

A world of opportunities



Annual Report 2003



Thong Guan Industries Bhd.

(324203-K)



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Corporate Information

Board of Directors

Ang Toon Cheng @ Ang Tong Sooi	(Chairman, Non Independent Executive Director)
Tengku Makram Bin Tengku Ariff	(Deputy Chairman, Independent Non Executive Director)
Ang Poon Chuan	(Managing Director)
Ang Toon Piah @ Ang Toon Huat	(Non Independent Executive Director)
Ang Poon Seong	(Non Independent Executive Director)
Ang Poon Kang	(Non Independent Executive Director)
Ang Poon Khim	(Non Independent Executive Director)
Datuk Ahmad Bin Tokimin	(Non Independent Non Executive Director)
Lee Eng Sheng	(Independent Non Executive Director)

Audit Committee

Tengku Makram Bin Tengku Ariff (Chairman, Independent Non Executive Director)
Ang Poon Chuan (Managing Director)
Lee Eng Sheng (Independent Non Executive Director)

Nomination Committee

Lee Eng Sheng (Chairman)
Tengku Makram Bin Tengku Ariff (Member)

Remuneration Committee

Lee Eng Sheng (Chairman)
Tengku Makram Bin Tengku Ariff (Member)
Ang Poon Chuan (Member)

Registered Office

Suite 2-1, 2nd Floor, Menara Penang Garden
42A Jalan Sultan Ahmad Shah, 10050 Penang
Telephone : 04-2294390
Facsimile : 04-2265860

Principal Place of Business

Lot 52, Jalan PKNK 1/6, Kawasan Perusahaan Sungai Petani
08000 Sungai Petani, Kedah Darul Aman
Telephone : 04-4417888
Facsimile : 04-4419888

Company Secretary

Lam Voon Kean
MIA 4793

Share Registrar

AGRITEUM Share Registration Services Sdn. Bhd.
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah, 10050 Penang
Telephone : 04-2282321
Facsimile : 04-2272391

Auditor

KPMG
Chartered Accountants
1st Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah, 10050 Penang

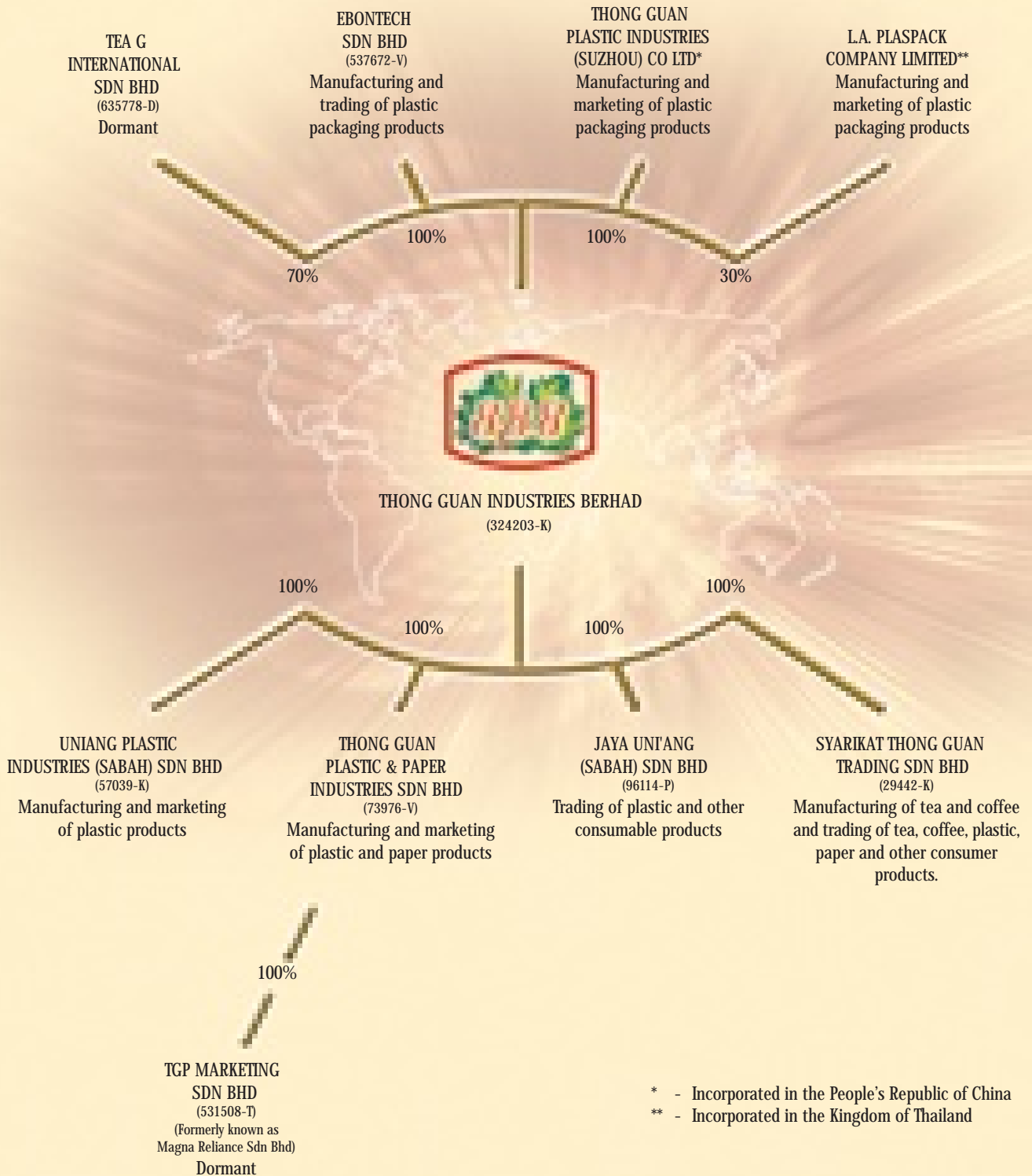
Principal Bankers

HSBC Bank Malaysian Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
Citibank Berhad

Stock Exchange Listing

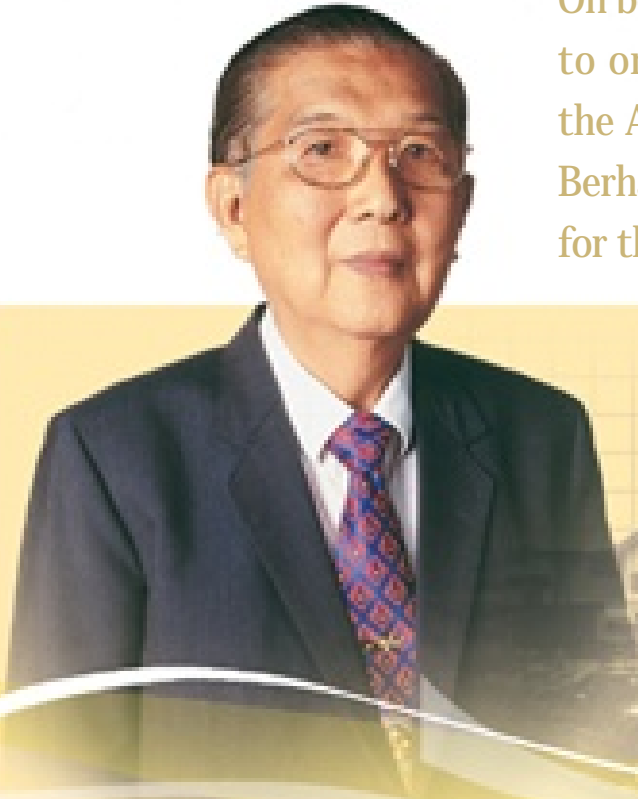
The Main Board,
Bursa Malaysia Securities Berhad

Group Structure & Principal Activities



Chairman's Statement

On behalf of the Board of Directors, I am pleased to once again present the Annual Report and the Audited Accounts of Thong Guan Industries Berhad and its subsidiary companies (the Group) for the financial year ended 31 December 2003.



Ang Toon Cheng @ Ang Tong Sooi
Chairman, Non Independent Executive Director

Economic Review

The year 2003 was characterised by contrasting periods. The first half generally featured negative developments with global geopolitical tensions stemming from the war in Iraq and the regional health concerns over the Severe Acute Respiratory Syndrome (SARS) which affected much of China, Hong Kong SAR, Taiwan and Singapore, all major markets for the Group. These uncertainties have caused business and recreation travel to be reduced to mere necessity and caused major losses to the travel and hospitality industries. In the second half however, the Malaysian economy showed resilience and recovered strongly with growth of 5.2% and 6.4% (highest since 2000) in the third and final quarters respectively. These are aided by the containment of SARS, the short-lived Iraq War, the smooth leadership transition with a new Prime Minister and the Government's expansionary stimulus package aimed at mitigating the negative developments and also to encourage domestic investments. With improved global and regional economic performance, Malaysia achieved an economic growth of 5.2% for 2003, higher than the forecasted 3.5% to 4% mentioned in my last report and also higher than the 4.2% achieved in 2002.

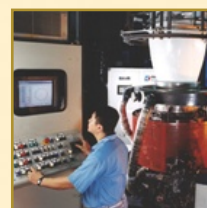
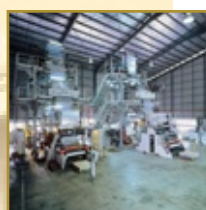
Industry Trends & Development

The manufacturing sector in Malaysia reversed its declining trend of 2001 and 2002 by registering an impressive growth of 8.2% for 2003 boosted by export sales to OECD countries mainly to the United States (US), Japan and the European Union (EU) which grew by 2.7%, 2.1% and 0.5% respectively. The investment scene also steadily turned more positive in 2003. The value of approved manufacturing projects rose 62% to RM 29.1 billion from RM 17.9 billion in 2002. Of this amount, foreign direct investment increased to RM 15.6 billion from RM 11.6 billion in 2002.

The total turnover of the Malaysian Plastic industry grew by an estimated 7% to approximately RM 9.4 billion from the 5% rate achieved in 2002. This is also higher than the forecast figure of 5%. The growth was mainly contributed by the growth in construction (20%) and export (16%) sectors whereas the automotive (-18%) and electrical & electronics (-6%) sectors have experienced some decline. The packaging sector experienced a 7% growth to RM 3.3 billion from RM 3.1 billion recorded in 2002 boosted mainly by export sales. Export of plastic bags increased 6.5% to RM 891 million while that of plastic films (mainly stretch films) increased 10% to RM 301 million.

Source: The Malaysian Plastic Manufacturers Association

Chairman's Statement



Group Performance

The Group resumed its trend of achieving record profitability and revenue in 2003 with after-tax profit and revenue crossing the RM 20 million and RM 200 million levels respectively for the first time in the history of the Group. In particular, the net profit of RM 21.7 million was 102.2% higher than the RM 10.7 million achieved in 2002. Earnings per share improved to 33.9 sen from 16.9 sen in 2002, an increase of 100.6%. Group revenue increased by 27.8% to RM 226.3 million. The growth in profitability was attributable to a culmination of factors including the growth of revenue mainly from export sales, the contribution from the Group's China based operation, the continued weakening of the US dollars which made export conducive, continued cost cutting measures and internal restructuring.

Prospects

Economic growth in Malaysia in 2004 is expected to exceed the 2003 achievement with GDP forecasted to grow between 6% - 6.5% helped by the promising expected growth of 4.1% in the US, 2.1% in Japan and 1.7% in the EU. The International Monetary Fund (IMF) has projected the global GDP to grow at an encouraging rate of 4.1% in 2004 after registering a growth of 3.2% in 2003. The manufacturing sector in Malaysia is expected to grow by 10.6% in 2004 with export growth to the OECD countries auguring well. With the positive outlook for the manufacturing sector, the plastic industry is forecasted to grow at between 8% and 10% for 2004 with total turnover to exceed RM 10 billion for the first time. Moving forward in 2004, the Group is looking forward to capitalise on the conducive business conditions brought about by supportive Government policies, optimistic regional and global economic outlook and growing consumer and business confidence.

The Group will build on the strong momentum of its continued export growth and expansion of its China based operations whilst continuing to consolidate its position as one of the largest producer of stretch film in Asia Pacific and exporter of garbage bag and other packaging bags and films in Asia. The projected sustainable rapid growth in China of around 7.5% in the long run augurs well for the Group's expansion plan. The Group is optimistic that it will be able to improve on its 2003 financial performance in the current year.

Acknowledgements

In 2004, Tuan Haji Mohd Salleh Bin Zakaria has ceased to be a member of the Board and of the Audit Committee. I wish to place on record our appreciation and gratitude to Tuan Haji Mohd Salleh for his contributions and efforts both as a Director and member of the Audit Committee.

On behalf of the Board of Directors, I would like to extend our gratitude to the management and staff of the Thong Guan Group for their dedication and commitment which have enabled the Group to once again achieve record profitability and revenue under tough economic conditions. I would also like to thank my fellow Directors for their invaluable support and advice and to our shareholders, business partners, advisers and customers for their valued support and confidence in the Group.

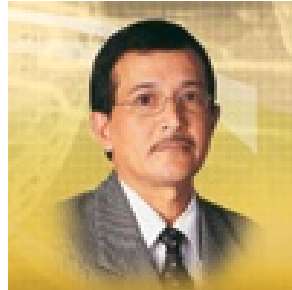
Ang Toon Cheng
Chairman

Directors' Profile



Mr Ang Toon Cheng @ Ang Tong Sooi, aged 77, Malaysian, was appointed as the Non Independent Executive Chairman of Thong Guan Industries Berhad (TGI) on 18 September 1997. He finished his high school and was the co-founder of Thong Guan's initial operations in 1942. He has accumulated a wealth of business experience in the fields of beverages, plastics and trading businesses and has guided the company over the years in its expansion path. Mr Ang was the past Presidents of the Malaysian Tea Merchants Association and the Malaysian Plastic Manufacturers Association (MPMA) (Northern Branch). He was also active in community activities and was the former Chairman, Merbok Division of the MCA and the past Vice President of the Malaysian Table Tennis Association.

He has attended all the five Board meetings held for the financial year. He is the father of Mr Ang Poon Chuan, Mr Ang Poon Khim and Mr Ang Poon Seong and the brother of Mr Ang Toon Piah. He is a major shareholder of Foremost Equals Sdn. Bhd., which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.



YM Tengku Makram Bin Tengku Ariff, aged 53, Malaysian, was appointed as the Independent Non-Executive Deputy Chairman on 18 September 1997. Tengku Makram completed his middle certificate of education (MCE) and served in the Royal Malaysian Armed Forces before venturing into business. He was involved in property development and construction and operates a motocar distribution dealership.

He serves as the Chairman of the Audit Committee of TGI. He is also a member of the Nomination and Remuneration Committees of TGI. He has attended four out of the five Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He is also an Executive Director of Kemayan Corporation Bhd. He had no conviction for offences within the past 10 years.



Mr Ang Poon Chuan, aged 60, Malaysian, was appointed as the Managing Director on 18 September 1997. He completed his MCE prior to joining Thong Guan as a Marketing Executive in 1965. He rose through the ranks to the position of Managing Director of Syarikat Thong Guan Trading Sdn. Bhd. and Thong Guan Plastic & Paper Inds. Sdn. Bhd., both currently are wholly owned subsidiary of TGI in 1983. During his 39 years of service, he has gained extensive knowledge of the plastic, paper, food, beverages and trading business and has developed invaluable business acumen and foresight that has shaped TGI to its present stature. He is a well respected figure in the plastic industry and was the former President of the MPMA (Northern Branch).

He serves as the Chairman of the Employees' Share Option Scheme Committee and a member of the Audit and Remuneration Committees. He has attended all the five Board meetings held for the financial year. He is the son of Mr Ang Toon Cheng and the brother of Mr Ang Poon Khim and Mr Ang Poon Seong. He is a major shareholder of Foremost Equals Sdn. Bhd., which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.

Directors' Profile



Mr Ang Toon Piah @ Ang Toon Huat, aged 75, Malaysian, was appointed as the Non-Independent Executive Director on 18 September 1997. He finished his middle high school and co-founded Thong Guan's initial operation in 1942. He has gained more than 50 years experience in the Business of TGI having played major roles in its growth from a small trading outfit engaged in van sales to a reputable public company.

He has attended all the five Board meetings held for the financial year. He is the father of Mr Ang Poon Kang, and the brother of Mr Ang Toon Cheng. He is a major shareholder of Foremost Equals Sdn. Bhd., which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.



Mr Ang Poon Khim, aged 50, Malaysian, was appointed as the Non-Independent Executive Director on 18 September 1997. He obtained a Bachelor of Science (Hons) degree in Mechanical Engineering from Teeside Polytechnic, United Kingdom in 1980. He joined Thong Guan in 1981 after a spell as a Test Engineer at Advance Micro Devices (Export) Sdn. Bhd. He has contributed to developing the production processes and was instrumental in developing the industrial and export sales of TGI. He is presently the Operations Director and is responsible for overseeing the production and sales functions of TGI.

He serves as a member of the Employee's Share Option Scheme Committee. He has attended all the five Board meetings held for the financial year. He is the son of Mr Ang Toon Cheng and the brother of Mr Ang Poon Chuan and Mr Ang Poon Seong. He is a major shareholder of Foremost Equals Sdn. Bhd., which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.



Mr Ang Poon Seong, aged 48, Malaysian, was appointed as the Non-Independent Executive Director on 18 September 1997. He is the Managing Director of Jaya Uniang (Sabah) Sdn. Bhd. and Uni'ang Plastic Inds. (Sabah) Sdn. Bhd., both are currently wholly owned subsidiary of TGI. He completed his MCE and joined Thong Guan as a Marketing Executive in 1976 and was sent to Sabah to spearhead the Company's expansion there in 1980. Under his stewardship, the Sabah operations has grown to be the largest plastic packaging manufacturer in Sabah. He is also the President of the MPMA (Sabah Branch) and the President of the Federation fo Sabah Manufacturers.

He serves as a member of the Employees' Share Options Scheme Committee. He has attended four out of the five Board meetings held for the financial year. He is the son of Mr Ang Toon Cheng and the brother of Mr Ang Poon Chuan and Mr Ang Poon Khim. He is a major shareholder of Foremost Equals Sdn. Bhd., which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.

Directors' Profile



Mr Ang Poon Kang, aged 48, Malaysian, was appointed to the Board of Director on 18 September 1997. He is presently a Non-Independent Executive Director of TGI. He completed his MCE and joined Thong Guan in 1979. In 1980 he was sent to Kelantan to expand the Ang Family's business there.

He has attended four out of the five Board meetings held for the financial year. He is the son of Mr Ang Toon Piah. He is a major shareholder of Foremost Equals Sdn. Bhd., which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.



Datuk Ahmad Bin Tokimin, aged 60, Malaysian, was appointed as the Non-Independent Non-Executive Director on 6 October 2000. He obtained a Masters Degree in Public Administration from University of Wisconsin, United States in 1979 and a Bachelor of Arts (Hons) Social Science from University of Exeter, United Kingdom in 1969. He also holds a Diploma in Public Administration (University Malaya) and a Diploma in Islamic Studies (Universiti Kebangsaan Malaysia). He was with Government service for more than 20 years and has held various senior positions including that of Director General of Federal Agriculture Marketing Authority, Director of Federal Development Department (Sabah) and Deputy Secretary Generals of both the Ministry of Defence and Ministry of Education.

He has attended all the five Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He also sits on the board of Koperasi Setia Malaysia Berhad. He had no conviction for offences within the past 10 years.



Mr Lee Eng Sheng, aged 41, Malaysian, was appointed as the Independent Non-Executive Director on 28 March 2002. He obtained a Bachelor of Accountancy (Hons) Degree from Universiti Utara Malaysia and is a member of the Malaysian Institute of Accountants. He has worked in the accounting and finance fields in various capacity since 1988 and is presently the Finance Director of publicly listed Chee Wah Corporation Berhad.

He serves as the Chairman of both the Nomination and Remuneration Committees as well as a member of the Audit Committee of TGI. He has attended four out of the five Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He also sits on the board of Chee Wah Corporation Berhad. He had no conviction for offences within the past 10 years.

Corporate Governance Statement

The Board of Directors of Thong Guan Industries Berhad (the “Board”) fully subscribe to and support the Malaysian Code on Corporate Governance (the “Code”) and the Listing Requirements (the “Listing Requirements”) of the Bursa Malaysia Securities Berhad (“BMSB”). The Board considers corporate governance as synonymous with three key concepts, namely transparency, accountability and integrity.

The Board continuously evaluates the status of the Group’s corporate governance practices and procedures with a view to adopt and apply, where practicable, the Principles and Best Practices enshrined in Parts 1 and 2 respectively of the Code in its quest to enhance shareholder value.

The Board is pleased to provide the following statements, which outline the main corporate governance practices that were in place throughout the financial year, unless otherwise stated.

Principles Statement

The following statement sets out how the Company has applied the Principles in Part 1 of the Code. The Principles are dealt with under the headings of Board of Directors, Directors’ remuneration, Shareholders and Accountability and audit.

A. Board of Directors

Board duties and responsibilities

The Group acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately to enhance long-term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including the strategic direction, establishing goals for the management and monitoring the achievement of these goals.

The Board delegates the day-to-day operations of the Group to the Executive Directors, who have vast experience in the business of the Group.

Meetings

The Board meets on a scheduled basis at least four (4) times a year with additional meetings convened when urgent and important decisions need to be made in between the scheduled meetings. During the financial year, the Board met on five (5) occasions, where it deliberated upon and considered a variety of matters including the Group’s financial results, major investments and strategic decisions of the Group.

Board papers, minutes of the last meetings and agenda are circulated within reasonable time before each meeting to render Directors sufficient time to evaluate and address the issues concerned. During the meetings, the Board is briefed by the Managing Director, and where appropriate, board papers that encompass mainly financial information are made available to Directors. This enables the Directors to obtain further explanations where necessary. All proceedings at Board meetings are recorded and the minutes signed by the Chairman of the meeting.

Details of Directors’ attendance at meetings during the financial year are as follows:

Director	Attendance
Mr Ang Toon Cheng @ Ang Tong Sooi	5/5
Tengku Makram Bin Tengku Ariff	4/5
Mr Ang Poon Chuan	5/5
Mr Ang Toon Piah @ Ang Toon Huat	5/5
Mr Ang Poon Seong	4/5
Mr Ang Poon Kang	4/5
Mr Ang Poon Khim	5/5
Datuk Ahmad Bin Tokimin	5/5
Mr Lee Eng Sheng	4/5
Tuan Haji Mohd Salleh Bin Zakaria (ceased on 2 January 2004)	2/5

Board Committees

The Board delegates appropriate responsibilities to Board Committees, namely an Audit Committee, a Nominating Committee and a Remuneration Committee, in order to enhance business and operational efficiency and efficacy. Terms of reference as well as operating procedures have been established for all Board Committees and the Board receives reports of their proceedings and deliberations. The Chairmen of the Committees report to the Board the outcome of the Committee meetings and such reports are incorporated in the minutes of the full Board meeting.



Corporate Governance Statement

Board balance

During the financial year under review, the Board consisted of ten (10) members; comprising three (3) Independent Non-Executive Directors within the meaning of Chapter 1.01 of the Listing Requirements, one (1) Non-Executive Director and the balance Executive Directors. The Board has complied with Paragraph 15.02 of the Listing Requirements to ensure that it has one-third in number of Independent Non-Executive Directors during the financial year ended 31 December 2003.

The Board has within it, professionals drawn from varied backgrounds who bring with them indepth and diverse experience and expertise to the Group's business operations. Together with the Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all areas of its activities. A brief profile of each Director is presented on pages 6 to 8 of this Annual Report.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Managing Director has overall responsibilities over the operating units, organizational effectiveness and implementation of Board policies and decisions. The presence of Independent Non-Executive Directors is essential as they provide an unbiased and independent view, advice and judgement on decisions to be made by the Board.

The Board notes the Code's recommendation that a Senior Independent Non-Executive Director to whom concerns of other Board members may be conveyed be identified and has, accordingly, appointed Tengku Makram Bin Tengku Ariff as the Senior Independent Non-Executive Director.

The Board is of the view that its current size is adequate whilst the experience of its members enables it to effectively discharge its responsibilities. In addition, the Board believes that the current composition of members fairly reflects the investment of minority shareholders in the Company.

Supply of information

The Chairman ensures that all Directors have full and timely access to information with an agenda on matters requiring Board's consideration issued with appropriate notice and in advance of each meeting to enable Directors to obtain further explanations, from the Managing Director or his management team, in order to be sufficiently briefed and prepared before the meetings.

All Directors have access to the advice and services of the Company Secretary in carrying out their duties.

Directors' training

The Board through the Nomination Committee ensures that it recruits to the Board only individuals with sufficient calibre, knowledge and experience to fulfill the duties of a Director. Although a formal training programme is yet to be in place, all the Directors have attended and completed the Mandatory Accreditation Programme (MAP) conducted by KLSE Training Sdn Bhd. The Directors will continue to undergo other relevant training programmes like the Continuing Education Program as required by the BMSB to further enhance their skills, knowledge and capabilities.

Appointments to the Board

Nominating Committee

A Nominating Committee was established by the Board on 20 November 2002 and consists of the following members:

Mr Lee Eng Sheng	-	Chairman, Independent Non-Executive Director
Tengku Makram Bin Tengku Ariff	-	Member, Independent Non-Executive Director

The Board appoints its members through a formal and transparent process via the Nominating Committee. The Nominating Committee is entrusted to bring to the Board recommendations on the appointment of new Directors. Additionally, under its terms of reference, the Nominating Committee reviews the Board structure, size and composition and systematically assesses the effectiveness of the Board, its Committees and the contribution of each individual Director on an annual basis. The Nominating Committee is empowered to seek professional advice within or outside the Group as it considers necessary in the discharge of its responsibilities.

Corporate Governance Statement

Nominating Committee (cont'd)

During the financial year, the Committee met once, attended by all members, to deliberate on the retirement by rotation of Directors and their eligibility for re-election at the Annual General Meeting, adopted the terms of reference and carried out annual appraisal to assess the effectiveness of the Board as a whole.

The Company Secretary will ensure that all the necessary information is obtained and that all legal and regulatory obligations are met before appointments of any new Directors are made.

Re-election of Directors

In accordance with the Company's Articles of Association, one-third of the Board, including the Managing Director, are subject to retirement by rotation at each Annual General Meeting ("AGM"). In any case, each Director shall retire from office at least once in every three (3) years. These retiring Directors shall be eligible for re-election. Newly appointed Directors shall hold office until the next AGM and shall be eligible for re-election. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act 1965. Such provisions give an opportunity to shareholders to renew or extinguish their mandate. The election of each Director is voted on separately. In order to assist shareholders in their decision, pertinent information such as personal profile, meeting attendance and the shareholdings in the Group of each Director standing for election are furnished in the Annual Report accompanying the Notice of AGM.

B. Directors' remuneration

Fees payable to Directors during the financial year are approved by shareholders at the Annual General Meeting.

The Board established a Remuneration Committee on 20 November 2002, and its members are:

Mr Lee Eng Sheng	-	Chairman, Independent Non-Executive Director
Mr Ang Poon Chuan	-	Member, Managing Director
Tengku Makram Bin Tengku Ariff	-	Member, Independent Non-Executive Director


The Remuneration Committee's responsibilities include developing and recommending a remuneration framework for Directors as well as the remuneration package for the Executive Directors of the Company. The adoption of remuneration packages for Directors, however, is a matter for the Board as a whole, with individual Directors abstaining from decision-making in respect of his remuneration package. During the financial year, the Committee met once attended by all members.

Details of the nature and amount of each major element of the remuneration of Directors of the Company (including those who resigned during and after the financial year) during the financial year, are as follows:

	Fees RM	Salaries RM	Bonuses RM	Other emoluments RM
Executive Directors	277,000	1,116,000	301,500	143,232
Non-Executive Directors	100,000	-	-	-

The remuneration of Directors, analysed into bands of RM50,000 each for the year ended 31 December 2003, is summarised as follows:

Range of Remuneration	Number of Directors	
	Executive Directors	Non-Executive Directors
Below RM50,000	-	4
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	1	-
RM150,001 to RM200,000	2	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	1	-
RM350,001 to RM400,000	-	-
RM400,001 to RM450,000	-	-
RM450,001 to RM500,000	1	-
RM500,001 to RM550,000	-	-
RM550,001 to RM600,000	1	-



Corporate Governance Statement

C. Shareholders

The Board acknowledges the need for shareholders and investors to be informed of the Group's business and corporate development. Timely release of quarterly financial results to the BMSB and other information and corporate actions taken by the Group that warrant an announcement to the BMSB under the Listing Requirements provide shareholders and investors with an up to date overview of the performance and operations of the Group.

The Board intends to maintain an active dialogue with shareholders. Whilst the Annual Report gives the shareholders a quick run through of the financial and operational performance of the Group, the Annual General Meeting and Extraordinary General Meeting provide a platform to shareholders to seek more information on the audited financial statements and operational matters.

While the Group endeavours to provide adequate information to shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price sensitive information.

During the financial year, the Directors and Management met regularly with investment analyst, institutional shareholders, investors and members of the press to brief them on the operations of the Group.

D. Accountability and audit

Financial reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of the results to shareholders as well as the Chairman's statement and review of the operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements of the Group and Company give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

State of internal controls

The Statement on Internal Control provides an overview of the state of internal control within the Group and is set out on pages 14 to 15 of the Annual Report.

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 17 to 18 of this Annual Report.

A summary of the activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on pages 16 to 17 of this Annual Report.

Corporate Governance Statement

Compliance statement

Save as disclosed below, the Group has substantially complied with the Best Practices set out in Part 2 of the Code throughout the year:

- The Board has not developed position description for the Board and the Managing Director nor a formal schedule of matters specifically reserved to it for decision. The Board recognizes the importance for a proper identification of the roles and limits of Management as well as a formal schedule on matters that require multiple Board signatures and/or Board decision and will consider enacting a Board Charter to delineate the roles and responsibilities of Executive and Non-Executive Directors;
- The Board does not have any agreed procedure for Directors, whether as a full Board or in their individual capacity, in furtherance of their duties to take independent professional advice at the Company's expense, if necessary. Any need for professional advice normally comes under the purview of the Board who will deliberate on a consensual basis.
- Pursuant to Best Practice Provision AA XIII of the Code on training to new recruits to the Board, the Company does not have a formal training programme for its new Directors since it is the Board's policy to recruit only individuals of sufficient calibre and experience to carry out the necessary duties of a Director. Nevertheless, the Board will review the necessity for a formal orientation programme for its new Directors from time to time.

Other Information

Non-audit fees

Non-audit fees amounting to RM88,791.60 for the Group and RM69,846.60 for the Company was paid to the external auditor of the Company for the financial year ended 31 December 2003.

Material contract

Since the end of the last report, there were no material contracts on the Company and Group involving Directors' and major shareholders interests.



Statement On Internal Control

Introduction

Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”) requires that the Board of Directors of public listed companies includes in its annual report a “statement about the state of internal control of the listed issuer as a group”. As the Board is committed to maintaining a sound system of internal control in the Group, it is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2003.

Board responsibility

The Board acknowledges its responsibility for the Group’s system of internal control, which includes the establishment of an appropriate control environment and framework, as well as reviewing its adequacy and integrity. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objective. As such, the system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter-alia, financial, organizational, operational and compliance controls and risk management.

Following the publication of the Statement on Internal Control: Guidance for Directors of Public Listed Companies (the “Internal Control Guidance”), the Board confirms that there is an ongoing process for identifying, evaluating, and managing significant risks faced by the Company and certain selected subsidiaries that accords with the Internal Control Guidance.

Risk management framework

The Board fully supports the Internal Control Guidance and, accordingly, appointed a firm of consultants to carry out an Enterprise Risk Management (“ERM”) review of selected pilot companies (comprising the Company and 2 subsidiaries) in the Group. The main objective of this review is to formalise and embed a risk management process across the Group in order to sensitise all employees within the Group to risk identification, evaluation, control, ongoing monitoring and reporting. The ERM review of these pilot companies was completed in May 2003. The formalisation of the Enterprise Risk Management framework encompasses the following initiatives, which were undertaken during the financial year:

- The issuance of a Risk Register, which is a compilation of principal business risks and controls of the pilot companies. Within each principal business risk is a description of the risk, its causes, the likelihood of it occurring and the severity of impact upon such a risk occurring. These information were obtained through interviews and workshops conducted with the Managing and Executive Directors, including operational managers/executives from the pilot companies;
- The development of risk profile, which highlighted the top risk areas and summarised key findings of the pilot companies;
- The issuance of a risk management policy and procedure document, which outlines the risk framework for the Group, specifying the reporting structure, and offering practical guidance to all employees on how to conduct risk assessment;
- The formation of a Risk Management Committee (“RMC”), headed by an Executive Director was authorised by the Board during the year. The RMC’s primary responsibility is to identify and communicate to the Board, on an ongoing basis, the critical risks the Group faces, their changes and action plans formulated by Management to manage the risks. At the date of this statement, the terms of reference for the RMC and the appointment of additional members have yet to be formalised; and
- The execution of risk-based internal audit by an external firm of consultants to review the adequacy and integrity of the system of internal control in managing the risks faced by the pilot companies.

As an extension of its initiative on corporate governance, the Board commissioned the same firm of consultants in December 2003 to roll out the ERM review to subsidiaries located in Sabah. The review was completed and the relevant reports issued to the Audit Committee in April 2004.

Statement On Internal Control

Following the establishment of the Group's enterprise risk management framework, the next steps in the risk management process are as follows:

- To roll out the ERM review to the remaining companies in the Group. The respective managers will need to consider the residual risk treatment options and prepare the relevant action plans, with implementation time scales to address the risk and control issues;
- Appoint a dedicated Risk Officer, or outsource to consultants, to update the risk profile of the Group at periodic intervals; and
- Submit quarterly risk management reports prepared by individual business units to the Risk Management Committee for onward tabling before the Board.

Internal audit function

The Group has in place an internal audit function to assist the Audit Committee and Board in the discharge of its duties and responsibilities relating to the adequacy and integrity of internal controls. The internal audit carries out an ongoing evaluation of the key business processes, which are significant to the operations of the Group and ensures that instituted controls are appropriate and effectively applied in addressing areas of concern.

To strengthen the internal audit function, the Board appointed external consultants to assist in the execution of risk-based internal audit in the pilot companies. The risk-based internal audit was based on a 3-year internal audit strategy and a detailed annual internal audit plan approved by the Audit Committee. During the financial year ended 31 December 2003, the external consultants carried out 2 cycles of internal audit to test the existence and effectiveness of the system of internal control of the pilot companies. Recommendations for improvements noted were followed up for implementation by Management.

The Audit Committee considers reports from internal audit and management before reporting and making recommendations to the Board in strengthening risk management, internal control and governance systems.

Other risk and control processes

Apart from internal audit and risk management, the Board has put in place the following pertinent measures to provide a certain level of assurance as to the operation and validity of the system on internal control as it relates to critical issues faced by the Group:

- The Board and Audit Committee rigorously review the quarterly financial results and reports and evaluate the reasons for unusual variances noted thereof;
- The close involvement of Executive Directors, who are hands-on in the operations of the Group. The Managing Director briefs the Board on significant changes in the business and external environment, which affect the operations of the Group at large;
- An organizational structure with formally defined lines of responsibility and delegation of authority has been put in place. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. The procedures include the establishment of limits of authority and policies on various operational areas. These procedures are relevant across the Group to provide for continuous assurance to be given at increasingly higher levels of Management and, finally to the Board;
- Operating policies and procedures of a major subsidiary, which incorporate regulatory and internal requirements, are prescribed in and guided by the ISO quality management documentation, which provide a certain level of assurance on the system of internal control on operations; and
- Management meetings chaired by the Managing Director are conducted regularly to review the financial performance, business development and deliberate on strategic and operational issues, especially on areas of vulnerability.

Weaknesses in internal controls that result in material losses

There were no material losses incurred during the financial year under review because of weakness in internal control. The Board, together with Management, remains vigilant and continues to take pertinent measures to strengthen the control environment of the Group.

This Statement is made in accordance with a resolution of the Directors dated 28 April 2004.

Audit Committee Report

Audit Committee Members

The Audit Committee currently comprises the following members: -

Tengku Makram Bin Tengku Ariff	- Chairman Independent Non-Executive Director
Ang Poon Chuan	- Member Managing Director
Lee Eng Sheng	- Member Independent Non-Executive Director (Member of Malaysian Institute of Accountants)

Attendance of meetings

During the financial year ended 31 December 2003, the Audit Committee held four (4) meetings to discuss matters relating to the accounting and reporting practices of the Group and Company. Details of attendance of each Audit Committee member are as follows: -

Date and Time	27.02.03 11:30am	24.04.03 11:30am	31.05.03 10:45am	06.11.03 10:00am
Tengku Makram Bin Tengku Ariff	✓	✓	✓	✓
Ang Poon Chuan	✓	✓	✓	✓
Lee Eng Sheng	✓	✓	✓	✓
Tuan Haji Mohd Salleh Bin Zakaria (Ceased on 2-1-2004)	-	-	✓	✓

The meetings were appropriately structured through the use of agenda, which were distributed to members with sufficient notification.

The Company Secretary or her representative was present by invitation at all the meetings. The Group's Senior Management, representatives of the external auditors, as well as representatives from the firm of consultants on the Enterprise Risk Management and outsourced internal audit also attended the meetings, where appropriate, upon invitation.

Summary of activities during the financial year

During the year, the Audit Committee carried out its duties in accordance with its terms of reference. The main activities undertaken by the Committee were as follows:

- Reviewed with the external auditors, the scope of their audit work and audit plan;
- Reviewed with the external auditors the results and findings of the audit and the audit report;
- Reviewed the annual financial statements of the Group and Company with the external auditors, prior to submission to the Board for its consideration and approval;
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval;
- Reviewed the results of the Enterprise Risk Management assignment carried out by a firm of consultants;
- Reviewed and approved the internal audit strategy and plan for the internal audit function to execute risk-based internal audit;
- Reviewed the internal audit report, which highlighted the audit issues and findings, recommendations and Management's comments thereto; and
- Reviewed pertinent issues, which had significant impact on the results of the Group.

Internal audit function

The primary function of Internal Audit Department is to assist the Audit Committee in discharging its duties and responsibilities. The Board recognizes the importance of the internal audit function and the independent status required of it to carry out the job effectively. The Internal Audit Department of the Group was established since 16 September 2002. To strengthen the internal audit function, the services of external consultants is also sought to assist in the execution of risk-based internal audit in the pilot companies. Their role is to provide the Audit Committee with independent and objective reports on the state of internal controls of the operating units within the Group to the extent of compliance by such units with the Group's established policies and procedures as well as those imposed by the regulatory requirements of the relevant authorities.

Audit Committee Report

Internal audit function (cont'd)

The areas audited by the external consultants were based upon the results of the Enterprise Risk Management assignment and were approved by the Committee prior to the commencement of the internal audit. During the financial year ended 31 December 2003, 2 cycles of risk-based internal audit were carried out.

Terms of Reference

Objectives

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities :

- assess the Group's processes relating to its risks and control environment;
- oversee the Group's financial reporting; and
- evaluate the internal and external audit processes.

Composition

The Board shall elect and appoint Committee members from amongst their numbers, comprising no fewer than three (3) Directors, the majority of whom shall be Independent Non-executive Directors of the Company.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if he/she is not a member of MIA, he/she must have at least three (3) years of working experience and:
 - he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he/she must be a member of the associations of accountants specified in Part II of the Accountants Act 1967.

In the event of any vacancy in the Audit Committee resulting from resignation, death or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of the event appoint such number of new members as may required to fill the vacancy.

The Chairman of the Committee shall be an Independent Non-Executive Director. All members of the Committee, including the Chairman, will hold office until otherwise determined by the Board.

Quorum and Committee's Procedures

The Committee shall meet at least four (4) times a year, or more frequently as circumstances dictate.

In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Secretary to the Committee shall be the Company Secretary. The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes shall be circulated to members of the Board.

The Committee may, as and when deemed necessary, invite other Board members and senior management members to attend the meetings.

The Chairman shall submit an annual report to the Board summarizing the Committee's activities during the year.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information it requires from any employee. All employees are directed to cooperate with any request made by the Committee.

The Committee may wish to obtain independent legal and professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this to be necessary, with the prior approval of the Board .



Audit Committee Report

Authority (cont'd)

The Committee shall be able to convene meetings with the external auditors, without the presence of the executive members of the Committee, whenever deemed necessary.

Responsibilities and duties

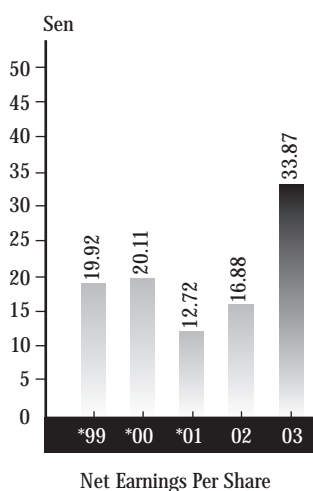
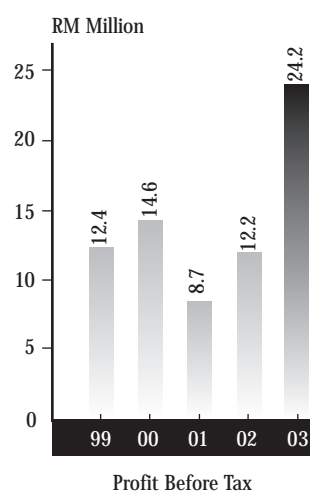
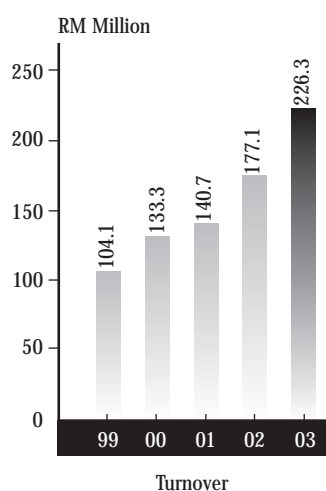
In line with the terms of reference and its primary objectives, the Committee shall undertake and carry out the following responsibilities and duties: -

- Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan;
- Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- Review the external and internal audit reports to ensure that Management takes appropriate and prompt remedial action on major deficiencies in controls or procedures that are identified;
- Review major audit findings and the Management's response during the year with Management, external auditors and internal auditors, including the status of previous audit recommendations;
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
- Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, to ensure balance between objectivity and value for money;
- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board;
- Review, budget and staffing of the internal audit department;
- Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/ or external auditors' evaluation of the said systems;
- Direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, fraud and thefts;
- Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:
 - any changes in or implementation of major accounting policies and practices;
 - going concern assumption;
 - significant or unusual events;
 - compliance with accounting standards and other legal requirements; and
 - significant adjustments arising from the audit;
- Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity;
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarizing the work performed in fulfilling the Committee's primary responsibilities;
- Review any appraisal, assessment, any appointment or termination of members of the internal audit function;
- Discuss the BMSB Listing Requirements and its Practice Notes, particularly on the Malaysian Code of Corporate Governance and the Statement of Internal Control;
- Review the External Auditors' management letter and management response to assess the adequacy and effectiveness of the system of internal control and accounting control procedures of the Company and the Group;
- Update and advise the Board on the latest changes and pronouncements that may be issued by the accountancy, statutory and regulatory bodies; and
- Any other activities, as authorised or instructed by the Board.

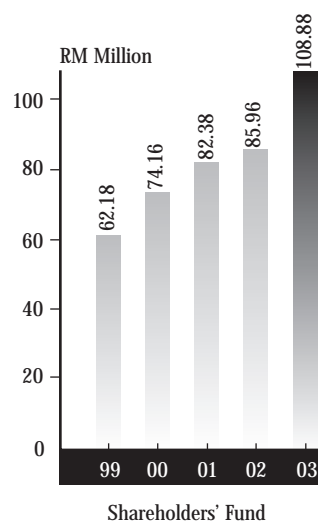
Financial Summary

In RM'000	1999	2000	2001	2002	2003
Turnover	104,126	133,326	140,679	177,137	226,318
Profit Before Taxation	12,441	14,631	8,726	12,172	24,158
Profit Attributable To Shareholders	12,100	12,291	7,906	10,750	21,734
Dividends	-	1,370	3,190	-	3,250
Shareholders' Fund	62,176	74,162	82,380	85,962	108,882
In Sen					
Earnings Per Share	* 19.92	* 20.11	* 12.72	16.88	33.87
Net Tangible Assets Per Share	* 102.35	* 119.87	* 132.44	134.72	167.52
Gross Dividend Per Share	-	5.00	5.00	-	5.00

* Adjusted for Bonus Issue (5 for 4)



* Adjusted for Bonus Issue (5 for 4)





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Directors' Report

for the year ended 31 December 2003

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 2003.

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 subsidiaries 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 for the year	<u>21,733,500</u>	<u>3,505,262</u>

RESERVES AND PROVISIONS

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

DIVIDEND

No dividend was paid since the end of the previous financial year.

A final dividend of 5% tax exempt has been recommended by the directors in respect of the year ended 31 December 2003, subject to the approval of shareholders at the forthcoming Annual General Meeting.

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 Ahmad Bin Tokimin	
Lee Eng Sheng	
Tuan Haji Mohd Salleh Bin Zakaria	(Ceased on 2.1.2004)

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

	Ordinary Shares of RM1 each Direct Interest				Balance at 31.12.2003
	Balance at 1.1.2003	ESOS Exercised	Bought	(Sold)	
The Company					
Ang Toon Cheng @ Ang Tong Sooi	200,250	-	-	-	200,250
Tengku Makram Bin Tengku Ariff	27,000	-	-	-	27,000
Ang Poon Chuan	243,000	126,000	-	-	369,000
Ang Toon Piah @ Ang Toon Huat	99,000	90,000	-	(100,000)	89,000
Ang Poon Seong	222,750	-	-	-	222,750
Ang Poon Kang	16,000	-	-	(2,000)	14,000
Ang Poon Khim	222,750	67,000	-	(12,000)	277,750

Directors' Report

for the year ended 31 December 2003

DIRECTORS OF THE COMPANY (cont'd)

None of the other directors holding office at 31 December 2003 had any interest in the ordinary shares of the Company during the financial year.

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

The Company	Option Price	Number of Options for Ordinary Shares			
		Balance at 1.1.2003	Option Granted	Option Exercised	Balance at 31.12.2003
Ang Toon Cheng @ Ang Tong Sooi	1.22	-	30,000	-	30,000
Ang Poon Chuan	1.00	203,000	-	(126,000)	77,000
	1.22	-	173,000	-	173,000
Ang Toon Piah @ Ang Toon Huat	1.00	90,000	-	(90,000)	-
	1.22	-	30,000	-	30,000
Ang Poon Seong	1.00	135,000	-	-	135,000
	1.22	-	70,000	-	70,000
Ang Poon Khim	1.00	135,000	-	(67,000)	68,000
	1.22	-	95,000	-	95,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received nor become entitled to receive any benefit (other than 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 the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than the following :

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

There were no arrangements during and at the end of the financial year which had the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of Employees' Share Option Scheme ("ESOS").

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up share capital of the Company was increased from RM63,810,000 to RM64,996,000 by the issue of 1,186,000 new ordinary shares of RM1 each at RM1.00 per share pursuant to the exercise of share options under the Company's ESOS.

These new shares are to be ranked pari passu in all respects with the existing ordinary shares of the Company in issue.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of ESOS.

The salient 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 ESOS by the Company in Annual General Meeting;

Directors' Report

for the year ended 31 December 2003

OPTIONS GRANTED OVER UNISSUED SHARES (cont'd)

- ii) The total number of shares to be offered under the ESOS shall not exceed 10% of the issued and paid up share capital of the Company at any time during the existence of the ESOS. However, in the event, the maximum number of shares comprise 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 Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange) for the 5 market days preceding the date of offer; and
 - b) the par value of the shares;
- v) The ESOS 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 persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

The options offered to take up unissued ordinary shares of RM1.00 each and the option prices are as follows :

Date of offer	Option Price	Number of Option Over Ordinary Shares of RM1 each				Balance at 31.12.2003
		Balance at 1.1.2003	Granted	Exercised	Lapsed	
25.11.1999	1.00	2,134,000	-	(1,186,000)	(501,000)	447,000
14.08.2003	1.22	-	1,379,000	-	-	1,379,000

The external auditors have verified the allocation of options granted during the financial year.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders and their holdings of less than 20,000 shares. The options granted during the year to option holders for 20,000 shares and above are as follows :

Name of option holders	Number of options over Ordinary Shares of RM1 each granted during the year
Ang Toon Cheng@ Ang Tong Sooi	30,000
Ang Poon Chuan	173,000
Ang Poon Khim	95,000
Ang Poon Seong	70,000
Ang Toon Piah @ Ang Toon Huat	30,000
Ang Eng Choo	20,000
Lim Tuang Yeo	20,000
Law Ah Seng	20,000
Ang See Ming	36,000



Directors' Report

for the year ended 31 December 2003

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 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, except for corporate guarantees amounting to RM10,600,000 given to vendors for the purchase of raw materials by certain subsidiaries.

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.

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 2003 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 :

..... Director
ANG POON CHUAN

..... Director
ANG TOON PIAH @ ANG TOON HUAT

Kedah Darul Aman,

Date : 28 April 2004

Statement By Directors And Statutory Declaration

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the directors, the financial statements set out on pages 27 to 57, are 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 the state of affairs of the Group and of the Company at 31 December 2003 and the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the directors :

..... Director
ANG POON CHUAN

..... Director
ANG TOON PIAH @ ANG TOON HUAT

Kedah Darul Aman,

Date : 28 April 2004

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, ANG SEE MING, the officer primarily responsible for the financial management of THONG GUAN INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 27 to 57 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 abovenamed ANG SEE MING at)
Sungai Petani in the State of)
Kedah Darul Aman on 28 April 2004.)

BEFORE ME :

TAN HWA LIAN (K048)
Commissioner for Oaths
Sungai Petani, Kedah Darul Aman



Report Of The Auditors To The Members

We have audited the financial statements set out on pages 27 to 57. 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 2003 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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 3 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries 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.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

KPMG
Firm No : AF : 0758
Chartered Accountants

LEE KEAN TEONG
Partner
Approval No : 1857/02/06 (J)

Penang,

Date : 28 April 2004

Consolidated Balance Sheet

at 31 December 2003

	NOTE	RM	2002 RM
PROPERTY, PLANT AND EQUIPMENT	2	78,932,174	79,629,931
CURRENT ASSETS			
Inventories	4	47,853,723	35,799,465
Trade and other receivables	5	46,799,345	36,955,266
Cash and cash equivalents	6	13,164,072	4,787,915
		107,817,140	77,542,646
CURRENT LIABILITIES			
Trade and other payables	7	49,255,263	36,245,588
Borrowings	8	18,295,404	20,946,717
Taxation		748,111	96,025
		68,298,778	57,288,330
NET CURRENT ASSETS		39,518,362	20,254,316
		118,450,536	99,884,247
Financed by :			
SHARE CAPITAL	9	64,996,000	63,810,000
RETAINED PROFITS		43,885,524	22,152,024
SHAREHOLDERS' FUNDS		108,881,524	85,962,024
BORROWINGS	8	2,240,222	7,093,961
DEFERRED TAX LIABILITIES	10	7,328,790	6,828,262
		118,450,536	99,884,247

The financial statements were approved and authorised for issue by the Board of Directors on 28 April 2004.

The notes set out on pages 36 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated Income Statement

for the year ended 31 December 2003

	NOTE	RM	2002 RM
Revenue	12	226,318,081	177,136,611
Cost of sales		(182,457,082)	(145,637,842)
Gross profit		43,860,999	31,498,769
Distribution costs		(8,769,550)	(7,443,738)
Administrative expenses		(14,063,616)	(12,516,079)
Other operating income		4,192,812	2,279,869
Operating profit	13	25,220,645	13,818,821
Interest expense		(1,062,176)	(1,646,682)
Profit before tax		24,158,469	12,172,139
Tax expense	15	(2,424,969)	(1,422,144)
Net profit for the year		21,733,500	10,749,995
Basic earnings per ordinary share (sen)	16	33.87	16.88
Diluted earnings per ordinary share (sen)	16	33.53	16.77
Dividend per ordinary share (sen)	17	5.00	-

The notes set out on pages 36 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated Statement Of Changes In Equity

for the year ended 31 December 2003

	Share Capital RM	Non-Distributable Share Premium RM	Distributable Retained Profits RM	Total RM
At 1 January 2002	27,644,000	5,443,332	43,779,767	76,867,099
Arising from issue of new ordinary shares by virtue of :				
- the exercise of option under ESOS at :				
RM2.14 per share	692,000	788,880	-	1,480,880
RM1.00 per share	54,000	-	-	54,000
- the bonus issue (5 for 4)	35,420,000	(6,232,212)	(29,187,788)	-
Net profit for the year	-	-	10,749,995	10,749,995
Dividend paid : 2001 final 5% tax exempt	-	-	(3,189,950)	(3,189,950)
At 31 December 2002	63,810,000	-	22,152,024	85,962,024
Arising from issue of new ordinary shares by virtue of the exercise of option under ESOS at RM1.00 per share	1,186,000	-	-	1,186,000
Net profit for the year	-	-	21,733,500	21,733,500
At 31 December 2003	64,996,000	-	43,885,524	108,881,524

The notes set out on pages 36 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2003

	RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	24,158,469	12,172,139
Adjustments for :		
Depreciation	8,497,645	7,701,544
Gain on disposal of plant and equipment	(412,572)	(309,630)
Interest income	(46,713)	(141,687)
Interest expense	1,062,176	1,646,682
Plant and equipment written off	1,634	96
Unrealised gain on foreign exchange	(780,431)	(442,672)
Operating profit before working capital changes	32,480,208	20,626,472
Increase in inventories	(12,054,258)	(4,437,110)
Decrease/(Increase) in trade and other receivables	(9,040,494)	4,022,972
Increase in trade and other payables	13,009,675	8,954,998
Cash generated from operations	24,395,131	29,167,332
Interest paid	(1,062,176)	(1,646,682)
Tax paid	(1,295,509)	(1,350,050)
Net cash generated from operating activities	22,037,446	26,170,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment (Note B)	(8,064,999)	(24,007,854)
Proceeds from disposal of plant and equipment	754,049	672,425
Interest received	46,713	141,687
Net cash used in investing activities	(7,264,237)	(23,193,742)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of ESOS	1,186,000	1,534,880
Drawdown/(Repayment) of revolving credit, net	972,448	(1,216,160)
Repayment of hire purchase obligations	(209,300)	(188,369)
Repayment of term loans	(3,409,577)	(3,560,458)
Dividend paid	-	(3,189,950)
(Repayment)/Drawdown of short term bank borrowings, net	(4,246,029)	9,435,587
Net cash (used in)/generated from financing activities	(5,706,458)	2,815,530
Net increase in cash and cash equivalents	9,066,751	5,792,388
Cash and cash equivalents at beginning of year	3,244,239	(2,548,149)
Cash and cash equivalents at end of year (Note A)	12,310,990	3,244,239

Consolidated Cash Flow Statement

for the year ended 31 December 2003

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

A) Cash and cash equivalents

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

	RM	2002 RM
Short term deposits with licensed banks	4,400,000	1,050,000
Cash and bank balances	8,764,072	3,737,915
Overdrafts	(853,082)	(1,543,676)
	<u>12,310,990</u>	<u>3,244,239</u>

B) Property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM8,142,999 (2002 : RM24,366,353) of which RM78,000 (2002 : RM358,499) are acquired by means of hire purchase.

The notes set out on pages 36 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

Balance Sheet

at 31 December 2003

	NOTE	RM	2002 RM
INVESTMENT IN SUBSIDIARIES	3	41,384,301	34,050,002
CURRENT ASSETS			
Trade and other receivables	5	27,557,866	29,812,812
Cash and cash equivalents	6	1,220,107	593,304
		28,777,973	30,406,116
CURRENT LIABILITIES			
Trade and other payables	7	1,523,200	508,306
		1,523,200	508,306
NET CURRENT ASSETS		27,254,773	29,897,810
		68,639,074	63,947,812
Financed by :			
SHARE CAPITAL	9	64,996,000	63,810,000
RETAINED PROFITS		3,643,074	137,812
SHAREHOLDERS' FUNDS		68,639,074	63,947,812

The notes set out on pages 36 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

Income Statement

for the year ended 31 December 2003

	NOTE	RM	2002 RM
Revenue	12	9,687,577	7,193,252
Cost of sales		(5,752,232)	(3,857,249)
Gross profit		<u>3,935,345</u>	<u>3,336,003</u>
Administrative expenses		(573,811)	(693,232)
Other operating income		143,728	293,877
Operating profit	13	<u>3,505,262</u>	<u>2,936,648</u>
Interest expense		-	(5,745)
Profit before tax		<u>3,505,262</u>	<u>2,930,903</u>
Tax expense	15	-	(14,939)
Net profit for the year		<u>3,505,262</u>	<u>2,915,964</u>

The notes set out on pages 36 to 57 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 2003

	Non-Distributable		Distributable	
	Share Capital RM	Share Premium RM	Retained Profits RM	Total RM
At 1 January 2002	27,644,000	5,443,332	29,599,586	62,686,918
Arising from issue of new ordinary shares by virtue of :				
- the exercise of option under ESOS at :				
RM2.14 per share	692,000	788,880	-	1,480,880
RM1.00 per share	54,000	-	-	54,000
- the bonus issue (5 for 4)	35,420,000	(6,232,212)	(29,187,788)	-
Net profit for the year	-	-	2,915,964	2,915,964
Dividend paid : 2001 final 5% tax exempt	-	-	(3,189,950)	(3,189,950)
At 31 December 2002	63,810,000	-	137,812	63,947,812
Arising from issue of new ordinary shares by virtue of the exercise of option under ESOS at RM1.00 per share	1,186,000	-	-	1,186,000
Net profit for the year	-	-	3,505,262	3,505,262
At 31 December 2003	64,996,000	-	3,643,074	68,639,074

The notes set out on pages 36 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

Cash Flow Statement

for the year ended 31 December 2003

	RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3,505,262	2,930,903
Adjustments for :		
Interest income	(141,248)	(293,877)
Interest expense	-	5,745
Dividend income	(3,869,343)	(3,300,565)
Operating loss before working capital changes	(505,329)	(657,794)
Decrease in trade and other receivables	2,204,881	10,532,905
Increase in trade and other payables	1,014,894	110,258
Cash generated from operations	2,714,446	9,985,369
Dividend received	3,834,394	3,300,565
Interest paid	-	(5,745)
Tax refunded	85,014	-
Net cash generated from operating activities	6,633,854	13,280,189
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	141,248	293,877
Investment in newly incorporated subsidiaries	(2)	(12,000,000)
Additional investment in an existing subsidiary	(7,334,297)	-
Net cash used in investing activities	(7,193,051)	(11,706,123)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of ESOS	1,186,000	1,534,880
Dividend paid	-	(3,189,950)
Net cash generated from/(used in) financing activities	1,186,000	(1,655,070)
Net increase/(decrease) in cash and cash equivalents	626,803	(81,004)
Cash and cash equivalents at beginning of year	593,304	674,308
Cash and cash equivalents at end of year (Note 6)	1,220,107	593,304

The notes set out on pages 36 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

Notes To The Financial Statements

31 December 2003

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 except for the adoption of MASB 27, Borrowing Costs and MASB 29, Employee Benefits, which have been adopted retrospectively.

Apart from the new policies and extended disclosures where required by these new standards, there is no material effect on these financial statements.

1.1 Basis of Accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

1.2 Basis of Consolidation

Subsidiaries 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 subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the merger method of accounting except for the following subsidiaries which are consolidated using the acquisition method of accounting :

- TGP Marketing Sdn. Bhd. (formerly known as Magna Reliance Sdn. Bhd.)
- Ebontech Sdn. Bhd.
- Thong Guan Plastic Industries (Suzhou) Co., Ltd.
- Tea G International Sdn. Bhd.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary 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. Subsidiaries 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.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

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

Freehold land is stated at valuation. All other property, plant and equipment 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 carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

Depreciation

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

Long term leasehold land	99 years
Short term leasehold land	39 - 60 years

Notes To The Financial Statements

31 December 2003

1.3 Property, Plant and Equipment (cont'd)

On other assets, the straight line method is used to write off the cost or valuation of the assets over the term of 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

1.4 Investments

Long term investments in subsidiaries are stated at cost in the Company, less impairment losses where applicable.

1.5 Inventories

Inventories are stated at the lower of cost and net realisable value with first-in, first-out being the main basis for cost.

The cost of manufactured inventories and work-in-progress includes cost of materials, direct labour and an appropriate allocation of fixed and variable manufacturing overheads.

1.6 Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

1.7 Income Tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

1.8 Cash and Cash Equivalents

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

1.9 Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

1.10 Liabilities

Borrowing and trade and other payables are stated at cost.

Notes To The Financial Statements

31 December 2003

1.11 Derivative Financial Instruments

The Group uses derivative financial instruments in the form of forward foreign exchange contracts to hedge its exposure to foreign exchange arising from operational activities.

Derivative financial instruments are not recognised in the financial statements on inception.

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rate and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

1.12 Foreign Currency Transactions

i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on 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.

ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

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

1USD	RM3.80	(2002	:	1USD	=	RM3.80)
1AUD	RM2.84	(2002	:	1AUD	=	RM1.95)
1YEN	RM0.03	(2002	:	1YEN	=	RM0.03)
1SGD	RM2.23	(2002	:	1SGD	=	RM2.05)
1RMB	RM0.47	(2002	:	1RMB	=	RM0.47)

1.13 Hire Purchase

Assets acquired under hire purchase instalment plans are capitalised as property, plant and equipment and the corresponding obligations are taken up as liabilities.

1.14 Impairment

The carrying amount of assets, other than inventories (refer note 1.5) and financial assets (other than investment in subsidiaries) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generated largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes To The Financial Statements

31 December 2003

1.14 Impairment (cont'd)

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

1.15 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.

1.16 Interest expense

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

1.17 Employee Benefits

i) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

ii) Equity compensation benefits

The share option programme allows Group employees to acquire share of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

Notes To The Financial Statements

31 December 2003

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 2003	24,935,487	79,787,628	3,598,307	7,431,304	775,701	116,528,427
Additions	211,520	4,973,964	563,442	1,074,407	1,319,666	8,142,999
Disposals	-	(660,942)	(28,550)	(283,481)	(111,000)	(1,083,973)
Write-off	-	(400,115)	-	(9,399)	-	(409,514)
Transfer	-	155,902	91,640	-	(247,542)	-
At 31 December 2003	25,147,007	83,856,437	4,224,839	8,212,831	1,736,825	123,177,939
Accumulated Depreciation						
At 1 January 2003	3,154,541	26,387,288	1,972,936	5,383,731	-	36,898,496
Charge for the year	624,140	6,603,918	376,756	892,831	-	8,497,645
Disposals	-	(459,016)	-	(283,480)	-	(742,496)
Write-off	-	(398,482)	-	(9,398)	-	(407,880)
At 31 December 2003	3,778,681	32,133,708	2,349,692	5,983,684	-	44,245,765
Net Book Value						
At 31 December 2003	21,368,326	51,722,729	1,875,147	2,229,147	1,736,825	78,932,174
At 31 December 2002	21,780,946	53,400,340	1,625,371	2,047,573	775,701	79,629,931
Depreciation Charge For The Year Ended 31 December 2002	587,078	5,971,359	329,132	813,975	-	7,701,544

Land and buildings comprise :

	Cost/Valuation		Net Book Value	
	RM	2002 RM	RM	2002 RM
At valuation				
Freehold land	5,839,000	5,839,000	5,839,000	5,839,000
Long term leasehold land	375,000	1,690,000	367,314	1,529,307
Short term leasehold land	3,411,370	2,096,370	2,842,830	1,741,249
Factory buildings	5,783,630	5,783,630	3,993,983	4,221,425
At cost				
Long term leasehold land	959,212	959,212	914,203	934,141
Factory buildings	8,778,795	8,567,275	7,410,996	7,515,824
	25,147,007	24,935,487	21,368,326	21,780,946

Notes To The Financial Statements

31 December 2003

2. PROPERTY, PLANT AND EQUIPMENT - GROUP (cont'd)

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

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

It is the Group'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. Hence, in accordance with the transitional provisions of the Malaysian Accounting Standards Board's approved accounting standards, International Accounting Standards 16 (Revised) : Property, Plant and Equipment which allows for the current treatment of revalued properties by the Group, the valuation in 1995 has not been updated. 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	115,173	818,992
Short term leasehold land	858,181	272,208	585,973
Factory buildings	3,229,681	1,294,096	1,935,585
	6,165,156	1,681,477	4,483,679
2002			
Freehold land	1,143,129	-	1,143,129
Long term leasehold land	934,165	102,592	831,573
Short term leasehold land	858,181	199,758	658,423
Factory buildings	3,229,681	1,160,172	2,069,509
	6,165,156	1,462,522	4,702,634

Included in the net book value of property, plant and equipment are the following assets acquired under hire purchase instalment plan :

	RM	2002 RM
Plant and machinery	-	168,626
Motor vehicles	520,468	572,776

The amount of property, plant and equipment pledged as securities for term loans and other bank borrowings of the Group was up to the limit of RM13,619,000 (2002 : RM12,820,000).

3. INVESTMENT IN SUBSIDIARIES - COMPANY

	RM	2002 RM
Unquoted shares, at cost	41,384,301	34,050,002

Notes To The Financial Statements

31 December 2003

3. INVESTMENT IN SUBSIDIARIES - COMPANY (cont'd)

Details of subsidiaries are as follows :

Name of Company	Principal Activities	Percentage of Equity Held	
		2002	
		%	%
Syarikat Thong Guan Trading Sdn Bhd	Manufacturing of tea and coffee and trading of tea and coffee, plastic and paper products, and machinery	100	100
Thong Guan Plastic & Paper Industries Sdn Bhd ("TGP")	Manufacture and trading of plastic and paper products	100	100
<u>Subsidiary of TGP</u> TGP Marketing Sdn Bhd (formerly known as Magna Reliance Sdn Bhd)	Dormant	100	-
Uniang Plastic Industries (Sabah) Sdn Bhd	Manufacture and trading of plastic products	100	100
Jaya Uni'ang (Sabah) Sdn Bhd	Trading of plastic and other consumable products	100	100
Ebontech Sdn. Bhd	Manufacture and trading of plastic packaging products	100	100
TGP Marketing Sdn. Bhd. ("TGPM") (formerly known as Magna Reliance Sdn Bhd)	Dormant	-	100
Thong Guan Plastic Industries (Suzhou) Co., Ltd #	Manufacture and trading of plastic products	100	100
Tea G International Sdn Bhd **	Dormant	70	-

- Not audited by KPMG

** - As the Company was just incorporated and still dormant, the unaudited management financial statements were consolidated in the Group financial statements.

All the subsidiaries are incorporated in Malaysia except for Thong Guan Plastic Industries (Suzhou) Co., Ltd which is incorporated in the People's Republic of China.

During the year, the Company disposed of its investment in TGPM to another wholly-owned subsidiary, TGP.

4. INVENTORIES - GROUP

	RM	2002 RM
Raw materials	35,236,528	25,898,730
Work-in-progress	935,154	728,954
Manufactured inventories	6,293,304	3,792,697
Trading inventories	5,388,737	5,379,084
	<u>47,853,723</u>	<u>35,799,465</u>

Notes To The Financial Statements

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5. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	RM	2002 RM	RM	2002 RM
Trade receivables	38,680,943	32,725,523	1,414,429	835,294
Other receivables, deposits and prepayments	7,904,572	4,039,067	1,995,669	19,321
Tax refundable	213,830	190,676	96,825	146,890
Amount due from subsidiaries	-	-	4,488,162	12,981,801
Dividends receivable from subsidiaries	-	-	19,562,781	15,829,506
	<u>46,799,345</u>	<u>36,955,266</u>	<u>27,557,866</u>	<u>29,812,812</u>

Included in trade receivables and other receivables of the Group are amounts of RM444,445 (2002 : RM649,315) and RM307,610 (2002 : RM380,679) respectively due from companies in which certain directors have substantial financial interests.

Also included in other receivables of the Group is an amount of RM2,072,800 (2002 : RM Nil) representing deposits paid for the purchase of plant and equipment.

6. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	RM	2002 RM	RM	2002 RM
Cash and bank balances	8,764,072	3,737,915	320,107	593,304
Short term deposits with licensed banks	4,400,000	1,050,000	900,000	-
	<u>13,164,072</u>	<u>4,787,915</u>	<u>1,220,107</u>	<u>593,304</u>

7. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	RM	2002 RM	RM	2002 RM
Trade payables	43,503,967	27,624,163	-	-
Other payables and accrued expenses	5,561,296	8,451,425	382,869	358,306
Amount owing to directors	190,000	170,000	150,000	150,000
Amount due to a subsidiary	-	-	990,331	-
	<u>49,255,263</u>	<u>36,245,588</u>	<u>1,523,200</u>	<u>508,306</u>

Included in trade payables and other payables of the Group are amounts of RM117,276 (2002 : RM309,450) and RM Nil (2002 : RM95,163) respectively due to companies in which certain directors have substantial financial interests.

The amounts owing to directors and a subsidiary are unsecured, interest-free and have no fixed terms of repayment.

Notes To The Financial Statements

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8. BORROWINGS - GROUP

	RM	2002 RM
Current :		
Secured		
- Term loans	3,338,244	2,094,054
- Overdrafts	851,293	1,457,650
- Bankers' acceptances	3,070,972	5,837,299
- Bills payable	-	393,240
- Export credit refinancing	-	654,000
- Onshore foreign currency loan	1,371,667	-
	8,632,176	10,436,243
Unsecured		
- Term loans	1,355,760	1,217,266
- Overdrafts	1,789	86,026
- Bankers' acceptances	-	1,259,000
- Revolving credit	1,547,121	574,673
- Onshore foreign currency loan	6,642,923	7,188,052
	9,547,593	10,325,017
Hire purchase obligations	115,635	185,457
	<u>18,295,404</u>	<u>20,946,717</u>
Non-current :		
Secured		
- Term loans	944,444	4,329,532
Unsecured		
- Term loans	1,250,568	2,657,741
Hire purchase obligations	45,210	106,688
	<u>2,240,222</u>	<u>7,093,961</u>

8.1 Terms and debt repayment schedule

8.1.1 Term loans are payable as follows :

	Total RM	Within 1 year RM	1 to 2 years RM	2 to 5 years RM
As at 31 December 2003	<u>6,889,016</u>	<u>4,694,004</u>	<u>1,917,235</u>	<u>277,777</u>
As at 31 December 2002	<u>10,298,593</u>	<u>3,311,320</u>	<u>3,315,342</u>	<u>3,671,931</u>

Notes To The Financial Statements

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8.1 Terms and debt repayment schedule (cont'd)

8.1.2 Hire purchase obligations are payable as follows :

	2003			2002		
	Payments RM	Interest RM	Principal RM	Payments RM	Interest RM	Principal RM
Within 1 year	128,874	13,239	115,635	203,590	18,133	185,457
Between 1 and 5 years	53,414	8,204	45,210	118,554	11,866	106,688
	182,288	21,443	160,845	322,144	29,999	292,145

The above bank borrowings of the Group are subject to interest at rates ranging from 1.92% to 7.25% (2002 : 1.75% to 7.90%) per annum.

Hire purchase obligations are subject to a fixed interest rate of 3.94% (2002 : 3.90%) per annum.

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

9. SHARE CAPITAL

	RM	2002 RM
Ordinary shares of RM1 each		
Authorised	500,000,000	500,000,000
Issued and fully paid		
Balance at 1 January	63,810,000	27,644,000
Exercise of ESOS	1,186,000	746,000
Bonus issues (5 for 4)	-	35,420,000
Balance at 31 December	64,996,000	63,810,000

The movements during the year in the number of options over the shares of the Company are disclosed in Note 11.

10. DEFERRED TAX LIABILITIES - GROUP

The recognised deferred tax liabilities are as follows :

	RM	2002 RM
Property, plant and equipment		
- Capital allowances in excess of depreciation	5,893,542	5,435,546
- Revaluation, net of related depreciation	1,258,790	1,392,716
- Unrealised foreign exchange gain	218,521	-
- Provision	(42,063)	-
Balance at 31 December	7,328,790	6,828,262

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11. EMPLOYEE BENEFITS

Share option plan

The Group offers vested share options over ordinary shares to full time executive directors and employees with at least one year of service. Movements in the number of share options held by employees are as follows :

	GROUP/COMPANY	
	RM	2002 RM
Outstanding at 1 January	2,134,000	1,645,000
Granted	1,379,000	-
Adjustment for bonus issue	-	1,235,000
Exercised	(1,186,000)	(746,000)
Lapsed	(501,000)	-
Outstanding at 31 December	<u>1,826,000</u>	<u>2,134,000</u>

Details of share options granted during the year :

		2002
Expiry date	6.9.2004	-
Exercise price per ordinary share (RM)	1.22	-
Aggregate proceeds if shares are issued (RM'000)	1,682	-

Details of share options exercised during the year :

Expiry date	6.9.2004	6.9.2004
Exercise price per ordinary share (RM)	1.00	2.14/1.00
Aggregate proceeds (RM'000)	1,186	1,535
Fair value at date of issue (RM'000)	2,762	2,331

Terms of the options outstanding at 31 December :

Expiry date	Exercise price	Number	Number 2002
6.9.2004	1.00	447,000	2,134,000
6.9.2004	1.22	1,379,000	-
		<u>1,826,000</u>	<u>2,134,000</u>

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12. REVENUE

	GROUP		COMPANY	
	RM	2002 RM	RM	2002 RM
Invoiced value of goods sold less discounts and returns	226,318,081	177,136,611	5,818,234	3,892,687
Dividend income from subsidiaries	-	-	3,869,343	3,300,565
	<u>226,318,081</u>	<u>177,136,611</u>	<u>9,687,577</u>	<u>7,193,252</u>

13. OPERATING PROFIT

Operating profit is arrived at :

	GROUP		COMPANY	
	RM	2002 RM	RM	2002 RM
After charging :				
Auditors' remuneration				
- current year	61,375	57,838	10,000	7,000
- prior year	-	4,000	-	2,000
Bad debts written off	98,106	59,601	-	-
Depreciation (Note 2)	8,497,645	7,701,544	-	-
Directors' emoluments				
Directors of the Company				
- fees	377,000	382,000	250,000	250,000
- others	1,560,732	1,403,520	-	-
Other Directors				
- fees	40,000	32,000	-	-
- others	116,268	156,434	-	-
Rental expense	1,013,610	1,013,605	-	-
Allowance for doubtful debts	1,338,809	67,779	-	-
Plant and equipment written off	1,634	96	-	-
and crediting :				
Interest income	46,713	141,687	141,248	293,877
Dividend income (gross) receivable from subsidiaries	-	-	3,869,343	3,300,565
Gain on disposal of plant and equipment	412,572	309,630	-	-
Gain on foreign exchange				
- realised	1,277,434	251,929	-	-
- unrealised	780,431	442,672	-	-
Rental income	<u>80,540</u>	<u>3,840</u>	<u>-</u>	<u>-</u>

Notes To The Financial Statements

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14. EMPLOYEE INFORMATION

	GROUP		COMPANY	
	RM	2002 RM	RM	2002 RM
Salaries and wages	8,701,026	8,221,232	121,414	103,193
EPF contributions	973,424	921,541	13,854	8,286
Socso contributions	190,473	188,084	1,539	1,318
Other related expenses	4,657,624	4,595,453	-	-
	<u>14,522,547</u>	<u>13,926,310</u>	<u>136,807</u>	<u>112,797</u>

The number of employees of the Group and of the Company (including executive directors) at the end of the year was 921 (2002 : 934) and 4 (2002 : 4) respectively.

15. TAX EXPENSE

15.1 Component of tax expense :

	GROUP		COMPANY	
	RM	2002 RM	RM	2002 RM
Current tax expense				
- Based on results for the year	1,909,684	1,204,000	-	-
- (Over)/Under provision in prior years	14,756	(345,854)	-	14,939
	1,924,440	858,146	-	14,939
Deferred tax expense				
- current year	714,453	525,000	-	-
- prior years	(213,924)	38,998	-	-
	500,529	563,998	-	-
	<u>2,424,969</u>	<u>1,422,144</u>	<u>-</u>	<u>14,939</u>

15.2 Reconciliation of effective tax expense

GROUP	RM	2002 RM
Profit before tax	<u>24,158,469</u>	<u>12,172,139</u>
Income tax using Malaysian tax rate	6,764,371	3,408,199
Non-deductible expenses	152,432	112,259
Deferred tax benefits (recognised)/not recognised	28,280	(37,520)
Effect of tax incentive	(4,320,946)	(1,753,938)
	<u>2,624,137</u>	<u>1,729,000</u>
Over provision in prior years	(199,168)	(306,856)
Tax expense	<u>2,424,969</u>	<u>1,422,144</u>

Notes To The Financial Statements

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15.2 Reconciliation of effective tax expense (cont'd)

	RM	2002 RM
COMPANY		
Profit before tax	3,505,262	2,930,903
Income tax using Malaysian tax rate	981,473	820,653
Income not subject to tax		
- Tax exempt dividend	(1,048,467)	(924,158)
Non-deductible expenses	5,807	71,676
Deferred tax benefits not recognised	61,187	31,829
	-	-
Under provision in prior years	-	14,939
Tax expense	-	14,939

No deferred tax has been recognised for the following items :

	GROUP		COMPANY	
	RM	2002 RM	RM	2002 RM
Taxable temporary differences	2,461,000	1,500,000	-	-
Unabsorbed capital allowances	(1,680,000)	(967,000)	-	-
Unutilised tax losses	(1,425,000)	(1,076,000)	(332,000)	(114,000)
	(644,000)	(543,000)	(332,000)	(114,000)

The unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

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.

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16. EARNINGS PER ORDINARY SHARE - GROUP

i) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM21,733,500 (2002 : RM10,749,995) and the weighted average number of ordinary shares outstanding during the year of 64,158,000 (2002 : 63,690,000) calculated as follows :

Weighted average number of ordinary shares	'000	2002 '000
Issued ordinary shares at beginning of year	63,810	27,644
Bonus issue	-	35,420
Effect of shares issued in :		
January	2	64
February	2	135
March	-	401
June	20	-
July	90	22
September	80	4
October	131	-
November	13	-
December	10	-
	348	626
Weighted average number of ordinary shares	<u>64,158</u>	<u>63,690</u>

ii) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM21,733,500 (2002 : RM10,749,995) and the weighted average number of ordinary shares outstanding during the year of 64,814,000 (2002 : 64,108,000) calculated as follows :

Weighted average number of ordinary shares (diluted)	'000	2002 '000
Issued ordinary shares at beginning of year	63,810	27,644
Bonus issue	-	35,420
Effect of share options	1,004	1,044
Weighted average number of ordinary shares (diluted)	<u>64,814</u>	<u>64,108</u>

17. DIVIDEND

A final dividend of 5% tax exempt in respect of the financial year ended 31 December 2003 will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements do not reflect this final dividend which, when approved by shareholders, will be accounted for as an appropriation of retained profits from the shareholders' equity in the financial year ending 31 December 2004.

18. CAPITAL COMMITMENT - GROUP

	RM'000	2002 RM'000
Property, plant and equipment		
Approved but not contracted for	20,585	-
Contracted but not provided for in the financial statements	<u>6,644</u>	<u>906</u>

Notes To The Financial Statements

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19. CONTINGENT LIABILITY

GROUP

	RM'000	2002 RM'000
Secured		
Bills discounted	536	684

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

COMPANY

Unsecured

- The Company has issued corporate guarantees to licensed banks for banking facilities granted to certain subsidiaries up to a limit of RM107.2 million (2002 : RM88.9 million) of which RM20.4 million (2002 : RM27.2 million) have been utilised as at balance sheet date.
- The Company has issued corporate guarantee to a financial institution for credit facility granted to one of its subsidiaries up to a limit of RM Nil (2002 : RM75,000) of which RM Nil (2002 : RM24,489) has been utilised as at balance sheet date.
- The Company has issued a corporate guarantee amounting to RM29.5 million (2002 : RM25.7 million) to vendors for the purchase of raw materials by certain subsidiaries. The amount owing by the subsidiaries to those vendors as at balance sheet date amounted to RM26.0 million (2002 : RM13.3 million).

20. SEGMENTAL INFORMATION - GROUP

Segment information is presented in respect of the Group's business and geographical segments.

The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest bearing loans, borrowings and expenses and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business Segments

The Group comprises the following main business segments :

Packaging	The manufacturing of plastic, paper and plastic packaging products
Marketing and Distribution	The trading of plastic and paper products, beverages and machinery
Investment holding	Investment in shares

Geographical segments

The manufacturing and trading segments are operated in other principal geographical areas apart from Malaysia and China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on geographical location of assets.

20. SEGMENTAL INFORMATION - GROUP (cont'd)

Business segments	Investment		Marketing and Distribution		Packaging		Total		Elimination		Consolidated	
	RM	2002 RM	RM	2002 RM	RM	2002 RM	RM	2002 RM	RM	2002 RM	RM	2002 RM
Revenue												
Revenue from external customers	-	-	53,866,402	45,565,009	172,451,679	131,571,602	226,318,081	177,136,611	-	-	226,318,081	177,136,611
Inter-segment revenue	3,869,343	-	1,514,593	1,054,965	27,419,066	23,610,394	32,803,002	24,665,359	(32,803,002)	(24,665,359)	-	-
Total revenue	3,869,343	-	55,380,995	46,619,974	199,870,745	155,181,996	259,121,083	201,801,970	(32,803,002)	(24,665,359)	226,318,081	177,136,611
Profit After Tax												
Segment results	3,869,343	-	1,156,229	1,631,503	24,017,703	12,045,631	29,043,275	13,677,134	(3,869,343)	-	25,173,932	13,677,134
Unallocated expenses											-	-
Operating profit											25,173,932	13,677,134
Interest expense											(1,062,176)	(1,646,682)
Interest income											46,713	141,687
Profit before tax											24,158,469	12,172,139
Tax expense											(2,424,969)	(1,422,144)
Net profit for the year											21,733,500	10,749,995
Segment Assets												
Segment assets	4,630,205	1,447,919	27,330,979	28,159,927	154,574,300	127,374,055	186,535,484	156,981,901	-	-	186,535,484	156,981,901
Segment Liabilities												
Segment liabilities	532,869	508,306	3,173,182	3,919,781	45,549,212	59,954,204	49,255,263	64,382,291	-	-	49,255,263	64,382,291
Depreciation	-	-	995,678	865,309	7,501,967	6,836,235	8,497,645	7,701,544	-	-	8,497,645	7,701,544
Capital expenditure	-	-	794,665	1,220,449	7,348,334	23,145,904	8,142,999	24,366,353	-	-	8,142,999	24,366,353
Non-cash expenses other than depreciation and amortisation	-	-	402,514	25,881	1,036,035	101,595	1,438,549	127,476	-	-	1,438,549	127,476
Geographical segments												
		Other ASEAN										
	Malaysia	countries	Japan	Others	Total	Elimination	Consolidated					
Revenue	RM	RM	RM	RM	RM	RM	RM					
Revenue from external customers	98,735,843	35,074,843	62,590,642	29,916,753	226,318,081	-	226,318,081					
2002		Other ASEAN										
	Malaysia	countries	Japan	Others	Total	Elimination	Consolidated					
Revenue	RM	RM	RM	RM	RM	RM	RM					
Revenue from external customers	76,954,951	19,597,270	49,726,671	30,857,719	177,136,611	-	177,136,611					
	Malaysia	China				Elimination	Consolidated					
	RM	2002	RM	2002	RM	2002	2002					
Segment assets by location of assets	149,984,798	131,623,843	36,550,686	25,358,058	-	-	186,535,484	156,981,901				
Capital expenditure by location of assets	5,411,087	5,629,716	2,731,912	18,736,637	-	-	8,142,999	24,366,353				

Notes To The Financial Statements

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21. RELATED PARTIES - GROUP/COMPANY

21.1 Related party relationships

- i) Companies controlled by the Company
 - subsidiaries as disclosed in Note 3
- ii) Companies in which all the directors except Tengku Makram Bin Tengku Ariff, Tuan Haji Mohd Salleh Bin Zakaria, Datuk Ahmad Bin Tokimin and Mr. Lee Eng Sheng 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. ("TGPPPEX")
 - Kimanis Food Industry Sdn. Bhd. ("KFI")
 - Komet Makmur Sdn. Bhd. ("KM")
- iii) Key management personnel, directors and persons connected with directors of the Group :
 - Ang Poon Khim
 - Ang Poon Chuan
 - Ang Poon Seong
 - Ang See Ming
 - Ang See Cheong
- iv) Bounty Values Sdn Bhd
 - Ang See Ming
 - Ang See Cheong

21.2 Related party transactions

21.2.1 Transactions with related companies :

COMPANY

	RM	2002 RM
Purchases	5,752,232	3,857,249
Interest income	129,344	262,930

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

i) Sales to :

	RM	2002 RM
KFI	590,262	39,811
NS	26,000	21,286
HFS	805,225	797,419

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21. RELATED PARTIES - GROUP/COMPANY (cont'd)

ii) Purchases from :

	RM	2002 RM
TYE	448,400	-
KFI	-	1,359
NS	-	11,794
KM	130,568	138,070

iii) Rental expense payable to :

	RM	2002 RM
KFI	-	78,400
TGPK	116,400	116,400
TGPPEX	588,000	588,000

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 balances are disclosed in Notes 5 and 7.

21.3 There were no transactions with key management personnel and directors of the Company 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 as follows :

	Number of Options over ordinary shares of RM1 each			
	Granted during the year		Unexercised option as at	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Ang Poon Khim	95,000	-	163,000	135,000
Ang Poon Chuan	173,000	-	250,000	203,000
Ang Poon Seong	70,000	-	205,000	165,000
Ang See Ming	36,000	-	77,000	41,000

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 RM38,400 (2002 : RM38,400) payable to Bounty Values Sdn. Bhd., a company in which Mr. Ang See Ming and Mr. Ang See Cheong have substantial financial interests.

22. FINANCIAL INSTRUMENTS

Financial risk management objective and policies

Exposure to credit, interest rate and currency risk arises in the normal course of the Group and Company's business. The Group and the Company have no formal financial risk management policies and guidelines which set out its overall business strategies, their tolerance to risk and their general risk management philosophy and have established processes to monitor and control the hedging of transactions in a timely and accurate manner.

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22. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objective and policies (cont'd)

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

Credit risk

Management has credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group and the Company does not require collateral in respect of financial assets.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial assets.

Interest rate risk

The Group and the Company have no formal policy on interest rate risk. However, at least 60 percent of their exposure to changes in interest rates on bank loans is on a fixed rate basis.

Foreign currency risk

The Group and the Company incur foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Australian Dollars, Singaporean Dollars and Japanese Yen.

The Group and Company hedge at least 80 percent of all trade receivables denominated in foreign currency. The amounts of any unrecognised gain associated with anticipated future transactions for the Group are RM249,000 (2002 : RM95,000) and the expected timing of recognition as income is over the next six months. Where necessary, the forward exchange contracts are rolled over at maturity at market rates.

In respect of other monetary assets and liabilities held in currencies other than Ringgit Malaysia, the Group and the Company ensure that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

Effective interest rates and repricing analysis.

In respect of interest earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rate at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000
Group					
Financial assets					
Short term deposits	2.30	4,400	4,400	-	-
Financial liabilities					
Secured term loans	5.85	4,283	3,338	667	278
Unsecured term loans	5.75	2,606	1,356	1,250	-
Secured overdrafts	7.25	851	851	-	-
Unsecured overdrafts	7.25	2	2	-	-
Onshore foreign currency loan	1.92	8,015	8,015	-	-
Bankers' acceptances	3.35	3,071	3,071	-	-
Revolving credit	2.52	1,547	1,547	-	-

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22. FINANCIAL INSTRUMENTS (cont'd)

Company	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000
Financial assets					
Short term deposits	2.30	900	900	-	-
2002					
Group					
Financial assets					
Short term deposits	2.30	1,050	1,050	-	-
Financial liabilities					
Secured term loans	7.65	6,424	6,424	-	-
Unsecured term loans	7.90	3,875	3,875	-	-
Secured overdrafts	7.65	1,458	1,458	-	-
Unsecured overdrafts	7.65	86	86	-	-
Onshore foreign currency loan	2.95	7,188	7,188	-	-
Bills payable	1.75	393	393	-	-
Bankers' acceptances	3.38	7,096	7,096	-	-
Revolving credit	2.52	575	575	-	-
Export credit refinancing	3.25	654	654	-	-

Company

Financial assets

Short term deposits	-	-	-	-	-
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Fair values

Recognised financial instruments

The carrying amounts approximate fair value due to the relatively short-term nature of these financial instruments in respect of cash and bank balances, trade and other receivables, trade and other payables and borrowings.

The aggregate fair values of other financial liabilities carried on the balance sheet as at 31 December are shown below :

	Carrying amount RM'000	Fair value RM'000	← 2002 Carrying amount RM'000	Fair value RM'000 →
Group				
Financial liabilities				
Secured term loans	944	* 944	4,330	4,330
Unsecured term loans	1,251	* 1,251	2,658	2,658

* The fair value of this fixed financial instrument is determined by discounting the relevant cash flows using current interest rates for similar financial instruments at the balance sheet date. Since the current interest rates do not significantly differ from the intrinsic rate of this financial instrument, the fair value of this financial instrument therefore, closely approximates its carrying value as at the balance sheet date.

Notes To The Financial Statements

31 December 2003

22. FINANCIAL INSTRUMENTS (cont'd)

Unrecognised financial instruments

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 31 December are :

	Contracted amount RM'000	Fair value RM'000	2002	
			Contracted amount RM'000	Fair value RM'000
Forward foreign exchange contracts	10,828	11,077	11,505	11,600

23. POST BALANCE SHEET EVENT

Subsequent to balance sheet date, the Company acquired a 30% interest in L.A. Plaspac Company Limited, a company incorporated in Bangkok, Thailand, for a cash consideration of RM1,993,669.

List Of Properties Owned By The Group

	Description	Approximate Land Area (sq. ft.)	Age of Building	Tenure	Net Book Value RM million	Date of Valuation/ Acquisition
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	7-19 years	Freehold	4.55	28.11.1995
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	7 years	60 years leasehold, expiring on 12.4.2052	1.99	28.11.1995
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	28.11.1995
Lot P.T. 129301 H.S. (D) KA27799 Mukim Hulu Kinta District of Kinta, Ipoh, Perak	Warehouse with office building	5,500	19 years	99 years leasehold, expiring on 18.7.2092	0.19	28.05.1997
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	10 years	60 years leasehold, expiring on 12.4.2052	2.60	28.11.1995
Lot P.T. 48288 H.S. (D) No. 12034/95 Mukim of Sungai Petani District of Kuala Muda, Kedah CAH/2001 (C)/K/SC/95	Factory with office building	339,590	21 years	Freehold	4.85	28.11.1995
CL 015276687 House 606 Taman Bay View Off Mile 2½ Jalan Tuaran Kota Kinabalu, Sabah	Double storey intermediate terrace house	2,178	25 years	999 years leasehold, expiring on 16.6.2914	0.13	13.12.1995
CL 015373672 Lorong Rambutan Off Km 11 Jalan Tuaran Kota Kinabalu, Sabah	Industrial land with factory and other buildings	82,764	15 years	60 years leasehold, expiring on 31.12.2035	1.43	13.12.1995
TL 077549707 Lot 13, Hock Seng Industrial Estate Jalan Bomba, Off Km5 Jalan Utara Sandakan	Double storey semi-detached light industrial building	5,670	12 years	60 years leasehold, expiring on 31.12.2040	0.25	13.12.1995
CL 105390707 Km4, Jalan Apas Tawau, Sabah	Vacant industrial land	37,462	-	999 years leasehold, expiring on 21.5.2930	0.31	13.12.1995

Shareholdings Statistics

As At 26 April 2004

Authorised share capital	-	500,000,000 ordinary shares of RM1.00 each
Paid up capital	-	65,353,000 ordinary shares of RM1.00 each
Class of shares	-	Ordinary shares of RM1.00 each
Voting rights	-	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholding	No. of shareholders	No. of shares held	% of issued capital
Less than 100	65	2,986	0.0046
100 - 1,000	150	122,801	0.1879
1,001 - 10,000	871	3,381,862	5.1748
10,001 - 100,000	168	4,426,250	6.7728
100,001 - 3,267,649	34	21,057,501	32.2212
3,267,650 - 65,353,000	2	36,361,600	55.6388
Total	1,290	65,353,000	100.0000

DIRECTORS' SHAREHOLDINGS

Name	Direct Interest		Deemed Interests		No. of Unexercised ESOS	
	Interest	%	Interests	%	At RM1.00	At RM1.22
Ang Toon Cheng @ Ang Tong Sooi	200,250	0.31	-	-	-	30,000
Tengku Makram Bin Tengku Ariff	27,000	0.04	-	-	-	-
Ang Poon Chuan	369,000	0.56	-	-	77,000	173,000
Ang Toon Piah @ Ang Toon Huat	89,000	0.14	-	-	-	30,000
Ang Poon Seong	222,750	0.34	-	-	135,000	70,000
Ang Poon Kang	14,000	0.02	-	-	-	-
Ang Poon Khim	236,750	0.36	-	-	68,000	95,000
Datuk Ahmad Bin Tokimin	-	-	-	-	-	-
Lee Eng Sheng	-	-	-	-	-	-

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	No. of shares held		% of issued capital
	Direct Interest	Deemed Interest	
1. Foremost Equals Sdn Bhd	27,935,750	-	42.75
2. Permodalan Nasional Berhad	8,298,550	-	12.70
3. Yayasan Pelaburan Bumiputra	-	* 8,298,550	12.70

* Deemed interested via Permodalan Nasional Berhad

Shareholdings Statistics

As At 26 April 2004

THIRTY LARGEST SHAREHOLDERS

Name of shareholders	No. of shares held	% of issued capital
1. Foremost Equals Sdn Bhd	27,935,750	42.7459
2. Permodalan Nasional Berhad	8,425,850	12.8928
3. AMMB Nominees (Tempatan) Sdn Bhd Amtrustee Berhad For Pacific Pearl Fund	2,772,400	4.2422
4. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad	2,000,000	3.0603
5. AMMB Nominees (Tempatan) Sdn Bhd AmMerchant Bank Bhd	1,822,500	2.7887
6. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd Bumiputra-Commerce Trustee Berhad For Pacific Dana Aman	1,726,000	2.641
7. HSBC Nominees (Tempatan) Sdn Bhd HSBC (Malaysia) Trustee Berhad For Amanah Saham Kedah	1,547,400	2.3678
8. BHLB Trustee Berhad Pacific Recovery Fund	1,492,900	2.2844
9. Lee Ah See	1,167,750	1.7868
10. Universal Trustee (Malaysia) Berhad SBB Dana Al-Azam	1,050,100	1.6068
11. Universal Trustee (Malaysia) Berhad SBB Emerging Companies Growth Fund	860,700	1.317
12. Sensible Matrix Sdn Bhd	739,246	1.1312
13. Ang See Ming	628,005	0.9609
14. Allianz General Insurance Malaysia Berhad	501,000	0.7666
15. Lim Joo Hock	460,000	0.7039
16. Universal Trustee (Malaysia) Berhad Pacific Premier Fund	401,700	0.6147
17. Ang Poon Chuan	369,000	0.5646
18. Universal Trustee (Malaysia) Berhad SBB Dana Al-Ihsan 2	331,700	0.5076
19. Allianz Life Insurance Malaysia Berhad	300,200	0.4594
20. AMMB Nominees (Tempatan) Sdn Bhd Amtrustee Berhad For Pacific Dividend Fund	280,000	0.4284
21. Ang Poon Khim	236,750	0.3623
22. Ang Poon Seong	222,750	0.3408
23. Ang Toon Cheng @ Ang Tong Sooi	200,250	0.3064
24. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For RHB Balanced Fund	200,000	0.3060
25. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For RHB Income Fund	200,000	0.3060
26. SBBAM Nominees (Tempatan) Sdn Bhd AMAL Assurance Bhd	200,000	0.3060
27. RHB Nominees (Tempatan) Sdn Bhd RHB Asset Management Sdn Bhd For British American Tobacco Malaysia Retirement Scheme	176,200	0.2696
28. Bumiputra-commerce Trustee Berhad RHB Malaysia Recovery Fund	162,000	0.2479
29. Malaysian Trustees Berhad Pacifimas Asset Management Sdn Bhd For Great Eastern Life Assurance (Malaysia) Berhad	156,800	0.2399
30. Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Soo Ming	150,000	0.2295
Total	56,716,951	86.7854

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninth 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 Thursday, 24 June 2004 at 11.30am to transact the following business :

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2003 and the Reports of Directors and Auditors thereon Ordinary Resolution 1
2. To approve a first and final tax exempt dividend of 5% for the year ended 31 December 2003. Ordinary Resolution 2
- 3.(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 3
 - (b) Mr Ang Toon Piah @ Ang Toon Huat Ordinary Resolution 4
- (ii) To re-elect the following Directors who retire in accordance with Article 63 of the Company's Articles of Association :-
 - (a) Tengku Makram Bin Tengku Ariff Ordinary Resolution 5
 - (b) Datuk Ahmad Bin Tokimin Ordinary Resolution 6
4. To approve Directors' Fees of RM250,000/- for the year ended 31 December 2003 Ordinary Resolution 7
5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration Ordinary Resolution 8
6. AS SPECIAL BUSINESS
To consider and if thought fit, to pass the following as an Ordinary Resolution :-

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 Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the Annual General Meeting commencing next after the date on which the next Annual General Meeting after that date is required by law to be held whichever is earlier; but any approval may be previously revoked or varied by the Company in general meeting".

Ordinary Resolution 9

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



Dividend Announcement

NOTICE IS HEREBY GIVEN THAT a depositor shall qualify for entitlement to the first and final tax exempt dividend only in respect of :

- a) Shares transferred into the depositor's securities account before 4.00 p.m. on 18 August 2004 in respect of ordinary transfers;
- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

The first and final tax exempt dividend, if approved will be paid on 9 September 2004 to depositors registered in the Records of Depositors at the close of business on 18 August 2004.

By Order of the Board

Lam Voon Kean
Company Secretary
(MIA 4793)

Penang, 2 June 2004.

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 uthorized 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 uthorized.
- 3. To be valid, the proxy form must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

Explanatory Note on Special Business :

- 1. The Proposed 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.

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 NINTH 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 Thursday, 24 June 2004 at 11.30 am or at any adjournment thereof.

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

(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 June 2004

Signature of Shareholder

Notes :

1. A member entitled to attend and vote at this meeting may appoint a proxy to attend and, on a poll, to vote on his behalf. Such proxy need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies under the Companies Act, 1965 in a particular case. A member may appoint more than two proxies to attend at the same meeting. Where a member appoints two proxies to attend at the same meeting, he shall specify the proportion of his shareholdings to be represented by each proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the 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 Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

	Name of Proxy	% of shareholding
1st		
2nd		

No. of Ordinary Shares Held

Please fold across the lines and close

stamp

To : **The Secretary**
Thong Guan Industries Berhad
Suite 2-1, 2nd Floor
Menara Penang Garden
42A, Jalan Sultan Ahmad Shah
10050 Penang

Please fold across the lines and close





A world of opportunities

Thong Guan Industries Bhd.

[324203-K]

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