



Annual Report 2005



Expanding in Asia & around the world



THONG GUAN INDUSTRIES BERHAD
(134265-K)



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**Board of Directors**

Dato' Ang Toon Cheng @ Ang Tong Sook
 Tengku Makram Bin Tengku Ariff
 Ang Poon Chuan
 Ang Toon Piah @ Ang Toon Huat
 Ang Poon Seong
 Ang Poon Khim
 Datuk Ahmad Bin Tokimin
 Lee Eng Sheng
 Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah

(Chairman, Non Independent Executive Director)
 (Deputy Chairman, Independent Non Executive Director)
 (Managing Director)
 (Non Independent Executive Director)
 (Non Independent Executive Director)
 (Non Independent Executive Director)
 (Non Independent Non Executive Director)
 (Independent Non Executive Director)
 (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)
 Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah
 (Independent Non Executive Director)

Company Secretary

Lam Voon Kean
 MIA 4793

Share Registrar

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

Nomination Committee

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

Auditor

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

Remuneration Committee

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

Principal Bankers

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

Registered Office

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

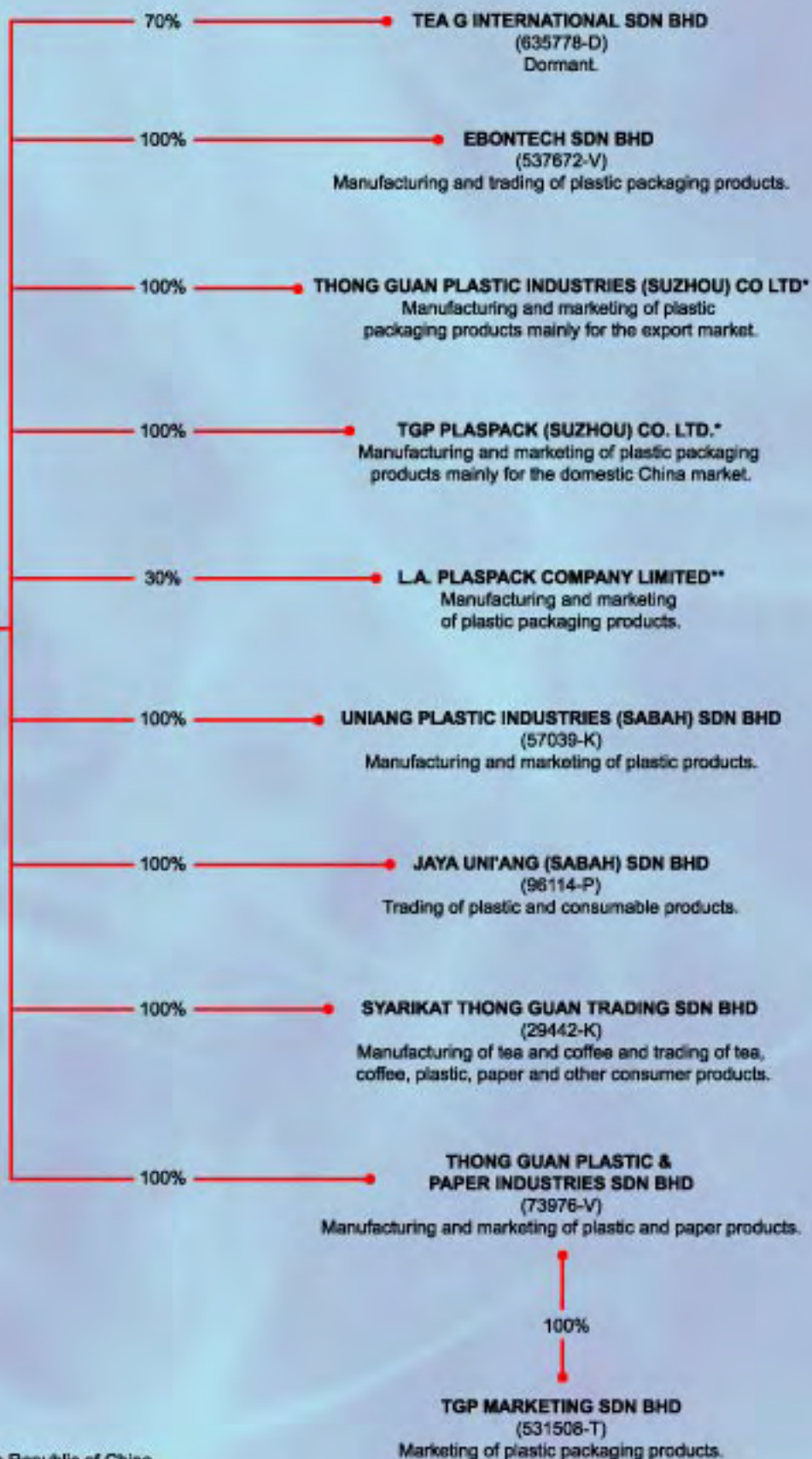
Stock Exchange Listing

The Main Board,
 Bursa Malaysia Securities Berhad

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

Group Structure & Principal Activities



Note:

* - Incorporated in the People's Republic of China

** - Incorporated in the Kingdom of Thailand



On behalf of the Board of Directors, I am pleased to present to you 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 2005.

Economic Review

The growth of the Malaysian economy moderated to 5.3% in 2005 (2004: 7.1%). All sectors within the economy expanded except for construction. The growth was driven by the largest sector in the economy, the services sector which grew 6.5% (2004: 6.8%) underpinned by robust growth of private consumption at 9.2% and private investment at 10.6% (2004: 15.8%). The continued softening of the United States (US) Dollar brought the US interest rates higher. Pressure on China to revalue its currency amidst soaring trade surpluses with the United States resulted in China shifting its exchange policy to a managed float on 21 July 2005. Malaysia announced similar shift hours later. The continual rise of interest rates in the US triggered Malaysia to raise its Overnight Policy Rate (OPR) by 0.3% to 3% on 30 November 2005.

Inflation was a major concern for the global economy in 2005 fueled by the significant increase in international crude oil prices over the course of the year which started in 2004. Malaysia has been shielded from this phenomenon by the subsidy on retail fuel and controls on gas and power prices. The increasing burden on the Government has resulted in the partial removal of the subsidy and domestic retail fuel prices were adjusted 3 times in 2005. This was reflected in the Consumer Price Index increasing by 3% against 1.4% in 2003. The labour market however continued to be stable with unemployment rate remaining at 3.5%, total employment increased by 4.1% to 10.9 million people, retrenchment declined by 19% to 16,109 persons (2004: 19,956 persons) while job vacancies increased to a record high of 304,500 positions (previous high, 2002: 162,787 positions). As at end of 2005, registered foreign workers numbered 1,815,238, a large increase of 23.5% over 2004, partly due to new hire as well as the success of the Government's Amnesty Program whereby illegal migrant workers returned to Malaysia as registered foreign workers. Foreign workers account for 16.7% of total employment engaged mainly in manufacturing (32%), plantation (24%), construction (16%) and domestic helpers (18%). Indonesian is the largest with 67% followed by Nepalese 11% and Indians 7%.

Industry Trends & Development

The manufacturing sector chalked up a moderate growth of 4.9% (2004: 9.8%) as the electronic products segment experienced an oversupply patch in the first half of the year. This was however reversed in the second half as the recovery of this segment contributed to a relatively stronger second half growth of 6.4% (first half: 3.8%). The chemical products segment with 11% growth (2004: 15.1%) boosted by its plastic products sub-segment and the petroleum products segment with 10.8% growth (2004: 9.8%) were the leading growth segments of the manufacturing sector.

The total turnover of the Malaysian Plastic industry soared by an estimated 22% (2004: 18%) fueled by robust export growth of bags, films and other packaging plastic as well as the recovery of the export electronics and domestic automotive sub sectors. The Malaysian Plastic Manufacturers Association however, estimated that the real growth in terms of actual output is approximately 7% - 8% as selling prices were generally higher due to the higher average raw materials and other input prices and the stronger Euro (export to Europe contributed more than 60% of total Malaysian plastic products export). Total export of Malaysian plastic products grew by 20% to RM 6.7 billion boosted primarily from higher export of the packaging sub-sector. The packaging sub-sector which grew 22% (2004: 21%) continued its dominance contributing a slice of 36% or RM 5.1 billion to the total pie of the Malaysian plastic industry.

Sources: Bank Negara Malaysia, Annual Report & The Malaysian Plastic Manufacturers Association

Group Structure & Principal Activities



Group Performance

The Group registered an 18.3% growth in revenue from RM 321.7 million in 2004 to RM 380.4 million in 2005. Group profit before tax was RM 26.1 million, a decrease of 13.2% from the RM 30.1 million recorded in 2004. Turnover growth is mainly attributable to increase export sales, contribution from the Group's China operations and price increase due to the soaring raw material and other input prices. The decrease in profitability was attributable to a culmination of factors including the higher input cost which stifled margin, increased freight cost, raising interest cost, unfavourable foreign exchange movements and the accumulation of startup cost for the Group's new factory in China.

Dividend

The Board of Directors has recommended a final tax-exempt dividend of 5 sen per ordinary share amounting to approximately RM 5.3 million or 23.3% of profit after tax and minority interest for the year ended 31 December 2005 (2004: 5sen, RM 5.3 million, 19.8%).

Prospects

The global GDP growth is projected to be sustainable at 4.3% (2004: 4.3%) with major economies namely the US, European Union and Japan forecasted to grow at 3.3%, 1.7% and 2.5% (2004: 3.5%, 1.3% and 2.8%) respectively while that of East Asian region, excluding Japan is expected to expand by 7 – 7.2% (2004: 7.2%) while that of ASEAN is expected to grow by 5.1 – 5.9% (2004: 5.4%). Bank Negara Malaysia (BNM) has charted the Malaysian GDP growth to be at a higher rate of 6% in 2006 underpinned by the strengthening export and resilient domestic demand. BNM has also projected that the manufacturing sector will once again spearhead the growth with a faster pace of 7% in 2006 as the recovery of the global semiconductor industry gain strength and the strong demand forecasted for resource-based products such as chemical, petroleum and rubber products. The MPMA has projected a 15% growth for the plastic industry in 2006 on the back of sustained higher raw material prices and continued strong prospect for Malaysian export.

Though the general economic conditions are expected to be stable in 2006, the Group expects a challenging year ahead. The prolonged high raw material prices is expected to sustain until end 2007. The average prices of polyethylene, the Group's main raw material has inched up marginally during the first 5 months of 2006 compared to the average prices in 2005. As at early March 2006, the Ringgit has appreciated by close to 6% against the USD from its pegged position a year earlier. On 26 April 2006, BNM announced a further increase of the OPR by 0.25% to 3.5%. The significant RM 0.30 revision upwards of the retail fuel price on 28 February 2006 has put further pressure on the CPI. These recent unfavourable developments have added extra cost to the operations of the Group.

Amidst concern of the developments, the general environment is still conducive for the Group's business. The continued strong growth of the usage of disposable plastic packaging in particular garbage bags and stretch films despite the higher prices augur well for the growth of the group. The projected sustainable rapid domestic growth in China of around 8 - 9% in the medium term fits well into the Group's expansion into China's domestic market. The Group will continue to build on the strong momentum of its continued export growth and expansion of its operations in China while consolidating its position as one of the largest producer of stretch film in Asia Pacific. It is also positioning itself to be one of the largest producers of stretch film in the world in the next five years. The Group is optimistic that it will be able to improve on its 2005 financial performance for 2006.

Acknowledgement

On behalf of the Board of Directors, I would like to extend our gratitude to the management and staff for their contribution to the Group during the year. We would also like to thank our shareholders, business partners, advisers, customers, friends and the authorities for their continued trust, confidence, support and guidance.

Dato' Ang Toon Cheng
Chairman



Directors Profile



Dato' Ang Toon Cheng @ Ang Tong Sooi, aged 79, 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 operation 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 four 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 55, 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 motorcar 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 three out of the four 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 the Directors of Kemayan Corporation Bhd, Tien Wah Press Holdings Berhad and Comintel Corporation Berhad. He had no conviction for offences within the past 10 years.



Mr Ang Poon Chuan, aged 62, 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 41 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 four Board meetings held for the financial year. He is the son of Dato' 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 Plah @ Ang Toon Huat, aged 77, 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 four Board meetings held for the financial year. He is the brother of Dato' 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 52, 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 three out of the four Board meetings held for the financial year. He is the son of Dato' 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 50, 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 of Sabah Manufacturers.

He serves as a member of the Employees' Share Options Scheme Committee. He has attended two out of the four Board meetings held for the financial year. He is the son of Dato' 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



Datuk Ahmad Bin Tokimin, aged 62, Malaysian, was appointed as a 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 services 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 three out of the four 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 and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.

Mr Lee Eng Sheng, aged 43, 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. Mr Lee is a member of the Malaysian Institute of Accountants and a Certified Financial Planner of the Financial Planning Association of Malaysia. He has worked in the accounting and finance fields in various positions since 1988 and is presently the Group 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 all the four 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.



Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah, aged 71, Malaysian, was appointed as the Independent Non-Executive Director on 11 August 2004. He graduated from the University of Malaya, Singapore before he entered the Kedah State Civil Service. He Rose through the ranks and was appointed State Director of Land and Mines, State Financial Officer and finally the State Secretary before retiring in November, 1989.

He serves as a member of Audit Committee of TGI. He has attended three out of the four Board meetings held for the financial year since his appointment. 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 Boards of DFZ Capital Berhad, Yayasan Kedah Berhad and Yayasan Sultanah Bahiyah Berhad. He had no conviction for offence within the past 10 years.

Statement On Corporate Governance



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

It is the Board's responsibility and commitment to ensure that the highest standard of corporate governance is being practiced in the Group (the Company and its subsidiaries), thereby safeguarding the assets of the Group and its shareholders' investments. Against this setting, the Board endeavors to fully comply with all the principles in Part 1 of the Code and to adopt the Best Practices as recommended in Part 2 of the Code.

Throughout the year, the Board is pleased to provide the following statements, which outline the main corporate governance practices, 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 recognizes 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 & function, 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 retains full and effective control of the Group. 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.

Board 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 four (4) occasions, where it deliberated upon and considered a variety of matters including the Group's financial results, major investments, strategic decisions, business plan, and direction of the Group.

Board papers, minutes of the last meetings and agenda are circulated within reasonable time before each meeting are being held to render Directors sufficient time to evaluate and address the issues concerned. During the meetings, the Managing Director briefs the Board, and where appropriate, board papers that encompass both financial and non-financial information are made available to Directors. This enables the Directors to make enquiries and obtain further explanations where necessary. All proceedings are minuted and signed by the Chairman during the Board meeting.

Details of each Director's meeting attendance during the financial year are as follows:

Board of Director	24/02/05	18/05/05	25/08/05	22/11/05	Total
Dato' Ang Toon Cheng @ Ang Tong Sool	✓	✓	✓	✓	4/4
Tengku Makram Bin Tengku Ariff	✓	✗	✓	✓	3/4
Ang Poon Chuan	✓	✓	✓	✓	4/4
Ang Toon Piah @ Ang Toon Huat	✓	✓	✓	✓	4/4
Ang Poon Seong	✓	✗	✗	✓	2/4
Ang Poon Khim	✓	✓	✓	✗	3/4
Datuk Ahmad Bin Tokimin	✓	✓	✗	✓	3/4
Lee Eng Sheng	✓	✓	✓	✓	4/4
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	✗	✓	✓	✓	3/4



Board Committees

In order to enhance business operational efficiency and efficacy, the Board delegates and assigns appropriate responsibilities to the various Board Committees, namely Audit Committee, Nominating Committee and Remuneration Committee. 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 Chairman 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.

Board Balance

The Board currently has nine (9) members; comprising three (3) Independent Non-Executive Directors within the meaning of Chapter 1.01 of the Listing Requirements, one (1) Non-Independent Non-Executive Director and five (5) Non-Independent 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 2005.

The Board has within it, professionals drawn from varied backgrounds who bring with them in-depth 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 in this Annual Report.

The roles of the Chairman and the Managing Director are separate and each has a clearly accepted division of responsibilities to ensure a balance of power and authority are carried out. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Managing Director will have overall responsibilities over the operating units, organizational effectiveness, implementation of Board policies and decisions in meeting the corporate objectives of the Group. The presence of Independent Non-Executive Directors are essential to provide an unbiased and independent view, advice, and judgement as well as to safeguard the interest not only of the Group, but also shareholders, employees, customers, suppliers and the community in general.

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

The Board believes that the current composition of members fairly reflects the investment of minority shareholders in the Company. In addition, the Board views the experience of its members to be effective in discharge their responsibilities.

Supply of Information

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

All Directors have unhindered access to the advice and services of the Company Secretary and may take independent professional advice, at the Company's expense, in furtherance of their duty if so required. The Board also has unlimited access to all information with regard to the activities of the Group.

Directors' Training

All the existing Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by KLSE Training Sdn Bhd. During the year, the Directors also attended the BMSB accredited Continuing Education Programme (CEP) for directors of public listed companies. The Directors will continue to undergo any other relevant training programme to further enhance their skills, knowledge and to keep themselves updated on the expectations of their roles and other market developments.

Appointments to the Board

Nominating Committee

The Board established a Nominating Committee on 20 November 2002. The present members of the Nominating Committee of the Company are:

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

Statement On Corporate Governance



Nominating Committee (cont'd)

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

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 by adopting the terms of reference and carried out annual appraisal to assess the Board effectiveness as a whole.

The Company Secretary will ensure that all the necessary information is obtained and complied with all legal and regulatory obligations are met before any new Directors are appointed.

Re-election of Directors

One-third of the Board, including the Managing Director, is 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 in accordance with the Company's Articles of Association. Those 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. Under Section 129 (6) of the Companies Act 1965, Directors over seventy (70) years of age are required to submit themselves for re-appointment annually. Such provisions give an opportunity to shareholders to renew or repel their mandate. Each Director is voted separately during election. All relevant 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 to assist shareholders in their decision.

B. Director's Remuneration

Shareholders at the Annual General Meeting approved the annual fees payable to Directors.

Remuneration Committees established by the Board on 20 November 2002, comprises the following members:

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

The Remuneration Committee is responsible for developing and recommending remuneration structure for Directors as well as the remuneration packages 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 amount of the remuneration of Directors of the Company during the financial year, are as follows:

	Fees RM	Salaries RM	Bonuses RM	Other Emoluments RM
Executive Directors	240,000	1,153,500	346,200	152,040
Non-Executive Directors	100,000	-	-	12,500



Statement On Corporate Governance

B. Director's Remuneration (cont'd)

The Directors remuneration analyzed into bands of RM50,000 each for the year ended 31 December 2005, is summarized 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	-	-
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	-	-
RM500,001 to RM550,000	-	-
RM550,001 to RM600,000	1	-
RM600,001 to RM650,000	1	-

C. Shareholders

The Board acknowledges the need and importance of keeping shareholders and investors informed of the Group's business and corporate developments. Timely release of quarterly financial results, 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 on Group performance and operations.

The Board intends to maintain an active dialogue with shareholders. Whilst the Annual Report gives the shareholders a quick run on 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.

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

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 announcements of the results to shareholders as well as the Chairman's statement and review of the operations in the annual report. The Directors are responsible in ensuring the annual financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia. 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 gives 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 end. The Directors have ensured that the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

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

A general responsibility of the Directors is to take such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Statement On Corporate Governance



State of Internal Controls

The Statement on Internal Control provides an overview of the state of internal control within the Group and form part of this Annual Report.

Relationship with the Auditors

The Board has established formal and transparent arrangements for maintaining appropriate relationships with the Group's Auditors, both internal and external. 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 in the Audit Committee Report which form part of this Annual Report.

During the year, a summary of Audit Committee activities, including the evaluation of the independent audit process, are set out in the Audit Committee Report.

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 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. 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 directors 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 RM60,455.40 for the Group and RM35,532.90 for the Company was paid to the external auditor of the Company for the financial year ended 31 December 2005.

Material Contract

Since the end of the previous year report, there were no material contract that involved Group and its directors and major shareholders.



Introduction

Paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") requires the Board of Directors of public listed companies to include 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 to safeguard shareholders' investments and the Group's assets, 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 2005.

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. In consideration of the limitations that are inherent in any system of internal control, the internal control system is designed to manage rather than to eliminate the risks that may impede the achievement of the Group's objectives. The system of internal control can therefore only provide reasonable and not absolute assurance against material misstatements and loss. The system of internal control covers risk management and financial, organizational, operational and compliance controls.

During the financial year, 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 following the publication of the Statement on Internal Control: Guidance for Directors of Public Listed Companies (the "Internal Control Guidance").

Risk Management Framework

The Board has in 2003, appointed a professional firm of consultants to carry out an Enterprise Risk Management ("ERM") review of in the Group's operations. As an extension of its initiatives to embed good corporate governance practices, the Board commissioned the same consultants firm to roll out the ERM review to subsidiaries in Sabah. The review was completed and the relevant reports were issued to the Audit Committee in April 2004.

On-going processes for identifying, evaluating, and managing risks have been firmly established by the Group. The Board through its Audit Committee regularly reviews this process. The main objective of the review is to formalize 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 external/internal audit consultants employed by the Company has identified principal risks areas and ensure an appropriate risk assessment and evaluation framework and activities have been put in place for the Group. The formalization of the Enterprise Risk Management framework encompasses the following key elements:

- The issuance of a Risk Management Policy and Procedure document, which outlines the risk management framework for the Group and offers practical guidance to all employees on risk management issues;
- A database of all principal business risks and controls has been created, and the information filtered to produce a detailed risk register and individual risk profiles for the subsidiary companies. Key risks to each major business unit's objectives, aligned with the Group's strategic objectives, were identified and scored for likelihood of the risks occurring and magnitude of the impact. Key management personnel in each major business unit are identified and entrusted to prepare action plans to address any risk and control issues; and
- The external consulting firm has executed risk-based internal audit to review the adequacy and integrity of the system of internal control in managing the risks faced by the subsidiary companies.

The next steps in the Group's risk management process include, inter-alia, the following:

- To update on a regular basis the risk profiles of companies in the Group according to the Risk Management Policy and Procedure;
- To further embed a risk aware culture and the risk management process within the Group, risk management training for selected management and staff will be conducted on an ongoing basis;
- To roll out the ERM review to the other companies in the Group upon the identification, assessment, evaluations of all principal business risks and controls. Management will consider the residual risk treatment options and prepare the action plans, with implementation time scales to address the risk and control issues;
- To establish and formalize the risk management reporting framework, including submission of periodic risk management reports to the RMC for tabling to the Audit Committee;
- To execute risk-based internal audit with formalize periodic review by the Audit Committee and the Board on the adequacy and integrity of the system of internal control.

Statement On Internal Control



Internal Audit Function

To strengthen the internal audit function, the Group established an internal audit department to assist the Audit Committee and Board in the discharge of its duties and responsibilities relating to the adequacy and integrity of internal controls ongoing. Internal audits were carried out on 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.

In certain areas where there are no formalized set of internal controls, compensating factors are put in place such as the direct involvement of executive directors. Ongoing reviews during Board and Management meetings are carried out to ensure the effectiveness and adequacy of the Groups' internal control system.

Prior to reporting and making recommendations to the Board, the Audit Committee will go through reports prepared by the internal audit department and considers comments from Management.

Other Risk and Control Processes

Apart from the internal audit function 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:

- Internal audit function includes performing regular reviews of business processes to assess the effectiveness of the internal control system and to highlight significant risks impacting the Group with recommendations for improvement;
- Quarterly financial results and other financial reports were evaluated and reviewed by the Board and Audit Committee;
- The Managing Director reports to the Board on significant changes in the business and external environment, which affect the operations of the Group at large with the close involvement of Executive Directors, who are hands-on in the operations of the Group;
- 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;
- Regularly review of the financial performance, business developments and strategic and operational issues, especially areas of vulnerability are conducted and chaired by the Managing Director during management meeting.
- Operating policies and procedures of major subsidiary companies, which incorporate requirements prescribed in and guided by the ISO quality management documentation provide some level of assurance on the system of internal control on operations;
- The Board considers areas of improvements in the system identified and recommended by the Audit Committee and Management.

Weaknesses in Internal Controls That Result in Material Losses

There were no material losses incurred during the financial year due to 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 issued in accordance with the minutes of the Board of Directors' meeting held on 25 May 2005.



Audit Committee Members

The Board of Directors is pleased to present the Audit Committee report for the financial year ended 31 December 2005. 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)
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	-	Member Independent Non-Executive Director

Attendance of Meetings

Four (4) meetings were held to discuss matters relating to the accounting and reporting practices of the Group and Company during the financial year ended 31 December 2005. The details attendance of each Audit Committee member is as follows: -

Director	24/02/05	18/05/05	25/08/05	22/11/05
Tengku Makram Bin Tengku Ariff	✓	✗	✓	✓
Ang Poon Chuan	✓	✓	✓	✓
Lee Eng Sheng	✓	✓	✓	✓
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	✗	✓	✓	✓

The meetings appropriately structured with the use of agendas, which distributed to members with sufficient notification & preparation.

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, upon invitation as appropriate.

Summary of activities during the financial year

During the financial 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 auditor's scope of their audit work and audit plan for the year. Prior to the audit, representatives from the external auditor presented their audit strategy and 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, 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;
- Discussed with external auditors before the audit commences, the nature and scope of internal auditors;
- Reviewed the Company's compliance in particular the quarterly and year-end financial statements with the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") and the applicable approved accounting standards issued by the Malaysia Accounting Standards Board and other relevant legal and regulatory requirement;
- Reviewed the internal audit report, which highlighted the audit issues and findings, recommendations and Management's comments thereto; and
- Reviewed pertinent issues that had significant impact on the results of the Group.

Audit Committee Report



Internal Audit Function

In order to strengthen the internal audit control of the Group, 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. In order to support and strengthen the internal audit function, the services of external consultants is sought to assist in the execution of risk-based internal audit in the subsidiary 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.

The areas audited by the external consultant firm were base upon the results of the Enterprise Risk Management assignment and approved by the Committee prior to the commencement of the internal audit. The internal auditor carries out regular and systematic reviews so that to provide assurance that the system of internal controls continue to operate satisfactorily and effectively.

Terms of Reference

Objectives

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

- 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 Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) Directors, the majority of who shall be Independent Non-Executive Directors of the Company.

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

- a member of the Malaysian Institute of Accountants ("MIA"); or
- 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.

If a member of the Audit Committee resigns, dies 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 that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

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 of Directors.

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

During the year, the Chairman shall submit an annual report to the Board summarizing the Committee's activities and the related significant results and findings.

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. It is authorized to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee. The Committee shall have full and unlimited access to any information pertaining to the Group.

The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Committee shall be able to convene meetings with the external auditors, shall have direct communication channels with the internal and external auditors, and with the management of the Group whenever deemed necessary.

Responsibilities and Duties

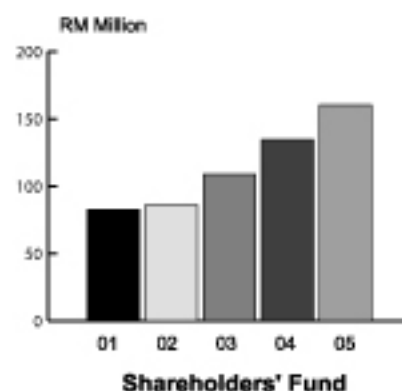
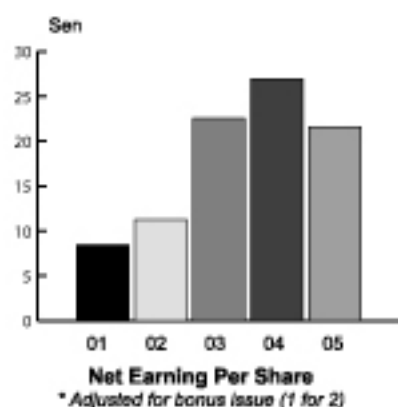
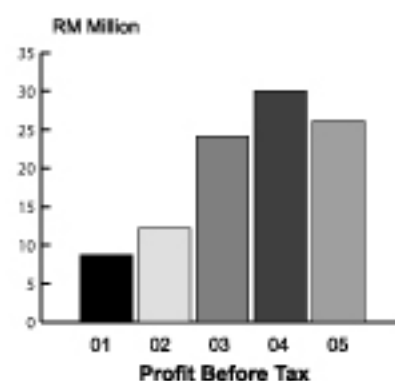
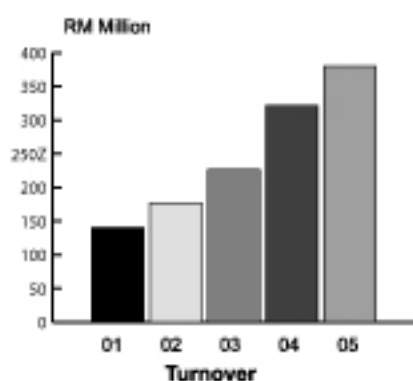
To ensure in fulfilling its primary objectives, the Committee shall undertake and carry out the following responsibilities and duties summarized as follows: -

- 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 the 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:
 - going concern assumption;
 - any changes in or implementation of major accounting policies and practices;
 - significant or unusual events;
 - compliance with accounting standards and other legal requirements;
- 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;
- Review and recommend to the Board of Directors the Corporate Governance Statement and statement on Internal Control in relation to internal control and the management of risk included in the annual report;
- Review the financial reporting procedure in place to ensure that the Group is in compliance with the Company Act 1965, Listing requirement of BMSB and other legislative and reporting requirements;
- Review the allocation of option granted pursuant to the Employee Share Option Scheme (ESOS) of the Company;
- Other activities authorized or instructed by the Board.

Financial Summary

In RM'000	2001	2002	2003	2004	2005
Turnover	140,679	177,137	226,318	321,701	380,428
Profit Before Taxation	8,726	12,172	24,158	30,085	26,124
Profit Attributable To Shareholders	7,906	10,750	21,734	26,805	22,556
Dividends	3,190	-	3,331	5,260	5,260
Shareholders' Fund	82,380	85,962	108,882	134,464	160,450
In Sen					
Earnings Per Share	* 8.48	* 11.25	* 22.58	* 26.94	21.61
Net Tangible Assets Per Share	* 88.29	* 89.81	* 111.68	* 134.19	152.51
Gross Dividend Per Share	5.00	-	5.00	5.00	5.00

* Adjusted for bonus issue (1 for 2)





Directors' Report

for the year ended 31 December 2005

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 2005.

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>22,556,432</u>	<u>4,887,246</u>

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid a first and final tax exempt dividend of 5% totalling RM5,260,225 based on the issued and paid-up share capital of 105,204,500 in respect of the year ended 31 December 2004 on 8 August 2005.

A final dividend of 5% tax exempt has been recommended by the Directors in respect of the year ended 31 December 2005, 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 :

Dato' 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 Khim	
Datuk Ahmad Bin Tokimin	
Lee Eng Sheng	
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	

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				
The Company	Balance at 1.1.2005	Bonus issue	Bought	(Sold)	Balance at 31.12.2005
Dato' Ang Toon Cheng @ Ang Tong Sooi	240,250	120,125	21,000	-	381,375
Tengku Makram Bin Tengku Ariff	27,000	13,500	-	-	40,500
Ang Poon Chuan	619,000	309,500	-	-	928,500
Ang Toon Piah @ Ang Toon Huat	109,000	54,500	-	-	163,500
Ang Poon Seong	392,750	196,375	-	-	589,125
Ang Poon Khim	389,750	194,875	5,700	-	590,325

None of the other Directors holding office at 31 December 2005 had any interest in the ordinary shares of the Company during the financial year.

Directors' Report

for the year ended 31 December 2005



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 RM	Number of options for ordinary shares			
		Balance at 1.1.2005	Option granted	(Option exercised)	Balance at 31.12.2005
Dato' Ang Toon Cheng @ Ang Tong Sool	1.73	-	300,000	-	300,000
Ang Poon Chuan	1.73	-	650,000	-	650,000
Ang Toon Piah @ Ang Toon Huat	1.73	-	300,000	-	300,000
Ang Poon Seong	1.73	-	500,000	-	500,000
Ang Poon Khim	1.73	-	550,000	-	550,000

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 into in the ordinary course of business with companies in which certain Directors have substantial financial interests; and
- ii) Rental payable to/receivable from 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 RM66,803,000 to RM105,204,500 by :

- i) bonus issue of 33,401,500 ordinary shares of RM1.00 each on the basis of one new ordinary share for every two ordinary shares held by way of capitalisation of retained profits; and
- ii) issue of 5,000,000 ordinary shares of RM1.00 each at RM1.76 per share pursuant to the private placement exercise.

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 Company has been granted an exemption by the Companies Commission of Malaysia from having to disclose the names of option holders who were granted less than 300,000 options during the financial year. The names of option holders to whom 300,000 options and above have been granted during the financial year at option price of RM1.73 per share are as follows :

Number of options over ordinary shares of RM1 each

Ang Poon Chuan	650,000
Ang Poon Khim	550,000
Ang Poon Seong	500,000
Dato' Ang Toon Cheng @ Ang Tong Sool	300,000
Ang Toon Piah @ Ang Toon Huat	300,000



Options granted over unissued shares (Cont'd)

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 Executive Directors of the Group (except for dormant companies within the Group) and non-Executive Directors of the Company who are specifically approved as eligible to participate in the ESOS by the Company in Extraordinary General Meeting;
- ii) The number of new shares that may be offered and allotted to any eligible employee of the Group shall be at the discretion of the ESOS Committee, after taking into consideration the performance, seniority and length of service of the eligible employee and under ESOS and such other factors that the ESOS Committee may deem relevant subject to the following :
 - (a) not more than fifty per centum (50%) of the shares available under ESOS should be allocated, in aggregate, to Directors and senior management of the Group; and
 - (b) not more than ten per centum (10%) of the shares available under ESOS should be allocated to any individual Director or employee who, either singly or collectively through his/her associates holds twenty per centum (20%) or more in the issued and paid-up share capital of the Company.
- iii) The ESOS shall continue to be in force for a period of 5 years commencing from 2 February 2005.
- iv) The price of each of the option granted shall be set based on the 5-day weighted average market price of the Company's shares as quoted on the Bursa Malaysia Securities Berhad immediately preceding the date of offer is granted with a discount of not more than ten per centum (10%), if deemed appropriate, or such lower or higher limit in accordance with any prevailing guidelines issued by the Securities Commission or any other relevant authorities as amended from time to time, or at the par value of each of the share of the Company, whichever is higher.
- v) The new ordinary shares arising from the exercise of the options shall upon allotment and issue, rank pari passu in all respects with the existing issued ordinary shares of the Company except that the new shares so allotted shall not be entitled to any dividends, rights, allotments or other distributions, the entitlement date of which is prior to the date of allotment of the said shares.

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 31.12.2005
		Balance at 1.1.2005	Granted	(Exercised)	(Lapsed)	
	RM					
12.11.2005	1.73	-	9,092,000	-	-	9,092,000

The Audit committee has verified the outstanding options arising from the share options issued during the year.

Directors' Report

for the year ended 31 December 2005



Significant events during the financial year

The details of such events are disclosed in Note 26 to the financial statements.

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 guarantee amounting to approximately RM11,500,000 given to a bank for banking facilities granted to a subsidiary.

**Directors' Report***for the year ended 31 December 2005*

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 Group and of the Company 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 2005 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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

Signed in accordance with a resolution of the Directors :

.....
Ang Poon Chuan

.....
Ang Toon Plah @ Ang Toon Huat

Kedah Darul Aman,

Date : 27 April 2006



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 60, 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 2005 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 :

.....
Ang Poon Chuan

.....
Ang Toon Piah @ Ang Toon Huat

Kedah Darul Aman,

Date : 27 April 2006

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 60 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 at Sungai Petani in the State of Kedah Darul Aman on 27 April 2006.

.....
Ang See Ming

Before me :

TAN HWA LIAN (KO48)
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 60. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 2005 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 Number : AF 0758
Chartered Accountants

Ng Swee Weng
Partner
Approval Number : 1414/03/08 (J/PH)

Penang,

Date : 27 April 2006

Consolidated Balance Sheet

at 31 December 2005

	Note	2005 RM	2004 RM
Property, plant and equipment	2	117,639,446	93,443,987
Investment in associate	4	1,376,478	1,707,201
Current assets			
Inventories	5	89,410,486	66,867,399
Trade and other receivables	6	64,739,504	60,602,878
Cash and cash equivalents	7	15,657,312	13,103,891
		169,807,302	140,574,168
Current liabilities			
Trade and other payables	8	58,760,382	46,502,738
Borrowings	9	59,148,684	44,165,592
Taxation		228,630	1,034,565
		118,137,696	91,702,895
Net current assets		51,669,606	48,871,273
		170,685,530	144,022,461
Financed by :			
Capital and reserves			
Share capital	10	105,204,500	66,803,000
Reserves	11	55,245,147	67,660,884
Shareholders' funds		160,449,647	134,463,884
Minority shareholders' interests	12	27,295	28,529
Borrowings	9	551,830	988,567
Deferred tax liabilities	13	9,656,758	8,541,481
		170,685,530	144,022,461

The financial statements were approved and authorised for issue by the Board of Directors on 27 April 2006 .

The notes set out on pages 27 to 60 form an integral part of, and should be read in conjunction with, these financial statements.



Consolidated Income Statement

for the year ended 31 December 2005

	Note	2005 RM	2004 RM
Revenue	15	380,427,902	321,701,402
Cost of sales		(331,048,165)	(269,359,336)
Gross profit		49,379,737	52,342,066
Distribution costs		(12,147,323)	(10,957,063)
Administrative expenses		(13,808,209)	(13,561,217)
Other operating expenses		(66,112)	(157,100)
Other operating income		4,595,711	3,389,964
Operating profit	16	27,953,804	31,056,650
Interest expense		(1,620,334)	(874,815)
Interest income		121,496	189,469
Share of loss of associate		(330,723)	(286,468)
Profit before tax		26,124,243	30,084,836
Tax expense	18	(3,569,045)	(3,281,337)
Profit after tax		22,555,198	26,803,499
Minority interest		1,234	1,471
Net profit for the year		22,556,432	26,804,970
Basic earnings per ordinary share (sen)	19	21.61	26.94
Diluted earnings per ordinary share (sen)	19	21.31	-
Dividend per ordinary share (sen)	20	5.00	5.00

The notes set out on pages 36 to 60 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 2005



	← Non-distributable →			Distributable	
	Share Capital RM	Share Premium RM	Exchange Fluctuation Reserve RM	Retained Profits RM	Total RM
At 1 January 2004	64,996,000	-	-	43,885,524	108,881,524
Arising from issue of new ordinary shares by virtue of the exercise of option under ESOS at :					
- RM1.00 per share	435,000	-	-	-	435,000
- RM1.22 per share	1,372,000	301,840	-	-	1,673,840
Net profit for the year	-	-	-	26,804,970	26,804,970
Dividend paid :					
- 2003 final 5% tax exempt	-	-	-	(3,331,450)	(3,331,450)
At 31 December 2004	66,803,000	301,840	-	67,359,044	134,463,884
Arising from issue of new ordinary shares by virtue of :					
- bonus issue (1 for 2)	33,401,500	3,800,000	-	(33,401,500)	-
- private placement	5,000,000	(163,273)	-	-	8,800,000
- share issue expense #	-				(163,273)
Exchange differences on translation of the financial statement of foreign entities #	-	-	52,829	-	52,829
Net profit for the year	-	-	-	22,556,432	22,556,432
Dividend paid :					
- 2004 final 5% tax exempt	-	-	-	(5,260,225)	(5,260,225)
At 31 December 2005	105,204,500	3,938,567	52,829	51,253,751	160,449,647

- represents net gain/(loss) not recognised in the income statement.

The notes set out on pages 36 to 60 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 2005

Cash flows from operating activities	2005 RM	2004 RM
Profit before tax	26,124,243	30,084,836
Adjustments for :		
Depreciation	10,810,395	9,406,011
Gain on disposal of property, plant and equipment	(998,759)	(255,546)
Interest income	(121,496)	(189,469)
Interest expense	1,620,334	874,815
Plant and equipment written off	5,842	-
Share of loss in associate	330,723	286,468
Operating profit before working capital changes	37,771,282	40,207,115
Increase in inventories	(22,543,087)	(19,013,676)
Increase in trade and other receivables	(3,865,623)	(13,449,219)
Increase/(Decrease) in trade and other payables	12,257,644	(2,752,525)
Cash generated from operations	23,620,216	4,991,695
Interest paid	(1,620,334)	(874,815)
Tax paid	(3,530,706)	(2,136,506)
Net cash generated from operating activities	18,469,176	1,980,374
Cash flows from investing activities		
Purchase of property, plant and equipment (Note A)	(35,432,522)	(24,197,805)
Proceeds from disposal of property, plant and equipment	1,719,585	645,604
Interest received	121,496	189,469
Investment in associate	-	(1,993,669)
Share issue expenses	(163,273)	-
Net cash used in investing activities	(33,754,714)	(25,356,401)
Cash flows from financing activities		
Proceeds from exercise of ESOS	-	2,108,840
Proceeds from issue of share capital	8,800,000	-
Proceeds from shares issued to minority shareholders	-	30,000
Repayment of hire purchase and finance lease obligations	(218,523)	(115,635)
Drawdown of term loans	4,145,000	860,000
Repayment of term loans	(3,117,582)	(4,733,798)
Dividend paid	(5,260,225)	(3,331,450)
Drawdown of short term bank borrowings, net	14,943,982	18,872,242
(Repayment)/Drawdown of revolving credit, net	(1,306,860)	6,666,898
Net cash generated from financing activities	17,985,792	20,357,097
Net increase/(decrease) in cash and cash equivalents	2,700,254	(3,018,930)
Cash and cash equivalents at beginning of year	9,292,060	12,310,990
Effects of exchange rates on cash and cash equivalents	52,829	-
Cash and cash equivalents at end of year (Note B)	12,045,143	9,292,060

Consolidated Cash Flow Statement

for the year ended 31 December 2005



Notes to consolidated cash flow statement

A) Property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM35,732,522 (2004 : RM24,307,882) of which RM300,000 (2004 : RM110,077) was acquired by means of hire purchase instalment plan. The remaining of RM35,432,522 (2004 : RM24,197,805) was purchased by way of cash payments.

B) Cash and cash equivalents

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

	2005 RM	2004 RM
Short term deposits with licensed banks	2,280,000	2,000,000
Cash and bank balances	13,377,312	11,103,891
Overdrafts	(3,612,169)	(3,811,831)
	<u>12,045,143</u>	<u>9,292,060</u>

The notes set out on pages 36 to 60 form an integral part of, and should be read in conjunction with, these financial statements.



Balance Sheet

at 31 December 2005

	Note	2005 RM	2004 RM
Investment in subsidiaries	3	86,181,167	81,817,697
Investment in associate	4	1,993,669	1,993,669
Current assets			
Trade and other receivables	6	34,471,998	30,554,984
Cash and cash equivalents	7	451,221	202,289
		<u>34,923,219</u>	<u>30,757,273</u>
Current liabilities			
Trade and other payables	8	1,149,660	883,992
		<u>1,149,660</u>	<u>883,992</u>
Net current assets		33,773,559	29,873,281
		<u>121,948,395</u>	<u>113,684,647</u>
Financed by :			
Capital and reserves			
Share capital	10	105,204,500	66,803,000
Reserves	11	16,743,895	46,881,647
Shareholders' funds		<u>121,948,395</u>	<u>113,684,647</u>

The notes set out on pages 36 to 60 form an integral part of, and should be read in conjunction with, these financial statements.



Income Statement

for the year ended 31 December 2005

	Note	2005 RM	2004 RM
Revenue	15	14,013,580	16,558,280
Cost of sales		<u>(8,516,833)</u>	<u>(10,107,864)</u>
Gross profit		5,496,747	6,450,416
Administrative expenses		(581,286)	(598,986)
Other operating income		<u>67,176</u>	<u>53,358</u>
Operating profit	16	4,982,637	5,904,788
Interest expense		<u>-</u>	<u>(3)</u>
Profit before tax		4,982,637	5,904,785
Tax expense	18	<u>(95,391)</u>	<u>-</u>
Net profit for the year		<u>4,887,246</u>	<u>5,904,785</u>

The notes set out on pages 36 to 60 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 2005

	← Non-distributable →			Distributable	
	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Retained Profits RM	Total RM
At 1 January 2004	64,996,000	-	-	3,643,074	68,639,074
Arising from issue of new ordinary shares by virtue of the exercise of option under ESOS at :					
- RM1.00 per share	435,000	-	-	-	435,000
- RM1.22 per share	1,372,000	301,840	-	-	1,673,840
Arising from revaluation of investment in subsidiaries	-	-	40,363,398	-	40,363,398
Net profit for the year	-	-	-	5,904,785	5,904,785
Dividend paid :					
- 2003 final 5% tax exempt	-	-	-	(3,331,450)	(3,331,450)
At 31 December 2004	66,803,000	301,840	40,363,398	6,216,409	113,684,647
Arising from issue of new ordinary shares by virtue of :					
- bonus issue (1 for 2)	33,401,500	-	(33,401,500)	-	-
- private placement	5,000,000	3,800,000	-	-	8,800,000
- share issue expense #		(163,273)	-	-	(163,273)
Net profit for the year	-	-	-	4,887,246	4,887,246
Dividend paid :					
- 2004 final 5% tax exempt	-	-	-	(5,260,225)	(5,260,225)
At 31 December 2005	105,204,500	3,938,567	6,961,898	5,843,430	121,948,395

- represents net loss not recognised in the income statement.

The notes set out on pages 36 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

Cash Flow Statement

for the year ended 31 December 2005

	2005 RM	2004 RM
Cash flows from operating activities		
Profit before tax	4,982,637	5,904,785
Adjustments for :		
Interest income	(67,176)	(53,358)
Interest expense	-	3
Dividend income	(5,440,900)	(6,363,788)
Operating loss before working capital changes	(525,439)	(512,358)
Increase in trade and other receivables	(3,933,360)	(2,787,958)
Increase/(Decrease) in trade and other payables	265,668	(639,208)
Cash used in operations	(4,193,131)	(3,939,524)
Dividend received	5,315,404	6,154,628
Interest paid	-	(3)
Tax refunded	46,451	-
Net cash generated from operating activities	1,168,724	2,215,101
Cash flows from investing activities		
Interest received	67,176	53,358
Investment in a subsidiary	(4,363,470)	(69,998)
Investment in associate	-	(1,993,669)
Share issue expenses	(163,273)	-
Net cash used in investing activities	(4,459,567)	(2,010,309)
Cash flows from financing activities		
Proceeds from exercise of ESOS	-	2,108,840
Dividend paid	(5,260,225)	(3,331,450)
Proceeds from issue of share capital	8,800,000	-
Net cash generated from/(used in) financing activities	3,539,775	(1,222,610)
Net increase/(decrease) in cash and cash equivalents	248,932	(1,017,818)
Cash and cash equivalents at beginning of year	202,289	1,220,107
Cash and cash equivalents at end of year (Note 7)	451,221	202,289

The notes set out on pages 36 to 60 form an integral part of, and should be read in conjunction with, these financial statements.



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.

(a) 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.

(b) 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.
- Ebontech Sdn. Bhd.
- Thong Guan Plastic Industries (Suzhou) Co., Ltd.
- Tea G International Sdn. Bhd.
- TGP Plaspac (Suzhou) Co. Ltd.

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.

(c) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill on acquisition is calculated based on the fair value of net assets acquired.

Notes To The Financial Statements

31 December 2005



(d) Property, plant and equipment

Freehold land and capital expenditure in-progress are stated at cost/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 and capital expenditure in-progress are 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

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

(e) Investments

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

(f) Inventories

Inventories are stated at the lower of cost and net realisable value with weighted average 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. The cost of raw materials comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition.

(g) Trade and other receivables

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

(h) 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.

**(i) 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.

(j) 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.

(k) Liabilities

Borrowings and trade and other payables are stated at cost.

(l) Derivative financial instruments

The Group uses derivative financial instruments in the form of forward foreign exchange contracts to hedge its exposure to foreign exchange risks 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.

(m) 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	RM3.75	(2004	:	1USD	=	RM3.80)
1AUD	RM2.77	(2004	:	1AUD	=	RM2.96)
1YEN	RM0.03	(2004	:	1YEN	=	RM0.04)
1SGD	RM2.27	(2004	:	1SGD	=	RM2.32)
1RMB	RM0.47	(2004	:	1RMB	=	RM0.47)

Notes To The Financial Statements

31 December 2005



(n) 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.

Financing charges over the hire purchase periods are allocated to the income statement using the "sum-of-digit" method.

(o) Finance leases

Leases in which the Group assume substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not the Group's incremental borrowing rate is used.

(p) Impairment

The carrying amount of assets, other than inventories and financial assets (other than investments in subsidiaries and associate) 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 generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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 had 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.

(q) 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.

**(r) Employee benefits****i) Short term employee benefits**

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii) Defined contribution plans

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

iii) Equity compensation benefits

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

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
<i>Cost/Valuation</i>						
At 1 January 2005	32,551,264	95,229,453	4,984,598	8,659,227	3,409,759	144,834,301
Additions	4,357,841	18,009,716	363,290	1,156,873	11,844,802	35,732,522
Disposals	(690,000)	(293,763)	(380)	(735,894)	-	(1,720,037)
Write off	(1,340)	-	(94,341)	-	-	(95,681)
Transfer	4,890,474	9,076,074	-	-	(13,966,548)	-
At 31 December 2005	41,108,239	122,021,480	5,253,167	9,080,206	1,288,013	178,751,105
<i>Accumulated depreciation</i>						
At 1 January 2005	4,435,524	37,758,490	2,825,304	6,370,996	-	51,390,314
Charge for the year	985,327	8,384,815	499,878	940,375	-	10,810,395
Disposals	-	(267,700)	(123)	(731,388)	-	(999,211)
Write off	(83)	-	(89,756)	-	-	(89,839)
At 31 December 2005	5,420,768	45,875,605	3,235,303	6,579,983	-	61,111,659
<i>Net book value</i>						
At 31 December 2005	35,687,471	76,145,875	2,017,864	2,500,223	1,288,013	117,639,446
At 31 December 2004	28,115,740	57,470,963	2,159,294	2,288,231	3,409,759	93,443,987
Depreciation charge for the year ended 31 December 2004	656,843	7,415,003	475,612	858,553	-	9,406,011

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2. Property, plant and equipment - Group (Cont'd)

Land and buildings comprise :

	Cost/Valuation		Net book value	
	2005 RM	2004 RM	2005 RM	2004 RM
At valuation				
Freehold land	5,149,000	5,839,000	5,149,000	5,839,000
Long term leasehold land	375,000	375,000	366,512	366,913
Short term leasehold land	3,411,370	3,411,370	2,717,850	2,776,833
Factory buildings	5,783,630	5,783,630	3,576,960	3,776,586
At cost				
Freehold land	290,000	290,000	290,000	290,000
Long term leasehold land	6,004,834	2,234,212	5,887,960	2,167,182
Factory buildings	20,094,405	14,618,052	17,699,189	12,899,226
	<u>41,108,239</u>	<u>32,551,264</u>	<u>35,687,471</u>	<u>28,115,740</u>

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
2005			
Freehold land	489,449	-	489,449
Long term leasehold land	934,165	140,335	793,830
Short term leasehold land	858,181	417,108	441,073
Factory buildings	3,229,681	1,561,944	1,667,737
	<u>5,511,476</u>	<u>2,119,387</u>	<u>3,392,089</u>
2004			
Freehold land	1,143,129	-	1,143,129
Long term leasehold land	934,165	127,754	806,411
Short term leasehold land	858,181	344,658	513,523
Factory buildings	3,229,681	1,428,020	1,801,661
	<u>6,165,156</u>	<u>1,900,432</u>	<u>4,264,724</u>

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



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2. Property, plant and equipment - Group (Cont'd)

	2005 RM	2004 RM
Motor vehicles	608,446	228,529

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 RM1,080,000 (2004 : RM12,420,000). As at balance sheet date, certain charges are in the process of being discharged.

3. Investment in subsidiaries - Company

	2005 RM	2004 RM
Unquoted shares, at cost	4,432,468	68,998
Unquoted shares, at valuation	81,748,699	81,748,699
	<u>86,181,167</u>	<u>81,817,697</u>

In the financial year ended 31 December 2004, the investment in subsidiaries were revalued based on the net tangible assets per the audited financial statements of the respective companies as at 31 December 2003. The revaluation surplus arising from the revaluation has been capitalised as Asset Revaluation Reserve.

Details of the subsidiaries are as follows :

Name of Company	Principal Activities	Percentage of Equity Held	
		2005 %	2004 %
Syarikat Thong Guan Trading Sdn Bhd ("STGT")	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")	Manufacturing and trading of plastic and paper products	100	100
Subsidiary of TGP <i>TGP Marketing Sdn. Bhd.</i>	Marketing of plastic packaging products	100	100
Uni'ang Plastic Industries (Sabah) Sdn Bhd ("UPI")	Manufacturing and trading of plastic products	100	100
Jaya Uni'ang (Sabah) Sdn Bhd ("JUS")	Trading of plastic and other consumable products	100	100
Ebontech Sdn. Bhd.	Manufacturing and trading of plastic packaging products	100	100
Thong Guan Plastic Industries (Suzhou) Co., Ltd. #	Manufacturing and trading of plastic packaging products	100	100
TGP Plaspack (Suzhou) Co. Ltd. #	Manufacturing and trading of plastic packaging products	100	-
Tea G International Sdn. Bhd.	Dormant	70	70

- Not audited by KPMG

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

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4. Investment in associate

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unquoted shares, at cost	1,993,669	1,993,669	1,993,669	1,993,669
Share of post-acquisition loss	(617,191)	(286,468)	-	-
	<u>1,376,478</u>	<u>1,707,201</u>	<u>1,993,669</u>	<u>1,993,669</u>
This is represented by :				
Group's share of net assets	<u>1,376,478</u>	<u>1,707,201</u>		

Details of the associate are as follows :

Name of Associate	Place of Incorporation	Percentage of Equity Held		Principal Activity	Financial Year End
		2005 %	2004 %		
L.A. Plaspac Co., Ltd.	Thailand	30	30	Perform, produce and sell LLDPE Stretch Film	31 October

5. Inventories - Group

	2005 RM	2004 RM
Raw materials	65,206,321	49,430,467
Work-in-progress	3,456,415	1,219,379
Manufactured inventories	15,004,568	9,899,358
Trading inventories	5,743,182	6,318,195
	<u>89,410,486</u>	<u>66,867,399</u>

6. Trade and other receivables

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables	59,698,930	49,689,525	1,637,684	1,350,637
Other receivables, deposits and prepayments	4,201,427	10,345,209	2,000	2,433,455
Tax refundable	839,147	568,144	289,265	305,611
Amount due from subsidiaries	-	-	32,543,049	26,465,281
	<u>64,739,504</u>	<u>60,602,878</u>	<u>34,471,998</u>	<u>30,554,984</u>

Included in trade receivables of the Group is an amount of RM365,865 (2004 : RM327,871) due from companies in which certain Directors have substantial financial interests.

**6. Trade and other receivables (Cont'd)**

Included in other receivables of the Group and of the Company are the following :

- i) an amount of RM760,075 (2004 : RM4,990,992) and RM Nil (2004 : RM Nil) representing deposits paid for the purchase of property, plant and equipment; and
- ii) an amount of RM Nil (2004 : RM2,890,595) and RM Nil (2004 : RM2,090,350) representing advances given to a company for the purpose of investment in the paid-up capital of the Company.

7. Cash and cash equivalents

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash and bank balances	13,377,312	11,103,891	451,221	202,289
Short term deposits with licensed banks	2,280,000	2,000,000	-	-
	<u>15,657,312</u>	<u>13,103,891</u>	<u>451,221</u>	<u>202,289</u>

8. Trade and other payables

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade payables	45,733,211	35,541,136	-	-
Other payables and accrued expenses	13,027,171	10,916,602	401,391	358,203
Amount owing to Directors	-	45,000	-	-
Amount due to a subsidiary	-	-	748,269	525,789
	<u>58,760,382</u>	<u>46,502,738</u>	<u>1,149,660</u>	<u>883,992</u>

Included in trade payables and other payables of the Group are amounts of RM545,814 (2004 : RM454,486) and RM45,813 (2004 : RM Nil) 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.

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9. Borrowings - Group

	2005 RM	2004 RM
Current :		
Secured		
- Term loans	436,557	666,667
- Overdrafts	1,342,855	3,811,402
- Bankers' acceptances	4,743,000	4,187,000
- Onshore foreign currency loan	-	7,366,748
	6,522,412	16,031,817
Unsecured		
- Term loans	3,103,333	1,409,248
- Overdrafts	2,269,314	429
- Revolving credit	6,907,159	8,214,019
- Onshore foreign currency loan	10,848,985	18,404,056
- Trust receipts	3,814,801	-
- Export credit re-financing	117,000	-
- Bankers' acceptances	25,378,000	-
	52,438,592	28,027,752
Hire purchase obligations	154,575	40,635
Finance lease obligations	33,105	65,388
	<u>59,148,684</u>	<u>44,165,592</u>
Non-current :		
Secured		
- Term loans	502,746	277,778
Unsecured		
- Term loans	-	661,525
Hire purchase obligations	37,500	4,575
Finance lease obligations	11,584	44,689
	<u>551,830</u>	<u>988,567</u>

9.1 Terms and debt repayment schedule

9.1.1 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 2005	4,042,636	3,539,890	158,779	343,967
As at 31 December 2004	3,015,218	2,075,915	436,557	502,746



9. Borrowings - Group (Cont'd)

9.1 Terms and debt repayment schedule (cont'd)

9.1.2 Hire purchase obligations are payable as follows :

	2005			2004		
	Payments RM	Interest RM	Principal RM	Payments RM	Interest RM	Principal RM
Within 1 year	162,866	8,291	154,575	48,024	7,389	40,635
Between 1 and 5 years	39,368	1,868	37,500	5,390	815	4,575
	<u>202,234</u>	<u>10,159</u>	<u>192,075</u>	<u>53,414</u>	<u>8,204</u>	<u>45,210</u>

9.1.3 Finance lease obligations are payable as follows :

	2005			2004		
	Payments RM	Interest RM	Principal RM	Payments RM	Interest RM	Principal RM
Within 1 year	35,268	2,163	33,105	71,249	5,861	65,388
Between 1 and 5 years	11,756	172	11,584	47,024	2,335	44,689
	<u>47,024</u>	<u>2,335</u>	<u>44,689</u>	<u>118,273</u>	<u>8,196</u>	<u>110,077</u>

The above bank borrowings of the Group are subject to interest at rates ranging from 2.55% to 7.50% (2004 : 2.30% to 7.33%) per annum.

Hire purchase obligations are subject to interest at 2.49% (2004 : 5% to 6%) per annum.

Finance lease obligations are subject to interest at 4% (2004 : 3.8% to 4%) 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 (Note 2).

10. Share capital

Ordinary shares of RM1 each :

	2005 RM	2004 RM
Authorised	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid :		
Balance at 1 January	66,803,000	64,996,000
Bonus issue (1 for 2)	33,401,500	-
Exercise of ESOS	-	1,807,000
Private placement	5,000,000	-
Balance at 31 December	<u>105,204,500</u>	<u>66,803,000</u>

The movements during the year in the number of options over the shares of the Company are disclosed in Note 14.

Notes To The Financial Statements

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11. Reserves

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-distributable				
Share premium	3,938,567	301,840	3,938,567	301,840
Revaluation reserve	-	-	6,961,898	40,363,398
Exchange fluctuation reserve	52,829	-	-	-
Distributable				
Retained profits	51,253,751	67,359,044	5,843,430	6,216,409
	<u>55,245,147</u>	<u>67,660,884</u>	<u>16,743,895</u>	<u>46,881,647</u>

The revaluation reserve of the Company represents unrealised surplus on revaluation of investment in subsidiaries.

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.

12. Minority shareholders' interests

This consists of the minority shareholders' proportion of share capital and reserves.

13. Deferred tax liabilities - Group

The recognised deferred tax liabilities are as follows :

	2005 RM	2004 RM
Property, plant and equipment		
- Capital allowances in excess of depreciation	8,502,000	7,323,000
- Revaluation, net of related depreciation	<u>1,154,758</u>	<u>1,218,481</u>
Balance at 31 December	<u>9,656,758</u>	<u>8,541,481</u>

No deferred tax has been recognised for the following items :

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Taxable/(Deductible) temporary differences	2,983,000	(13,000)	-	-
Unabsorbed capital allowances	(2,220,000)	-	-	-
Unutilised tax losses	<u>(1,215,000)</u>	<u>(327,000)</u>	<u>(223,000)</u>	<u>(284,000)</u>
	<u>(452,000)</u>	<u>(340,000)</u>	<u>(223,000)</u>	<u>(284,000)</u>

The unutilised tax losses, unabsorbed capital allowances and deductible temporary differences 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.

The comparative figures have been restated to reflect the revised unutilised tax losses of the Group and of the Company.



14. Employee benefits

Share option plan

The Group offers vested share options over ordinary shares to full time employees of the Group who have been confirmed with at least one year of service before the offer date or are Executive Directors of the Group (except for dormant companies within the Group) and non-Executive Directors of the Company. Movements in the number of share options held by employees are as follows :

	Group/Company	
	2005	2004
Outstanding at 1 January	-	1,826,000
Granted	9,092,000	-
Exercised	-	(1,807,000)
Lapsed	-	(19,000)
Outstanding at 31 December	<u>9,092,000</u>	<u>-</u>

Details of share options granted during the year :

	2005	2004
Expiry date	1.2.2010	-
Exercise price per ordinary share (RM)	1.73	-
Aggregate proceeds if shares are issued (RM'000)	15,729	-

Details of share options exercised during the year :

Expiry date	-	6.9.2004
Exercise price per ordinary share (RM)	-	1.22/1.00
Aggregate proceeds (RM'000)	-	2,109
Fair value at date of issue (RM'000)	-	5,510

Terms of the options outstanding at 31 December :

Expiry date	Exercise price	Number 2005	Number 2004
1.2.2010	RM1.73	<u>9,092,000</u>	<u>-</u>

15. Revenue

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Invoiced value of goods sold less discounts and returns	380,427,902	321,701,402	8,572,680	10,194,492
Dividend income from subsidiaries	-	-	5,440,900	6,363,788
	<u>380,427,902</u>	<u>321,701,402</u>	<u>14,013,580</u>	<u>16,558,280</u>

Notes To The Financial Statements

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16. Operating profit

Operating profit is arrived at :

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
After charging :				
Auditors' remuneration				
- current year	67,860	57,240	13,000	10,000
- prior year	9,600	3,700	3,000	-
- fee in other services	31,500	17,865	31,500	-
Bad debts written off	147,696	9,862	-	-
Depreciation (Note 2)	10,810,395	9,406,011	-	-
Directors' emoluments				
Directors of the Company				
- fees - current year	340,000	367,400	225,000	235,400
- prior year	-	5,000	-	-
- others	1,721,760	1,700,848	46,500	-
Other Directors				
- fees	57,000	40,000	-	-
- others	132,606	91,964	-	-
Rental expense	1,328,809	1,168,690	-	-
Plant and equipment written off	5,842	-	-	-
and crediting :				
Interest income	121,496	189,469	67,176	53,358
Dividend income (gross)				
receivable from subsidiaries	-	-	5,440,900	6,363,788
Gain on disposal of property, plant and equipment	998,759	255,546	-	-
Gain on foreign exchange				
- realised	336,706	1,098,739	-	-
- unrealised	30,420	458,397	-	-
Write back allowance for doubtful debts	12,187	165,658	-	-
Rental income	66,380	35,975	-	-
Bad debts recovered	49,559	-	-	-

17. Employee information

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Salaries and wages	10,239,686	9,798,224	101,071	111,801
EPF contributions	1,043,005	1,070,508	9,564	10,077
Socso contributions	202,836	122,859	1,424	1,304
Other related expenses	4,693,309	5,369,718	-	-
	<u>16,178,836</u>	<u>16,361,309</u>	<u>112,059</u>	<u>123,182</u>

The number of employees of the Group and of the Company (including executive Directors) at the end of the year was 865 (2004 : 943) and 3 (2004 : 3) respectively.



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18. Tax expense

18.1 Component of tax expense:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current tax expense				
- Based on results for the year	2,663,112	2,017,496	-	-
- (Over)/Under provision in prior years	(209,344)	51,150	95,391	-
	2,453,768	2,068,646	95,391	-
Deferred tax expense				
- current year	1,036,000	1,116,691	-	-
- prior years	143,000	96,000	-	-
- revaluation reserve	(63,723)	-	-	-
	1,115,277	1,212,691	95,391	-
	3,569,045	3,281,337	95,391	-

18.2 Reconciliation of effective tax expense

	2005 RM	2004 RM
Group		
Profit before tax	26,124,243	30,084,836
Income tax using Malaysian tax rate	7,274,788	8,383,754
Non-deductible expenses	499,602	225,261
Deferred tax benefits recognised	(248,636)	(176,348)
Tax exempt income	(249,566)	-
Effect of tax incentive	(3,640,799)	(5,298,480)
	3,635,389	3,134,187
(Over)/Under provision in prior years	(66,344)	147,150
Tax expense	3,569,045	3,281,337
Company		
Profit before tax	4,982,637	5,904,785
Income tax using Malaysian tax rate	1,395,138	1,653,340
Income not subject to tax		
- Tax exempt dividend	(1,397,956)	(1,572,700)
Non-deductible expenses	19,881	2,297
Deferred tax benefits recognised	(17,063)	(82,937)
	-	-
Under provision in prior years	95,391	-
Tax expense	95,391	-

Notes To The Financial Statements

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19. 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 RM22,556,432 (2004 : RM26,804,970) and the weighted average number of ordinary shares outstanding during the year of 104,371,000 (2004 : 99,502,000) calculated as follows :

Weighted average number of ordinary shares

	2005 '000	2004 '000
Issued ordinary shares at beginning of year	66,803	64,996
Effect of shares issued during the year	-	1,104
Effect of bonus issue during the year	33,402	33,402
Effect of private placement	4,166	-
Weighted average number of ordinary shares	104,371	99,502

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 RM22,556,432 (2004 : RM26,804,970) and the weighted average number of ordinary shares outstanding during the year of 105,871,000 (2004 : Nil) calculated as follows :

Weighted average number of ordinary shares (diluted)

	2005 '000	2004 '000
Issued ordinary shares at beginning of year	66,803	66,100
Effect of share options during the year	1,500	-
Effect of bonus issue during the year	33,402	-
Effect of private placement	4,166	-
Weighted average number of ordinary shares (diluted)	105,871	66,100

20. Dividend - Group/Company

A final dividend of 5% tax exempt in respect of the financial year ended 31 December 2005 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 2006.

21. Capital commitment - Group

	2005 '000	2004 '000
Property, plant and equipment		
Contracted but not provided for in the financial statements	1,766	25,726
Investment in associate		
Contracted but not provided for in the financial statements	1,441	1,441

**22. Contingent liabilities****Company****Unsecured**

- i) The Company has issued corporate guarantees to licensed banks for banking facilities granted to certain subsidiaries up to a limit of RM171.1 million (2004 : RM109.9 million) of which RM58.8 million (2004 : RM44.2 million) have been utilised as at balance sheet date.
- ii) The Company has issued corporate guarantees to a financial institution for credit facility granted to one of its subsidiaries up to a limit of RM860,000 (2004 : RM860,000) of which RM661,526 (2004 : RM820,305) has been utilised as at balance sheet date.
- iii) The Company has issued corporate guarantees amounting to RM56.5 million (2004 : RM56.6 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 RM26.9 million (2004 : RM23.8 million).

23. 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 :

Plastic Products	The manufacturing and trading of plastic based products
Food and Beverages	The manufacturing and trading of consumer food products such as tea, coffee, biscuits, snack food and curry powder
Others	The manufacturing and trading of products such as high density monofilament ropes, polypropylene string, paper serviette, colonge paper towel, rubber band, drinking straw, machinery, etc.

Geographical segments

The business segments are operated in other principal geographical areas apart from Malaysia, China and Thailand.

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.

Notes To The Financial Statements

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23. Segmental Information - Group (Cont'd)

	Plastic Products		Food and Beverages		Others		Total		Elimination		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Business segments												
Revenue												
Revenue from external customers	359,623,696	298,143,961	15,129,965	16,899,529	6,674,081	6,617,912	380,427,902	321,701,402	-	-	380,427,902	321,701,402
Profit After Tax												
Segment results	26,898,318	28,228,441	1,317,630	1,344,972	6,487,662	6,846,021	33,703,600	37,420,434	(5,749,796)	(6,363,764)	27,953,804	31,056,660
Unallocated expenses												
Operating profit												
Interest expense												
Interest income												
Share of loss of associate												
Profit before tax												
Tax expense												
Minority interest												
Net profit for the year												
Segment Assets												
Segment assets	269,136,433	209,094,696	13,560,236	13,623,409	3,890,629	10,831,906	286,607,601	233,480,011	-	-	286,607,601	233,480,011
Investment in associate	1,376,478	1,707,201	-	-	-	-	-	-	-	-	1,376,478	1,707,201
Unallocated assets											639,147	668,144
Total assets											288,623,226	235,725,356
Segment Liabilities												
Segment liabilities	54,414,560	44,351,267	1,716,697	1,645,813	605,668	605,668	56,780,382	46,602,738	-	-	56,780,382	46,602,738
Unallocated liabilities											69,377,314	46,200,167
Total liabilities											118,137,696	91,702,895
Depreciation												
Capital expenditure	10,124,470	8,690,621	560,646	501,822	135,279	213,668	10,810,395	9,406,011	-	-	10,810,395	9,406,011
Non-cash expenses other than depreciation and amortisation	35,234,064	23,075,664	430,536	971,022	69,699	261,036	35,732,522	24,307,682	-	-	35,732,522	24,307,682
	15,409	356,764	147,972	167,894	-	-	163,381	484,648	-	-	163,381	484,648

Geographical segments

[illegible]

Notes To The Financial Statements

31 December 2005



24. Related parties - Group/Company

24.1 Related party relationships

- i) Companies controlled by the Company
 - subsidiaries as disclosed in Note 3
- ii) Companies in which certain Directors except Tengku Makram Bin Tengku Ariff, Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah, 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. ("TGPPEX")
 - Kimanis Food Industry Sdn. Bhd. ("KFI")
 - Komet Makmur Sdn. Bhd. ("KM")
 - Kimanis Property Sdn. Bhd. ("KP")
- 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 ("BV")
 - Ang Poon Chuan
 - Ang See Ming
 - Ang See Cheong

24.2 Related party transactions

24.2.1 Transactions with related companies :

Company	2005 RM	2004 RM
Dividend income (gross) receivable from :		
TGP	4,992,700	5,616,788
STGT	448,200	747,000
Purchases from TGP	8,516,833	10,105,715
Interest income from JUS	24,994	25,000



24. Related parties - Group/Company (Cont'd)

24.2.2 The Group's transactions with companies in which certain Directors have substantial financial interests :

i) Sales to :

	2005 RM	2004 RM
KFI	1,729,805	1,412,223
NS	35,254	26,286
HFS	<u>979,209</u>	<u>857,577</u>

ii) Purchases from

	2005 RM	2004 RM
HFS	6,552	10,122
KFI	3,323,983	4,961,462
NS	12,939	10,756
KM	<u>44,780</u>	<u>120,417</u>

iii) Rental expense payable to :

	2005 RM	2004 RM
KP	36,000	36,000
KFI	68,000	96,000
TGPK	<u>116,400</u>	<u>116,400</u>

The Directors of the Company are of the opinion that the above transactions were entered into 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 6 and 8.

Notes To The Financial Statements

31 December 2005



24. Related parties - Group/Company (Cont'd)

24.3 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 are as follows :

	Number of options over ordinary shares of RM1 each			
	Granted during the year		Unexercised option as at	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Ang Poon Khim	550,000	-	550,000	-
Ang Poon Chuan	650,000	-	650,000	-
Ang Poon Seong	500,000	-	500,000	-
Ang See Ming	200,000	-	200,000	-

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 14).

- iii) Rental of RM312,000 (2004 : RM165,200) payable to Bounty Values Sdn. Bhd., a company in which Messrs. Ang Poon Chuan, Ang See Ming and Ang See Cheong have substantial financial interests.

25. Financial instruments

Financial risk management objectives 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.

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 do 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, the Group and the Company manage their interest rate risk by having a combination of fixed and floating rates for their borrowings.



25. Financial instruments (Cont'd)

Foreign currency risk

The Group incurs 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, Japanese Yen and US Dollars.

Material foreign currency transaction exposures are hedged with derivative financial instruments such as forward foreign exchange contracts. The amount of unrecognised gain associated with anticipated future transactions for the Group is RM273,239 (2004 : loss of RM14,211) and the expected timing of recognition as income is over the next six months. Where necessary, the forward foreign 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 ensured 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 rates 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
2005					
Group					
Financial assets					
Short term deposits	2.85	2,280	2,280	-	-
Financial liabilities					
Secured term loans	5.00	939	436	503	-
Unsecured term loans	5.04	3,103	3,103	-	-
Secured overdrafts	7.40	1,343	1,343	-	-
Unsecured overdrafts	7.55	2,269	2,269	-	-
Unsecured onshore foreign currency loan	3.93	10,849	10,849	-	-
Secured bankers' acceptances	3.40	4,743	4,743	-	-
Unsecured bankers' acceptances	2.75	25,378	25,378	-	-
Unsecured revolving credit	4.15	6,907	6,907	-	-
Unsecured trust receipts	3.93	3,815	3,815	-	-
Unsecured export credit re-financing	3.00	117	117	-	-

Notes To The Financial Statements

31 December 2005



25. Financial instruments (Cont'd)

	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000
2004					
Group					
Financial assets					
Short term deposits	3.00	2,000	2,000	-	-
Financial liabilities					
Secured term loans	5.95	944	667	277	-
Unsecured term loans	4.88	2,071	1,409	662	-
Secured overdrafts	7.27	3,811	3,811	-	-
Unsecured overdrafts	7.33	0.5	0.5	-	-
Secured onshore foreign currency loan	2.30	7,367	7,367	-	-
Unsecured onshore foreign currency loan	2.49	18,404	18,404	-	-
Bankers' acceptances	3.31	4,187	4,187	-	-
Revolving credit	3.33	8,214	8,214	-	-

Fair values

Recognised financial instruments

The carrying amounts approximate fair values 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 short term borrowings.

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

	2005		2004	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Financial liabilities				
Secured term loans	503	* 503	277	* 277
Unsecured term loans	-	-	662	* 662

- * The fair values of these fixed financial instruments are 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 these financial instruments, the fair values of these financial instruments therefore, closely approximate their carrying values as at the balance sheet date.

**25. 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 :

	2005		2004	
	Contracted amount RM'000	Fair value RM'000	Contracted amount RM'000	Fair Value RM'000
Forward foreign exchange contracts	34,660	34,933	34,425	34,411

26. Significant events during the financial year

During the year,

- i) the Group subscribed for new shares in TGP Plaspack (Suzhou) Co. Ltd., a company incorporated in the People's Republic of China, for a consideration of RM4,363,470 satisfied by cash. The acquisition was accounted for using the acquisition method of accounting.
- ii) the Company issued bonus issue of 33,401,500 ordinary shares of RM1.00 each on the basis of one new ordinary share for every two ordinary shares held by way of capitalisation of retained profits; and
- iii) the Company issued 5,000,000 ordinary shares of RM1.00 each at RM1.76 per share pursuant to the private placement exercise.



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	Factory with office building	208,898	8-21 years	Freehold	4.45	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	Factory building	107,288	7-9 years	60 years leasehold, expiring on 12.4.2052	1.88	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	21 years	99 years leasehold, expiring on 18.7.2092	0.19	28.05.1997
Lot No. P.T.D. 89829 H.S. (D) 191571 Mukim of Pelentung District of Johor Bahru, Johor	Warehouse with office building	6,855	13 years	Freehold	0.56	31.12.2004
Lot No. P.T. 18877 H.S. (D) No. 99/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory with office building	82,067	11 years	60 years leasehold, expiring on 12.4.2052	2.24	28.11.1995
Lot P.T. 48288 H.S. (D) No. 12034/95 Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory with office building	339,590	3-23 years	Freehold	4.83	28.11.1995
Lot No. P.T.18878 H.S. (D) No. 100/92 Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory with office building	141,309	5 years	60 years leasehold, expiring on 4.6.2055	6.53	31.12.2004
CL 015276687 House 606 Taman Bay View Off Mile 21/2 Jalan Tuaran Kota Kinabalu, Sabah	Double storey intermediate terrace house	2,178	27 years	999 years leasehold, expiring on 16.6.2914	0.12	13.12.1995
CL 015373672 Lorong Rambutan Off Km 11 Jalan Tuaran Kota Kinabalu, Sabah	Industrial land with factory and other buildings	82,764	17 years	60 years leasehold, expiring on 31.12.2035	1.37	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	14 years	60 years leasehold, expiring on 31.12.2040	0.24	13.12.1995



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
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
Jiangsu Province Year 2002 Land No: 01006061 Jiulong South Road Wujiang Economic Developing Area, Jiangsu, China	Factory with office building	315,425	1-4 years	50 years leasehold, expiring on 31.12.2049	7.47	1.1.2000
Pangjin Road Wujiang Economic Developing Area, Jiangsu, China	Factory with office building	716,876	1 year	50 years leasehold, expiring on 08.03.2053	3.76	09.03.2004

Shareholdings Statistics

As At 8 May 2006



Authorised share capital	-	500,000,000 ordinary shares of RM1.00 each
Paid up capital	-	105,204,500 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	106	7,390	0.0070
100 - 1,000	125	88,074	0.0837
1,001 - 10,000	851	3,391,666	3.2239
10,001 - 100,000	322	8,051,451	7.6531
100,001 - 5,260,224	45	51,762,294	49.2016
5,260,225 - 105,204,500	1	41,903,625	39.8306
	1,450	105,204,500	100.0000

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest No. of shares	%	Deemed Interests No. of shares	%	No. of Unexercised ESOS At RM1.73
Dato' Ang Toon Cheng @ Ang Tong Sooi	396,375	0.38	-	-	300,000
Tengku Makram Bin Tengku Ariff	40,500	0.04	-	-	-
Ang Poon Chuan	928,500	0.88	-	-	650,000
Ang Toon Piah @ Ang Toon Huat	163,500	0.16	-	-	300,000
Ang Poon Seong	589,125	0.56	-	-	500,000
Ang Poon Khim	590,325	0.56	-	-	550,000
Datuk Ahmad Bin Tokimin	-	-	-	-	-
Lee Eng Sheng	-	-	-	-	-
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	-	-	-	-	-

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	No. of shares held		% of issued capital
	Direct Interest	Deemed Interest	
1. Foremost Equals Sdn Bhd	41,903,625	-	39.83



Shareholdings Statistics

As At 8 May 2006

THIRTY LARGEST SHAREHOLDERS

	Name of shareholders	No. of shares held	% of issued capital
1	Foremost Equals Sdn Bhd	41,903,625	39.8306
2	Amanah Raya Nominees (Tempatan) Sdn Bhd		
	Skim Amanah Saham Bumiputera	4,519,200	4.2956
3	AMMB Nominees (Tempatan) Sdn Bhd		
	Amtrustee Berhad For Pacific Pearl Fund	4,156,000	3.9504
4	Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd		
	Bumiputra-Commerce Trustee Berhad for Pacific Dana Aman	3,943,100	3.7480
5	Superb Sense Sdn Bhd	3,500,000	3.3268
6	AMMB Nominees (Tempatan) Sdn Bhd		
	Amtrustee Berhad For Pacific Dividend Fund	3,475,250	3.3033
7	Universal Trustee (Malaysia) Berhad		
	SBB Emerging Companies Growth Fund	3,474,450	3.3026
8	Universal Trustee (Malaysia) Berhad		
	SBB Dana Al-Azam	3,173,950	3.0169
9	Malaysia Nominees (Tempatan) Sendirian Berhad		
	Great Eastern Life Assurance (Malaysia) Berhad	3,000,000	2.8516
10	AMMB Nominees (Tempatan) Sdn Bhd		
	AmMerchant Bank Bhd	2,733,750	2.5985
11	SBB Nominees (Tempatan) Sdn Bhd		
	Pertubuhan Keselamatan Sosial	2,013,500	1.9139
12	BHLB Trustee Berhad		
	Pacific Recovery Fund	1,920,050	1.8251
13	Lee Ah See	1,751,625	1.6650
14	Laser Cartel Sdn Bhd	1,500,000	1.4258
15	Sensible Matrix Sdn Bhd	1,108,869	1.0540
16	HSBC Nominees (Tempatan) Sdn Bhd		
	HSBC (M) Trustee Bhd For Value Fund	1,057,000	1.0047
17	Mayban Nominees (Tempatan) Sdn Bhd		
	Mayban Trustees Berhad For Hidden Treasures Fund	1,035,000	0.9838
18	Ang Poon Chuan	928,500	0.8826
19	Universal Trustee (Malaysia) Berhad		
	Pacific Premier Fund	923,850	0.8781
20	HSBC Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account For Koon Yew Yin	748,300	0.7113
21	Amanah Raya Berhad		
	SBB Value Fund	667,800	0.6348
22	Ang Poon Khim	590,325	0.5611
23	Ang Poon Seong	589,125	0.5600
24	Citicorp Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account For Ang See Ming	543,000	0.5161
25	United Overseas Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account For Ang See Ming	490,000	0.4658
26	Universal Trustee (Malaysia) Berhad		
	KL City Smallcap Fund	400,000	0.3802
27	Ang Toon Cheng @ Ang Tong Sooi	396,375	0.3768
28	HSBC Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account For Tan Kit Pheng	356,000	0.3384
29	Loke Palk Geok	259,200	0.2464
30	Lim Tuang Yeo	185,625	0.1764
	TOTAL	91,343,469	86.8246

Notice Of Annual General Meeting



NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of shareholders of the Company will be held at Enggang Room (Ground Floor), Hotel Equatorial, No. 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Thursday, 15 June 2006 at 11.30a.m. to transact the following business :

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2005 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 2005. Ordinary Resolution 2
- 3.(i) To re-elect the following Directors who retire in accordance with Section 128 of the Companies Act, 1965 :-
 - (a) Dato' Ang Toon Cheng @ Ang Tong Sool Ordinary Resolution 3
 - (b) Mr Ang Toon Piah @ Ang Toon Huat Ordinary Resolution 4
 - (c) Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah Ordinary Resolution 5
- (ii) To re-elect the following Directors who retire in accordance with Article 63 of the Company's Articles of Association :-
 - (a) Mr Ang Poon Khim Ordinary Resolution 6
 - (b) Datuk Ahmad Bin Tokimin Ordinary Resolution 7
4. To approve Directors' Fees of RM259,000/- for the year ended 31 December 2005. Ordinary Resolution 8
5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration Ordinary Resolution 9
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 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 10

7. PROPOSED AUTHORITY TO BUY-BACK ITS OWN SHARES BY THE COMPANY

"THAT subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up capital through the Bursa Securities at anytime and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject to the following :-

- i) the maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the issued and paid-up ordinary share capital of the Company for the time being ("TGI Shares")
- ii) the maximum fund to be allocated by the Company for the purpose of purchasing the TGI Shares shall not exceed the aggregate of the retained profits and/or share premium account of RM5,843,430 and/or RM3,938,567 respectively of the Company, otherwise available for dividend for the time being, based on the latest audited financial statements as at 31 December 2005;
- iii) the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will continue in force until:-
 - a) the conclusion of the next AGM of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
 - b) the expiration of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of the Bursa Securities or any other relevant authorities;
- iv) upon completion of the purchase(s) of the TGI Shares by the Company, the Directors of the Company be hereby authorised to deal with the TGI Shares in the following manner :-
 - a) to cancel the TGI Shares so purchased; or
 - b) to retain the TGI Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities and/or for cancellation subsequently; or
 - c) to retain part of the TGI Shares so purchased as treasury shares and cancel the remainder; or
 - d) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase of TGI shares."

Ordinary Resolution 11

8. To transact any other business of which due notice shall have been given.



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 2006 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 8 September 2006 to depositors registered in the Records of Depositors at the close of business on 18 August 2006.

By Order of the Board

Lam Voon Kean
Company Secretary
(MIA 4793)

Penang, 24 May 2006.

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 authorized 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 authorized.
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 Notes on Special Business :

1. The Proposed Ordinary Resolution 10, if passed, will give authority to the Board of Directors to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority, unless revoked or varied at a General Meeting, will expire at the next Annual General Meeting of the Company.
2. The Proposed Ordinary Resolution 11, if passed will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10,520,450 shares representing 10% of the issued and paid up share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, 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 ELEVENTH ANNUAL GENERAL MEETING of the Company which will be held at Enggang Room (Ground Floor), Hotel Equatorial, No. 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Thursday, 15 June 2006 at 11:30 a.m. 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(i)(c)	Ordinary Resolution 5		
3(ii)(a)	Ordinary Resolution 6		
3(ii)(b)	Ordinary Resolution 7		
4.	Ordinary Resolution 8		
5.	Ordinary Resolution 9		
6.	Ordinary Resolution 10		
7.	Ordinary Resolution 11		

(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 _____, 2006.

	Name of Proxy	% of shareholding
1st		
2nd		

Signature of Shareholder

No. of Ordinary Shares Held

Notes :

1. A member entitled to attend and vote at this meeting may appoint a proxy to attend and, on a poll, to vote on his behalf. Such proxy need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies under the Companies Act, 1965 in a particular case. A member may appoint more than two proxies to attend at the same meeting. Where a member appoints two proxies to attend at the same meeting, he shall specify the proportion of his shareholdings to be represented by each proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under Common Seal of the company or under the hand of an officer or attorney duly authorised.
3. To be valid, the proxy form must be deposited at the Company's Registered Office at 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.

Please fold across the lines and close



Stamp

TO : The Secretary
Thong Guan Industries Berhad
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Please fold across the lines and close

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