteen (14) days (which period shall include not less than ten (10) Market Days) before the meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen (14) days' (which period shall include not less than ten (10) Market Days) notice of every such meeting shall also be given by advertisement in the daily press and in writing to each Exchange upon which the Company is listed. With the consent of all the members, a meeting may be convened upon a short notice, and in such manner as such persons may approve. The accidental omission to give such notice to or the non-receipt of such notice by any person shall not invalidate the proceedings or any resolution passed at any such meeting.

Amended Provisions
Notices of meetings.

Any general meeting at which it is proposed to pass a special resolution or (save as provided by the Act) where it is an annual general meeting shall be called by twenty-one (21) days notice in writing at the least, and any other general meeting by fourteen (14) days notice in writing at the least (exclusive in either case of the day on which it is served or deemed to be served and of the day for which it is given) shall be given by advertisement in the daily press and in writing to the Auditors, the Exchange and to all members other than such as under the provisions of these Articles are not entitled to receive such notices from the Company. Every notice calling a general meeting shall specify the place, the day and the hour of the meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. The accidental omission to give such notice to or the non-receipt of such notice by any person shall not invalidate the proceedings or any resolution passed at any such meeting.

43.(2) *Existing Provisions*
The Company shall by written request made in duplicate in the prescribed form, request the Central Depository in accordance with the Rules, to prepare the Record of Depositors to whom notices of general meetings shall be given by the Company.

Amended Provisions
The Company shall request the Central Depository in accordance with the Rules, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company.

Special Resolution No. 1

proposed amendments to the Articles of Association

Existing Provisions

- 43.(3) The Company shall inform the Central Depository of the dates of general meetings and shall in written request made in duplicate in the prescribed form, request the Central Depository in accordance with the Rules, to prepare the Record of Depositors. The general meeting Record of Depositors shall be the final record of all Depositors who shall be deemed to be the registered holders of ordinary shares of the Company eligible to be present and vote at such meetings.

Amended Provisions

The Company shall also request the Central Depository in accordance with the Rules, to issue a Record of Depositors, as at a date not less than three (3) market days before the general meeting (hereinafter referred to as “the General Meeting Record of Depositors”).

Existing Provisions

- 43.(4) New provision to be inserted immediately after Article 43(3).

Amended Provisions

Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors”.

Existing Provisions

54. Joint holder.

In the case of joint holders of shares, any one of such persons may vote, but if more than one of such persons be present at a meeting, the person whose name stands first on the Register shall alone be entitled to vote.

Amended Provisions

Deleted.

Existing Provisions

- 56.(1) New provision to be inserted immediately after Article 56.

Amended Provisions

Appointment of more than one proxy.

Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.

Existing Provisions

65. Determination of Director to retire.

An election of Directors shall take place each year. The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who become Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. All Directors except a managing director shall retire from office once at least in each three years, but shall be eligible for re-election.

Amended Provisions

Determination of Director to retire.

An election of Directors shall take place each year. The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who become Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. All Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

Special Resolution No. 1

proposed amendments to the Articles of Association

- Existing Provisions**
72.(6) Office of Directors vacated in certain cases. The office of Director shall become vacant if the Director:-

for more than six months is absent without permission of the Directors from meetings of the Directors held during that period;
- Amended Provisions**
Office of Directors vacated in certain cases. The office of Directors shall become vacant if the Director:-

“is absent from more than 50% of the total Board meetings held during a financial year”;
- Existing Provisions**
80.(A). New provision to be inserted immediately after Article 80
- Amended Provisions**
Meetings by telephone, videophone etc.

Directors or members of a committee of Directors (as the case may be) may participate in a meeting of Directors or a committee of Directors (as the case may be) by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- Existing Provisions**
90. Resolutions in writing signed by Directors effective.

A resolution in writing signed by a majority of the Directors for the time being or their alternates not being less than two Directors shall be as valid and effectual as if it had been passed by a meeting of Director duly called and constituted.
- Amended Provisions**
Resolutions in writing signed by Directors effective.

A resolution in writing signed by a majority of the Directors for the time being or their alternates not being less than two Directors shall be as valid and effectual as if it had been passed by a meeting of Director duly called and constituted and may consist of several documents in the like form each signed by one or more Directors.
- Existing Provisions**
91. Appointment of Managing Director.

The Directors may from time to time appoint one or more of their body to the office of managing director for such period and on such terms as they think fit and, subject to the terms of any agreement entered into in any particular case, may revoke any such appointment. PROVIDED ALWAYS that where the managing director is appointed for a fixed term, the term shall not exceed five (5) years. A Director so appointed shall not, while holding that office, be subject to retirement by rotation or be taken into account in determining the rotation of retirement of Directors, but his appointment shall be automatically determined if he ceases from any cause to be a Director.
- Amended Provisions**
Appointment of Managing Director.

The Directors may from time to time appoint one or more of their body to the office of managing director for such period not exceeding three (3) years and on such terms as they think fit and subject to the terms of any agreement entered into in any particular case, may revoke any such appointment. His appointment shall be automatically determined if he ceases from any cause to be a Director.

Special Resolution No. 1

proposed amendments to the Articles of Association

Existing Provisions

97.(A) Profit and loss account, etc.

Once at least in every year, the Directors shall lay before the Company in general meeting a profit and loss account for the period since the preceding account or (in the case of the first account) since the incorporation of the Company, made up to a date not more than six (6) months before such meeting. A balance sheet shall be laid before the Company in general meeting. The said profit and loss account and balance sheet shall accompanied by such reports and documents and shall contain such particulars as are prescribed by the Act, and the Directors shall in their report state the amount which they recommend to be paid by way of dividend and the amount (if any) which they propose to carry to any reserve. The auditors' report shall be attached to the balance sheet and shall be read before the Company in general meeting and be open to inspection by any member as required by the Act. The interval between the close of a financial year of the Company and the issue of annual reports relating to it shall not exceed six (6) months.

Amended Provisions

Profit and loss account, etc.

The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the section. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the Directors' and Auditors' reports shall not exceed four (4) months. A copy of each such documents shall not be sent less than twenty (21) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such documents as may be required by the Exchange shall at the same time be likewise sent to the Exchange: provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.

Existing Provisions

105. Payment by post and discharged.

Any dividend, interest, or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post direct to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the Register or to such person and to such address as the holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one or two or more joint holders may give effectual receipts for any dividends, bonuses, or other money payable in respect of the shares held by them as joint holders.

Amended Provisions

Payment by post and discharged.

Any dividend, interest, or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post direct to the registered address of the holder or to such person and to such address as the holder may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

Existing Provisions

109. Notices to joint holders

A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder, first named in the Register in respect of the share.

Amended Provisions

Deleted.

Special Resolution No. 1

proposed amendments to the Articles of Association

Existing Provisions

112.(B) Liquidator's commission.

On a voluntary liquidation of the Company, no commission or fee shall be paid to a liquidator unless it shall have been ratified by the members. The amount of such payment shall be notified to all members at least seven (7) days prior to the meeting at which it is to be considered.

Amended Provisions

Liquidator's commission

On a voluntary liquidation of the Company, no commission or fee shall be paid to a liquidator unless it shall have been approved by the members. The amount of such payment shall be notified to all members at least seven (7) days prior to the meeting at which the commission or fee is to be considered.

Existing Provisions

120. New provisions to be inserted immediately after Article 119.

Amended Provisions

Effect of the Listing Requirements

- (1) Notwithstanding anything contained in these Articles, if the Listing Requirements prohibit an act being done, the act shall not be done.
- (2) Notwithstanding anything contained in these Articles prevents an act being done that the Listing Requirements require to be done.
- (3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- (4) If the Listing Requirements require these Articles to contain a provision and they do not contain such a provision, these Articles are deemed to contain that provision.
- (5) If the Listing Requirements require these Articles not to contain a provision and they contain such a provision, these Articles are deemed not to contain that provision.
- (6) If any provision of these Articles is or becomes inconsistent with the Listing Requirements, these Articles are deemed not to contain that provision to the extent of the inconsistency.

For the purpose of these Articles, unless the context otherwise requires, "Listing Requirements" means the Listing Requirements of Kuala Lumpur Stock Exchange including any amendments to the Listing Requirements that may be made from time to time.

Thong Guan Industries Berhad (324203-K)

Proxy Form

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 SIXTH 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, 27 June 2001 at 11.30 a.m. or at any adjournment thereof.

| | RESOLUTIONS | FOR | AGAINST |
|-------------|-----------------------|-----|---------|
| 1. | Ordinary Resolution 1 | | |
| 2. (i) (a) | Ordinary Resolution 2 | | |
| 2. (i) (b) | Ordinary Resolution 3 | | |
| 2. (ii) (a) | Ordinary Resolution 4 | | |
| 2. (ii) (b) | Ordinary Resolution 5 | | |
| 2. (iii) | Ordinary Resolution 6 | | |
| 3. | Ordinary Resolution 7 | | |
| 4. | Ordinary Resolution 8 | | |
| 5. (i) | Ordinary Resolution 9 | | |
| 5. (ii) | Special Resolution 1 | | |

(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 _____ 2001

Signature of Shareholder

No. of Ordinary Shares Held

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 48 hours before the time appointed for holding the meeting or adjourned meeting.



Fold Along This Line

AFFIX
POSTAGE
STAMP

The Secretary
Thong Guan Industries Berhad,
1st Floor (Room 102),
Wisma Penang Garden,
42 Jalan Sultan Ahmad Shah,
10050 Penang.

Fold Along This Line