EXPANDING THROUGH INNOVATION

09

annual report

THONG GUAN INDUSTRIES BERHAD
(324203-K)

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Board of Directors

Ang Toon Piah @ Ang Toon Huat	- Chairman, Executive Director
Tengku Makram Bin Tengku Ariff	- Deputy Chairman, Independent Non-Executive Director
Dato' Ang Poon Chuan	- Managing Director
Ang Poon Khim	- Executive Director
Ang Poon Seong	- Executive Director
Lee Eng Sheng	- Independent Non-Executive Director
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	- 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,
42, Jalan Sultan Ahmad Shah, 10050 Penang.

T 604 228 2321
F 604 227 2391

Company Secretary
Lam Voon Kean (MIA 4793)

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

Principal Bankers
HSBC Bank Malaysia Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad
EON Bank Berhad

Audit Committee
Tengku Makram Bin Tengku Ariff (Chairman)
Lee Eng Sheng
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah

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

Remuneration Committee
Lee Eng Sheng (Chairman)
Tengku Makram Bin Tengku Ariff

Stock Exchange Listing
Main Market of Bursa Malaysia Securities Berhad
Sector : Industrial Products
Stock Name : TGUAN
Stock Code : 7034
(Listed since 19 December 1997)

THONG GUAN
INDUSTRIES BERHAD
(324203-k)

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

100% **TGP MARKETING SDN. BHD.** *(531508-T)*
Manufacturing and marketing of plastic packaging products.

100% **SYARIKAT THONG GUAN TRADING SDN. BHD.** *(29442-K)*
Manufacturing of beverages and trading of beverages, plastic and paper products and machinery.

100% **THONG GUAN PLASTIC INDUSTRIES (SUZHOU) CO., LTD.***
Manufacturing and trading of plastic packaging products.

100% **TGP PLASPACK (SUZHOU) CO., LTD.***
Manufacturing and trading of plastic packaging products.

100% **UNIANG PLASTIC INDUSTRIES (SABAH) SDN. BHD.** *(57039-K)*
Manufacturing and sale of film blown plastic products and flexible plastic packaging products.

100% **JAYA UNI'ANG (SABAH) SDN. BHD.** *(96114-P)*
Trading in film blown plastic products, food and consumable products.

17% **L.A. PLASPACK COMPANY LIMITED****
Manufacturing and marketing of plastic packaging products mainly for the domestic Thai market.

70% **888 CAFE SDN. BHD.** *(635778-D)*
Dormant

100% **EBONTECH SDN. BHD.** *(537672-V)*
Dormant

100% **TG Plaspak (Vietnam) CO., LTD.*****
Dormant

Note: -
** - Incorporated in the People's Republic of China*
*** - Incorporated in the Kingdom of Thailand*
**** - Incorporated in Socialist Republic of Vietnam*

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 and associated companies (the Group) for the financial year ended 31 December 2009.

Economic Review

The global economy was set apart by two distinct scenarios in 2009. In the first half, it suffered the sharpest decline of the post-war period mired by the impact of the 2008 international financial crisis that saw the collapse of the US investment bank, Lehman Brothers and the default and eventual failures of some major financial institutions in the US. This led to the collapsed of the debt market and an ensuing credit crunch. In the advanced economies of the United States and Europe, deteriorating employment, falling house prices and difficulties in obtaining credit curtailed consumption. Production contracted sharply while inventories were drawn to abnormally low levels amid weak demand and tight credit. The emerging Asian economies that relied heavily on the advanced economies for export suffered a brutal after shock. The severe recession that ensued led to unprecedented policy responses by governments across the world with large fiscal stimuli up to 12% of GDP in value. Central banks aggressively eased monetary policy as interest rates plunged to record lows. The extraordinary policies stabilised the financial markets and supported economic activities from further deteriorations. Countries started to gradually emerge from the recession in the second half of 2009. Economic recovery, however, remained fragile and unbalanced relying heavily on the fiscal support. Economic recovery was, however, more pronounced in the emerging economies, particularly in Asia, where domestic demand was supported by sizeable fiscal stimuli and reinforced by the uninterrupted access to financing to the private sector. The recovery of intra-regional trade also provided support to the recovery.

2009 saw the world economy contracted by 0.8% (2008: 3.0% growth) while world trade declined by 12.3% (2008: 2.8% growth). All the advanced economies suffered negative growth with the US -2.4% (2008: 0.4% growth), Japan -5.2% (2008: -1.2%) and the Euro Area -4.1% (2008: -0.6%) while the ASEAN economies grew by 1.1% (2008: 4.6%) and China by 8.7% (2008: 9.6%). At the local front, The Malaysian economy declined by 1.7% (2008: 4.6% growth) despite Government measures to pump it up including two stimulus packages amounting to RM 67 billion (9.9% of GDP) and the easing of Overnight Policy Rate by 150 basis points to 2%. The collapse in global demand and world trade had led to double-digit declines in Malaysia's exports and industrial production. The Government measures however, managed to curtail the slide and the economy gradually recovered with a growth of 4.5% in the fourth quarter of 2009. Foreign direct investment into Malaysia moderated to RM 31.6 billion in 2009 (2008: RM 51 billion) with stronger inflows towards the end of the year as recovery gained momentum. The Malaysian Ringgit appreciated by 2.6% against the US Dollar (USD) in 2008 to close the year at RM 3.38 against the USD. Annual inflation averaged at a moderate 0.6% (2008: 5.4%) reflecting weak global demand with significant drop in commodity prices, especially crude oil which stabilized in the USD70 - 80 per barrel ranges.

Industry Trends & Development

The manufacturing sector had a challenging start in 2009, as the sharp decline in exports in 2008 worsened further. The contraction however stabilised in the second quarter of 2009 and production recorded a growth in the fourth quarter of 2009, after four consecutive quarters of declines. Overall, the manufacturing sector contracted by 9.3% (2008: 1.3% growth) with export oriented industries declining 11.1% (2008: -1.2%) and domestic oriented activities contracting 5.7% (2008: 8% growth). The electronics and electrical products cluster was the worst hit, declining by 22.8% in 2009 (2008: -3.6%) while the chemical products cluster contracted moderately by 1.7% (2008: -3.5%).

The total turnover of the Malaysian Plastic industry contracted by a massive 10% (2008: 5.2% growth) to RM 14.6 billion in 2009, its largest ever recorded decline and set the value back 4 years to 2005 levels. Export of plastic products eased by 18% in 2009 to RM7.6 billion from RM9.3 billion in 2008. Slower demand from the developed countries especially for plastic films and bags and lower indirect export such as plastic parts to the electrical and electronics industries were identified as the major causes. Besides, lower selling prices arising from lower raw material prices and other input costs compared to 2008 also contributed to the contractions. The plastic industry also tried unsuccessfully to lobby the Government for a reduction of electricity cost to pre 2008 level. It had increased by 26.6% in 2008 and was only reduced by 5% in 2009.

Total resin consumption dropped by about 4% to 1.7 million tons representing a per capita consumption of 59kg in 2009. Supply of resins is expected to turn into a major surplus situation when the major petrochemical plant expansion in the Middle East, China and other Asian countries come on stream from 2010-2012. The resins especially from the Middle East would mostly be produced from natural gas and is expected to be priced very competitively due to the low price of gas in the Middle East. Average cost of polyethylene resins had doubled between 2005 (USD 700/ton) and 2010 (USD 1300/ton), driven by the escalating crude oil and gas prices and global shortages. The price had peaked at USD 1,800/ton levels in mid 2008 and settled at around USD 1,200/ton in June 2010.

Group Performance

The Group registered a massive 27.6% drop in revenue from RM 564.6 million in 2008 to RM 408.8 million in 2009. Group profit before tax (PBT) was RM 18.5 million, an increase of 386.8% from the RM 3.8 million recorded in 2008. Turnover decline was mainly attributable to the decrease of export sales and price decrease due to the decreased in raw material and other input costs. The sharp increase of PBT was mainly due to the rebound during the year due to some major written down of inventory in 2008 and the better margins achieved during the year.

Dividend

The Board of Directors has recommended a final tax-exempt dividend of 4 sen per ordinary share amounting to approximately RM 4.2 million or 27.8% of profit after tax and minority interest for the year ended 31 December 2009 (2008: 2 sen, RM 2.1 million, 45.2%).

Prospects

The recovery of the global economy which started in the second half of 2009, is anticipated to be slow and unbalance in 2010 as the advanced economies emerge from the worst post war recession. They are expected to record limited growth shadowed by continued high unemployment, subdued confidence and the weak financial sector with its sustainability still
dependent on the stimulus. As the fiscal stimulus wears off towards year end, the recovery will need to rely more on the resumption of private sector activities. Emerging economies especially in Asia are expected to continue to lead the global recovery as growth become broad-based, supported by the strengthening of both domestic and overseas demands amidst improved trade.

The International Monetary Fund has forecasted that the world economy will grow 3.9% in 2010 (2009: -0.8%) while world trade will grow by 6% (2009: -12.3%). All the major economies are predicted to experience moderate growth with the US at 2.7% (2009: -2.4%), the Euro Area at 1% (2009: -4.1%) and Japan at 1.7% (2009: -5.2%). Stronger expansion are forecasted for the Asian economies led by China at 10% (2009: 8.7%), India at 7.7% (2009: 6.5%) and South Korea at 4.6% (2009: 0.2%) while regional economies are expected to resume its growth pattern with Singapore at 4.5 – 6.5% (2009: -2%), Indonesia at 5.5 - 6% (2009: 4.5%), Thailand at 3.5 – 4.5% (2009: -2.3%) and Malaysia at 4.5 – 5.5% (2009: -1.7%). The projected growth of the Malaysian economy will be supported by the strengthening domestic demand, improving overseas atmosphere and a supportive public sector. The underlying strong macroeconomic fundamentals, the relatively healthy private sector financial position and the strong financial system that ensure continued access to competitive financing will aid a private sector-led recovery. The Malaysian economy registered an impressive growth of 10.1% (2009: -6.2%) in the first quarter of 2010 signalling a strong recovery. The OPR was adjusted by 50 basis points upward as a sign of the government's confidence in the recovery.

The manufacturing sector was forecasted to grow by 6.5% in 2010 (2009: -9.3%) and the chemical industry is expected to grow in tandem with the positive outlook for the electrical and electronic, automotive and household markets. The Malaysian Plastic Manufacturer's Association painted a positive outlook for the plastic industry in 2009 amidst the good momentum of the recovery of the global and local economies.

With the generally positive prospects of economic recovery globally, the Group is charting a renewed growth pattern based on expanding and diversifying on its core competencies. With a strong balance sheet, good reputation, a knowledgeable and experienced management team and its unique advantageous positions in the industry, the Group is confident that its ventures will bear successful results that lead to growth and strong profitability. The Group is optimistic that it will be able to achieve satisfactory profitability level in 2010.

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, associates and the authorities for their continued trust, confidence, support and guidance.

Thank you

Ang Toon Piah
Chairman

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

Mr. Ang Toon Piah @ Ang Toon Huat, aged 81, Malaysian, was appointed as the Non-Independent Executive Director on 18 September 1997 and subsequently as Chairman on 27 February 2008. He finished his middle high school and co-founded Thong Guan's initial operation in 1942. He has gained more than 51 years experience in the business of Thong Guan Industries Berhad having played major roles in its growth from a small trading outfit engaged in van sales to a reputable public company.

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

YM Tengku Makram Bin Tengku Ariff, aged 59, 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 all of the five Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He had no conviction for offences within the past 10 years.

Mr. Ang Poon Chuan, aged 66, 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 Industries Sdn. Bhd., both currently are wholly-owned subsidiaries of TGI in 1983. During his 43 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 has 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 Remuneration Committee. He has attended all the four Board meetings held for the financial year. He is the brother of Mr. Ang Poon Khim and Mr. Ang Poon Seong. He is a major shareholder of Foremost Equals Sdn. Bhd. which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.

Mr. Ang Poon Khim, aged 55, 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 Employees' Share Option Scheme Committee. He has attended three out of four Board meetings held for the financial year. He is the brother of Mr. Ang Poon Chuan and Mr. Ang Poon Seong. He is a major shareholder of Foremost Equals Sdn. Bhd., which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.

Mr. Ang Poon Seong, aged 54, Malaysian, was appointed as the Non-Independent Executive Director on 18 September 1997. He is the Managing Director of Jaya Uni'ang (Sabah) Sdn. Bhd. and Uniang Plastic Industries (Sabah) Sdn. Bhd., both are currently wholly-owned subsidiaries of TGI. He completed his MCE and joined Thong Guan as a Marketing Executive in 1976 and was sent to Sabah to spearhead the Company's expansion there in 1980. Under his stewardship, the Sabah operations has grown to be the largest plastic 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 four Board meetings held for the financial year. He is the brother of Mr. Ang Poon Chuan and Mr. Ang Poon Khim. He is a major shareholder of Foremost Equals Sdn. Bhd., which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.

Mr. Lee Eng Sheng, aged 47, 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 Chee Wah Corporation Berhad, a public listed company.

He serves as the Chairman of both the Nomination and Remuneration Committees as well as a member of the Audit Committee of TGI. He has attended all the four Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholders of the Company. He has no conflict of interest with the Company. He had no conviction for offences within the past 10 years.

Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah, aged 75, Malaysian, was appointed as the Independent Non-Executive Director on 11 August 2004. He graduated from the University of Malaya, Singapore before he entered the Kedah State Civil Service. He rose through the ranks and was appointed State Director of Land and Mines, State Financial Officer and finally the State Secretary before retiring in November, 1989.

He serves as a member of Audit Committee of TGI. He has attended three out of four Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholders of the Company. He has no conflict of interest with the Company. He also sits on the Boards of Yayasan Kedah Berhad and Yayasan Sultanah Bahiyah Berhad. He had no conviction for offences within the past 10 years.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognizes the need to strike a harmonious balance between its business pursuits and its corporate social responsibility. The Group has incorporated this need into its core values in creating a synergy to be an active corporate citizen.

We recognise that sustainability is primarily about carrying out our business operations responsibly and that companies can make a positive impact in the community through investment in education, sports, community care, environmental projects and occupational safety and health.

In 2009, we continued to support educational, charitable and other meaningful social causes through direct donations and in-kind support. Through these efforts, we hope to not only foster community spirit but also encourage our employees and business associates to be actively involved in these programmes.

Education

Every year, the Group recruits students for its internship initiative where students from colleges, technical schools and universities from both local and overseas are selected for industrial and practical training in the Group's operations. Under this initiative, more than 50 students have been engaged in various departments including production, engineering, administration and finance. The Group has also embarked on offering vacation job opportunities for students during their long semester breaks.

Besides providing students the opportunity to put in practice their learning, the internship programme is an educational platform for hands-on experience and on-the-job training. The initiative also gives students a head start in their career when suitable trainees are offered job opportunities upon completion of their tertiary studies.

Community Care

In our commitment towards community development and life-long education, the Group welcomes social groups and learning institutions to our manufacturing plants, both to our plastic packaging and beverage processing factories for educational trips. The Group has hosted senior citizens and students from various associations and schools including members of the Penang Senior Citizens Association and children from the Pei Shin Primary School in Kuala Kedah.

In 2009, we also took on an initiative to support the less privileged children through a local orphanage home, the Vallalar Mandram Orphanage in Sungai Petani, Kedah with donation in cash and kind. The company also donated to local charitable organizations such as the Yayasan Sultanah Bahiyah and to local schools' programmes such as the publication of yearly school magazines and to school events such as sports day.

In the area of sports, the Group is a corporate sponsor for the Malaysian national table tennis team and is also the proud sponsor of the Malaysian national women champion, Ms. Ng Sock Khim. Ms. Ng has bagged the silver medal in the 2007 SEA Games and is the winner of four gold medals in the overall Malaysian national championships last year.

Occupational Safety and Health, and the Environment

The Group is committed to continue our efforts in creating a safe and healthy working environment and efficient environmental management system towards sustainable business planning and development.

We recognize that we have a commitment to the people who use our products and to the people we employ. We have taken a number of steps to move our businesses towards more environmentally and socially responsible practices. We ensure the safety and health of our employees while they are at work by complying with the standards laid down in the Malaysian Occupational Safety and Health Act, 1994 as well as the Environment Quality Act, 1974.

In 2006, both our factories in Malaysia and in China were accredited the ISO14001 and in 2007, the plastic packaging factory in Sungai Petani was awarded the OHSAS18001. In line with this, we believe that integrating environmental, health and safety considerations into our business practices helps us to improve efficiency, increase our value as a business Group and grow our business in an ethical and sustainable manner.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors remains committed to achieving and maintaining the highest standards of corporate governance and effective application of the principles and best practices set out in the Malaysian Code of Corporate Governance (the Code).

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

PRINCIPLE STATEMENT

The following statement sets out how the company has applied the principle in Part 1 of the Code. The Principles are dealt with under the headings of:

A. Board of Directors;
B. Directors' Remuneration
C. Shareholders; and
D. Internal Audit Department

A. BOARD OF DIRECTORS

Board Duties and Responsibilities

For the financial year ended 2009, the Board has seven (7) members. Three out of seven members are Independent Non-Executive Directors and four (4) are Executive Directors. The Group recognizes the pivotal role played by the Board in the stewardship of its direction and ultimately to enhance long-term shareholders 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.

Whilst the Board does not have a formal schedule of matters reserved to it for decision, the Director are normally involved in deliberating the overall Group strategy and direction, major acquisition and/or divestment, approval of major capital expenditure, consideration of significant financial matters and the review of financial and operating performance of the group. Nevertheless, a Board Charter had been formulated in defining the roles of Board of Directors and Managing Director. 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 ended 31 December 2009, the Board met on four (4) occasions, where it deliberated upon and reviewed a variety of matters including the Groups' financial results, major investment, 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 prepared and circulated to the Board in advance of each meeting to render Directors sufficient time to evaluate and address the issues concerned. The Company Secretary, undertake the primary responsibility for preparing and organizing information necessary for the Board to deal with. During the meeting, the Managing Director briefs the Board, and where appropriate, board papers that encompass both financial and non-financial information are made available to the Directors. This enables the Directors to make enquiries and obtain further explanations where necessary. All proceedings are minuted and confirmed minutes of the previous meeting are signed by the Chairman during the board meeting. Details of the Director's attendance of the meetings for the financial year ended 31 December 2009 are as follows:

Directors	Attendance
Executive Directors	
Ang Toon Piah @ Ang Toon Huat	4/4
Dato' Ang Poon Chuan	4/4
Ang Poon Khim	3/4
Ang Poon Seong	3/4
Independent Non-Executive Directors	
Tengku Makram Bin Tengku Ariff	4/4
Lee Eng Sheng	4/4
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	3/4

Board Committees

The Board has delegate 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 proceeding and deliberations. The Chairman of the various Committees will report to the Board on the outcome of the Committee meetings and such reports are incorporated into the minutes of the Board meetings.

Board Balance

The Board currently has seven (7) members; comprising three (3) Independent Non-Executive Directors within the meaning of Chapter 1.01 of the Main Market Listing Requirement (MMLR) of Bursa Malaysia Securities Berhad (BMSB) and four (4) Executive Directors.

The Board has within it, professional drawn from varied background 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 role of 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 while the Managing Director will have overall responsibilities over the operating units, organizational effectiveness, implementation of Board policies and decision in achieving the corporate objectives of the Group. The presence of Independent Non-Executive Directors are essential to provide an unbias and independent view, advice, and judgment as well as to safeguard the interest not only of the Group, but also minority shareholders, employees, customers, suppliers and the community in general.

The Code recommends the identification of a Senior Independent Non-Executive Director to whom concerns may be conveyed. The Board has not formally identified any Independent Non-Executive Director to fulfill that role, as the Chairman at each meeting normally encourage participation and discussion by all Directors. The Board is satisfied that current Board compositions fairly reflect the investment of minority shareholders in the Company.

Supply of Information

The Chairman ensure that all Directors have full and timely access to information with Board papers and agendas 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. The Board believes that the current Company Secretary is capable of carrying out its duties to ensure the effective functioning of the Board. The Company's Articles of Association specify that the removal of the Company Secretary is a matter for the Board as a whole.

Appointments to the Board

Nominating Committee

The Nominating Committee is made up of the following members and their attendance of meeting is set out below:

Directors		**Attendance**
Lee Eng Sheng	Chairman, Independent Non Executive Director	1/1
Tengku Makram Bin Tengku Ariff	Member, Independent Non Executive Director	1/1

The Nominating Committees' mandate expressed through its terms of reference is to bring to the Board, recommendations on the appointment of new Directors. Additionally, under its terms of reference, the Nominating Committee reviews the Board's structure, size, composition and systematically assesses the Board's effectiveness, its Committees, and individual Director including Independent Non Executive Director's 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.

Appointment Process

The Board through the Nominating Committee's annual appraisal believes that the current composition of the Board brings the required mix of skill and core competencies required for the Board to discharge its duties effectively. The Committee met to deliberate on the retirement by rotation of Directors and their eligibility for re-election at the Company's Annual General Meeting (AGM). New appointees will be considered and evaluated by the Nominating Committee. The Committee will then recommend the candidates to be approved and appointed by the Board. The company secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Directors' Continual Professional Development

The Board through the Nominating Committee ensures that recruits to the Board are individuals of caliber, with the necessary experience and knowledge to meet the expectations of the Board as a Director of the Company. Although there are no formal training or orientation programme for Directors, they are briefed at the major locations of the Group's manufacturing plants to acquire an understanding of the Groups' operations.

The Board took the view that familiarization visits to the various operational sites would equip the Directors with a working understanding of the Group's operations. This is geared towards ensuring that new Directors are able to appreciate the Group's operating environments and business dynamics and therefore able to contribute effectively in the Board's deliberations. Nonetheless, the directors will continue to undergo other relevant training programs to further enhance their skills and knowledge. The company secretary circulates relevant guideline to update the Directors on statutory and regulatory requirements changes from time to time.

Re-election of Directors

The Company's Article of Association states that at least one-third of the Board is subject to retirement by rotation at each AGM. The Directors to retire at the AGM are the Directors who have been longest in office since their appointment or re-appointment and in any case at least once in every three (3) years. Newly appointed Directors shall hold office until the next AGM where they shall retire. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act1965.

Retiring Directors are eligible for re-appointment. Such provisions give an opportunity to the shareholders to renew/repeal their mandate. Each Director is voted separately during election. All relevant information such as personal profile, meeting attendance and shareholdings in the Group of each Director standing for election are furnished in the Annual Report to assist shareholders in their decision.

Directors' Training

The Board has completed the Mandatory Accreditation Programme. The Directors are mindful that the importance and benefits of attending and participating in the training and Continuing Education Programmes (CEP). The Board has encourages the directors to equip themselves in discharging their duties and responsibilities and shall continue to attend relevant seminar, conferences and other training programme deemed appropriate for Directors.

During the financial year, the Directors have attended the relevant training programme to update themselves on the new developments in the business environments, corporate governance, tax update and financial reporting to better enable them to fulfill their responsibility except for Tengku Makram Bin Tengku Ariff, Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah, Dato' Ang Poon Chuan, Mr. Ang Toon Piah @ Ang Toon Huat and Mr. Ang Poon Seong due to tight business schedule.

B. DIRECTOR'S REMUNERATION

Remuneration Committee

Shareholders at the AGM approved the annual fees payable to Directors. The Remuneration Committee comprised the following members during the year:

Directors		Attendance
Lee Eng Sheng	Chairman, Independent Non Executive Director	1/1
Ang Poon Chuan	Member, Managing Director	1/1
Tengku Makram Bin Tengku Ariff	Member, Independent Non Executive Director	1/1

The Remuneration Committee met once during the financial year. The meeting was attended by two out of the three members of the Remuneration Committee. 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 this remuneration package.

The aggregate remuneration of Directors for the financial year ended 31 December 2009 is as follows:

Category	Fees (RM'000)	Salaries (RM'000)	Bonuses (RM'000)	Others (RM'000)
Executive Directors	193	1,307	310	28
Non-Executive Directors	75	-	-	-

The number of Directors of the Company whose total remuneration falls within the following band is as follows:-

	Number of Directors	
Range of remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM150,001 to RM200,000	1	-
RM300,001 to RM350,000	1	-
RM600,001 to RM650,000	2	-

C. SHAREHOLDERS

The Board acknowledges the need and importance of keeping shareholders and investors informed of the Group's business and corporate developments. Timely releases of quarterly financial and audited results, relevant information and corporate initiatives taken by the Group that warrant an announcement to the BMSB under the MMLR provides 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 operation performance of the Group, the AGM and Extraordinary General Meeting provide a platform to shareholders to seek more information on the audited financial statements and operational matters.

Whilst the Company endeavors to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

The Directors and Management met regularly with investment analysts, institutional shareholders, investors, and members of the medias 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, primarily through the annual financial statements and quarterly announcement of the results to shareholders as well as the Chairman's statement 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 to ensure 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 Director 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 are 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 Control

The Directors are fully aware of their responsibilities to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Directors' responsibilities for the Group's system of internal controls cover not only the financial aspect but also operational and compliance controls as well as risk management. Within the Internal Audit Department, the Board has set in place the mechanism to assist the Audit Committee and the Board in the on-going process for identifying, evaluating and managing the significant risks faced by the Group. The statement on Internal Control furnished herein in this Annual Report provides an overview of the state of internal control within the Group.

Relationship with the Auditors

The Board has maintained a close and transparent relationship with its auditors. The role of the Audit Committee in relation to the internal and external auditors is described in the Audit Committee Report in 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.

- The Board has not identified a Senior Independent Non-Executive Director to whom concerns may be conveyed as it is of the view that it is sufficient for the Chairman appointed at each Board meeting to fill the role.

- 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 caliber 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 RM85,025 for the financial year ended 31 December 2009.

Material Contract

Since the end of the previous year report, a subsidiary of the Company has entered into the following material contract involving directors and major shareholders:

Sale and purchase agreement dated 22 July 2009 between Thong Guan Plastic & Paper Industries Sdn Bhd, a wholly owned subsidiary of the Company and Bounty Values Sdn Bhd, a company in which the director has substantial financial interest for the purchase of a warehouse with an attached double storey office building at Grant 54403, Lot 49, Section 65, Mukim of Sungai Petani, District of Kuala Muda, State of Kedah Darulaman which bears postal address Plot 48, Jalan PKNK 1/5, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah Darulaman for a cash consideration of RM6.2 million.

STATEMENT ON INTERNAL CONTROLS

Internal Audit Department

The Group's Internal Audit Department (IAD) reports directly to the Audit Committee. Its role is to provide the Committee with reasonable assurance on the adequacy and integrity of the Group's internal control system through regular reviews and monitoring. The Audit Committee provides direction and oversight over the function as well as reviews and approves its annual audit plan.

The activities that has been planned and carried out by the IAD are as follows:

- Mapping out of the current state of procedures and processes for ease of understanding and reference with the aim of identifying areas for improvements.
- Identifying potential areas that lack control and efficiency from the process map.
- Testing and conducting audit on identified risk area.
- Evaluating other areas and matters pertinent to the Company for compliance.
- Holding meeting with auditees to agree on findings.
- Reporting of irregularities to Management and Audit Committee and provide recommendation to mitigate the risk identified.
- Ensuring compliance with applicable laws, regulations, rules, directives and guidelines by the various authorities and those set up by the Management.
- Carrying out ad-hoc investigation and special review requested by Management.

The Internal audit reports prepared by IAD arising from the audits are discussed by the AC and recommendations are duly acted upon by the management. Follow-up reviews are conducted by IAD to ensure that all action plans from each audit are adequately taken up by auditee/management.

Other Risk and Control Processes

- The Group's Policies and Guideline Booklet, sets out the policies, procedures and expected standards of the Group's operations to be followed by all employees. The policies and procedures are regularly reviewed and updated to maintain its effectiveness over time.
- The Group has in place a Management Reporting mechanism whereby financial information is generated and reviewed by management and the Board on a timely basis. Performance and results are monitored on a monthly basis against the results of corresponding period of prior years, with major variances explained and appropriate action taken.
- The Group sets out annual budget and target for every operating division. Analysis, data comparison and reporting of variances against target are presented in the Group's various Management Meetings which act as a monitoring and controlling mechanism.
- The Group's has successfully integrated three (3) management system (ISO 9001-QMS, ISO14001-EMS & OHSAS 18001-Health & Safety) into single system, known as 'Integrated Management System' (IMS).

The Board and Management are committed towards operating a sound system of internal control and the internal control systems will continue to be reviewed, updated and improved upon in line with the changes in the operating environment.

AUDIT COMMITTEE REPORT

Audit Committee Members

The Board of Directors is pleased to present the Audit Committee report for the financial year ended 31 December 2009. The Audit Committee currently comprises the following directors:-

Directors		Attendance
Tengku Makram Bin Tengku Arrif	Chairman, Independent Non-Executive Director	4/4
Lee Eng Sheng	Member, Independent Non-Executive Director (Member of Malaysian Institute of Accountants)	4/4
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	Member, Independent Non-Executive Director	3/4

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

The Company Secretary or her representative would be present by invitation at all the meetings. The Group's Internal Audit Manager, Senior Management and representatives of the external auditors would also attended the meetings, upon invitation.

The Audit Committee meets up with the senior management and external auditors of the Group during the financial year during the meetings. Additional meetings may be conducted, if the Committee deems necessary.

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 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 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 announcement of the Group and the Company before recommending them for the Board's approval;
- Reviewed the Company compliance in particular the quarterly and year-end financial statements with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board and other relevant legal and regulatory requirement;
- Reviewed the adequacy of internal and external audit procedure;
- Reviewed the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

Internal Audit Department

The IAD's primary objective is to undertake regular reviews of the system of controls, procedures and operations so as to provide reasonable assurance that the internal control system is sound, adequate and satisfactory. Its role is to provide the Committee with independent and objective reports on the state of internal controls of the operating units within the Group guided by established policies and procedures and the regulatory requirements of the relevant authorities. The Audit Committee reviewed and approved the internal audit plan of the Group submitted by the Head of Internal Audit.

The costs incurred for the internal audit function for financial year 2009 was RM61,000. During the financial year, the areas audited included audits of the various departments covering all the factories and subsidiaries within the Group. Internal audit reports were issued to the Audit Committee regularly and tabled in the Audit Committee meetings. The reports were also copied to the respective operational managers, incorporating audit recommendations and management responses with regards to any audit findings. The IAD would also conduct follow through exercises and reviews with the respective managers on the implementation of the agreed audit recommendations. Nevertheless, IAD have continuous previous consultant work where to carry out Enterprise Risk Management (ERM) project within peninsular Malaysia subsidiaries companies. The IAD have perused the Committee of Sponsoring Organisation of the treadway Commission (COSO) principles as the principle to assess higher risk in organization. The IAD were also attend the Audit Committee Meeting to table and discuss the high risks area report. Upon completed of high risks review report, internal auditor has prepares internal audit plan and approved by the audit committee. The internal auditor shall base on the said internal audit plan to carry out audit work.

Composition

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) Directors, of whom all must be Non-Executive Directors, with a majority of them being Independent Directors.

The Board shall at all time ensure that all members of the Audit Committee are financially literate and at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants (MIA);or
- if he or she is not a members of MIA, he must have at least three (3) years of working experience and he or she must have passed the examination specified in part l of the 1st Schedule of the Accountant Act 1967;or
- he or she must be a member of the association of accountants specified in part ll of the Accountant Act 1967.
- fulfills such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

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. No alternate Director of the Board shall be appointed as a member of the Committee. 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 and such additional meeting as the Chairman shall decide in order to fulfill its duties.

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 deem necessary.

The chairman shall submit an annual report to the Board summarizing the Committee's activities and the related significant result and findings during the year. The Committee shall meet at least twice every year with the Head of Internal Audit Department and external auditors in separate sessions to discuss any matters without the presence of any executive member of the Board.

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

Authority

The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it required 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 to be necessary.

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

Responsibilities and Duties

The Committee shall undertake and carry out the following responsibilities and duties:

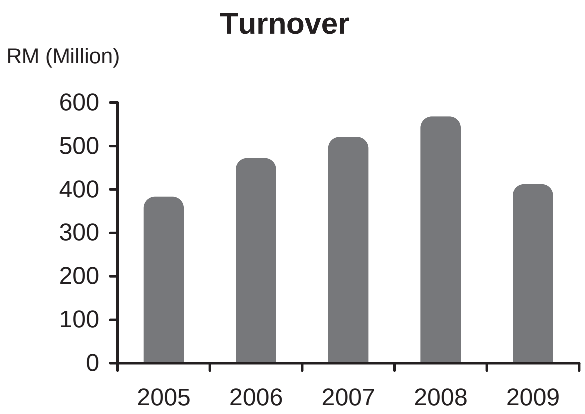
- Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan.
- Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out 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 procedure 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 restriction on the scope of activities or access to required information.
- Review the independence and objectivity of the external auditor and their service, 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 the Statement of Internal Controls in relation to internal controls and 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.

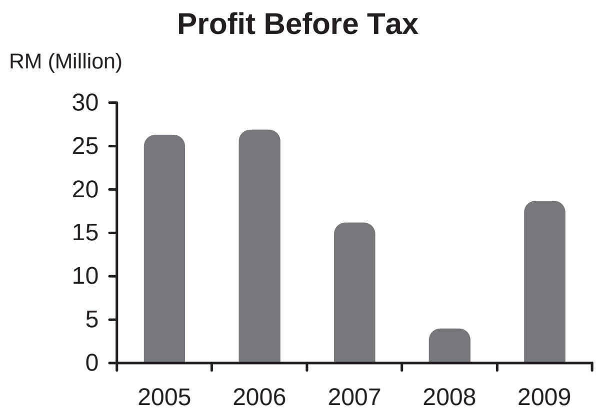
- Review the budget and staffing of the internal audit department.
- Review the adequacy and integrity of internal control system, including enterprise risk management, management information system, and the internal auditor's and/or external auditor's evaluation of the said system.
- Direct and where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defaults, frauds and thefts.
- Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:
  - i) going concern assumption;
  - ii) any changes in or implementation of major accounting policies and practices;
  - iii) significant or unusual event;
  - iv) compliance with accounting standards and other legal requirements; and
  - v) Significant adjustment arising from the audit.
- Review any related party transaction and conflict of interest situation that may rise 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 Companies Act 1965, Listing Requirement of Bursa Malaysia Securities Berhad and other legislative and reporting requirement;
- 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.

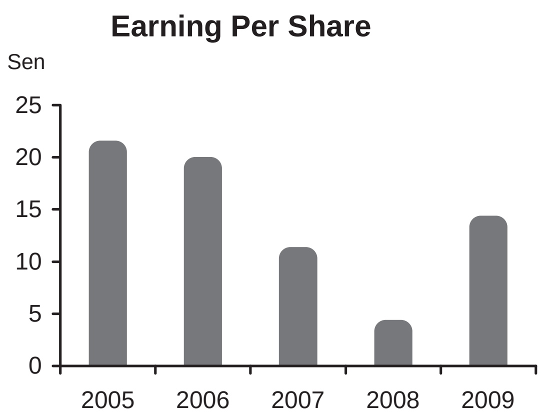
FINANCIAL SUMMARY

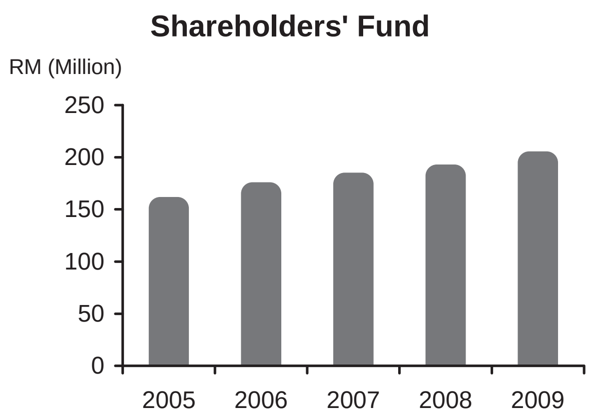
In RM '000	2005	2006	2007	2008	2009
Turnover	380,428	469,318	518,215	564,558	408,778
Profit Before Taxation	26,124	26,710	16,014	3,815	18,541
Profit Attributable to shareholders	22,556	21,071	12,008	4,646	15,161
Dividends	5,260	3,156	3,156	2,104	4,208
Shareholders' Fund	160,450	174,747	183,864	191,705	204,407

In Sen	2005	2006	2007	2008	2009
Earning Per Share	21.61	20.03	11.41	4.42	14.41
Net Tangible Assets Per Share	152.51	166.10	174.77	182.22	194.29
Gross Dividend Per Share	5.00	3.00	3.00	2.00	4.00









Directors' report for the year ended 31 December 2009

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 2009.

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 attributable to shareholders of the Company	15,161,128	5,404,251

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial 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 2 sen per ordinary share, totalling RM2,104,090 in respect of the financial year ended 31 December 2008 on 17 August 2009.

A final tax exempt dividend of 4 sen per ordinary share has been proposed by the Directors in respect of the financial year ended 31 December 2009, 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 :

Ang Toon Piah @ Ang Toon Huat	- Chairman
Tengku Makram Bin Tengku Ariff	- Deputy Chairman
Dato' Ang Poon Chuan	- Managing Director
Ang Poon Seong	
Ang Poon Khim	
Lee Eng Sheng	
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	

Directors' interests

The interests and deemed interests in the shares and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses and/or children of the Directors) as recorded in the Register of Directors' Shareholdings are as follows :

Directors' report for the year ended 31 December 2009 (Cont'd)

Directors' interests (Cont'd)

	Number of ordinary shares of RM1 each			
	Balance at 1.1.2009	Bought	(Sold)	Balance at 31.12.2009
Tengku Makram Bin Tengku Ariff				
Interest in the Company :				
- own	40,500	-	-	40,500
Dato' Ang Poon Chuan				
Interest in the Company :				
- own	928,500	-	-	928,500
- others #	1,405,508	-	-	1,405,508
Deemed interest in the Company :				
- own	43,012,494	-	-	43,012,494
Ang Toon Piah @ Ang Toon Huat				
Interest in the Company :				
- own	489,000	130,000	-	619,000
- others #	161,000	-	-	161,000
Ang Poon Seong				
Interest in the Company :				
- own	589,125	-	-	589,125
Deemed interest in the Company :				
- own	43,012,494	-	-	43,012,494
Ang Poon Khim				
Interest in the Company :				
- own	590,325	-	-	590,325
- others #	45,800	52,900	-	98,700

	Number of options over ordinary shares of RM1 each			
	Balance at 1.1.2009	Granted	(Exercised)	Balance at 31.12.2009
Dato' Ang Poon Chuan				
- own	650,000	-	-	650,000
Ang Toon Piah @ Ang Toon Huat				
- own	300,000	-	-	300,000
Ang Poon Seong				
- own	500,000	-	-	500,000
Ang Poon Khim				
- own	550,000	-	-	550,000

These are shares held in the name of the spouses and/or children and are regarded as interest of the Directors in accordance with Section 134(12)(c) of the Companies Act, 1965.

None of the other Directors holding office at 31 December 2009 had any interest in the ordinary shares of the Company and its related corporations during the financial year.

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;

ii) Rental payable to companies in which certain Directors have substantial financial interests; and

iii) Sales and rental payable to companies in which close member of the family of certain Directors of the Company are deemed to have substantial financial interest.

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.

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; and

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 price are as follows :

		Number of options over ordinary shares of RM1 each				
Date of offer	**Option price RM**	**Balance at 1.1.2009**	**Granted**	**(Exercised)**	**(Lapsed)**	**Balance at 31.12.2009**
12.11.2005	1.73	6,968,500	-	-	(755,000)	6,213,500

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.

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.

Directors' report for the year ended 31 December 2009 (Cont'd)

Other statutory information (Cont'd)

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 2009 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 event

Details of such event are as disclosed in Note 28 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 :

…………………………………………….
Dato' Ang Poon Chuan

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

Kedah Darul Aman,

Date : 26 April 2010

Consolidated balance sheet at 31 December 2009

	Note	2009 RM	2008 RM
Assets			
Property, plant and equipment	3	97,703,700	106,645,103
Prepaid lease payments	4	6,825,696	7,012,086
Other investments	6	2,017,668	2,100,369
Total non-current assets		**106,547,064**	**115,757,558**
Receivables, deposits and prepayments	7	67,664,525	76,298,006
Inventories	8	71,834,575	90,769,840
Current tax assets		3,942,597	1,733,844
Cash and cash equivalents	9	39,009,283	13,215,042
Total current assets		**182,450,980**	**182,016,732**
Total assets		**288,998,044**	**297,774,290**
Equity			
Share capital	10	105,204,500	105,204,500
Reserves	11	99,202,393	86,500,585
Total equity		**204,406,893**	**191,705,085**
Liabilities			
Loans and borrowings	12	207,388	291,277
Deferred tax liabilities	13	8,516,399	7,044,281
Total non-current liabilities		**8,723,787**	**7,335,558**
Payables and accruals	14	53,363,296	40,432,081
Loans and borrowings	12	22,331,634	55,193,238
Current tax liabilities		172,434	3,108,328
Total current liabilities		**75,867,364**	**98,733,647**
Total liabilities		**84,591,151**	**106,069,205**
Total equity and liabilities		**288,998,044**	**297,774,290**

The notes on pages 29 to 57 are an integral part of these financial statements

Consolidated income statement for the year ended 31 December 2009

	Note	2009 RM	2008 RM
Continuing operations			
Revenue	15	408,778,230	564,557,830
Cost of goods sold		(357,058,528)	(526,247,910)
Gross profit		**51,719,702**	**38,309,920**
Other income		3,777,588	5,151,759
Distribution expenses		(15,369,564)	(19,429,807)
Administrative expenses		(18,848,078)	(15,635,191)
Other expenses		(1,990,467)	(2,482,418)
Results from operating activities	16	**19,289,181**	**5,914,263**
Interest income		45,589	166,231
Finance costs	18	(794,018)	(2,265,558)
Profit before tax		**18,540,752**	**3,814,936**
Tax expense	19	(3,379,624)	830,982
Profit for the year		**15,161,128**	**4,645,918**
Attributable to :			
Shareholders of the Company		15,161,128	4,645,918
Profit for the year		15,161,128	4,645,918
Basic earnings per ordinary share (sen)	21	14.41	4.42
Diluted earnings per ordinary share (sen)	21	14.41	4.42
Dividend per ordinary share - gross (sen)	22	4	2

The notes on pages 29 to 57 are an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2009

		Attributable to shareholders of the Company					
			Non-distributable			Distributable	
	Note	Share capital	Share premium	Translation reserve	Statutory reserve	Retained earnings	Total equity
		RM	RM	RM	RM	RM	RM
At 1 January 2008		**105,204,500**	**3,938,567**	**(1,195,445)**	**3,974,392**	**71,942,123**	**183,864,137**
Exchange differences on translation of the financial statement of foreign entities #		-	-	6,184,669	166,496	-	6,351,165
Profit for the year		-	-	-	-	4,645,918	4,645,918
Dividends to shareholders	22	-	-	-	-	(3,156,135)	(3,156,135)
At 31 December 2008		**105,204,500**	**3,938,567**	**4,989,224**	**4,140,888**	**73,431,906**	**191,705,085**
Exchange differences on translation of the financial statement of foreign entities #		-	-	(355,230)	-	-	(355,230)
Profit for the year		-	-	-	-	15,161,128	15,161,128
Dividends to shareholders	22	-	-	-	-	(2,104,090)	(2,104,090)
At 31 December 2009		**105,204,500**	**3,938,567**	**4,633,994**	**4,140,888**	**86,488,944**	**204,406,893**
		Note 10	Note 11	Note 11	Note 11	Note 11	

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

The notes on pages 29 to 57 are an integral part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2009

	Note	2009 RM	2008 RM
Cash flows from operating activities			
Profit before tax from continuing operations		18,540,752	3,814,936
Adjustments for :			
Depreciation of property, plant and equipment	3	14,566,351	14,560,202
Impairment loss on property, plant and equipment	3	137,742	-
Amortisation of prepaid lease payments	4	157,166	157,832
Gain on disposal of property, plant and equipment		(149,326)	(434,842)
Interest income		(45,589)	(166,231)
Interest expense	18	794,018	2,265,558
Property, plant and equipment written off		2,242	261,595
Allowance for diminution in value of other investments	6	82,701	773,142
Operating profit before changes in working capital		34,086,057	21,232,192
Changes in working capital :			
Inventories		18,825,705	17,095,271
Receivables, deposits and prepayments		8,505,401	3,914,034
Payables and accruals		13,255,424	(40,873,404)
Cash generated from operations		74,672,587	1,368,093
Taxes paid		(7,052,153)	(1,805,542)
Net cash from/(used in) operating activities		**67,620,434**	**(437,449)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	A	(5,906,873)	(4,931,522)
Proceeds from disposal of property, plant and equipment		167,449	2,605,224
Interest received		45,589	166,231
Net cash used in investing activities		**(5,693,835)**	**(2,160,067)**
Cash flows from financing activities			
Interest paid		(794,018)	(2,265,558)
Repayment of finance lease liabilities		(285,975)	(143,928)
Repayment of term loans, net		(2,205,355)	(6,755,324)
(Repayment)/Drawdown of other bank borrowings, net		(29,277,014)	3,612,209
Dividends paid	22	(2,104,090)	(3,156,135)
Net cash used in financing activities		**(34,666,452)**	**(8,708,736)**
Net increase/(decrease) in cash and cash equivalents		27,260,147	(11,306,252)
Cash and cash equivalents at 1 January		7,631,259	17,643,916
Effects of exchange rate fluctuations on cash held		(20,897)	1,293,595
Cash and cash equivalents at 31 December	B	**34,870,509**	**7,631,259**

Notes

A. *Property, plant and equipment*
During the year, the Group acquired property, plant and equipment with an aggregate cost of RM6,223,373 (2008 : RM5,396,522) of which RM316,500 (2008 : RM465,000) was acquired by means of finance lease instalment plan. The remaining of RM5,906,873 (2008 : RM4,931,522) 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	2009 RM	2008 RM
Cash and bank balances	9	36,059,283	13,215,042
Short term deposits with licensed banks	9	2,950,000	-
Bank overdrafts repayable on demand	12	(4,138,774)	(5,583,783)
		34,870,509	**7,631,259**

The notes on pages 29 to 57 are an integral part of these financial statements.

Balance sheet at 31 December 2009

	Note	2009 RM	2008 RM
Assets			
Investments in subsidiaries	5	56,853,049	55,178,154
Other investments	6	2,017,668	2,100,369
Total non-current assets		**58,870,717**	**57,278,523**
Receivables, deposits and prepayments	7	29,319,198	29,054,304
Current tax assets		44,906	39,581
Cash and cash equivalents	9	168,260	146,999
Total current assets		**29,532,364**	**29,240,884**
Total assets		**88,403,081**	**86,519,407**
Equity			
Share capital	10	105,204,500	105,204,500
Reserves	11	(17,207,487)	(20,507,648)
Total equity		**87,997,013**	**84,696,852**
Liabilities			
Payables and accruals	14	406,068	1,822,555
Total current liabilities		**406,068**	**1,822,555**
Total equity and liabilities		**88,403,081**	**86,519,407**

The notes on pages 29 to 57 are an integral part of these financial statements.

Income statement for the year ended 31 December 2009

	Note	2009 RM	2008 RM
Continuing operations			
Revenue	15	7,015,260	9,848,848
Cost of goods sold		(1,001,471)	(853,520)
Gross profit		**6,013,789**	**8,995,328**
Other income		1,000,477	244,031
Administrative expenses		(511,621)	(508,749)
Other operating expenses		(1,123,440)	(6,624,577)
Results from operating activities	16	**5,379,205**	**2,106,033**
Interest income		25,096	25,069
Finance costs		(50)	-
Profit before tax		**5,404,251**	**2,131,102**
Tax expense	19	-	-
Profit for the year		**5,404,251**	**2,131,102**

Statement of changes in equity for the year ended 31 December 2009

		Non-distributable			
	Note	Share capital RM	Share premium RM	Accumulated losses RM	Total equity RM
At 1 January 2008		**105,204,500**	**3,938,567**	**(23,421,182)**	**85,721,885**
Profit for the year		-	-	2,131,102	2,131,102
Dividends to shareholders	22	-	-	(3,156,135)	(3,156,135)
At 31 December 2008		**105,204,500**	**3,938,567**	**(24,446,215)**	**84,696,852**
Profit for the year		-	-	5,404,251	5,404,251
Dividends to shareholders	22	-	-	(2,104,090)	(2,104,090)
At 31 December 2009		**105,204,500**	**3,938,567**	**(21,146,054)**	**87,997,013**
		Note 10	Note 11	Note 11	

The notes on pages 29 to 57 are an integral part of these financial statements.

Cash flow statement for the year ended 31 December 2009

	Note	2009 RM	2008 RM
Cash flows from operating activities			
Profit before tax from continuing operations		5,404,251	2,131,102
Adjustments for :			
Interest income		(25,096)	(25,069)
Interest expense		50	-
Dividend income	15	(6,000,000)	(8,986,860)
(Reversal)/Impairment losses on investments in subsidiaries	5	(1,000,477)	5,851,435
Allowance for diminution in value of other investments	6	82,701	773,142
Operating loss before changes in working capital		(1,538,571)	(256,250)
Changes in working capital :			
Receivables, deposits and prepayments		3,434,246	7,936,022
Payables and accruals		(1,416,487)	(2,521,832)
Cash generated from operations		479,188	5,157,940
Dividend received		2,300,860	-
Tax paid		(5,325)	(14,581)
Net cash from operating activities		**2,774,723**	**5,143,359**
Cash flows from investing activities			
Interest received		25,096	25,069
Increase in investment in a subsidiary		(674,418)	(1,735,254)
Net cash used in investing activities		**(649,322)**	**(1,710,185)**
Cash flows from financing activity			
Interest paid		(50)	-
Dividend paid	22	(2,104,090)	(3,156,135)
Net cash used in financing activity		**(2,104,140)**	**(3,156,135)**
Net increase in cash and cash equivalents		21,261	277,039
Cash and cash equivalents at 1 January		146,999	(130,040)
Cash and cash equivalents at 31 December	A	**168,260**	**146,999**

Note

A. *Cash and cash equivalents*
Cash and cash equivalents included in the cash flow statement comprise cash and bank balances as shown in Note 9 to the financial statements.

The notes on pages 29 to 57 are an integral part of these financial statements.

Notes to the financial statements

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

Principal place of business

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

Registered office

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the Group).

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.

The financial statements were authorised for issue by the Board of Directors on 26 April 2010.

1. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Company :

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009
- FRS 8, Operating Segments

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010
- FRS 4, Insurance Contracts
- FRS 7, Financial Instruments: Disclosures
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 7, Financial Instruments: Disclosures
- Amendments to FRS 101, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 132, Financial Instruments: Presentation
  - Puttable Financial Instruments and Obligations Arising on Liquidation
  - Separation of Compound Instruments
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
  - Reclassification of Financial Assets
  - Collective Assessment of Impairment for Banking Institutions
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment
- IC Interpretation 11, FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13, Customer Loyalty Programmes
- IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010
- Amendments to FRS 132, Financial Instruments: Presentation - Classification of Rights Issues

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 12, Service Concession Agreements
- IC Interpretation 15, Agreements for the Construction of Real Estate
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distribution of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 7, Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4 and IC Interpretation 13 and 14 which are not applicable to the Group; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for Amendments to FRS 138 and IC Interpretation 12, 15, 16 and 17 which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

The initial applications of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group except as below :

FRS 117, Leases

The amendments clarify that the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

(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.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes :

- Note 7 - Measurement of allowance for doubtful debts
- Note 8 - Measurement of net realisable value of inventories

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its 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.

Under the purchase method of accounting, 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 purchase 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.

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within Group equity.

Subsidiaries are consolidated using the pooling-of-interests method of accounting except for the following subsidiaries which are consolidated using the purchase method of accounting :

- TGP Marketing Sdn. Bhd.
- Ebontech Sdn. Bhd.
- Thong Guan Plastic Industries (Suzhou) Co., Ltd.
- 888 Cafe Sdn. Bhd.
- TGP Plaspack (Suzhou) Co. Ltd.
- TG Plaspack (Vietnam) Co., Ltd.

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

(ii) 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 purchase 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.

Intra-group balances and transactions, 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.

(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, which 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 statements.

2. Significant accounting policies (Cont'd)

(b) Foreign currency (Cont'd)

(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, are translated to RM at exchange rates at the balance sheet date. The income and expenses of operations in functional currencies other than RM, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal of operations, 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. Deferred exchange differences are recognised in the consolidated 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/valuation less accumulated depreciation and any accumulated 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 self-constructed 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.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the income statements. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(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 the replaced part 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 unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The depreciation rate for the current and comparative periods based on their estimated useful lives are as follows :

	%
Factory buildings	2 - 5
Plant and machinery	6.7 - 20
Furniture, fittings and office equipment	10 - 20
Motor vehicles	20

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

2. Significant accounting policies (Cont'd)

(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

(i) Finance lease

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.

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.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and the leased assets are not recognised on the Group's balance sheet.

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 for as prepaid lease payments.

Certain leasehold land were revalued and the Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.67A when it first adopted FRS 117, Leases in 2006.

Payments made under operating leases are recognised in the income statements 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.

(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 the estimated costs necessary to make the sale.

2. Significant accounting policies (Cont'd)

(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, if any.

(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 non-occurrence 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.

(m) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risks exposure.

Forward foreign exchange contracts are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

(n) Impairment of assets

The carrying amounts of assets except for financial assets (other than investments in subsidiaries) and inventories 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.

2. Significant accounting policies (Cont'd)

(n) Impairment of assets (Cont'd)

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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating 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. Impairment losses are recognised in the income statements. 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.

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.

(o) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

(p) Revenue recognition

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.

iii) Services rendered

Revenue is recognised in the income statement when services are rendered.

(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.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(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.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to statutory pension funds are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. Significant accounting policies (Cont'd)

(r) Employee benefits (Cont'd)

(ii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee share 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 2008	34,735,735	147,506,521	6,834,801	9,110,136	893,025	199,080,218
Additions	102,944	3,595,698	367,437	660,428	670,015	5,396,522
Disposals	-	(7,781,687)	(11,676)	(354,857)	-	(8,148,220)
Reclassification	-	4,496	-	-	(4,496)	-
Write off	(132,386)	-	(219,449)	-	-	(351,835)
Foreign exchange differences	1,256,174	2,531,602	128,587	68,252	108,795	4,093,410
At 31 December 2008/ 1 January 2009	35,962,467	145,856,630	7,099,700	9,483,959	1,667,339	200,070,095
Additions	56,920	3,664,776	631,689	768,356	1,101,632	6,223,373
Disposals	-	(82,716)	-	(813,477)	(3,894)	(900,087)
Write off	-	-	(22,417)	-	-	(22,417)
Foreign exchange differences	(114,923)	(504,908)	(12,289)	(6,316)	(16,757)	(655,193)
At 31 December 2009	35,904,464	148,933,782	7,696,683	9,432,522	2,748,320	204,715,771
Accumulated depreciation and impairment loss						
At 1 January 2008						
- Accumulated depreciation	7,015,806	64,424,452	4,327,597	7,416,672	-	83,184,527
Depreciation for the year	1,306,353	11,778,299	714,431	761,119	-	14,560,202
Disposals	-	(5,617,083)	(6,340)	(354,415)	-	(5,977,838)
Write off	(35,248)	-	(54,992)	-	-	(90,240)
Foreign exchange differences	155,801	1,509,315	54,637	28,588	-	1,748,341
At 31 December 2008/ 1 January 2009						
- Accumulated depreciation	8,442,712	72,094,983	5,035,333	7,851,964	-	93,424,992
Depreciation for the year	1,296,426	11,865,560	659,413	744,952	-	14,566,351
Impairment loss	-	-	137,742	-	-	137,742
Disposals	-	(135,026)	-	(746,938)	-	(881,964)
Write off	-	-	(20,175)	-	-	(20,175)
Foreign exchange differences	(19,291)	(184,740)	(7,172)	(3,672)	-	(214,875)
At 31 December 2009						
- Accumulated depreciation	9,719,847	83,640,777	5,667,399	7,846,306	-	106,874,329
- Accumulated impairment loss	-	-	137,742	-	-	137,742
	9,719,847	83,640,777	5,805,141	7,846,306	-	107,012,071
Carrying amounts						
At 1 January 2008	27,719,929	83,082,069	2,507,204	1,693,464	893,025	115,895,691
At 31 December 2008/ 1 January 2009	27,519,755	73,761,647	2,064,367	1,631,995	1,667,339	106,645,103
At 31 December 2009	26,184,617	65,293,005	1,891,542	1,586,216	2,748,320	97,703,700

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

Land and buildings comprise :

	Cost/Valuation		Carrying amounts	
	2009	2008	2009	2008
	RM	RM	RM	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	2,894,800	3,056,902
At cost				
Freehold land	290,000	290,000	290,000	290,000
Factory buildings	24,681,834	24,739,837	17,850,817	19,023,853
	35,904,464	35,962,467	26,184,617	27,519,755

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.

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

	Cost RM	Accumulated depreciation RM	Carrying amounts RM
2009			
Freehold land	489,449	-	489,449
Factory buildings	3,229,681	2,097,640	1,132,041
	3,719,130	2,097,640	1,621,490
2008			
Freehold land	489,449	-	489,449
Factory buildings	3,229,681	1,963,716	1,265,965
	3,719,130	1,963,716	1,755,414

Security

At 31 December 2009, property, plant and equipment with a cost of approximately RM100,000 (2008 : RM100,000) are charged to a licensed bank for banking facilities used.

Finance lease liabilities

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

	2009 RM	2008 RM
Motor vehicles	843,588	681,278

4. Prepaid lease payments - Group

	Unexpired period less than 50 years RM	Unexpired period more than 50 years RM	Total RM
Cost			
At 1 January 2008	7,646,041	430,000	8,076,041
Foreign exchange differences	359,829	-	359,829
At 31 December 2008/1 January 2009	8,005,870	430,000	8,435,870
Foreign exchange differences	(33,300)	-	(33,300)
At 31 December 2009	7,972,570	430,000	8,402,570
Amortisation			
At 1 January 2008	1,208,083	21,023	1,229,106
Amortisation for the year	156,331	1,501	157,832
Foreign exchange differences	36,846	-	36,846
At 31 December 2008/1 January 2009	1,401,260	22,524	1,423,784
Amortisation for the year	155,665	1,501	157,166
Foreign exchange differences	(4,076)	-	(4,076)
At 31 December 2009	1,552,849	24,025	1,576,874
Carrying amounts			
At 1 January 2008	6,437,958	408,977	6,846,935
At 31 December 2008/1 January 2009	6,604,610	407,476	7,012,086
At 31 December 2009	6,419,721	405,975	6,825,696

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. The Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.

Security

At 31 December 2009, prepaid lease payments with cost of approximately RM65,000 (2008 : RM65,000) are charged to a bank for banking facilities used.

5. Investments in subsidiaries - Company

	2009 RM	**2008** RM
Unquoted shares, at cost	61,704,007	61,029,589
Less : Impairment losses	(4,850,958)	(5,851,435)
	56,853,049	55,178,154

5. Investments in subsidiaries - Company (Cont'd)

Details of the subsidiaries are as follows :

Name of Company	Country of incorporation	Principal activities	Effective ownership interest 2009 %	Effective ownership interest 2008 %
Syarikat Thong Guan Trading Sdn Bhd ("STGT")	Malaysia	Manufacturing of beverages and trading of beverages, plastic and paper products and machinery	100	100
Thong Guan Plastic & Paper Industries Sdn Bhd ("TGP")	Malaysia	Manufacturing of plastic and paper products	100	100
Uniang Plastic Industries (Sabah) Sdn. Bhd. ("UPI")	Malaysia	Manufacturing and sale of film blown plastic products and flexible plastic packaging products	100	100
Jaya Uni'ang (Sabah) Sdn. Bhd. ("JUS")	Malaysia	Trading in film blown plastic products, food and consumable products	100	100
Ebontech Sdn. Bhd.	Malaysia	Dormant	100	100
Thong Guan Plastic Industries (Suzhou) Co., Ltd ("TGPIS") #	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
888 Cafe Sdn. Bhd.	Malaysia	Dormant	70	70
TGP Marketing Sdn. Bhd. ("TGPM")	Malaysia	Manufacturing and marketing of plastic packaging products	100	100
TG Plaspack (Vietnam) Co., Ltd #	Socialist Republic of Vietnam	Dormant	100	100

- Not audited by KPMG

6. Other investments

	Group/Company 2009 RM	Group/Company 2008 RM
Unquoted shares, at cost	2,873,511	2,873,511
Less : Allowance for diminution in value	(855,843)	(773,142)
	2,017,668	2,100,369

7. Receivables, deposits and prepayments

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Trade					
Trade receivables	7.1	58,845,213	64,985,284	1,032,027	826,858
Less : Allowance for doubtful debts		(2,014,590)	(1,742,551)	-	-
	7.2	56,830,623	63,242,733	1,032,027	826,858

7. Receivables, deposits and prepayments (Cont'd)

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Non-trade					
Other receivables	7.3	8,320,794	12,863,275	-	-
Less : Allowance for doubtful debts		(9,443)	(1,007,018)	-	-
		8,311,351	11,856,257	-	-
Amount due from subsidiaries	7.4	-	-	29,325,910	28,225,446
Less : Allowance for doubtful debts		-	-	(1,040,739)	-
		-	-	28,285,171	28,225,446
Deposits		1,498,612	644,769	2,000	2,000
Prepayments		1,023,939	554,247	-	-
		67,664,525	76,298,006	29,319,198	29,054,304

7.1 *Analysis of foreign currency exposure for significant receivables*

Significant trade receivables outstanding at year end that are not in the functional currencies of the Group entities are as follows :

Foreign currency	Group 2009 RM	Group 2008 RM
RMB	233,982	370,244
USD	27,083,465	39,160,146
SGD	3,235,359	1,418,206
AUD	4,463,223	2,948,850
YEN	1,300,413	1,454,947
BND	310,997	-

7.2 *Trade receivables*

Included in trade receivables of the Group is an amount of RM438,420 (2008 : RM695,794) due from companies in which certain Directors have substantial financial interests.

7.3 *Other receivables*

Included in other receivables of the Group is an amount of RM930,000 (2008 : RM2,483,606) representing deposits paid for the purchase of property, plant and equipment.

7.4 *Amount due from subsidiaries*

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

7.5 *Estimates*

An estimate for doubtful debts is made when collection of the amount is no longer probable. The allowance is provided for delinquent balances and balances which have exceeded the normal credit period and with reference to past default experience and recent developments relating to specific debtors.

8. Inventories - Group

	2009 RM	2008 RM
Raw materials	46,915,541	60,126,122
Work-in-progress	3,005,623	5,324,360
Manufactured inventories	15,437,099	20,241,557
Trading inventories	6,476,312	5,077,801
	71,834,575	90,769,840

In the previous financial year, the Group wrote down inventories to their net realisable values amounting to RM12,226,523. The write down was based on management's estimate of the net realisable value after taking into consideration the developments affecting the industries in which the Group operates.

9. Cash and cash equivalents

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash and bank balances	36,059,283	13,215,042	168,260	146,999
Short term deposits with licensed banks	2,950,000	-	-	-
	39,009,283	13,215,042	168,260	146,999

9.1 Analysis of foreign currency exposure for significant cash and cash equivalents

Significant cash and cash equivalents outstanding at year end that are not in the functional currencies of the Group entities are as follows :

	Group	
Foreign currency	2009 RM	2008 RM
USD	25,599,309	9,066,838
YEN	826,418	-
SGD	1,820,272	202,999
RMB	5,334,407	1,930,160
AUD	739,809	580,102

10. Share capital

	2009		2008	
	Amount RM	Number of shares	Amount RM	Number of shares
Ordinary shares of RM1 each :				
Authorised	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid	105,204,500	105,204,500	105,204,500	105,204,500

11. Reserves

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Non-distributable					
Share premium		3,938,567	3,938,567	3,938,567	3,938,567
Translation reserve		4,633,994	4,989,224	-	-
Statutory reserve	11.1	4,140,888	4,140,888	-	-
Distributable					
Retained earnings/ (Accumulated losses)		86,488,944	73,431,906	(21,146,054)	(24,446,215)
		99,202,393	86,500,585	(17,207,487)	(20,507,648)

11.1 Statutory reserve

The statutory reserve represents transfer from retained earnings as required by the local regulations in China.

12. Loans and borrowings - Group

	2009 RM	2008 RM
Non-current :		
Finance lease liabilities	207,388	291,277
Current :		
Secured		
- Term loans	-	141,098
- Overdrafts	1,189,181	848,005
- Bankers' acceptances	4,177,000	6,767,000
	5,366,181	7,756,103
Unsecured		
- Term loans	-	2,064,257
- Overdrafts	2,949,593	4,735,778
- Revolving credits	2,745,005	7,575,473
- Onshore foreign currency loans	5,608,366	27,864,182
- Bankers' acceptances	5,317,550	4,588,920
- Export credit refinancing	-	378,000
	16,620,514	47,206,610
Finance lease liabilities	344,939	230,525
	22,331,634	55,193,238

12.1 Securities

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 and Note 4).

12.2 Interests

The above bank borrowings of the Group are subject to interest at rates ranging from 0.50% to 8.10% (2008 : 2.11% to 8.05%) per annum.

Finance lease liabilities are subject to interest at rates ranging from 2.63% to 5.90% (2008 : 2.84% to 5.90%) per annum.

12. Loans and borrowings - Group (Cont'd)

12.3 Terms and debt repayment schedule

2009	Year of maturity	Carrying amount RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM
Secured overdrafts - RM		1,189,181	1,189,181	-	-
Secured bankers' acceptances - RM	2010	4,177,000	4,177,000	-	-
Unsecured overdrafts - RM		2,949,593	2,949,593	-	-
Unsecured revolving credits - RM	2010	2,745,005	2,745,005	-	-
Unsecured onshore foreign currency loans - USD	2010	5,608,366	5,608,366	-	-
Finance lease liabilities - RM	2010 - 2012	552,327	344,939	174,299	33,089
Unsecured bankers' acceptances - RM	2010	5,317,550	5,317,550	-	-
		22,539,022	22,331,634	174,299	33,089
2008					
Secured term loans - RM	2009	141,098	141,098	-	-
Secured overdrafts - RM		848,005	848,005	-	-
Secured bankers' acceptances - RM	2009	6,767,000	6,767,000	-	-
Unsecured term loans - USD	2009	2,064,257	2,064,257	-	-
Unsecured overdrafts - RM		4,735,778	4,735,778	-	-
Unsecured revolving credits - RM	2009	7,575,473	7,575,473	-	-
Unsecured onshore foreign currency loans - USD	2009	27,864,182	27,864,182	-	-
Finance lease liabilities - RM	2009 - 2011	521,802	230,525	258,119	33,158
Unsecured bankers' acceptances - RM	2009	4,588,920	4,588,920	-	-
Unsecured export credit refinancing - RM	2009	378,000	378,000	-	-
		55,484,515	55,193,238	258,119	33,158

12.4 Finance lease liabilities

Finance lease liabilities are payable as follows :

	2009			2008		
	Payments RM	Interest RM	Principal RM	Payments RM	Interest RM	Principal RM
Within 1 year	367,320	22,381	344,939	255,043	24,518	230,525
Between 1 and 5 years	214,945	7,557	207,388	306,478	15,201	291,277
	582,265	29,938	552,327	561,521	39,719	521,802

13. Deferred tax liabilities

The recognised deferred tax liabilities in the Group are as follows :

	Group 2009 RM	Group 2008 RM
Property, plant and equipment (including prepaid lease payments)		
- Capital allowances	7,875,573	6,284,407
- Revaluation	722,825	759,874
- Provision	(82,000)	-
	8,516,399	7,044,281

Movement in temporary differences during the year are as follows :

Group	At 1 January 2008 RM'000	Recognised in the income statement (Note 19) RM'000	At 31 December 2008/ 1 January 2009 RM'000	Recognised in the income statement (Note 19) RM'000	At 31 December 2009 RM'000
Deferred tax liabilities					
Property, plant and equipment (including prepaid lease payments)					
- Capital allowance	8,461	(2,177)	6,284	1,591	7,875
- Revaluation	819	(59)	760	(37)	723
- Provision	-	-	-	(82)	(82)
	9,280	(2,236)	7,044	1,472	8,516

The comparative figures have been restated to conform with the current year's presentation.

Unrecognised deferred tax assets

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

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Taxable temporary differences	2,354,000	2,914,000	-	-
Unabsorbed capital allowances carry-forwards	(2,101,000)	(2,886,000)	-	-
Unutilised tax loss carry-forwards	(2,867,000)	(2,540,000)	(1,377,000)	(1,080,000)
	(2,614,000)	(2,512,000)	(1,377,000)	(1,080,000)

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

The comparative figures have been restated to reflect the revised taxable temporary differences, unabsorbed capital allowance carry-forwards and unutilised tax losses carry-forwards available to the Group and the Company.

14. Payables and accruals

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Trade					
Trade payables	14.1	38,650,470	32,237,511	-	-
Amount due to a subsidiary	14.2	-	-	32,560	58,200
		38,650,470	32,237,511	32,560	58,200
Non-trade					
Other payables		9,184,322	4,269,186	139,629	90,169
Accrued expenses		5,528,504	3,925,384	233,879	240,720
Amount due to a subsidiary	14.2	-	-	-	1,433,466
		14,712,826	8,194,570	373,508	1,764,355
		53,363,296	40,432,081	406,068	1,822,555

14.1 Analysis of foreign currency exposure for significant payables

Significant trade payables outstanding at year end that are not in the functional currencies of the Group entities are as follows :

Foreign currency	Group 2009 RM	Group 2008 RM
USD	28,593,709	22,326,797
RMB	2,546,652	2,523,933
YEN	371,360	-

Included in trade payables of the Group is an amount of RM1,321,889 (2008 : RM980,752) due to companies in which certain Directors have substantial financial interests.

14.2 Amount due to a subsidiary

i) The trade payables due to a subsidiary are subject to normal trade terms.

ii) The non-trade payable due to a subsidiary was unsecured, interest free and repayable on demand.

15. Revenue

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Invoiced value of goods sold less discounts and returns	408,778,230	564,045,231	1,015,260	861,988
Services rendered	-	512,599	-	-
Dividend income from subsidiaries	-	-	6,000,000	8,986,860
	408,778,230	564,557,830	7,015,260	9,848,848

16. Results from operating activities

Results from operating activities are arrived at :

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
After charging :				
Auditors' remuneration				
- Statutory audit				
- KPMG				
- current year	97,000	90,000	13,000	13,000
- prior year	25,100	5,950	15,000	-
- Other auditors	12,051	19,230	-	-
- Other services				
- KPMG				
- current year	28,000	-	28,000	-
- prior year	38,000	-	38,000	-
- Affiliates of KPMG	19,025	25,550	2,000	2,000
Bad debts written off	129,073	65,155	-	-
Depreciation of property, plant and equipment (Note 3)	14,566,351	14,560,202	-	-
Impairment loss on property, plant and equipment (Note 3)	137,742	-	-	-
Amortisation of prepaid lease payments (Note 4)	157,166	157,832	-	-
Directors' emoluments				
Directors of the Company				
- fees	268,000	268,000	175,000	175,000
- others	28,490	45,000	28,490	45,000
- remuneration	1,616,762	1,656,156	-	-
Other Directors				
- fees	52,000	52,000	-	-
- remuneration	465,833	385,734	-	-
Rental expense	1,077,827	991,454	-	-
Allowance for doubtful debts	274,495	125,853	1,040,739	-
Property, plant and equipment written off	2,242	261,595	-	-
Personnel expenses (excluding key management personnel)				
- Wages, salaries and others	21,228,246	19,530,152	67,790	67,718
- Contributions to Employees Provident Fund	1,928,974	1,470,104	6,164	6,108
Inventory written down	-	12,226,523	-	-
Loss on foreign exchange - unrealised	910,469	-	-	-
Impairment losses on investment in subsidiaries	-	-	-	5,851,435
Allowance for diminution in value of other investments	82,701	773,142	82,701	773,142
and crediting :				
Gain on disposal of property, plant and equipment	149,326	434,842	-	-
Gain on foreign exchange - realised	1,734,409	687,556	-	-
- unrealised	-	953,868	-	-
Rental income	93,450	125,590	-	-
Bad debts recovered	2,031	13,276	-	-
Reversal of impairment losses on investments in subsidiaries	-	-	1,000,477	-

17. Key management personnel compensation

The key management personnel compensation is as follows :

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Directors of the Company				
- Fees	146,000	146,000	75,000	75,000
- Others	(2,010)	8,000	(2,010)	8,000
- Remuneration	1,493,962	1,534,556	-	-
Other Directors				
- Fees	8,000	8,000	-	-
- Remuneration	304,351	228,242	-	-
	1,950,303	1,924,798	72,990	83,000

18. Finance costs - Group

	2009	2008
	RM	RM
Interest expense on :		
Overdrafts	48,138	50,791
Term loans	211,200	427,323
Finance lease liabilities	14,012	25,676
Other borrowings	520,668	1,761,768
	794,018	2,265,558

19. Tax expense

Recognised in the income statement

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Tax expense on continuing operations	3,379,624	(830,982)	-	-

Major components of tax expense include :

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Current tax expense				
Malaysian				
- Current year	1,812,409	2,109,480	-	-
- Prior years	(176,532)	(704,989)	-	-
Overseas				
- Prior years	271,630	-	-	-
Total current tax	1,907,507	1,404,491	-	-
Deferred tax expense				
- Origination and reversal of temporary differences	1,548,336	(2,102,301)	-	-
- Prior years	(39,167)	(74,156)	-	-
- Revaluation	(37,052)	(59,016)	-	-
Total deferred tax	1,472,117	(2,235,473)	-	-
Total tax expense on continuing operations	3,379,624	(830,982)	-	-

19. Tax expense (Cont'd)

Reconciliation of effective tax expense

	2009 RM	2008 RM
Group		
Profit for the year	15,161,128	4,645,918
Total tax expense	3,379,624	(830,982)
Profit excluding tax	18,540,752	3,814,936
Tax calculated using Malaysian tax rate at 25% (2008 : 26%)	4,635,188	991,883
Non-deductible expenses	1,261,535	2,006,939
Income not subject to tax	(1,683,742)	(2,845,030)
Tax incentive	(876,980)	-
Deferred tax benefits (recognised)/not recognised	25,431	270,667
Reversal of deferred tax on revaluation	(37,052)	(59,016)
Effect of lower tax rate for certain subsidiaries *	-	(100,000)
Effect of change in tax rate **	-	(317,280)
Under/(Over) provision in prior years	55,931	(779,145)
Others	(687)	-
Tax expense	3,379,624	(830,982)
Company		
Profit before tax	5,404,251	2,131,102
Tax calculated using Malaysian tax rate at 25% (2008 : 26%)	1,351,063	554,086
Non-deductible expenses	324,895	1,770,695
Income not subject to tax	(250,119)	-
Tax exempt income	(1,500,000)	(2,397,435)
Deferred tax benefits not recognised	74,161	72,654
Tax expense	-	-

* With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000 applicable to certain subsidiaries. With effect from year of assessment 2009, companies controlled directly or indirectly by another company with paid-up capital exceeding RM2.5 million are no longer entitled to this preferential corporate tax rate.

** The corporate tax rates are at 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

On 7 May 2007, a subsidiary was granted International Procurement Centre (IPC) status under Section 127 of the Income Tax Act, 1967 by the Malaysian Industrial Development Authority (MIDA) which exempts the subsidiary's statutory income derived from its approved trading activities from income tax for a period of 10 years commencing from the date the subsidiary achieved an annual gross revenue of RM100 million.

20. Employee benefits - Group

Share-based payments

The number of share options are as follows :

	Number 2009	Number 2008
At 1 January	6,968,500	7,867,000
Lapsed during the year	(755,000)	(898,500)
At 31 December	6,213,500	6,968,500
Exercisable at 31 December	6,213,500	6,968,500

20. Employee benefits - Group (Cont'd)

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 the financial year ended 31 December 2005, 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.

Terms of the options outstanding at 31 December :

Expiry date	Exercise price	Number 2009	Number 2008
1.2.2010	RM1.73	6,213,500	6,968,500

21. 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 RM15,161,128 (2008 : RM4,645,918) and on the weighted average number of ordinary shares outstanding during the year of 105,204,500 (2008 : 105,204,500).

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 (2008 : 105,204,500).

22. Dividends

	Sen per share (tax exempt) RM	Total amount RM	Date of payment
2009			
- First and final 2008 ordinary dividend	0.02	2,104,090	17 August 2009
2008			
- First and final 2007 ordinary dividend	0.03	3,156,135	18 August 2008

A final dividend of 4 sen per ordinary share tax exempt in respect of the financial year ended 31 December 2009 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 2010.

23. Capital commitment

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Contracted but not provided for in the financial statements - within 1 year				
Property, plant and equipment	8,723	903	1,062	903

24. 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 RM222.5 million (2008 : RM218.1 million) of which RM31.6 million (2008 : RM70.3 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 (2008 : RM860,000) of which RM Nil (2008 : RM141,098) has been utilised as at balance sheet date.

iii) The Company has issued corporate guarantees amounting to RM95.9 million (2008 : RM96.7 million) to vendors for the purchase of raw materials by certain subsidiaries. The amount owing by the subsidiaries to those vendors as at balance sheet date amounted to RM14.1 million (2008 : RM13.2 million).

iv) The Company has provided financial support to certain subsidiaries to enable them to continue operating as a going concern.

25. Segment reporting - 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 beverages such as tea, coffee, and trading of consumer products such as biscuits, snack food and curry powder, and operations of food and beverage outlet
Others	The manufacturing and trading of products such as high density monofilament ropes, polypropylene string, paper serviette, cologne paper towel, rubber band, drinking straw, machinery, etc

Geographical segments

The business segments are operated principally in Malaysia and China.

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

25. Segment reporting - Group (Cont'd)

Business segments

	Plastic Products		Food and Beverages		Others		Total		Elimination		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Revenue												
Revenue from external customers	382,525,302	538,036,565	21,313,661	21,888,628	4,939,267	4,632,637	408,778,230	564,557,830	-	-	408,778,230	564,557,830
Results from operating activities	18,981,048	5,050,926	297,355	710,990	10,778	152,347	19,289,181	5,914,263	-	-	19,289,181	5,914,263
Finance costs											(794,018)	(2,265,558)
Interest income											45,589	166,231
Tax expense											(3,379,624)	830,982
Profit for the year											15,161,128	4,645,918
Segment assets	259,028,885	265,015,964	21,456,688	23,456,619	4,569,874	7,567,863	285,055,447	296,040,446	-	-	285,055,447	296,040,446
Unallocated assets											3,942,596	1,733,844
Total assets											288,998,043	297,774,290
Segment liabilities	47,250,724	37,257,368	3,407,753	2,480,365	2,704,819	694,348	53,363,296	40,432,081	-	-	53,363,296	40,432,081
Unallocated liabilities											31,227,855	65,637,124
Total liabilities											84,591,151	106,069,205
Capital expenditure	5,748,736	4,971,131	416,402	394,871	58,235	30,520	6,223,373	5,396,522	-	-	6,223,373	5,396,522
Depreciation and amortisation	14,002,708	13,957,681	648,075	701,295	72,734	59,058	14,723,517	14,718,034	-	-	14,723,517	14,718,034
Non-cash expenses other than depreciation and amortisation	181,879	12,313,768	185,618	102,157	33,071	1,606	400,568	12,417,531	-	-	400,568	12,417,531

25. Segment reporting - Group (Cont'd)

Geographical segments

	Malaysia	Other ASEAN countries	Japan	Australia	Others	Total	Unallocated	Consolidated
	RM	RM	RM	RM	RM	RM	RM	RM
2009								
Revenue								
Revenue from external customers	86,746,855	43,299,768	153,589,232	53,602,498	71,539,877	408,778,230	-	408,778,230
2008								
Revenue								
Revenue from external customers	113,549,203	42,130,666	225,528,218	63,315,378	120,034,365	564,557,830	-	564,557,830

	Malaysia		China		Unallocated		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	RM	RM	RM	RM	RM	RM	RM	RM
Segment assets	189,883,314	229,353,858	95,172,133	66,686,588	-	-	285,055,447	296,040,446
Capital expenditure	5,008,077	4,420,395	1,215,296	976,127	-	-	6,223,373	5,396,522

26. Related parties - Group/Company

26.1 For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

i) Companies controlled by the Company

- subsidiaries as disclosed in Note 5

ii) Companies in which all Directors except Tengku Makram Bin Tengku Ariff, Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah 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")
- Kimanis Food Industry Sdn. Bhd.	("KFI")
- Komet Makmur Sdn. Bhd.	("KM")
- Kimanis Property Sdn. Bhd.	("KP")

iii) Companies in which close members of the family of certain Directors of the Company and key management personnel are deemed to have substantial financial interest :

- Bounty Values Sdn. Bhd.	("BV")
- Fang Thong Trading	("FTT")
- Jianson Development Sdn. Bhd.	("JD")

iv) Key management personnel, Directors and persons connected with Directors of the Group :

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include certain Directors of the Group.

26.2 Related party transactions

26.2.1 Transactions with related companies :

	2009 RM	**2008 RM**
Company		
Dividend income (gross) receivable from :		
TGPP	-	8,986,860
TGPM	6,000,000	-
Purchases from TGPP	1,001,471	853,520
Interest income from JUS	25,000	25,068

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

i) Sales to :

	2009 RM	2008 RM
KFI	2,158,005	3,423,862
NS	17,081	23,527
HFS	1,530,980	1,389,397

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

26.2 Related party transactions (Cont'd)

ii) Purchases from :

	2009 RM	2008 RM
KM	20,612	40,590
KFI	4,516,329	4,996,630
NS	42,000	12,000

iii) Rental expense payable to :

	2009 RM	2008 RM
KP	51,600	42,600
TGPK	18,600	24,000

26.2.3 The Group's transactions with Companies in which close member of the family of certain Directors of the Company and key management personnel are deemed to have substantial financial interest :

i) Sales to :

	2009 RM	2008 RM
JD	4,200	90,020
FTT	116,345	-

ii) Purchases from :

	2009 RM	2008 RM
FTT	123,768	34,237

iii) Rental expense payable to :

	2009 RM	2008 RM
BV	691,500	624,000

The terms and conditions for the above transactions are based on normal trade terms. All the amounts outstanding are unsecured and expected to be settled with cash.

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 14.

26.3 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 as disclosed in Note 17.

ii) Share options granted to key management personnel

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 20).

27. Financial instruments

Financial risk management objectives and policies

Exposure to credit, foreign currency and interest rate risks arise 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

At balance sheet date, there were no significant concentrations of credit risk other than the amount due from subsidiaries as disclosed in Note 7 to the financial statements.

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.

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 Renminbi.

Material foreign currency transaction exposures are hedged with derivative financial instruments such as forward foreign exchange contracts. Where necessary, the forward foreign exchange contracts are rolled over at maturity at market rates. As at balance sheet date, adjustment for unrealised loss on foreign currency contracts has been made to account for the difference between the contracted rates and the prevailing 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.

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.

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.

	Note	Effective interest rate per annum	Total	Within 1 year	1 - 5 years	After 5 years
		%	RM'000	RM'000	RM'000	RM'000
Group						
2009						
Financial assets						
Short term deposits with licensed banks	9	1.35	2,950	2,950	-	-
Financial liabilities						
Secured overdrafts	12	8.02	1,189	1,189	-	-
Secured bankers' acceptances	12	3.95	4,177	4,177	-	-
Unsecured overdrafts	12	6.80	2,950	2,950	-	-
Unsecured revolving credits	12	2.92	2,745	2,745	-	-
Unsecured onshore foreign currency loans	12	3.43	5,608	5,608	-	-
Finance lease liabilities	12	3.80	552	345	174	33
Unsecured bankers' acceptances	12	0.95	5,318	5,318	-	-

27. Financial instruments (Cont'd)

	Note	Effective interest rate per annum	Total	Within 1 year	1 - 5 years	After 5 years
		%	RM'000	RM'000	RM'000	RM'000
2008						
Financial liabilities						
Secured term loans	12	4.00	141	141	-	-
Unsecured term loans	12	4.73	2,064	2,064	-	-
Secured overdrafts	12	8.05	848	848	-	-
Secured bankers' acceptances	12	4.97	6,767	6,767	-	-
Secured export credit refinancing	12	2.98	378	378	-	-
Unsecured overdrafts	12	7.91	4,736	4,736	-	-
Unsecured revolving credits	12	6.22	7,575	7,575	-	-
Unsecured onshore foreign currency loans	12	3.70	27,864	27,864	-	-
Finance lease liabilities	12	3.87	522	231	258	33
Unsecured bankers' acceptances	12	2.11	4,589	4,589	-	-

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 cash equivalents, receivables, payables and short term borrowings.

The Company provides financial guarantees to licensed banks and financial institutions 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 expenses.

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

	2009		2008	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial liabilities				
Secured term loans	-	-	141	*141
Unsecured term loans	-	-	2,064	*2,064
Finance lease liabilities	552	* 552	522	* 522

* 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 :

	2009		2008	
	Contracted amount RM'000	**Fair value RM'000**	**Contracted amount RM'000**	**Fair value RM'000**
Forward foreign exchange contracts				
- Sales	2,446	2,391	14,295	14,801
- Purchases	955	1,057	347	347

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

28. Significant event

Group

In the previous financial year, the Customs Department of Wujiang District, Jiangsu Province, The People's Republic of China, commenced a detailed inquiry into the customs' duties paid by a subsidiary of the Group in China. As a result of the completion of the detailed inquiry, the additional customs' duties including penalty amounted to RMB11.27 million (equivalent to approximately RM5.80 million) was payable by the subsidiary to the Customs Authority. An amount of RMB5.76 million (equivalent to approximately RM2.90 million) had been accrued in the previous year whilst the remaining balances of RMB5.54 million (equivalent to approximately RM2.90 million) was recognised during the current financial year.

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 22 to 57 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2009 and of their financial performance and cash flows for the year then ended.

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

……………………………………………..
Dato' Ang Poon Chuan

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

Kedah Darul Aman,

Date : 26 April 2010

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 22 to 57 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at Sungai Petani in the State of Kedah Darul Aman on 26 April 2010.

………………………………………..
Ang See Ming

Before me :

Ishak b. Yaakub (No.: K041)
Commission for Oaths
Sungai Petani
Kedah Darul Aman

Independent auditors' report
to the members of Thong Guan Industries Berhad

Report on the Financial Statements

We have audited the financial statements of Thong Guan Industries Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 57.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act 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 Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

c) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

0 The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
AF 0758
Chartered Accountants

Lee Kean Teong
1857/02/12 (J)
Chartered Accountant

Date : 26 April 2010

Penang

LIST OF PROPERTIES OWNED BY THE GROUP

Location	Description	Land Area (sq.ft.)	Age of Building	Tenure	Net Book Value RM million	Date of Valuation/ Acquisition
Lot No. P.T.18876, H.S.(D) No.98/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory with office building	107,288	11-13 years	60 years, leasehold, expiring on 12.4.2052	1.44	28.11.1995
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	15 years	60 years leasehold, expiring on 12.4.2052	1.57	28.11.1995
Lot P.T.18878, H.S.(D) No.100/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory building	141,309	9 years	60 years leasehold, expiring on 4.6.2055	5.37	31.12.2004
Lot No. P.T.19449, Lot No. 950 H.S.(M) No. 249/92 and SP 4009 Mukim of Sungai Petani District of Kuala Muda, Kedah	Factories and office building	208,898	12-25 years	Freehold	3.96	28.11.1995
Lot P.T.48288, H.S.(D) No.12034/95 Mukim of Sungai Petani District of Kuala Muda, Kedah	Factories and office buildings	339,590	7-27 years	Freehold	4.74	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	25 years	99 years leasehold, expiring on 18.7.2092	0.17	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	17 years	Freehold	0.54	31.12.2004
CL 015373672 Lorong Rambutan Off KM 11 Jln Tuaran Kota Kinabalu Sabah	Factory and other buildings	82,764	21 years	60 years leasehold, expiring on 31.12.2035	1.23	13.12.1995
CL 015276687 606 Taman Bay View Off Mile 21/2 Jln Tuaran Kota Kinabalu, Sabah	Double storey terrace house	2,178	31 years	999 years leasehold, expiring on 16.6.2914	0.12	13.12.1995
TL 077549707 Lot 13, Hock Seng Industrial Estate Jalan Bomba,Off KM 5 Jalan Utara Sandakan	Double storey semi-detached light industrial building	5,670	18 years	60 years leasehold, expiring on 31.12.2040	0.22	13.12.1995
CL 105390707 KM4, Jalan Apas Tawau, Sabah	Vacant industrial land	37,462	-	999 years leasehold, expiring on 21.5.2930	0.31	13.12.1995
Jiangsu Province Year 2002 Land No: 01006061 Jiulong South Road Wujiang Economic Developing Area Jiangsu, China	Factory with office buildings	315,425	4-8 years	50 years leasehold, expiring on 31.12.2049	6.66	01.01.2000
Pangjin Road Wujiang Economic Developing Area Jiangsu, China	Factory buildings	716,876	4-5 years	50 years leasehold, expiring on 08.03.2053	5.06	09.03.2004

SHAREHOLDINGS STATISTICS AS AT 28 APRIL 2010

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	139	9,412	0.01
100 - 1,000	194	158,697	0.15
1,001 - 10,000	1,289	6,092,514	5.79
10,001 - 100,000	621	18,792,350	17.86
100,001 - 5,260,224	89	38,247,902	36.36
5,260,225 - 105,204,500	1	41,903,625	39.83
TOTAL	**2,333**	**105,204,500**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 28 APRIL 2010

Name of director	Direct Interest No. of shares	%	Indirect Interest No of shares	%
Ang Toon Piah @ Ang Toon Huat	619,000	0.59	161,000 (a)	0.15
Tengku Makram Bin Tengku Ariff	40,500	0.04	-	-
Dato' Ang Poon Chuan	928,500	0.88	44,418,002 (b)	42.22
Ang Poon Seong	589,125	0.56	43,012,494 (c)	40.88
Ang Poon Khim	590,325	0.56	169,700 (a)	0.16
Lee Eng Sheng	-	-	-	-
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	-	-	-	-

Notes :

(a) Shares held by spouse and children pursuant to Section 134(12)(c) of the Companies Act, 1965.

(b) Deemed interested via Foremost Equals Sdn Bhd and Sensible Matrix Sdn Bhd pursuant to Section 6A of the Companies Act, 1965. and shares held by spouse and children pursuant to Section 134(12)(c) of the Companies Act, 1965.

(c) Deemed interested via Foremost Equals Sdn Bhd and Sensible Matrix Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

By virtue of their interests in the shares of the Company, Dato' Ang Poon Chuan and Mr Ang Poon Seong are also deemed to be interested in the shares of all its subsidiaries to the extent the Company has an interest.

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS AS AT 28 APRIL 2010

Name	Direct Interest No. of shares	%	Indirect Interest No. of shares	%
Foremost Equals Sdn Bhd	41,903,625	39.83	-	-
Dato' Ang Poon Chuan	928,500	0.88	41,903,625 (a)	39.83
Ang Poon Seong	589,125	0.56	41,903,625 (a)	39.83

Notes :

(a) Deemed interested via Foremost Equals Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

LIST OF 30 LARGEST SHAREHOLDERS (as at 28 April 2010)

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares	% of Shares
1	FOREMOST EQUALS SDN BHD	41,903,625	39.831
2	SUPERB SENSE SDN BHD	3,500,000	3.327
3	AMMB NOMINEES (TEMPATAN) SDN BHD AMINVESTMENT BANK BERHAD(AMMBUW)	2,733,750	2.599
4	GAN BOON HONG	2,015,300	1.916
5	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	1,645,000	1.564
6	LASER CARTEL SDN BHD	1,500,000	1.426
7	LEE AH SEE	1,468,125	1.395
8	QUARRY LANE SDN BHD	1,300,000	1.236
9	NEOH CHOO EE & COMPANY, SDN. BERHAD	1,299,900	1.236
10	SENSIBLE MATRIX SDN BHD	1,108,869	1.054
11	PERMODALAN NASIONAL BERHAD	1,073,300	1.020
12	MAYBAN NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAN TUAN SAM	827,300	0.786
13	ANG TOON PIAH @ ANG TOON HUAT	619,000	0.588
14	HLG NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM LEONG TIAN (CCTS)	600,000	0.570
15	ANG POON KHIM	590,325	0.561
16	ANG POON SEONG	589,125	0.560
17	ANG POON CHUAN	564,000	0.536
18	QUAH LAKE JEN	517,100	0.492
19	HONG WENG HWA	500,000	0.475
20	UNITED OVERSEAS NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG SEE MING (MJK)	490,000	0.466
21	GAN BOON AIK	447,100	0.425
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG SEE MING (473567)	447,000	0.425
23	DYNAQUEST SDN. BERHAD	430,600	0.409
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM BOON TIANG (BMM/AAA)	427,000	0.406
25	SOONG AND SAW INVESTMENT TRUST SDN. BERHAD	390,000	0.371
26	CHENG TUA NYA	386,700	0.368
27	CHEW SENG TOOI	367,300	0.349
28	GOH CHOON KIM	366,600	0.348
29	ANG TOON CHENG @ ANG TONG SOOI	365,375	0.347
30	ANG POON CHUAN	364,500	0.346
		68,836,894	**65.432**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of shareholders of the Company will be held at Meranti Room, Level 2, Park Avenue Hotel, E-1, Jalan Indah 2, Taman Sejati Indah, 08000 Sungai Petani, Kedah on Thursday, 24 June 2010 at 11:00 a.m. to transact the following business :

1. To receive the Audited Financial Statements for the year ended 31 December 2009 and the Reports of Directors and Auditors thereon.

2. To approve a first and final tax exempt dividend of 4% for the year ended 31 December 2009. — Ordinary Resolution 1

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

(a) Mr Ang Toon Piah @ Ang Toon Huat — Ordinary Resolution 2
(b) Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah — Ordinary Resolution 3

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

(a) Dato' Ang Poon Chuan — Ordinary Resolution 4
(b) Mr Ang Poon Seong — Ordinary Resolution 5

4. To approve Directors' Fees of RM175,000/- for the year ended 31 December 2009. — Ordinary Resolution 6

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

6. AS SPECIAL BUSINESS
To consider and if thought fit, to pass the following Resolutions :-

(i) **POWER TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** — Ordinary Resolution 8

"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 ("Bursa Securities") 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 AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY** — Ordinary Resolution 9

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

(a) the maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the issued and paid-up ordinary share capital of the Company for the time being ("TGI Shares");

(b) the maximum fund to be allocated by the Company for the purpose of purchasing the TGI Shares shall not exceed the total amount of retained profit or share premium available for effecting the share buy back. Based on the audited Financial Statements of the Company as at 31 December 2009, the amount of retained losses and share premium account is RM21.15 million and RM3.94 million respectively and based on the management account as at 31 March 2010, the amount of retained losses and share premium account is RM 21.25 million and RM3.94 million respectively;

(c) the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will continue in force until:-

i) the conclusion of the next AGM of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

ii) the expiration of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of the Bursa Securities or any other relevant authorities;

(d) upon completion of the purchase(s) of the TGI Shares by the Company, the Directors of the Company be hereby authorised to deal with the TGI Shares in the following manner :-

i) to cancel the TGI Shares so purchased; or
ii) to retain the TGI Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or
iii) to retain part of the TGI Shares so purchased as treasury shares and cancel the remainder; or
iv) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

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

iii) **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS BETWEEN THE COMPANY AND/OR ITS SUBSIDIARIES** — Ordinary Resolution 10

"THAT, subject to the provisions of the Listing Requirements, approval be and is hereby given to the Company and/or its subsidiaries ("TGI Group") to enter into recurrent related party transactions of a revenue or trading nature as set out in the Circular to Shareholders dated 2 June 2010 which transactions are necessary for the day-to-day operations in the ordinary course of business of TGI Group on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company and that such approval shall continue to be in force until:-

i) the conclusion of the next AGM of the Company, at which time it will lapse, unless renewed by a resolution passed at that meeting;

ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting;

whichever is earlier.

AND THAT the Directors be and are hereby empowered to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorized by this resolution."

iv) **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 in accordance with the Company's Articles of Association.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a depositor shall qualify for entitlement to the first and final tax exempt dividend of 4% only in respect of :

a) Shares transferred into the depositor's securities account before 4.00 p.m. on 28 July 2010 in respect of ordinary transfers; and

b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

The first and final tax exempt dividend, if approved will be paid on 18 August 2010 to depositors registered in the Records of Depositors at the close of business on 28 July 2010.

By Order of the Board

Lam Voon Kean
Company Secretary
(MIA 4793)

Penang, 2 June 2010.

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 8, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 29 June 2009 and which will lapse at the conclusion of the Fifteenth Annual General Meeting.

   This renewed General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

2. The proposed Ordinary Resolution 9, if passed will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10,520,450 shares representing 10% of the issued and paid up share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next Annual General Meeting of the Company.

3. The proposed Ordinary Resolution 10, if passed will approve the Proposed Shareholders' Mandate on Recurrent Related Party Transactions and allow the Company and its subsidiaries to enter into Recurrent Related Party Transactions in accordance with Chapter 10 of the Listing Requirements of the Bursa Malaysia Securities Berhad. This approval shall continue to be in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by the law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

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

Statement of Accompanying Notice of Annual General Meeting
(Pursuant to Paragraph 8.27(2) of the Listing Requirements)

1. No individual is seeking election as a Director at the forthcoming Fifteenth AGM of the Company.

APPENDIX I
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Articles of Association of Thong Guan Industries Berhad are proposed to be amended in the following manner (for which differences are highlighted in bold), to be in compliance with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad :-

Article No.	Existing Articles	Amended Articles
97 (A)	The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and reports as are referred to in the section. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the Directors' and Auditors' reports shall not exceed four (4) months. A copy of each such documents shall not be sent less than twenty-one (21) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such documents as may be required by the Exchange shall at the same time be likewise sent to the Exchange: provided the Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the office.	The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and reports as are referred to in the section. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the Directors' and Auditors' reports, shall not exceed four (4) months. A copy of each such documents, **either in printed form or in compact disc read-only memory ("CD-ROM") form or in such other form of electronic media,** shall not be sent less than twenty-one (21) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such documents as may be required by the Exchange shall at the same time be likewise sent to the Exchange: provided the Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the office. **In the event that these documents are sent in CD-ROM form or in such other form of electronic media and a Member requires a printed form of such documents, the Company shall send documents to the Member within four (4) Market Days (or such other period as may be prescribed by the Exchange) from the date of receipt of the Member's request.**
105	Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant and sent through post direct to the registered address of the holder or to such person and to such address as the holder may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.	Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant and sent through post direct to the registered address of the holder or to such person and to such address as the holder may in writing direct **or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment.** Every such cheque or warrant **or electronic transfer or remittance** shall be made payable to the order of the person to whom it is sent **and the payment of any such cheque or warrant or electronic transfer or remittance shall operate as a good and full discharge to the Company in respect of the payment represented thereby. Every such cheque or warrant or electronic transfer or remittance shall be sent at the risk of the person entitled to the money thereby represented.**

PROXY FORM

I/We,…..………………………….........................

(Full name in block letters)

NRIC/Company No……………………………………………………………..…………………………

of…......................………...……………………………………………………………………..................

(Address)

being a member/members of Thong Guan Industries Berhad (324203-K) ("the Company") hereby appoint

……………………………...………………………..…………............................

(Full name in block letters)

of…......................………...………………………………………………………………………..................

(Address)

or failing him/her ………………………………………………………………………..………………

(Full name in block letters)

of ………………………………………………………………………………………….…………………

(Address)

as my/our proxy, to vote for me/us and on my/our behalf at the FIFTEENTH ANNUAL GENERAL MEETING of the Company which will be held at at Meranti Room, Level 2, Park Avenue Hotel, E-1, Jalan Indah 2, Taman Sejati Indah, 08000 Sungai Petani, Kedah on Thursday, 24 June 2010 at 11:00 a.m. or at any adjournment thereof.

RESOLUTIONS	*FOR*	*AGAINST*
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		
Ordinary Resolution 10		
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).

	Name of Proxy	*% of shareholding*
1^{st}		
2^{nd}		

Signed this _________day of __________2010.

No. of Ordinary Shares Held

____

Signature of Shareholder

Notes :

1. A member entitled to attend and vote at this meeting may appoint a proxy to attend and, on a poll, to vote on his behalf. Such proxy need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies under the Companies Act, 1965 in a particular case. A member may appoint more than two proxies to attend at the same meeting. Where a member appoints two proxies to attend at the same meeting, he shall specify the proportion of his shareholdings to be represented by each proxy.

2. The instrument appointing a proxy shall be in writing under the hand of the 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 Company Secretary
Thong Guan Industries Berhad

Registered Office
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
(324203-K)

Lot 52, Jalan PKNK 1/6
Kawasan Perusahaan
Sungai Petani
08000 Sungai Petani
Kedah Darul Aman
Malaysia

T +604 441 7888
F + 604 441 9888