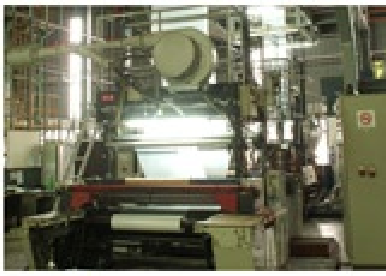
2006 ANNUAL REPORT FOR THONG GUAN INDUSTRIES BERHAD



Stretching to New Borders

THONG GUAN INDUSTRIES BERHAD (324203-K)

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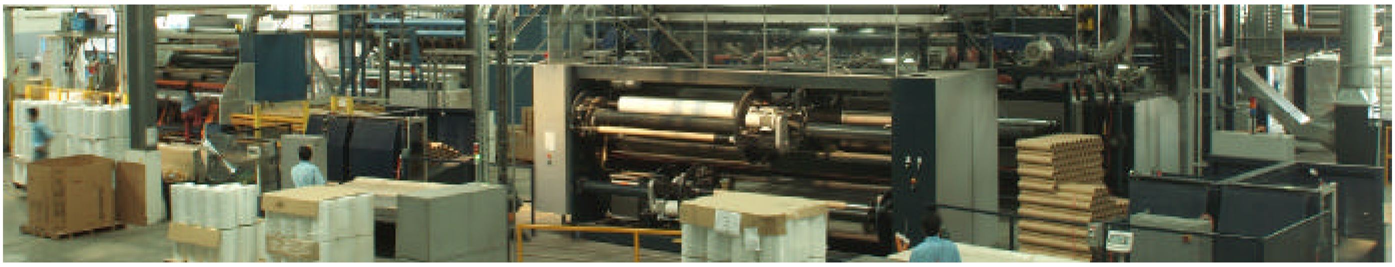
Corporate Information



Board of Directors

Dato' Ang Toon Cheng @ Ang Tong Sooi	*- Chairman and Non Independent Executive Director*
Tengku Makram Bin Tengku Ariff	*- Deputy Chairman, Independent Non Executive Director*
Ang Poon Chuan	*- Managing Director*
Ang Toon Piah @ Ang Toon Huat	*- Non Independent Executive Director*
Ang Poon Seong	*- Non Independent Executive Director*
Ang Poon Khim	*- Non Independent Executive Director*
Lee Eng Sheng	*- Independent Non Executive Director*
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	*- Independent Non Executive Director*
Datuk Ahmad Bin Tokimin (Retired on 15.6.2006)	*- Non Independent Non Executive Director*

Registered Office
Suite 2-1, 2nd Floor, Menara Penang Garden,
42A, Jalan Sultan Ahmad Shah, 10050 Penang.
T : 604 229 4390
F : 604 226 5860

Principal Place of Business
Lot 52, Jalan PKNK 1/6,
Kawasan Perusahaan Sungai Petani,
08000 Sungai Petani, Kedah darul Aman.
T : 604 441 7888
F : 604 441 9888

Share Registrar
AGRITEUM Share Registration Services Sdn. Bhd.
2nd Floor, Wisma Penang Garden,
42A, Jalan Sultan Ahmad Shah, 10050 Penang.
T : 604 228 2321
F : 640 227 2391

Company Secretary
Lam Voon Kean (MIA 4793)

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

Stock Echange Listing
The Main Board,
Bursa Malaysia Securities Berhad.

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

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

Nomination Committee
Lee Eng Sheng *(Chairman)*
Tengku Makram Bin Ariff

Remuneration Committee
Lee Eng Sheng *(Chairman)*
Tengku Makram Bin Tengku Ariff
Ang Poon Chuan

Group Structure
& Principal Activities

THONG GUAN INDUSTRIES BERHAD (324203-K)

70% → **TEA G INTERNATIONAL SDN. BHD.** (635778-D)
Dormant.

100% → **EBONTECH SDN. BHD.** (537672-v)
Manufacturing and trading of plastic packaging products.

100% → **THONG GUAN PLASTIC INDUSTRIES (SUZHOU) CO LTD.***
Manufacturing and marketing of plastic packaging products mainly for the export market.

100% → **TGP PLASPACK (SUZHOU) CO. LTD.***
Manufacturing and marketing of plastic packaging products mainly for the domestic china market.

17% → **L.A. PLASPACK COMPANY LIMITED****
Manufacturing and marketing of plastic packaging products.

100% → **UNIANG PLASTIC INDUSTRIES (SABAH) SDN. BHD.** (57039-K)
Manufacturing and marketing of plastic products.

100% → **JAYA UNI'ANG (SABAH) SDN. BHD.** (96114-P)
Trading of plastic and consumer products.

100% → **SYARIKAT THONG GUAN TRADING SDN. BHD.** (29442-k)
Manufacturing of tea and coffee and trading of tea, coffee, plastic, paper and other consumer products.

100% → **THONG GUAN PLASTIC & PAPER INDUSTRIES SDN. BHD.** (73976-V)
Manufacturing and marketing of plastic and paper products.

100% → **TGP MARKETING SDN. BHD.** (531508-T)
Marketing of plastic packaging products.

Note: -
* - *Incorporated in the People's Replubic of China*
** - *Incorporated in the Kingdom of Thailand*

Chairman's Statement

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 2006.

Economic Review

The Malaysian economy continued to grow steadily at 5.9% in 2006 (2005: 5.2%). The growth was driven primarily by the largest sector in the economy, the services sector which grew 6.5% (2005: 6.5%) to command a 59% (2005: 54%) share of the total Malaysian GDP. The global economy grew at a robust rate of 5% in 2006 with sustained growth in Europe, continued recovery in Japan and persistent strong expansion in East Asia despite some moderation in the United States. Foreign direct investment into Malaysia increased significantly to RM 37.2 billion in 2006 (2005: RM 26.8 billion). The Malaysian Ringgit moved up 7% against the US Dollar (USD) in 2006 to close the year at RM 3.53 against the USD.

During the first half of the year, inflationary pressure arising from record high crude oil prices triggered Bank Negara Malaysia (BNM) to raise its Overnight Policy Rate (OPR) 3 times from 3% to 3.5%. The consumer Price Index surged up 3.6% (2005: 3%) in 2006 primarily due to the increase of crude oil prices. This has prompted the government to adjust upward the domestic retail petroleum products prices by an average of 18.5% in March 2006.

The labour market however continued to be stable with unemployment rate remaining at 3.5%, retrenchment declined to 15,360 persons (2005: 16,109 persons) while job vacancies hit another record high of 834,675 positions (2005: 304,500 positions). Despite this, wage pressure remained subdued due to the presence of a large number of unemployed graduates and availability of foreign workers. The Malaysian Employment Association survey showed the average private sector salary increment was subdued at 5.8% (2005: 5.8%)

Industry Trends & Development

The manufacturing sector chalked up a strong growth of 7% in 2006 (2005: 4.9%) buoyed by the continued uptrend of global electronic cycle which began in the second half of 2005. The electrical and electronics products sub-sector grew 7.9 % while the petroleum products sub-segment encouraged by greater refining activity with 13.6% growth (2005: 10.8%) were the leading growth segments of the manufacturing sector. In 2006, the Ministry of International Trade and Industry approved 1,077 manufacturing projects worth a combined RM 46 billion (2005: RM 31 billion) mainly in petroleum, chemical and electrical and electronics products. A bulk of the approvals were concentrated on biodiesel productions.

The total turnover of the Malaysian Plastic industry registered an estimated slower growth of 12% (2005: 22%) to RM 15.8 billion from a turnover of RM 14.1 billion in 2005 despite the stronger average raw materials and other input prices such as electricity. The average raw material prices were 15% higher in 2006 compared to 2005. Total export of Malaysian plastic products grew by an estimated 15% (2005: 20%) to RM 7.7 billion.

The packaging sub-sector (both flexible and rigid including bags, films, bottles and containers) which grew an estimated 15% (2005: 22%) continued its dominance contributing a slice of 38% or RM 5.9 billion to the total pie of the Malaysian plastic industry. The European Union (EU) remained our biggest export market for plastic packaging products accounting for more than 60% while Japan and Australia continued to be important markets. A major happening during the financial year, was the decision of the European Commission not to impose anti-dumping duty on certain plastic bags imported from Malaysia and imposed anti-dumping duties that ranges from 4.8% to 28.8% for imports from China and between 5.1% to 14.3% for imports from Thailand effective 1 October 2006. This was a major boost for the Malaysian plastic bags exporters, at least for the next five-year period. The total quantity of plastic bags imported into the EU from China, Malaysia and Thailand in 2004 were estimated at 234,000 metric tons, 125,000 metric tons and 68,000 metric tons respectively.

Chairman's Statement

Group Performance

The Group registered a 23.4% growth in revenue from RM 380.4 million in 2005 to RM 469.3 million in 2006. Group profit before tax (PBT) was RM 26.7 million, an increase of 2.3% from the RM 26.1 million recorded in 2005. Turnover growth is mainly attributable to increase export sales, contribution from the Group's China based operations and price increase due to the increased in raw material and other input prices. The marginal increase PBT compares to the huge surge in turnover was attributable to a culmination of factors including the higher input cost, increased freight cost, raising interest cost, unfavourable foreign exchange movements which stifled margin and the accumulation of startup losses by the Group's newly incorporated subsidiary company in China.

Dividend

The Board of Directors has recommended a final tax-exempt dividend of 3 sen per ordinary share amounting to approximately RM 3.2 million or 15.2% of profit after tax and minority interest for the year ended 31 December 2005 (2005: 5sen, RM 5.3 million, 23.3%).

Prospects

The global GDP growth is projected to be sustainable above the 4% level for the fifth consecutive year at 4.5% (2005: 5.0%) with moderating growth across major economies namely the US at 2.7%, European Union at 2.4% and Japan at 1.9% (2005: 3.3%, 2.7% and 2.2%) respectively. BNM has charted the Malaysian GDP growth to be at a higher rate of 6% in 2007 underpinned by the sustainable global growth and resilient domestic demand. BNM has also projected that the services sector with 6.3% and manufacturing sector with 6.6% will once again spearhead the growth. The MPMA has projected a better year for 2007 compare to last year on the back of sustained high raw material prices and continued strong prospect for Malaysian export.

Though the general economic conditions are expected to be stable in 2006 with some growth moderation in the major economies, the Group expects a challenging year ahead. The prolonged high raw material prices is expected to sustain into 2008 with the continued high prices of naphta and natural gas. The average prices of polyethylene, the Group's main raw material has inched up further during the first 5 months of 2007 compared to the average prices in 2006. As at early May 2007, the Ringgit has appreciated by more than 3.4% against the USD from its closed at year end 2006. The Government has announced a huge salary increase for the civil service to take effect in July 2007 which will put pressure on the private sector wage scheme and the CPI. These recent unfavourable developments have and is envisaged to add extra cost to the operations of the Group.

Amidst concern for these developments, the general environment is still conducive for the Group's business. The sustained growth in the usage of disposable plastic packaging in particular garbage bags and stretch films despite the higher prices and the move by buyers in developed countries to search for lower cost countries to source their requirement provide an opportunity that augur well for the growth of the group. The projected sustainable rapid domestic growth in China of around 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 achieve satisfactory financial performance for 2007.

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. I would also like to take this opportunity to extend our sincere appreciation to Datuk Ahmad Bin Tokimin who has left us during the financial year for his many contributions as a member of the Group's Board of Directors.

Thank you

Dato' Ang Toon Cheng
Chairman

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

Directors Profile

Dato' Ang Toon Cheng @ Ang Tong Sooi, aged 80, 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 Manufactures 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 Chaun, Mr Ang Poon Khim and Mr Ang Poon Seong and the brother of Mr Ang Toon Piah. He is 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 statement 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 56, 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 Director of Kemayan Corporation Bhd, Tien Wah Press Holding Berhad and Comintel Corporation Berhad. He had no conviction for offences within the past 10 years.

Mr Ang Poh Chuan, aged 63, 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 42 years of services, he has gained extensive knowledge of the plastic , paper , food, beverages and trading business and has developed invaluable business acumen and foresight that as shaped TGI to it 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 Poon Seong. He is 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 Toon Piah @ Ang Toon Huat, aged 78, 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 Chen. 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 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 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 Poh Seong, aged 51, 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 Cpmpany's expansion there in 1980. Under his stewardship, the Sabah operations has grown to be the largest plastic packing manufacturer in Sabah. He is also the President of the MPMA (Sabah Branch) and was the former President of the Federation of Sabah Manufacturers.

He serves as a member of the Employees' Share Options Scheme Committees. 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 Poon Khim. He is 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. Lee Eng Sheng, aged 44, 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 no 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 Corpation Berhad. had no conviction for offences within the past 10 years.

Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah, aged 72, 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 KedahState 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 all 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 is also sits on the Boards of DFZ Capital Berhad, Yayasan Kedah Berhad and Yayasan Sultanah Bahiyah Berhad. He had no conviction for offences within the past 10 years.

Statement On Corporate Governance

The Board of Directors remains fully committed to achieving and maintaining high standards of corporate governance and effective application of the principles and best practices set out in the Malaysian Code of Corporate Governance (the "Code") throughout Thong Guan Industries Berhad ("TGIB") and its subsidiary companies ("The Group"). The Board considers corporate governance as synonymous to three key guiding concepts namely transparency, accountability, and integrity

The Board is pleased to set out below the statements which outline the group's main corporate governance practices.

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 reviewed a variety of matters including the Group's financial results, major investments, strategic directions, new business proposals, and various reports and presentations from Board Committees, external auditor as well as management 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 the Director's attendance of the meeting during the financial year are as follows:

Board of Director	21/02/06	25/05/06	24/08/06	16/11/06	Total
Dato' Ang Toon Cheng @ Ang Tong Sooi	✓	✓	✓	✓	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	✓	✗	✓	✓	3/4
Ang Poon Khim	✓	✓	✓	✓	4/4
Datuk Ahmad Bin Tokimin (Retired on 15/06/06)	✓	✓	✗	✗	2/4
Lee Eng Sheng	✓	✓	✓	✓	4/4
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	✓	✓	✓	✓	4/4

Statement On Corporate Governance

Board Committees
The Board delegates and assigns certain responsibilities to the various Board Committees, namely the 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 (8) members; comprising three (3) Independent Non-Executive Directors within the meaning of Chapter 1.01 of the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("BMSB") and five (5) Non-Independent Executive Directors. The Board has complied with Paragraph 15.02 of the LR which requires at least two (2) Directors or one-third in number to comprise of Independent Non-Executive Directors.

The Board has within it, professionals drawn from varied backgrounds who bring with them in-depth and diverse experience and expertise. 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 excellence. A brief profile of each Director is set out 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 authorities. 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 achieving 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 minority shareholders, employees, customers, suppliers and the community in general.

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' Continual Professional Development

All Directors have successfully completed the Mandatory Accreditation Programme (MAP) and Continuing Education Program (CEP) requirements pursuant to the requirement of BMSB Guidance Note 10/2006. The Directors will continue to undergo any other relevant training program to further enhance their skills, knowledge and to keep themselves updated on the expectations of their roles.

Appointments to the Board

Nominating Committee

The Nominating Committee are made up of the following members:

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

The Board appoints its members through a formal and transparent process via the Nominating Committee. 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 both its members.

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.

A Remuneration Committees established by the Board on 20 November 2002, carries out annual reviews, develops and recommends remuneration structure for Executive Directors. It comprises the following members:

Member		Position
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 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.

The aggregate remuneration of Directors for the financial year ended 31 December 2006 is as follows:

	Fees RM	Salaries RM	Bonuses RM	Others RM
Executive Directors	240,000	1,215,600	356,500	160,380
Non-Executive Directors	75,000	-	-	35,000

The number of Directors whose remuneration fall within the following bands are:

	Number of Directors	
Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM150,001 to RM200,000	2	-
RM300,001 to RM350,000	1	-
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 and audited results, relevant information and corporate initiatives 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's 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 management and 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 and of their results and cash flows as at the end of the financial year. 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.

Internal Controls

The Statement on Internal Control furnished in this Annual Report provides an overview of the state of internal control within the Group.

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.

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 and will be decided upon on a consensual basis.

- Pursuant to Best Practice Provision AA XIII of the Code on training for 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

The amount of non-audit fees paid to external auditors by the Company and its subsidiaries is RM12,285 for the financial year ended 31 December 2006.

Material Contract

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

Statement On Internal Control

Introduction

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 Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks affecting the achievement of its business objectives.

Risk Management Framework

The Board had appointed a consultantancy firm to carry out an Enterprise Risk Management ("ERM") review on selected companies within the Group (comprising the Company and 2 other subsidiary companies). The same consultantancy firm was also assigned to roll out the ERM review to the Group's subsidiary companies based in Sabah. The review was completed and the relevant reports were issued to the Audit Committee.

The Group has an embedded process for the identification, evaluation and reporting of its major business risk. Policies and procedures have beed laid down for the regular reviews of the most significant areas of risk to ensure that key control objectives remain in place. Reports on such regular reviews were presented to the Board and the Audit Committee on a regular basis.

The Enterprise Risk Management framework of the Group encompasses the following:

- The establishment of a Risk Management Policy and Procedure, which outlines the risk management framework for the Group that offers practical guidance to all employees.

- 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 respective companies. Key risks to each major business unit's 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 Internal Audit Department of the Group 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 company and its subsidiary companies.

- Regular updates were presented to the Audit Committee by the Internal Audit Department on the risk profiles of companies in the Group according to the Risk Management Policy and Procedure document;

- Outsourced consultant has conducted risk management training for selected management and staff, to further enhance their understanding on risk management.

Internal Audit Function

The Internal Audit Department was set up to assist the Audit Committee and Board in the discharge of its duties and responsibilities relating to the adequacy and integrity of internal controls. Internal audits were carried out an ongoing basis on the key business processes, which are significant to the operations of the Group and ensures that instituted controls are appropriate and effectively applied in addressing areas of concern.

In certain areas where there are no formalized set of internal controls, compensating factors are in place such as 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 in safeguarding the shareholders' investment and the Group's assets.

Prior to reporting and making recommendations to the Board, the Audit Committee will go through reports prepared by the Internal Audit Department. Significant findings and recommendations for improvements are highlighted to Senior Management. The Internal Audit Department will implement periodic follow up review to ensure appropriate actions are being taken.

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;

- The Group has defined procedures and controls including information system control to ensure the reporting of complete and accurate financial information. Quarterly financial results and reports are evaluated the reasons for unusual variances noted 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 assurances and responsibilities at increasingly higher levels of management and, finally to the Board;

- Regular reviews of the financial performance, business development and operational issues, especially on areas of vulnerability are conducted and chaired by the Managing Director during management meeting.

- The Group has in place a proper control environment that emphasises on quality and performance of the Group's employees through the development and implementation of human resources policies and programmers that are designed to enhance the effectiveness and efficiency of the individual and the organisation.

- Operating policies and procedures of major subsidiary companies incorporate requirements prescribed and guided by the ISO quality management documentation, which provide some level of assurance on the system of internal control on operations; and

- The Board as a whole will consider areas of improvements in the system considering the recommendations made by the Audit Committee and the 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 the Management, remains vigilant and continues to take pertinent measures to strengthen the control environment of the Group.

The Board remains committed towards operating a sound system of internal control and therefore recognize that the system must continuously evolve to support the Company's operations.

Audit Committee Report

Audit Committee Members

The Board of Directors is pleased to present the Audit Committee report for the financial year ended 31December 2006. The Audit Committee currently comprises the following directors: -

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

During the financial year ended 31 December 2006, four (4) meetings were held by the Audit Committee to discuss matters relating to the accounting and reporting practices of the Group and Company. Details of attendance of each Audit Committee member is as follows: -

Director	21/02/06	25/05/06	24/08/06	16/11/06
Tengku Makram Bin Tengku Ariff	✓	✓	✗	✓
Ang Poon Chuan	✓	✓	✓	✓
Lee Eng Sheng	✓	✓	✓	✓
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	✓	✓	✓	✓

The meetings were structured appropriately with the use of agendas, which were 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, and members of the internal audit team also attended the meetings, upon invitation.

Summary of activities during the financial year

The Audit Committee carried out its duties in accordance with its terms of reference during the financial year. 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 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 their consideration and approval;
- Reviewed the quarterly unaudited financial results announcements of the Group and the Company before recommending them for the Board's approval;
- 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 response; and
- Reviewed pertinent issues which had significant impact on the results of the Group.

Internal Audit Function

The primary function of Internal Audit Department is to assist the Audit Committee in discharging its duties and responsibilities. The Board recognizes the importance of the internal audit function and the independent status required of it to carry out the job effectively. The Internal Audit Department of the Group was established since 16 September 2002 to primarily provide the Audit Committee with independent and objective reports on the state of internal controls of the operating units within the Group.

Terms of Reference

Objectives

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

- 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 whom shall be Independent Non-Executive Directors.

The Board shall at all times ensure that at least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants.

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

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 supporting 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.

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

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

Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. 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.

Audit Committee Report

Responsibilities and Duties

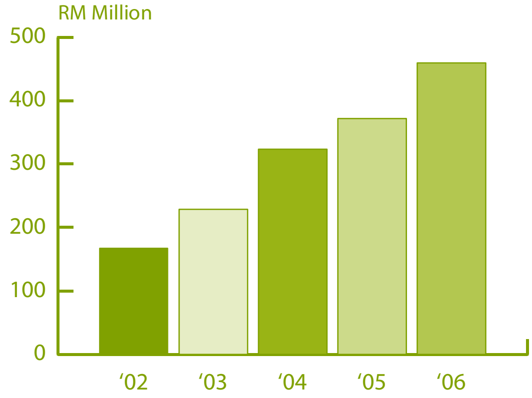
To ensure in fulfilling its primary objectives, the Committee shall undertake and carry out the following responsibilities and duties:-

- Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan;
- Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management 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 a proper balance between objectivity and value for money;
- 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 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; and
  - significant adjustments arising from the audit
- Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity;
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarizing the work performed in fulfilling the Committee's primary responsibilities;
- Review any appraisal or assessment of the performance and any appointment or termination of members of the internal audit function;
- 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;
- Any other activities, as authorized or instructed by the Board.

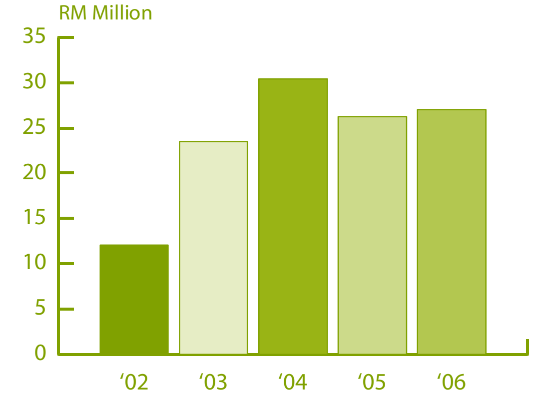
Financial Summary

In RM'000	2002	2003	2004	2005	2006
Turnover	177,137	226,318	321,701	380,428	469,318
Profit Before Taxation	12,172	24,158	30,085	26,124	26,710
Profit Attributable To Shareholders	10,750	21,734	26,805	22,556	21,071
Dividends	-	3,331	5,260	5,260	3,156
Shareholders' Fund	85,962	108,882	134,464	160,450	174,747
In Sen					
Earnings Per Share	*11.25	*22.58	*26.94	21.61	20.03
Net Tangible Assets Per Share	*89.81	*111.68	*134.19	152.51	166.10
Gross Dividend Per Share	-	5.00	5.00	5.00	3.00

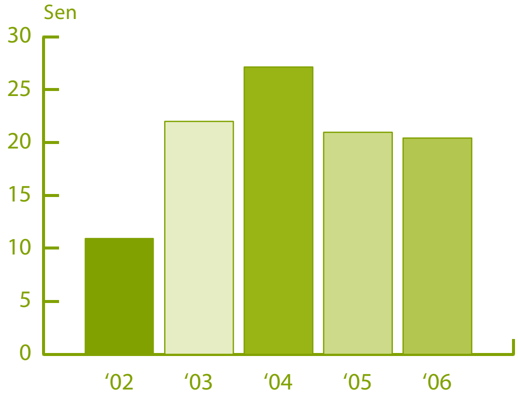
** Adjusted for bonus issue (1 for 2)*



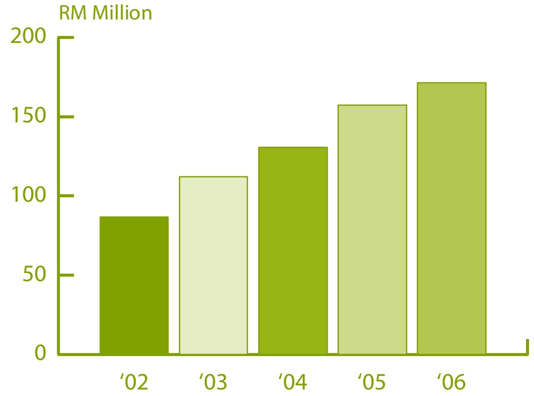
Turnover



Profit Before Tax



Net Earning Per Share



Shareholders' Fund

Directors' Report
for the year ended 31 December 2006

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 2006.

Principal activities

The Company is principally engaged in investment holding activities and also in trading of plastic and paper products, whilst the principal activities of the subsidiaries are as stated in Note 5 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
Profit for the year	21,071,180	3,199,056

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review except as disclosed in the financial statements.

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 financial year ended 31 December 2005 on 8 September 2006.

A final dividend of 3% tax exempt has been proposed by the Directors in respect of the financial year ended 31 December 2006, subject to the approval of the 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	
Lee Eng Sheng	
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	
Datuk Ahmad Bin Tokimin (Retired on 15.6.2006)	

The holdings in the ordinary shares of the Company of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows :

	Number of ordinary shares of RM1 each			
The Company	**At 1.1.2006**	**Bought**	**(Sold)**	**At 31.12.2006**
Direct interest				
Dato' Ang Toon Cheng @ Ang Tong Sooi	381,375	73,000	-	454,375
Tengku Makram Bin Tengku Ariff	40,500	-	-	40,500
Ang Poon Chuan	928,500	-	-	928,500
Ang Toon Piah @ Ang Toon Huat	163,500	-	-	163,500
Ang Poon Seong	589,125	-	-	589,125
Ang Poon Khim	590,325	-	-	590,325

None of the other Directors holding office at 31 December 2006 had any interest in the ordinary shares of the Company and its related companies during the financial year.

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

	Number of options over ordinary shares of RM1 each			
The Company	**At 1.1.2006**	**Option granted**	**(Option exercised)**	**At 31.12.2006**
Dato' Ang Toon Cheng @ Ang Tong Sooi	300,000	-	-	300,000
Ang Poon Chuan	650,000	-	-	650,000
Ang Toon Piah @ Ang Toon Huat	300,000	-	-	300,000
Ang Poon Seong	500,000	-	-	500,000
Ang Poon Khim	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") of the Company.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures in issue during the financial year.

Options granted over unissued shares

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

The salient features of the ESOS 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 an 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.

Options granted over unissued shares (Cont'd)

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 :

		Number of option over ordinary shares of RM1 each				
Date of offer	Option price RM	At 1.1.2006	Granted	(Exercised)	(Lapsed)	At 31.12.2006
12.11.2005	1.73	9,092,000	-	-	(648,000)	8,444,000

Other statutory information

Before the balance sheets and income 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.

Other statutory information (Cont'd)

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.

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 2006 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.

Significant events
Details of such events are as disclosed in Note 29 to the financial statements.

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

....

Ang Poon Chuan

....

Ang Toon Piah @ Ang Toon Huat

Kedah Darul Aman,

Date : 27 April 2007

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 11 to 69, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 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 2007

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 11 to 69 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at Sungai Petani in the State of Kedah Darul Aman on 27 April 2007.

....

Ang See Ming

Before me :

TAN HWA LIAN
Pesuruhjaya Sumpah
(Commissioner for Oaths)
Sungai Petani, Kedah Darul Aman.

Report Of The Auditors To The Members Of

Thong Guan Industries Berhad (Company No. 324203 K) (Incorporated in Malaysia)

We have audited the financial statements set out on pages 11 to 69. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. 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 for entities other than private entities issued by the Malaysian Accounting Standards Board 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 2006 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 5 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 2007

Consolidated Balance Sheet

at 31 December 2006

	Note	2006 RM	2005 RM
Assets			
Property, plant and equipment	3	120,632,880	110,289,244
Prepaid lease payments	4	6,961,233	7,350,202
Investment in associate	6	-	1,376,478
Other investment	6	1,368,058	-
Total non-current assets		128,962,171	119,015,924
Receivables, deposits and prepayments	7	79,936,382	63,900,357
Inventories	8	87,336,022	89,410,486
Current tax assets		773,873	839,147
Cash and cash equivalents	9	15,029,580	15,657,312
Total current assets		183,075,857	169,807,302
Total assets		312,038,028	288,823,226
Equity			
Share capital	10	105,204,500	105,204,500
Reserves	11	69,542,761	55,245,147
Total equity attributable to shareholders of the Company		174,747,261	160,449,647
Minority interest	12	26,357	27,295
Total equity		174,773,618	160,476,942
Liabilities			
Loans and borrowings	13	9,753,524	551,830
Deferred tax liabilities	14	9,738,536	9,656,758
Total non-current liabilities		19,492,060	10,208,588
Payables and accruals	15	54,841,318	58,760,382
Loans and borrowings	13	60,990,231	59,148,684
Current tax liabilities		1,940,801	228,630
Total current liabilities		117,772,350	118,137,696
Total liabilities		137,264,410	128,346,284
The equity and liabilities		312,038,028	288,823,226

The notes on pages 22 to 69 are an integral part of these financial statements.

Consolidated Income Statement
for the year ended 31 December 2006

	Note	2006 RM	2005 RM
Continuing operations			
Revenue	16	469,318,163	380,427,902
Cost of sales		(414,228,617)	(331,048,165)
Gross profit		55,089,546	49,379,737
Other income		5,114,879	4,595,711
Distribution expenses		(13,987,968)	(12,147,323)
Administrative expenses		(16,374,646)	(13,808,209)
Other expenses		(176,765)	(66,112)
Results from operating activities	17	29,665,046	27,953,804
Interest income		185,808	121,496
Finance costs	19	(3,132,429)	(1,620,334)
Operating profit		26,718,425	26,454,966
Share of loss after tax of equity accounted associate		(8,420)	(330,723)
Profit before tax		26,710,005	26,124,243
Tax expense	20	(5,639,763)	(3,569,045)
Profit for the year		21,070,242	22,555,198
Attributable to :			
Shareholders of the Company		21,071,180	22,556,432
Minority interest		(938)	(1,234)
Profit for the year		21,070,242	22,555,198
Basic earnings per ordinary share (sen)	22	20.03	21.61
Diluted earnings per ordinary share (sen)	22	20.03	21.31

The notes on pages 22 to 69 are an integral part of these financial statements.

Consolidated Statement Of Changes In Equity

for the year ended 31 December2006

	Note	Share Capital RM	Share Premium RM	Exchange Fluctuation Reserve RM	Retained Earnings RM	Total RM	Minority Interest RM	Total Equity RM
		← Attributable to shareholders of the Company →						
		← Non-distributable →			Distributable			
At 1 January 2005		66,803,000	301,840	-	67,359,044	134,463,884	28,529	134,492,413
Arising from issue of new ordinary shares by virtue of :								
- bonus issue (1 for 2)	10	33,401,500	-	-	(33,401,500)	-	-	-
- private placement	10	5,000,000	3,800,000	-	-	8,800,000	-	8,800,000
- share issue expense #		-	(163,273)	-	-	(163,273)	-	(163,273)
Exchange differences on translation of the financial statement of foreign entities #		-	-	52,829	-	52,829	-	52,829
Profit/(Loss) for the year		-	-	-	22,556,432	22,556,432	(1,234)	22,555,198
Dividends to shareholders	23	-	-	-	(5,260,225)	(5,260,225)	-	(5,260,225)
At 31 December 2005/At 1 January 2006		105,204,500	3,938,567	52,829	51,253,751	160,449,647	27,295	160,476,942
Exchange differences on translation of the financial statement of foreign entities #		-	-	(1,513,341)	-	(1,513,341)	-	(1,513,341)
Profit/(Loss) for the year		-	-	-	21,071,180	21,071,180	(938)	21,070,242
Dividends to shareholders	23	-	-	-	(5,260,225)	(5,260,225)	-	(5,260,225)
At 31 December 2006		105,204,500	3,938,567	(1,460,512)	67,064,076	174,747,261	26,357	174,773,618

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

The notes on pages 22 to 69 are an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2006

	Note	2006 RM	2005 RM
Cash flows from operating activities			
Profit before tax from continuing operations		26,710,005	26,124,243
Adjustments for :			
Depreciation of property, plant and equipment	3	12,757,812	10,701,168
Amortisation of prepaid lease payments	4	223,441	146,903
Gain on disposal of property, plant and equipment		(79,256)	(998,759)
Interest income		(185,808)	(121,496)
Interest expense	19	3,132,429	1,620,334
Property, plant and equipment written off		-	5,842
Share of loss of equity accounted associate		8,420	330,723
Operating profit before changes in working capital		42,567,043	37,808,958
Change in receivables, deposits and prepayments		(16,474,178)	(3,865,623)
Change in inventories		1,222,859	(22,543,087)
Change in payables and accruals		(2,553,525)	12,257,644
Cash generated from operations		24,762,199	23,657,892
Tax paid		(3,780,540)	(3,530,706)
Net cash generated from operating activities		20,981,659	20,127,186
Cash flows from investing activities			
Acquisition of property, plant and equipment	A	(24,170,585)	(33,284,022)
Acquisition of prepaid lease payments		-	(2,186,176)
Proceeds from disposal of property, plant and equipment		294,718	1,719,585
Interest received		185,808	121,496
Net cash used in investing activities		(23,690,059)	(33,629,117)
Cash flows from financing activities			
Interest paid		(3,132,429)	(1,620,334)
Repayment of finance lease		(132,397)	(218,523)
Drawdown of term loans, net		12,155,514	1,027,418
(Repayment)/Drawdown of other bank borrowings, net		(2,051,427)	13,637,122
Dividend paid		(5,260,225)	(5,260,225)
Proceeds from issue of shares		-	8,800,000
Share issue expenses		-	(163,273)
Net cash generated from financing activities		1,579,036	16,202,185
Net (decrease)/increase in cash and cash equivalents		(1,129,364)	2,700,254
Effects of exchange rate fluctuations on cash held		(378,646)	52,829
Cash and cash equivalents at 1 January		12,045,143	9,292,060
Cash and cash equivalents at 31 December	B	10,537,133	12,045,143

Consolidated Cash Flow Statement

at 31 December 2006

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 RM24,470,585 (2005 : RM33,584,022) of which RM300,000 (2005 : RM300,000) was acquired by means of hire purchase instalment plan. The remaining of RM24,170,585 (2005 : RM33,284,022) 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 :

	Note	2006 RM	2005 RM
Short term deposits with licensed banks	9	4,423,840	2,280,000
Cash and bank balances	9	10,605,740	13,377,312
Overdrafts	13	(4,492,447)	(3,612,169)
		10,537,133	12,045,143

The notes on pages 22 to 69 are an integral part of these financial statements.

Balance Sheet
at 31 December 2006

	Note	2006 RM	2005 RM
Assets			
Investments in subsidiaries	5	59,294,335	45,817,769
Investment in associate	6	-	1,993,669
Other investment	6	1,993,669	-
Total non-current assets		61,288,004	47,811,438
Receivables, deposits and prepayments	7	20,374,865	34,182,733
Current tax assets		161,885	289,265
Cash and cash equivalents	9	95,366	451,221
Total current assets		20,632,116	34,923,219
Total assets		81,920,120	82,734,657
Equity			
Share capital	10	105,204,500	105,204,500
Reserves	11	(25,680,672)	(23,619,503)
Total equity		79,523,828	81,584,997
Liabilities			
Payables and accruals	15	2,396,292	1,149,660
Total current liabilities		2,396,292	1,149,660
Total equity and liabilities		81,920,120	82,734,657

The notes on pages 22 to 69 are an integral part of these financial statements.

Income Statement

for the year ended 31 December 2006

	Note	2006 RM	2005 RM
Continuing operations			
Revenue	16	9,522,510	14,013,580
Cost of sales		(5,907,562)	(8,516,833)
Gross profit		3,614,948	5,496,747
Other income		9,410	-
Administrative expenses		(436,691)	(581,286)
Results from operating activities	17	3,187,667	4,915,461
Interest income		25,000	67,176
Profit before tax		3,212,667	4,982,637
Tax expense	20	(13,611)	(95,391)
Profit for the year		3,199,056	4,887,246

The notes on pages 22 to 69 are an integral part of these financial statements.

Statement Of Changes In Equity

for the year ended 31 December 2006

		← Non-distributable		→	Distributable	
At 1 January 2005	**Note**	**Share Capital RM**	**Share Premium RM**	**Revaluation Reserve RM**	**Retained Earnings/ (Accumulated Losses) RM**	**Total RM**
- as previously reported		66,803,000	301,840	40,363,398	6,216,409	113,684,647
- Effect of adopting FRS 127	30	-	-	(6,961,898)	(33,401,500)	(40,363,398)
At 1 January 2005, restated		66,803,000	301,840	33,401,500	(27,185,091)	73,321,249
Arising from issue of new ordinary shares by virtue of :						
- bonus issue (1 for 2)	10	33,401,500	-	(33,401,500)	-	-
- private placement	10	5,000,000	3,800,000	-	-	8,800,000
- share issue expense #		-	(163,273)	-	-	(163,273)
Profit for the year		-	-	-	4,887,246	4,887,246
Dividends to shareholders	23	-	-	-	(5,260,225)	(5,260,225)
At 31 December 2005, At 1 January 2006, restated		105,204,500	3,938,567	-	(27,558,070)	81,584,997
Profit for the year		-	-	-	3,199,056	3,199,056
Dividends to shareholders	23	-	-	-	(5,260,225)	(5,260,225)
At 31 December 2006		105,204,500	3,938,567	-	(29,619,239)	79,523,828

- represents net loss not recognised in the income statement.

The notes on pages 22 to 69 are an integral part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2006

	Note	2006 RM	2005 RM
Cash flows from operating activities			
Profit before tax from continuing operations		3,212,667	4,982,637
Adjustments for :			
Interest income		(25,000)	(67,176)
Dividend income	16	(3,560,000)	(5,440,900)
Operating loss before changes in working capital		(372,333)	(525,439)
Change in receivables, deposits and prepayments		13,807,868	(3,933,360)
Change in payables and accruals		1,246,632	265,668
Cash generated from/(used in) operations		14,682,167	(4,193,131)
Dividend received		3,560,000	5,315,404
Tax refunded		113,769	46,451
Net cash generated from operating activities		18,355,936	1,168,724
Cash flows from investing activities			
Interest received		25,000	67,176
Investments in subsidiaries		(13,476,566)	(4,363,470)
Net cash used in investing activities		(13,451,566)	(4,296,294)
Cash flows from financing activities			
Dividend paid	23	(5,260,225)	(5,260,225)
Proceeds from issue of shares		-	8,800,000
Share issue expenses		-	(163,273)
Net cash (used in)/generated from financing activities		(5,260,225)	3,376,502
Net (decrease)/increase in cash and cash equivalents		(355,855)	248,932
Cash and cash equivalents at 1 January		451,221	202,289
Cash and cash equivalents at 31 December	9	95,366	451,221

The notes on pages 22 to 69 are an integral part of these financial statements.

Notes To The Financial Statement

Thong Guan Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office
Suite 2-1, 2nd Floor
Menara Penang Garden
42A, Jalan Sultan Ahmad Shah
10050 Penang

Principal place of business
Lot 52, Jalan PKNK 1/6
Kawasan Perusahaan Sungai Petani
08000 Sungai Petani
Kedah Darul Aman

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associate.

The Company is principally engaged in investment holding activities and also in trading of plastic and paper products, while the other Group entities are primarily engaged in manufacturing and trading of tea and coffee, plastic, paper products, plastic packaging and other consumable products.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

The MASB has issued the following Financial Reporting Standards ("FRSs") and Interpretations that are effective for annual periods beginning after 1 January 2006, and that have not been applied in preparing these financial statements :

Standard/Interpretation	Effective date
FRS 124, Related Party Disclosures	1 October 2006
FRS 139, Financial Instruments : Recognition and Measurement	To be announced
Amendment to FRS 1192004, Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
FRS 6, Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach under FRS 1292004 Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007

In this set of financial statements, the Group has chosen to early adopt FRS 117, Leases which is effective for annual periods beginning on or after 1 October 2006.

The Group and the Company plan to apply FRS 124 initially for the annual period beginning 1 January 2007 and to apply the rest of the above-mentioned FRSs (except for FRS 6 as explained below and FRS 139 which its effective date has yet to be announced) and Interpretations for the annual period beginning 1 January 2008.

The impact of applying FRS 124 and FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective standards.

FRS 6 is not applicable to the Company. Hence, no further disclosure is warranted.

The initial application of other standards and interpretations are not expected to have any material impact on the financial statements of the Group and of the Company.

The effects of adopting the new/revised FRSs in 2006 are set out in Note 30.

The financial statements were approved by the Board of Directors on 27 April 2007.

(b) Basis of measurement
The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency
These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency and all financial information is presented in RM.

(d) Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2. Significant accounting policies
The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

(a) Basis of consolidation
(i) Subsidiaries
Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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 Plaspack (Suzhou) Co. Ltd.

In previous years, investments in subsidiaries are stated in the Company's balance sheet at cost/valuation less impairment losses. Following the adoption of FRS 127, Consolidated and Separate Financial Statements, all investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

This change in accounting policy has been applied retrospectively and its effect is disclosed in Note 30.

(ii) Associates
Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) Changes in Group composition
Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Transactions eliminated on consolidation
Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group is presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions. The exchange differences are dealt with as a movement in reserves.

On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(iii) Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements only when the loan is denominated in either the functional currency of the Company or the foreign operation. Deferred exchange differences are released to the income statement upon disposal of the investment.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The Group has availed itself to the transitional provision when the MASB first adopted IAS 16, Property, Plant and Equipment in 1998. Certain freehold land and buildings were revalued in 1995 and no later valuation has been recorded for these property, plant and equipment (except in the case of impairment adjustments based on a valuation).

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of selfconstructed assets includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation
Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The other assets for the current and comparative periods are 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

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(d) Investments in debt and equity securities
Investments in debt and equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition :

- Investments in non-current equity securities other than investments in subsidiaries and associate are stated at cost less allowance for diminution in value,

- All current investments are carried at the lower of cost and market value, determined on an individual investment basis by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities other than investment in subsidiaries and associate, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

All investments in debt and equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

a) the recognition of an asset on the day it is received by the entity, and

b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

(e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided except for leasehold land classified as investment property.

The Group had previously classified a lease of land as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. On early adoption of FRS 117, Leases, the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117.67A.

The Group had previously revalued its leasehold land and has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions in FRS 117.67A. Such prepaid lease payments is amortised over the lease term.

(f) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) 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.

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that
reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(j) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(k) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(l) Tax expense

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(m) 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.

(n) Leased payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(o) Impairment of assets

The carrying amounts of assets except for financial assets and inventories that are measured at fair value are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cashgenerating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss 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. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

(p) Revenue

i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

ii) Dividend income

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

(q) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

(r) Employee benefits

i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

The Group's contribution to the Employees' Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

ii) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. In the previous year, share options granted to employees is not recognised as an employee cost. Following the adoption of FRS 2, Share-based Payment, the grant date fair value of share options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee stock options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Property, Plant and Equipment

Group	Land and Buildings RM	Plant and Machinery RM	Furniture, Fittings and Office Equipment RM	Motor Vehicles RM	Capital Expenditure-In-Progress RM	Total RM
Cost/Valuation						
At 1 January 2005						
- As previously reported	32,551,264	95,243,658	4,970,393	8,659,227	3,409,759	144,834,301
- Effect of FRS 117	(6,020,582)	-	-	-	-	(6,020,582)
At 1 January 2005, restated	26,530,682	95,243,658	4,970,393	8,659,227	3,409,759	138,813,719
Additions	587,219	18,009,717	363,290	1,156,873	13,466,923	33,584,022
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/ 1 January 2006	31,317,035	122,035,686	5,238,962	9,080,206	2,910,134	170,582,023
Additions	3,189,904	10,996,446	648,688	951,374	8,684,173	24,470,585
Disposals	-	(497,620)	(442,200)	(10,079,510)	-	(939,820)
Transfer	-	10,062,658	16,852	-	-	-
Foreign exchange differences	(254,517)	(1,103,949)	(21,677)	(12,345)	(5,052)	(1,397,540)
At 31 December 2006	34,252,422	141,493,221	5,882,825	9,577,035	1,509,745	192,715,248
Accumulated depreciation						
At 1 January 2005						
- As previously reported	4,435,524	37,760,133	2,823,661	6,370,996	-	51,390,314
- Effect of FRS 117	(709,653)	-	-	-	-	(709,653)
At 1 January 2005, restated	3,725,871	37,760,133	2,823,661	6,370,996	-	50,680,661
Charge for the year	876,100	8,384,815	499,878	940,375	-	10,701,168
Disposals	-	(267,700)	(123)	(731,388)	-	(999,211)
Write off	(83)	-	(89,756)	-	-	(89,839)
At 31 December 2005/ 1 January 2006	4,601,888	45,877,248	3,233,660	6,579,983	-	60,292,779
Depreciation for the year	1,181,098	10,053,125	564,024	959,565	-	12,757,812
Disposals	-	(282,165)	-	(442,193)	-	(724,358)
Foreign exchange differences	(15,351)	(214,496)	(7,367)	(6,651)	-	(243,865)
At 31 December 2006	5,767,635	55,433,712	3,790,317	7,090,704	-	72,082,368
Carrying amounts						
At 1 January 2005, restated	22,804,811	57,483,525	2,146,732	2,288,231	3,409,759	88,133,058
At 31 December 2005/ 1 January 2006	26,715,147	76,158,438	2,005,302	2,500,223	2,910,134	110,289,244
At 31 December 2006	28,484,787	86,059,509	2,092,508	2,486,331	1,509,745	120,632,880

Notes To The Financial Statement

Land and buildings comprise :

	Cost/Valuation		Carrying amounts	
	2006 RM	2005 RM	2006 RM	2005 RM
At valuation				
Freehold land	5,149,000	5,149,000	5,149,000	5,149,000
Factory buildings				
	5,783,630	5,783,630	3,403,608	3,576,960
At cost				
Freehold land	290,000	290,000	290,000	290,000
Factory buildings	23,029,792	20,094,405	19,642,179	17,699,187
	34,252,422	31,317,035	28,484,787	26,715,147

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

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

It is the 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 carrying amounts of those revalued assets stated at their original cost less accumulated depreciation are as follows :

2006	**Cost RM**	**Accumulated Depreciation RM**	**Carrying Amounts RM**
Freehold land	489,449	-	489,449
Factory buildings	3,229,681	1,695,868	1,533,813
	3,719,130	1,695,868	2,023,262

2005			
Freehold land	489,449	-	489,449
Factory buildings	3,229,681	1,561,944	1,667,737
	3,719,130	1,561,944	2,157,186

Leasehold land amounting to carrying amounts of RM5,310,929 at 1 January 2005 was reclassified from property, plant and equipment to prepaid lease payments to comply with the requirements of FRS 117, Leases.

Security

At 31 December 2006, property, plant and equipment with a carrying amount of approximately RM58,000 (2005 : RM1,080,000) are pledged to banks to secure term loans and other bank borrowings.

Leased property plant and equipment

Included in the carrying amounts of property, plant and equipment are the following assets acquired under lease arrangement :

	2006 RM	2005 RM
Motor vehicles	1,040,971	608,446

4. Prepaid lease payments - Group

Cost/Valuation	**Unexpired period less than 50 years RM**	**Unexpired period more than 50 years RM**	**Total RM**
At 1 January 2005	-	-	-
Effect of adopting FRS 117	5,590,582	430,000	6,020,582
At 1 January 2005, restated	5,590,582	430,000	6,020,582
Addition	2,186,176	-	2,186,176
At 1 January 2006/At 31 December 2006	7,776,758	430,000	8,206,758
Foreign exchange differences	(169,601)	-	(169,601)
At 31 December 2006	7,607,157	430,000	8,037,157
Amortisation			
At 1 January 2005	-	-	-
Effect of adopting FRS 117	660,894	48,759	709,653
At 1 January 2005, restated	660,894	48,759	709,653
Amortisation for the year	139,955	6,948	146,903
At 31 December 2005/At 1 January 2006	800,849	55,707	856,556
Amortisation for the year	102,777	120,664	223,441
Foreign exchange differences	(4,073)	-	(4,073)
At 31 December 2006	899,553	176,371	1,075,924
Carrying amounts			
At 1 January 2005, restated	4,929,688	381,241	5,310,929
At 31 December 2005/At 1 January 2006	6,975,909	374,293	7,350,202
At 31 December 2006	6,707,604	253,629	6,961,233

Notes To The Financial Statement

The prepaid lease payments represent leasehold land of the Group and are shown based on an open market value basis by independent professional valuers conducted in 1995.

Security
At 31 December 2006, prepaid lease payments with a carrying amount of approximately RM1,398,000 (2005 : RM1,984,000) are pledged to banks to secure term loans and other bank borrowings.

5. Investments in subsidiaries - Company

	2006 RM	2005 RM (Restated)
Unquoted shares, at cost	59,294,335	86,181,167
Less : Effect of adopting FRS 127	-	(40,363,398)
	59,294,335	45,817,769

Details of the subsidiaries are as follows :

Name of Company	Country of incorporation	Principal Activities	Effective ownership interest 2006 %	Effective ownership interest 2005 %
Syarikat Thong Guan Trading Sdn Bhd ("STGT")	Malaysia	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")	Malaysia	Manufacturing and trading of plastic and paper products	100	100
Uniang Plastic Industries (Sabah) Sdn. Bhd. ("UPI")	Malaysia	Manufacturing and trading of plastic products	100	100
Jaya Uni'ang (Sabah) Sdn. Bhd. ("JUS")	Malaysia	Trading of plastic and other consumable products	100	100
Ebontech Sdn. Bhd.	Malaysia	Manufacturing and trading of plastic packaging products	100	100
Thong Guan Plastic Industries (Suzhou) Co., Ltd #	People's Republic of China	Manufacturing and trading of plastic packaging products	100	100
TGP Plaspack (Suzhou) Co. Ltd. #	People's Republic of China	Manufacturing and trading of plastic packaging products	100	100
Tea G International Sdn. Bhd.	Malaysia	Dormant	70	70
TGP Marketing Sdn. Bhd.	Malaysia	Marketing of plastic packaging products	100	100

- Audited by another firm of auditors.

During the year, the Company acquired TGP Marketing Sdn. Bhd. (a wholly-owned subsidiary of TGP), which subsequently became a wholly-owned subsidiary of the Company.

6. Investments

Associate :	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Unquoted shares, at cost	-	1,993,669	-	1,993,669
Share of post-acquisition loss	-	(617,191)	-	-
	-	1,376,478	-	1,993,669
Other investment :				
Unquoted shares, at cost	1,368,058	-	1,993,669	-

Details of the associate are as follows :

Name of Associate	Country of Incorporation	Effective ownership interest 2006 %	Effective ownership interest 2005 %	Principal Activity	Financial Year End
L.A. Plaspack Co., Ltd.	Thailand	17	30	Perform, produce and sell LLDPE Stretch Film	31 October

During the year, the Company did not subscribe for the rights issue alloted which represented 13% of the enlarged equity interest in L.A. Plaspack Co., Ltd. ("LA Plaspack"). As a result, the Company's direct equity interest in LA Plaspack was reduced from 30% to 17%. Accordingly, the Company's interest in LA Plaspack has been reclassified from associate to other investment.

Contingent liabilities

The share of associated company's contingent liabilities incurred jointly with other investors for guaranteed bank facilities amounted to approximately RM Nil (2005 : RM1,950,000).

7. Receivables, deposits and prepayments

Trade	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Trade receivables	a	78,529,957	60,535,966	1,301,575	1,637,684
Less : Allowance for doubtful debts		(2,039,399)	(837,036)	-	-
		76,490,558	59,698,930	1,301,575	1,637,684
Non-trade					
Other receivables	b	2,854,863	3,382,653	-	-
Less : Allowance for doubtful debts		(380,038)	-	-	-
		2,474,825	3,382,653	-	-
Deposits		322,265	376,855	2,000	2,000
Prepayments		648,734	441,919		
Amount due from subsidiaries	c	-	-	19,071,290	32,543,049
		79,936,382	63,900,357	20,374,865	34,182,733

Notes To The Financial Statement

Note a

Trade receivables of the Group denominated in currencies other than the functional currency are as follows :

- RM41,634,473 (2005 : RM27,600,947) denominated in US Dollar
- RM2,749,278 (2005 : RM2,344,629) denominated in Singapore Dollar
- RM2,660,111 (2005 : RM2,454,468) denominated in Australian Dollar

Included in trade receivables of the Group is an amount of RM347,398 (2005 : RM365,865) due from companies in which certain Directors have substantial financial interests.

Note b

Included in other receivables of the Group is an amount of RM760,075 (2005 : RM760,075) representing deposits paid for the purchase of property, plant and equipment.

Note c

The non-trade receivables due from subsidiaries are unsecured, interest-free and repayable on demand.

8. Inventories - Group

	2006	2005
At cost	**RM**	**RM**
Raw materials	54,286,596	65,206,321
Work-in-progress	2,110,232	3,456,415
Manufactured inventories	27,485,440	15,004,568
Trading inventories	3,453,754	5,743,182
	87,336,022	89,410,486

9. Cash and cash equivalents

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cash and bank balances	10,605,740	13,377,312	95,366	451,221
Short term deposits with licensed banks	4,423,840	2,280,000	-	-
	15,029,580	15,657,312	95,366	451,221

Cash and cash equivalents of the Group denominated in currencies other than the functional currency are as follows :

- RM5,249,329 (2005 : RM9,301,138) denominated in US Dollar
- RM2,955,524 (2005 : RM1,179,235) denominated in Japanese Yen
- RM644,659 (2005 : RM1,077,409) denominated in Singapore Dollar
- RM1,665,235 (2005 : RM1,017,007) denominated in Chinese RMB

10. Share Capital

	2006		2005	
	No. of Shares	RM	No. of Shares	RM
Ordinary shares of RM1 each :				
Authorised	500,000,000	500,000,000	500,000,000	500,000,000

	2006		2005	
	No. of Shares	**RM**	**No. of Shares**	**RM**
Issued and fully paid :				
	105,204,500	105,204,500	66,803,000	66,803,000
Balance at 1 January	-	-	33,401,500	33,401,500
Bonus issue (1 for 2)	-	-	5,000,000	5,000,000
Private placement				
Balance at 31 December	105,204,500	105,204,500	105,204,500	105,204,500

During the prior year, pursuant to the private placement exercise, the Company issued 5,000,000 ordinary shares of RM1.00 each at RM1.76 per share.

11. Reserves

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
				(Restated)
Non-distributable				
Share premium	3,938,567	3,938,567	3,938,567	3,938,567
Exchange fluctuation reserve	(1,460,512)	52,829	-	-
Distributable				
Retained earnings/ (Accumulated losses)	67,064,706	51,253,751	(29,619,239)	(27,558,070)
	69,542,761	55,245,147	(25,680,672)	(23,619,503)

12. Minority interest

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

13. Loans and borrowings - Group

	2006	**2005**
	RM	**RM**
Non-current :		
Secured		
- Term loans	328,026	502,746
Unsecured		
- Term loans	9,280,870	-
Finance lease liabilities	144,628	49,084
	9,753,524	551,830
Current :		
Secured		
- Term loans	165,130	436,557
- Overdrafts	1,391,318	1,342,855
- Bankers' acceptances	4,082,000	4,743,000
	5,638,448	6,522,412

Notes To The Financial Statement

	2006 RM	2005 RM
Unsecured		
- Term loans	6,424,124	3,103,333
- Overdrafts	3,101,129	2,269,314
- Revolving credit	5,103,946	6,907,159
- Onshore foreign currency loan	40,462,845	10,848,985
- Trust receipts	-	3,814,801
- Export credit re-financing	-	117,000
- Bankers' acceptances	-	25,378,000
	55,092,044	52,438,592
Finance lease liabilities	259,739	187,680
	60,990,231	59,148,684

Terms and debt repayment schedule

The above bank borrowings of the Group are subject to interest at rates ranging from 4.35% to 7.80% (2005 : 2.55% to 7.50%) per annum.

Finance lease liabilities are subject to interest at 5.68% to 7.58% (2005 : 2.49% to 4.00%) per annum.

The above secured loans and bank borrowings are secured by fixed charges over the land and factory buildings of the respective subsidiaries for which the facilities are granted (Note 3).

Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM
2006					
Secured term loans - RM	2007 - 2009	493,156	165,130	165,130	162,896
Secured overdrafts - RM		1,391,318	1,391,318	-	-
Secured bankers' acceptance - RM	2007	4,082,000	4,082,000	-	-
Unsecured term loans - USD	2007 - 2009	15,704,994	6,424,124	4,640,435	4,640,435
Unsecured overdrafts - RM		3,101,129	3,101,129	-	-
Unsecured revolving credit					
- RM	2007	2,290,000	2,290,000	-	-
- RMB	2007	2,813,946	2,813,946	-	-
Unsecured onshore foreign currency loan - USD	2007	40,462,845	40,462,845	-	-
Finance lease liabilities - RM	2007 - 2008	404,367	259,739	144,628	-
		70,743,755	60,990,231	4,950,193	4,803,331

Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM
2005					
Secured term loans - RM	2006 - 2007	939,303	436,557	502,746	-
Secured overdrafts - RM		1,342,855	1,342,855	-	-
Secured bankers' acceptance - RM	2006	4,743,000	4,743,000	-	-
Unsecured term loans - USD	2006	3,103,333	3,103,333	-	-
Unsecured overdrafts - RM		2,269,314	2,269,314	-	-
Unsecured revolving credit					
- RM	2006	3,890,000	3,890,000	-	-
- RMB	2006	3,017,159	3,017,159	-	-
Unsecured onshore foreign currency loan - USD	2006	10,848,985	10,848,985	-	-
Unsecured trust receipts					
- RM	2006	1,303,088	1,303,088	-	-
- USD	2006	2,511,713	2,511,713	-	-
Unsecured export credit re-financing - RM	2006	117,000	117,000	-	-
Unsecured bankers' acceptance - RM	2006	25,378,000	25,378,000	-	-
Finance lease liabilities - RM	2006-2007	236,764	187,680	49,084	-
		59,700,514	59,148,684	551,830	-

Finance lease liabilities

Finance lease liabilities are payable as follows :

	2006			2005		
	Payments RM	Interest RM	Principal RM	Payments RM	Interest RM	Principal RM
Within 1 year	275,479	15,740	259,739	198,134	10,454	187,680
Between 1 and 5 years	151,265	6,637	144,628	51,124	2,040	49,084
	426,744	22,377	404,367	249,258	12,494	236,764

Notes To The Financial Statement

14. Deferred tax liabilities - Group

The recognised deferred tax liabilities are as follows :

	2006 RM	2005 RM
Property, plant and equipment (including prepaid lease payments)		
- Capital allowances	1,555,143	1,552,686
- Revaluation	8,183,393	8,104,072
Balance at 31 December	9,738,536	9,656,758

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items :

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Taxable temporary differences	895,000	835,000	-	-
Unabsorbed capital allowances carry-forwards	(829,000)	(622,000)	-	-
Unutilised tax loss carry forwards	(429,000)	(340,000)	(150,000)	(62,000)
	(363,000)	(127,000)	(150,000)	(62,000)

The temporary differences do not expire under current tax legislation. If there is substantial change in shareholders (more than 50%), unutilised tax loss carry-forwards and unutilised capital allowance carry-forwards amounting to RM1,531,000 and RM2,962,000 will not be available to the Group. 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 there from.

15. Payables and accruals

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Trade					
Trade payables	a	46,533,667	45,733,211	-	-
Non-trade					
Other payables		4,101,499	4,506,022	63,972	104,174
Accrued expenses		4,206,152	8,521,149	268,104	297,217
Amount due to a subsidiary	b	-	-	2,064,216	748,269
		54,841,318	58,760,382	2,396,292	1,149,660

Included in trade payables and other payables of the Group are amounts of RM790,382 (2005 : RM545,814) and RM 121,475 (2005 : RM45,813) respectively due to companies in which certain Directors have substantial financial interests.

Note a

Trade payables of the Group denominated in currencies other than the functional currency are as follows :

- RM26,437,164 (2005 : RM26,971,674) denominated in US Dollar
- RM3,609,064 (2005 : RM3,045,892) denominated in Chinese RMB

Note b

The amount due to a subsidiary is unsecured, interest-free and payable on demand.

16. Revenue

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Invoiced value of goods sold less discounts and returns	469,318,163	380,427,902	5,962,510	8,572,680
Dividend income from subsidiaries	-	-	3,560,000	5,440,900
	469,318,163	380,427,902	9,522,510	14,013,580

17. Results from operating activities

Results from operating activities are arrived at :

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
After charging :				
Auditors' remuneration				
- current year	74,058	67,860	13,000	13,000
- prior year	12,910	9,600	-	3,000
- fee in other services	12,285	31,500	-	31,500
Bad debts written off	131,708	147,696	-	-
Depreciation of property, plant and equipment	12,757,812	10,701,168	-	-
Amortisation of prepaid lease payments	223,441	146,903	-	-
Directors' emoluments Directors of the Company				
- fees	315,000	340,000	200,000	225,000
- others	1,705,020	1,721,760	43,000	46,500
Other Directors				
- fees	52,000	57,000	-	-
- others	359,199	132,606	-	-
Rental expense	820,615	1,328,809	-	-
Property, plant and equipment written off	-	5,842	-	-
Allowance for doubtful debts	1,613,309	-	-	-
and crediting :				
Dividend income (gross) receivable from subsidiaries	-	-	3,560,000	5,440,900
Gain on disposal of property, plant and equipment	79,256	998,759	-	-
Gain on foreign exchange				
- realised	2,396,024	336,706	-	-
- unrealised	219,120	30,420	-	-
Write back of allowance for doubtful debts	-	12,187	-	-
Rental income	94,600	66,380	-	-
Bad debts recovered	9,000	49,559	-	-

Notes To The Financial Statement

18. Employee information

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Staff cost (excluding executive Directors)	17,094,723	16,178,836	85,321	112,059

Staff costs of the Group and of the Company include contributions to the Employees' Provident Fund of RM1,318,801 (2005 : RM1,043,005) and RM6,125 (2005 : RM9,564) respectively.

19. Finance costs - Group

	2006	2005
	RM	RM
Interest paid and payable on :		
Overdrafts	58,188	25,455
Term loans	897,465	290,575
Finance lease liabilities	9,374	18,857
Other borrowings	2,167,402	1,285,447
	3,132,429	1,620,334

20. Tax expense

Recognised in the income statement

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Tax expense on continuing operations	5,639,763	3,569,045	13,611	95,391

Major components of tax expense include:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Current tax expense				
- Current year	5,751,030	2,663,112	-	-
- Prior year	(193,045)	(209,344)	13,611	95,391
Total current tax	5,557,985	2,453,768	13,611	95,391
Deferred tax expense				
- Origination and reversal of temporary differences	(184,995)	1,036,000	-	-
- Prior years	307,082	143,000	-	-
- Revaluation reserve	(40,309)	(63,723)	-	-
Total deferred tax	81,778	1,115,277	-	-
Total tax expense on continuing operations	5,639,763	3,569,045	13,611	95,391

Reconciliation of effective tax expense

	2006 RM	2005 RM
Group		
Profit for the year	21,071,180	22,556,432
Total tax expense	5,639,763	3,569,045
Profit excluding tax	26,710,943	26,125,477
Tax calculated using Malaysian tax rate at 28% (2005 : 28%)	7,479,064	7,315,134
Non-deductible expenses	646,521	522,979
Effect of change in tax rate	(370,737)	-
Tax exempt income	-	(249,566)
Tax incentive	(2,424,602)	(3,640,799)
Deferred tax benefits not recognised/(recognised)	235,789	(248,636)
Reversal of deferred tax on revaluation	(40,309)	(63,723)
Under/(Over) provision in prior years	114,037	(66,344)
Tax expense	5,639,763	3,569,045

	RM	RM
Company		
Profit before tax	3,212,667	4,982,637
Tax calculated using Malaysian tax rate at 28% (2005 : 28%)	899,547	1,395,138
Tax exempt income	(996,800)	(1,397,956)
Non-deductible expenses	15,123	19,881
Deferred tax benefits not recognised/(recognised)	82,130	(17,063)
Under provision in prior years	13,611	95,391
Tax expense	13,611	95,391

21. Employee benefits - Group

Share-based payments

The number of share options are as follows :-

	Number 2006	Number 2005
At 1 January	9,092,000	-
Granted during the year	-	9,092,000
Lapsed during the year	(648,000)	-
At 31 December	8,444,000	9,092,000
Exercisable at 31 December	8,444,000	9,092,000

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.

In prior year, 9,092,000 number of options were granted and vested on 12 November 2005. As allowed by the transitional provisions in FRS 2, the recognition and measurement principles in FRS 2 have not been applied to these grants.

Details of share options granted during the year :

	2006	2005
Expiry date	-	1.2.2010
Exercise price per ordinary share (RM)	-	1.73
Aggregate proceeds if shares are issued (RM)	-	15,729

Terms of the options outstanding at 31 December :

Expiry date	Exercise price	Number 2006	Number 2005
1.2.2010	RM1.73	8,444,000	9,092,000

22. Earnings per ordinary share - Group

i) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit attributable to shareholders of RM21,071,180 (2005 : RM22,556,432) and on the weighted average number of ordinary shares outstanding during the year of 105,204,500 (2005 : 104,371,000) calculated as follows :

Weighted average number of ordinary shares

	2006 '000	2005 '000
Issued ordinary shares at beginning of year	105,204	66,803
Effect of bonus issue during the year	-	33,402
Effect of private placement	-	4,166
Weighted average number of ordinary shares	105,204	104,371

ii) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the financial year is the same as the basic earnings per ordinary share as the effect of anti-dilutive potential ordinary shares are ignored in calculating diluted earnings per ordinary share in accordance with FRS 133 on earnings per share and the weighted average number of ordinary shares outstanding during the year of 105,204,500 (2005 : 105,871,000) calculated as follows :

Weighted average number of ordinary shares (diluted)

	2006 '000	2005 '000
Issued ordinary shares at beginning of year	105,204	66,803
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)	105,204	105,871

23. Dividends

Dividend paid	Group and Company 2006 RM	2005 RM
- First and final dividend of 5% tax exempt in respect of the year ended 31 December 2005 (2005 : 5% tax exempt in respect of the financial year ended 31 December 2004)	5,260,225	5,260,225

A final dividend of 3% tax exempt in respect of the financial year ended 31 December 2006 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 earnings from the shareholders' equity in the financial year ending 31 December 2007.

24. Capital commitment

	2006 RM'000	2005 RM'000
Group		
Property, plant and equipment Contracted but not provided for in the financial statements – within 1 year	324	1,766
Group and Company		
Investment in associate Contracted but not provided for in the financial statements – within 1 year	-	1,441

25. 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 RM187.0 million (2005 : RM171.1 million) of which RM59.0 million (2005 : RM58.8 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 (2005 : RM860,000) of which RM493,156 (2005 : RM661,526) has been utilised as at balance sheet date.

iii) The Company has issued corporate guarantees amounting to RM81.6 million (2005 : RM56.5 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 RM34.2 million (2005 : RM26.9 million).

iv) The Company has share of associate's contingent liabilities incurred jointly with other investors for guaranteed bank facilities of approximately RM Nil (2005 : RM1.9 million).

v) The Company has share of other investment's contingent liabilities incurred jointly with other investors for guaranteed bank facilities of approximately RM1.1 million (2005 : RM Nil).

Notes To The Financial Statement

26. 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 principally in 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.

Business segments	Plastic Products 2006 RM	Plastic Products 2005 RM	Food and Beverages 2006 RM	Food and Beverages 2005 RM	Others 2006 RM	Others 2005 RM	Total 2006 RM	Total 2005 RM	Elimination 2006 RM	Elimination 2005 RM	Consolidated 2006 RM	Consolidated 2005 RM
Revenue												
Revenue from external customers	434,227,613	359,623,856	15,542,730	15,129,985	19,547,820	5,674,061	469,318,163	380,427,902	-	-	469,318,163	380,427,902
Results from operating activities	25,946,970	25,898,318	458,850	1,317,630	3,259,226	1,172,248	29,665,046	28,388,196	-	(434,392)	29,665,046	27,953,804
Finance costs											(3,132,429)	(1,620,334)
Interest income											185,808	121,496
Share of loss of equity accounted associate											(8,420)	(330,723)
Tax expense											(5,639,763)	(3,569,045)
Profit for the year											21,070,242	22,555,198
Segment assets	287,445,929	269,136,433	15,836,942	13,580,239	7,981,284	3,890,929	311,264,155	286,607,601	-	-	311,264,155	286,607,601
Investment in associate	-	1,376,478	-	-	-	-	-	-	-	-	-	1,376,478
Total assets											311,264,155	287,984,079
Segment liabilities	53,058,492	54,414,580	1,016,877	1,716,597	765,949	2,629,205	54,841,318	58,760,382			54,841,318	58,760,382
Unallocated liabilities											82,423,092	69,585,902
Total liabilities											137,264,410	128,346,284
Capital expenditure	24,014,333	35,224,084	399,011	438,539	57,241	107,575	24,470,585	35,770,198	-	-	24,470,585	35,770,198
Depreciation and amortisation	12,349,772	10,124,470	511,093	550,646	120,388	172,954	12,981,253	10,848,070	-	-	12,981,253	10,848,070
Non-cash expenses other than depreciation and amortisation	1,679,486	15,409	65,531	147,972	-	-	1,745,017	163,381	-	-	1,745,017	163,381

Geographical segments

2006 Revenue	Malaysia RM	Other ASEAN countries RM	Japan RM	Australia RM	Others RM	Total RM	Unallocated RM	Consolidated RM
Revenue from external customers	125,594,867	36,914,120	160,299,251	54,137,981	92,371,944	469,318,163	-	469,318,163

2005 Revenue	Malaysia RM	Other ASEAN countries RM	Japan RM	Australia RM	Others RM	Total RM	Unallocated RM	Consolidated RM
Revenue from external customers	125,707,447	40,401,981	122,774,731	46,973,655	44,570,088	380,427,902	-	380,427,902

	Malaysia		China		Thailand		Unallocated		Consolidated	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Segment assets	229,283,865	203,995,685	81,980,290	82,611,916	-	1,376,478	-	-	311,264,155	287,984,079
Capital expenditure	4,206,465	17,750,610	20,264,120	18,019,588	-	-	-	-	24,470,585	35,770,198

27. Related parties - Group/Company

27.1 Related party relationships

i) Companies controlled by the Company
- subsidiaries as disclosed in Note 5

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

27.2 Related party transactions

27.2.1 Transactions with related companies :

Company	2006 RM	2005 RM
Dividend income (gross) receivable from :		
TGP	3,560,000	4,992,700
STGT	-	448,200
Purchases from TGP	5,907,562	8,516,833
Interest income from JUS	25,000	24,994

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

i) Sales to :

	2006 RM	2005 RM
KFI	1,859,350	1,729,805
NS	22,457	35,254
HFS	821,637	979,209

ii) Purchases from :

	2006 RM	2005 RM
HFS	-	6,552
KFI	3,766,166	3,323,983
NS	-	12,939
KM	73,605	44,780

iii) Rental expense payable to :

	2006 RM	2005 RM
KP	36,900	36,000
KFI	40,000	68,000
TGPK	-	116,400

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 7 and 15.

27.3 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	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Ang Poon Khim	-	550,000	550,000	550,000
Ang Poon Chuan	-	650,000	650,000	650,000
Ang Poon Seong	-	500,000	500,000	500,000
Ang See Ming	-	200,000	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 21).

iii) Rental of RM507,000 (2005 : RM312,000) 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.

28. 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.

Notes To The Financial Statement

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 Dollar, Singapore Dollar, Japanese Yen, US Dollar and Chinese RMB.

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 RM422,048 (2005 : loss of RM273,239) 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.

2006	Note	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000
Group						
Financial assets						
Short term deposits	9	2.07	4,424	4,424	-	-
Financial liabilities						
Secured term loans	13	4.00	493	165	328	-
Unsecured term loans	13	6.11	15,705	6,424	9,281	-
Secured overdrafts	13	7.76	1,391	1,391	-	-
Secured bankers' acceptances	13	4.38	4,082	4,082	-	-
Unsecured overdrafts	13	8.00	3,101	3,101	-	-
Unsecured revolving credit	13	5.73	5,104	5,104	-	-
Unsecured onshore foreign currency loan	13	5.77	40,463	40,463	-	-

2005	Note	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000
Group						
Financial assets						
Short term deposits	9	2.85	2,280	2,280	-	-
Financial liabilities						
Secured term loans	13	5.00	939	436	503	-
Unsecured term loans	13	5.04	3,103	3,103	-	-
Secured overdrafts	13	7.40	1,343	1,343	-	-
Secured bankers' acceptances	13	3.40	4,743	4,743	-	-
Unsecured overdrafts	13	7.55	2,269	2,269	-	-
Unsecured revolving credit	13	4.15	6,907	6,907	-	-
Unsecured onshore foreign currency loan	13	3.93	10,849	10,849	-	-
Unsecured bankers' acceptances	13	2.75	25,378	25,378	-	-
Unsecured trust receipts	13	3.93	3,815	3,815	-	-
Unsecured export credit re-financing	13	3.00	117	117	-	-

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, receivables, deposits and prepayments, payables and accruals and short term borrowings.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the liability to estimate fair value without incurring excessive losts.

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

Group	2006 Carrying amount RM'000	2006 Fair Value RM'000	2005 Carrying amount RM'000	2005 Fair Value RM'000
Financial liabilities				
Secured term loans	328	* 328	503	* 503
Unsecured term loans	9,281	*9,281	-	-

* 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.

Unrecognised financial instruments

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

	2006		2005	
	Contracted amount RM'000	Fair Value RM'000	Contracted amount RM'000	Fair Value RM'000
Forward foreign exchange contracts				
- Sales	22,201	21,730	34,660	34,933
- Purchases	2,134	2,085	-	-

29. Significant events during the financial year

During the year,

i) the Company did not subscribe for the rights issue alloted which represented 13% of the enlarged equity interest in L.A. Plaspack Co., Ltd. ("LA Plaspack"). As a result, the Company's direct equity interest in LA Plaspack was reduced from 30% to 17%. Accordingly, the Company's interest in LA Plaspack has been reclassified from associate to other investment;

ii) the Company subscribed for rights issue in TGP Plaspack (Suzhou) Co. Ltd., a company incorporated in the People's Republic of China, for a consideration of RM12,976,566 satisfied by cash; and

iii) the Company acquired TGP Marketing Sdn. Bhd. ("TGPM"), a wholly-owned subsidiary of TGP for purchase consideration of RM2 satisfied by cash. Subsequently, the Company subscribed for new shares in TGPM at RM1 each for a consideration of RM499,998.

30. Changes in accounting policies

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2006.

The changes in accounting policies arising from the adoption of FRS 117, Leases is summarised below :

FRS 117, Leases
Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as lease prepayments that are amortised over the lease term in accordance with the pattern of benefits provided.

The Company had previously classified leasehold lands as finance leases and had recognised the amount of lease prepayments as property, plant and equipment. On early adoption of FRS 117, Leases, the Company treats such a lease as an operating lease, with the unamortised carrying amount classified as lease prepayments in accordance with the transitional provisions in FRS 117.67A. There is no significant impact to the financial statements arising from this reclassification.

FRS 127 - Consolidated and Separated Financial Statements

Prior to 1 January 2006, the cost of investments in certain subsidiaries of the Company was stated at valuation. In accordance with the provisions of FRS 127, investments in subsidiaries are now stated at cost less impairment losses. The adoption of FRS 127 has resulted in a decrease in total equity attributable to shareholders of the Company at 1 January 2005 by RM40,363,398.

Company	Note	2005 RM
Balance sheet		
Decrease in investments in subsidiaries	5	40,363,398
Statement of changes in equity		
Decrease in retained earnings		33,401,500
Decrease in revaluation reserve		6,961,898

31. Comparative figures

Certain comparative figures have been, reclassified/restated as a result of changes in the accounting policies as stated in Note 30 and to conform with the current year's presentation of FRS 101 :

	Group		Company	
	As Restated RM	As Previously Reported RM	As Restated RM	As Previously Reported RM
Balance sheets				
Property, plant and equipment	110,289,244	117,639,446	-	-
Prepaid lease payments	7,350,202	-		
Investments in subsidiaries	-	-	45,817,769	86,181,167
Statements of changes in equity				
At 1 January 2005				
- Revaluation reserve	-	-	33,401,500	40,363,398
- (Accumulated losses)/ Retained earnings	-	-	(27,185,091)	6,216,409
- Total equity	-	-	73,321,249	113,684,647
At 31 December 2005/ At 1 January 2006				
- Revaluation reserve	-	-	-	6,961,898
- (Accumulated losses)/ Retained earnings	-	-	(27,558,070)	5,843,430
- Total equity	-	-	81,584,997	121,948,395

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	9-22 years	Freehold	4.38	28.11.1995
Lot No.P.T.18876, .S.(D)No.98/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory building	107,288	8-10 years	60 years, Leasehold, expiring on 12.4.2052	1.77	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	22 years	99 years leasehold, expiring on 18.7.2092	0.18	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	14 years	Freehold	0.55	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	12 years	60 years leasehold, expiring on 12.4.2052	2.06	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	4-24 years	Freehold	4.79	28.11.1995
Lot P.T.18878 H.S.(D) No.100/92 Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory with office building	141,309	6 years	60 years leasehold, expiring on 4.6.2055	6.23	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	28 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	18 years	60 years leasehold, expiring on 31.12.2035	1.33	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	15 years	60 years leasehold, expiring on 31.12.2040	0.23	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	1-5 years	50 years leasehold, expiring on 31.12.2049	7.03	1.1.2000
Pangjin Road Wujiang Economic Developing Area, Jiangsu, China	Factory with office building	716,876	1-2 year	50 years leasehold, expiring on 08.03.2053	4.75	09.03.2004

Shareholdings Statistics

as at 15 MAY 2007

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	122	8,381	0.008
100 - 1,000	208	171,249	0.1628
1,001 - 10,000	1348	6,069,700	5.7694
10,001 - 100,000	535	15,305,676	14.5485
100,001 - 5,260,224	68	41,745,869	39.6807
5,260,225 - 105,204,500	1	41,903,625	39.8306
TOTAL	2,282	105,204,500	100

DIRECTORS' SHAREHOLDINGS AS AT 15 MAY 2007

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	524,375	0.50	-	-	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
Lee Eng Sheng	-	-	-	-	-
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	-	-	-	-	-

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL
SHAREHOLDERS AS AT 15 MAY 2007

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

THIRTY LARGEST SHAREHOLDERS
AS AT 15 MAY 2007

	Name	No. of Stocks	% of Issued Capital
01.	Foremost Equals Sdn Bhd	41,903,625	39.8306
02.	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	4,519,200	4.2956
03.	Superb Sense Sdn Bhd	3,500,000	3.3268
04.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad	3,000,000	2.8516
05.	AMMB Nominees (Tempatan) Sdn Bhd Aminvestment Bank Berhad	2,733,750	2.5985
06.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Trustee Berhad for Pacific Dana Aman	1,949,700	1.8532
07.	AMMB Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for Pacific Pearl Fund	1,870,000	1.7775
08.	Lee Ah See	1,751,625	1.6650
09.	AMMB Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for Pacific Dividend Fund	1,611,750	1.5320
10.	Laser Cartel Sdn Bhd	1,500,000	1.4258
11.	Universal Trustee (Malaysia) Berhad SBB Emerging Companies Growth Fund	1,304,750	1.2402
12.	Quarry Lane Sdn Bhd	1,300,000	1.2357
13.	Sensible Matrix Sdn Bhd	1,108,869	1.0540
14.	Citigroup Nominees (Asing) Sdn Bhd Exempt an for American International Assurance Company Limited	1,086,500	1.0328
15.	Ang Poon Chuan	928,500	0.8826
16.	BHLB Trustee Berhad Pacific Recovery Fund	679,550	0.6459
17.	Tan Soo Wan	617,350	0.5868
18.	Ang Poon Khim	590,325	0.5611
19.	Ang Poon Seong	589,125	0.5600
20.	Ang Toon Cheng @ Ang Tong Sooi	556,475	0.5289
21.	CLSA Securities Malaysia Sdn Bhd CLR for CIMB-Principal Asset Management Berhad	539,300	0.5126
22.	United Overseas Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang See Ming	490,000	0.4658
23	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang See Ming	447,000	0.4249
24.	Gan Beng Luan	430,000	0.4087
25.	Universal Trustee (Malaysia) Berhad Pacific Premier Fund	418,050	0.3974
26.	AMMB Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for SBB Dana Al-Ihsan	414,000	0.3935
27.	Lim Seong Wat	336,000	0.3194
28.	Gan Boon Hong	317,000	0.3013
29.	Soong and Saw Investment Trust Sdn Berhad	300,000	0.2852
30.	Hong Weng Hwa	300,000	0.2852
		77,092,444	73.2786

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of shareholders of the Company will be held at Kuang Room (Ground Floor), Hotel Equatorial, No. 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Friday, 29 June 2007 at 3.00p.m. to transact the following business :

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2006 and the Reports of Directors and Auditors thereon — Ordinary Resolution 1

2. To approve a first and final tax exempt dividend of 3% for the year ended 31 December 2006. — Ordinary Resolution 2

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

   (a) Dato' Ang Toon Cheng @ Ang Tong Sooi — 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) Tengku Makram bin Tengku Ariff — Ordinary Resolution 6

   (b) Mr Ang Poon Chuan — Ordinary Resolution 7

4. To approve Directors' Fees of RM200,000/- for the year ended 31 December 2006. — 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. (i) AS SPECIAL BUSINESS
   To consider and if thought fit, to pass the following Resolutions :-

   POWER TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 — Ordinary Resolution 10

   "THAT pursuant to Section 132D of the Companies Act, 1965 ("the Act") 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 ("AGM") commencing next after the date on which the next AGM 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".

   (ii) **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY** — Special Resolution 1

   "THAT the amendments to the Articles of Association of the Company contained in Appendix I be and are hereby approved."

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

Notice Of Dividend Entitlement

NOTICE IS HEREBY GIVEN THAT a depositor shall qualify for entitlement to the first and final tax exempt dividend of 3% only in respect of :

a) Shares transferred into the depositor's securities account before 4.00 p.m. on 19 July 2007 in respect of ordinary transfers; and

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 18 August 2007 to depositors registered in the Records of Depositors at the close of business on 19 July 2007.

By Order of the Board

Lam Voon Kean
Company Secretary
(MIA 4793)

Penang, 7 June 2007.

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 AGM of the Company.

2. The Special Resolution 1, if passed, will amend the Articles of Association of the Company to be in compliance with the recent amendments to Chapter 7 of the Listing Requirements of Bursa Malaysia Securities Berhad.

Appendix 1

SPECIAL RESOLUTION 1
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

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

1. (a) The following definitions in existing Article 2

Words	**Meanings**
'Central Depository'	The Malaysian Central Depository Sdn. Bhd. (Company No. 165570-W)
'Depositor'	A holder of a Securities Account, as defined in the Central Depositories Act
'The Exchange'	The Kuala Lumpur Stock Exchange
'Requirements'	Means listing requirements of the KLSE
'Approved Market Place "	Means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) Exemption Order, 1998.

(b) **i) The definition on "Approved Market Place" de deleted in its entirety.**

ii) The following definitions in Article 2 be amended to read as follows :-

Words	**Meanings**
'Central Depository'	Bursa Malaysia Depository Sdn. Bhd. (165570-W)
'Depositor'	A holder of a Securities Account established by the Central Depository
'Exchange'	Bursa Malaysia Securities Berhad
'Requirements'	The Listing Requirements of Bursa Malaysia Securities Berhad and any modification or amendment thereof that may be made from time to time

2. (a) **Existing Article 4(C)(4)**
"The total nominal value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time."

(b) **The existing Article 4(C)(4) be deleted in its entirety.**

3. (a) **Existing Article 4(C)(5)**

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

(b) **The existing Article 4(C)(5) be deleted in its entirety.**

4. (a) **Existing Article 25**

"The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year. Twelve (12) clear Market Days' notice or such other period as may from time to time be specified by the Exchange, of intention to close the register shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Exchange. The said notice shall state the period and purpose(s) for which the Register is being closed. The Company shall give notice in accordance with the Rules to the Central Depository to prepare the appropriate Record of Depositors."

(b) **The present Article 25 be amended by replacing the words "twelve (12) clear market days" with "ten (10) Market Days" to read as follows:-**

"The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year. Ten (10) Market Days' notice or such other period as may from time to time be specified by the Exchange, of intention to close the register shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Exchange. The said notice shall state the period and purpose(s) for which the Register is being closed. The Company shall give notice in accordance with the Rules to the Central Depository to prepare the appropriate Record of Depositors."

5. **New Article 27(A) to be inserted immediately after Article 27 to read as follows :-**

"Where:-

(a) the Securities of the Company are listed on another stock exchange; and

(b) the Company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act, 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of the Central Depository in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of Securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

6. (a) **Existing Article 43(3)**

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

(b) **The existing Article 43(3) be amended to read as follows:-**

"The Company shall also request the Central Depository in accordance with the Rules of the Central Depository, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than 3 Market Days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors")."

7. (a) **Existing Article 62**

"All the Directors of the Company shall be natural persons."

(b) **The existing Article 62 be deleted in its entirety.**

8. (a) **Existing Article 72(2)**

"becomes bankrupt or makes any arrangement or composition with its creditors generally;"

(b) **The existing Article 72(2) be amended to read as follows :-**

"becomes of unsound mind or bankrupt during his term of office;"

9. (a) **Existing Article 72(4)**

"becomes unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder."

(b) **The existing Article 72(4) be deleted in its entirety.**

10. (a) **Existing Article 72(6)**

"is absent from more than 50% of the total Board meetings held during a financial year."

(b) **The existing Article 72(6) be deleted in its entirety.**

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 TWELFTH ANNUAL GENERAL MEETING of the Company which will be held at Kuang Room (Ground Floor), Hotel Equatorial, No. 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Friday, 29 June 2007 at 3.00 p.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(i)	Ordinary Resolution 10		
6(ii).	Special Resolution 1		

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

Signed this ________ day of ________________ 2007

	Name of Proxy	% of shareholding
1st		
2nd		

Signature of Shareholder

No. of Ordinary Shares Held

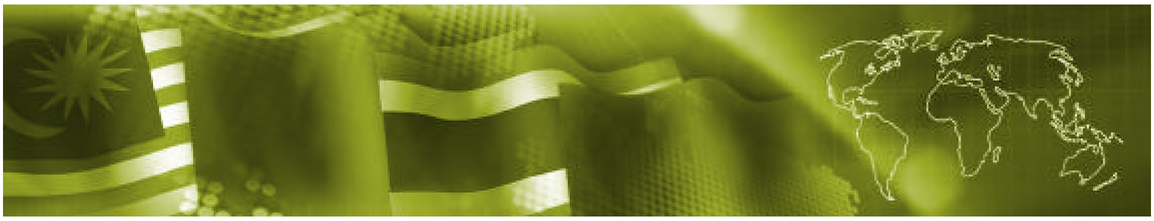
Notes :

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
Suite 2-1, 2nd floor
Menara Penang Garden
42A, Jalan Sultan Ahmad Shah
10050 Penang

Please fold across the lines and close

THONG GUAN INDUSTRIES BERHAD
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08000 Sungai Petani
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