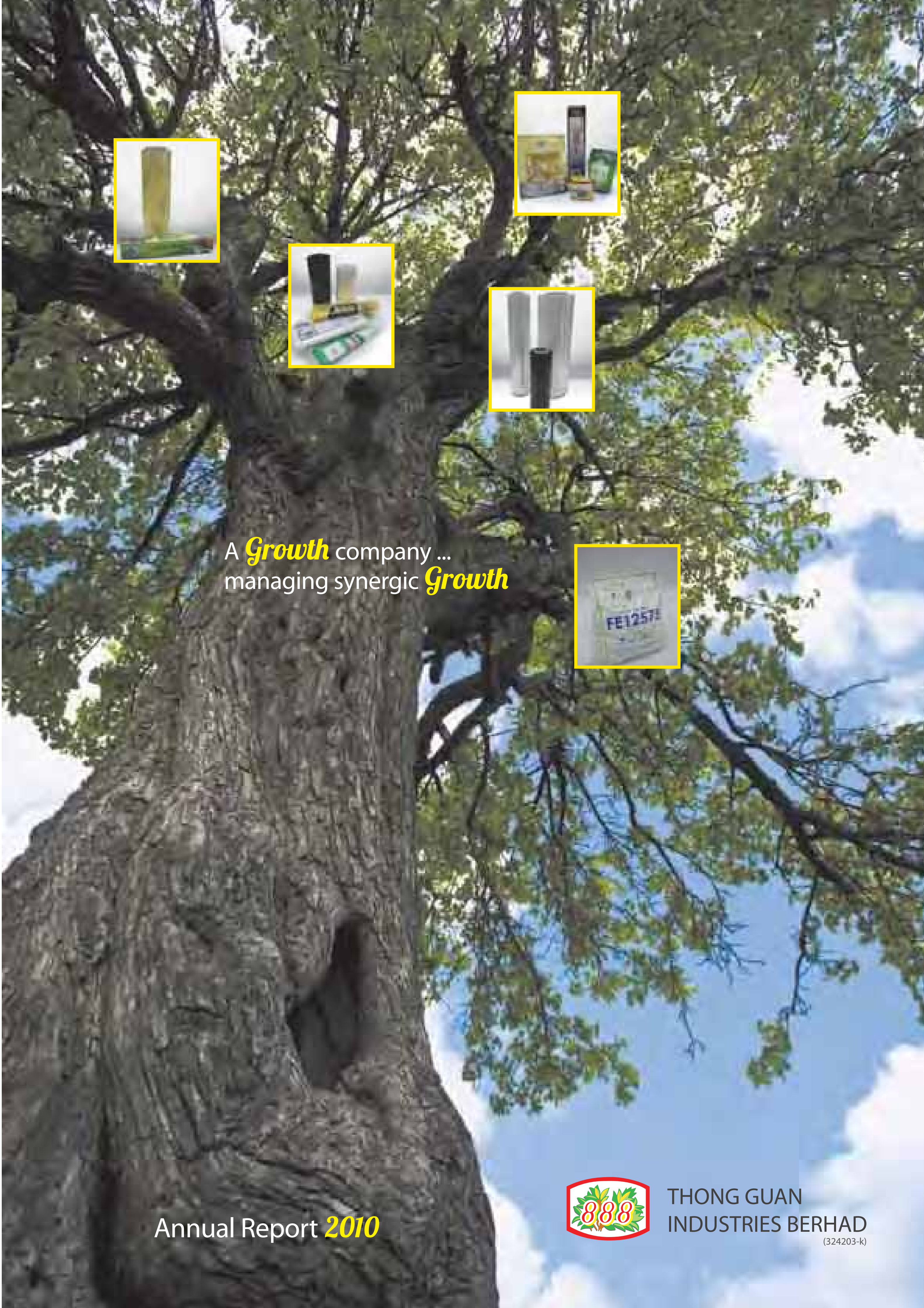


A Growth company ...
managing synergic Growth

# Annual Report 2010

THONG GUAN
INDUSTRIES BERHAD
(324203-k)

# CONTENTS



# FINANCIAL STATEMENT



# CORPORATE INFORMATION

## 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 |
| Datuk 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)
Dato' Ang Poon Chuan
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)*

# GROUP STRUCTURE & PRINCIPAL ACTIVITIES

**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)
Manufacturing and trading of plastic packaging products.

**100%** **TG PLASPACK (VIETNAM) CO., LTD.*****
Dormant.

**100%** **TG POWER WRAP SDN. BHD.** (926857-K)
Manufacturing and marketing of polyvinyl chloride (PVC) cling food wrap.

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

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it gives me great pleasure 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 2010.

## Economic Review

The global economy recovered from its sharpest decline post World War 2 in the second half of 2009. The recovery momentum continued with a growth rate of 5% in 2010 (2009: -0.6%) and world trade advanced by 12% (2009: -10.7%). All the advanced economies turned the corner to register growth led the US by 2.8% (2009: -2.6%), Japan by a strong 3.9% (2009: -6.3%) and the Euro Area by 1.7% (2009: -4.1%). The ASEAN economies grew by 6.9% (2009: 1.1%) and China by 10.3% (2009: 9.2%). Locally, the Malaysian economy grew strongly by 7.2% (2009: -1.7%) in 2010 buoyed mainly by robust domestic demand which expanded strongly by 6.3% (2009: -0.5%). Private consumption expanded by 6.6% (2009: 0.7%), shored up by the better labour market, rising incomes and continued access to cheap credit. Strong consumerism was displayed in indicators such as passenger car sales, retail sales and imports of consumption goods. Private investment recovered strongly to grow by 13.8% in 2010 (2009: -17.2%) mirrored by the improvement of investment indicators such as import of capital goods (grew by 16.2%) and sales of construction-related materials (rose by 11%). Public sector growth was sustained during the year, with public investment expanding by 5.5% (2009: 8%), partly reflecting the continuation of the second stimulus package. Growth in public consumption moderated to 0.1% (2009: 3.1%) as the Government reduced non-essential expenditure. Nevertheless, expenditure on emoluments was higher due to improved salary scheme for selected segments of the civil service. On the supply side, all economic sectors registered strong performances in 2010. The services sector grew by 6.8% (2009: 2.6%) and was the largest contributor to growth. The manufacturing sector rebounded strongly to register a growth of 11.4% (2009: -9.4%), driven by growth in both the export and domestic industries. The construction sector grew by 5.2% in 2010 (2009: 5.8%) while the agriculture sector (including forestry and fishing) expanded by 1.7% (2009: 0.4%) buoyed by the strong prices of crude palm oil and rubber which closed at record high on 30 December 2010. The mining sector grew by 0.2% (2009: -3.8%) supported by higher production of natural gas to meet demand mainly from Japan, Taiwan and China. Crude oil output, however, continued to decline due mainly to lower production from the maturing oil fields.

The labour market improved in 2010 as reflected in lower retrenchments, higher number of vacancies and gains in employment. The unemployment rate declined to 3.2% (2009: 3.7%). Overall inflation remained low despite a series of price adjustments as part of the Government's subsidy rationalisation programme announced in May. Upward adjustments to the retail prices of RON95 petrol, diesel, LPG and sugar contributed 0.18% to the Consumer Price Index (CPI), which averaged 1.7% in 2010 (2009: 0.6%). Gross foreign direct investment into Malaysia surged to RM 89.2 billion in 2010 (2009: RM 31.6billion) buoyed by the strong global and domestic economic recovery. The Malaysian Ringgit appreciated by 8.9% against the US Dollar (USD) in 2010 to close the year at RM 3.08 (31/12/2009: RM 3.38).

## Industry Trends & Development

The manufacturing sector's turn around was underpinned primarily by the rebound of the electronics and electrical products cluster which grew by 17.4% (2009: -22.8%) contributing RM 170 billion or 31.8% to total manufacturing sales. The export oriented industries expanded by 9.7% (2009: -11.1%) while the domestic oriented activities grew by 15.6% (2008: -5.7%) driven mainly by strong domestic consumption. The chemical products cluster grew strongly by 11.5% (2008: -1.7%) contributing RM 52.5 billion or 9.8% to total manufacturing sales.

The total turnover of the Malaysian Plastic industry recovered strongly to grow by 8% (2009: -10%) to RM 15.8 billion in 2010. Export of plastic products grew by 14% in 2010 to RM9.4 billion from RM8.2 billion in 2009 representing 59.4% of total turnover (2000: 45%). The steady increase of export to total turnover ratio reflected the competitiveness and resilience of the Malaysian plastic industry despite strong competition from lower cost producers such as China and other Asian countries. Total export of plastic bags increased by 13.4% to RM3.3 billion, compared to RM2.9 billion in 2009. The strong increase was due mainly to subdued supply from China and Thailand which were affected by the high anti-dumping duties imposed by the EU. Total export of plastic films and sheets increased by 14.2% to RM3.37 billion, from RM2.95 billion in 2009. Demand from industrial users in the EU and Japan surged strongly as their economies improved. Malaysia is currently the largest producer of stretch film in Asia with total capacity exceeding 300,000 metric tons per annum.

## Group Performance

The Group registered a 19.5% increase in revenue from RM 408.8 million in 2009 to RM 488.6 million in 2010. Group profit before tax (PBT) was RM 22.7 million, an increase of 22.7% from the RM 18.5 million recorded in 2009. Turnover grew mainly due to the increase of export sales and price increase as a consequence of rising raw material and other input costs. The increase in PBT was mainly attributable to the revenue growth and the better margins achieved as competition receded due to rebounding market demand.

## Dividend

The Board of Directors has recommended a final tax-exempt dividend of 5 sen per ordinary share amounting to approximately RM 5.26 million or 26.6% of profit after tax and minority interest for the year ended 31 December 2010 (2009: 4 sen, RM 4.2 million, 27.8%).

## Prospects

The global economy is expected to experience an uneven economic recovery in 2011 with the overall economic growth likely to be more moderate. The continued discrepancy in growth performance between the advanced economies and emerging economies, reflects the continuing impact of the global financial crisis which caused structural problems related to high unemployment, weak fiscal positions and constrained credit on the advanced economies. The Asian economies are expected to continue to lead global growth although the momentum will moderate. Asian domestic economic activity will remain robust, underpinned by positive consumer and business sentiments, improving labour markets and favourable financing conditions. An emerging trend, post the global financial crisis is that while the emerging economies account for about a third of global GDP, they have contributed more than two thirds of global growth in recent years.

The International Monetary Fund has forecasted that the world economy will grow 4.4% in 2011 while world trade will grow by 7.1%. All the major economies are predicted to experience moderate growth with the US at 3%, the Euro Area at 1.5% and Japan at 1.6%. Strong expansion are forecasted for the Asian economies led by China at 9.6%, India at 8.4% and South Korea at 4.5% while regional economies are expected to continue its growth pattern with Singapore at 4.5, Indonesia at 6.2%, Thailand at 4% and Malaysia at 5 – 6%. The Malaysian economic growth will continue to be supported mainly by domestic demand driven mainly by private consumption, supported by a favourable labour market, higher disposable incomes, availability of credit and sustained consumer confidence. Employment situation is anticipated to improve with higher job creation in the domestic oriented manufacturing and services sectors. Private investment is expected to remain robust given the high levels of capacity utilisation and positive business confidence. All economic sectors are projected to expand firmly in 2011, supported mainly by domestic demand. The Malaysian economy registered a moderate growth of 4.6% in the first quarter of 2011 (1Q 2010: 10.1%) and the OPR was adjusted upward by 50 basis points to 3% on 5 May 2011.

The manufacturing sub-sectors are expected to grow at a more moderate pace of 5.7% in 2011, consistent with the expected moderation in external demand, in particular, the E&E cluster following the strong rebound in 2010. The Malaysian Plastic Manufacturer's Association expected the plastic industry to grow at between 5 - 6% in 2011 and painted a rosy 10% growth for the export sector.

With the generally positive prospect of economic growth globally and particularly bright in the Asian region, the Group has chartered a growth strategy by expanding its production output and diversifying into new areas synergic to its core competencies. The Group is expanding the production capacity of its stretch film, industrial film and garbage bag divisions during the year with new and technologically advanced production lines to accommodate for rising demand. It has also ventured into the production of PVC food wrap and calcium carbonate based plastic compounds to cater for its clients diverse requirements. Moving forward 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 will lead to sustainable growth and strong profitability. The Group is optimistic of achieving satisfactory results in 2011.

## 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*

# DIRECTORS' PROFILE

**Mr. Ang Toon Piah @ Ang Toon Huat**, aged 82, 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 52 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 four 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 60, 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 four Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He had no conviction for offences within the past 10 years.

**Dato' Ang Poon Chuan**, aged 67, 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 45 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 of the four Board meetings held for the financial year. He is the brother of Mr. Ang Poon Khim and Datuk 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 56, Malaysian, was appointed as the Non-Independent Executive Director' on 18 September 1997.He obtained a Bachelor of Science (Hons) degree in Mechanical Engineering from Teeside Polytechnic, United Kingdom in 1980. He joined Thong Guan in 1981 after a spell as a Test Engineer at Advance Micro Devices (Export) Sdn. Bhd. He has contributed to developing the production processes and was instrumental in developing the industrial and export sales of TGI. He is presently the Operations Director and is responsible for overseeing the production and sales functions of TGI.

He serves as a member of the Employee's Share Option Scheme Committee. He has attended all of the four Board meetings held for the financial year. He is the brother of Dato' Ang Poon Chuan and Datuk 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.

**Datuk Ang Poon Seong**, aged 55, Malaysian, was appointed as the Non-Independent Executive Director on 18 September 1997. He is the Managing Director of Jaya Uniang (Sabah) Sdn. Bhd. and Uni'ang Plastic 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 all of the four Board meetings held for the financial year. He is the brother of Dato' 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 48, Malaysian, was appointed as the Independent Non-Executive Director on 28 March 2002.He obtained a Bachelor of Accountancy (Hons) Degree from Universiti Utara Malaysia. Mr. Lee is a member of the Malaysian Institute of Accountants and a Certified Financial Planner of the Financial Planning Association of Malaysia. He has worked in the accounting and finance fields in various positions since 1988 and is presently the Group Finance Director of publicly listed Chee Wah Corporation Berhad.

He serves as the Chairman of both the Nomination and Remuneration Committees as well as a member of the Audit Committee of TGI. He has attended all of 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 76, 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 all of 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 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 2010, 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 various Primary School in Kuala Kedah.

In 2010, we also took on an initiative to support the less privileged children through a local welfare home, the Rumah Kebajikan True Light Vision Centre in Sungai Petani, Kedah with donation in cash. 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. Miss Ng has bagged the silver medal in the 2007 SEA Games, bronze medal in the 2010 Commonwealth Games and is the winner of four gold medals in the overall Malaysian national championships.

## 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 2010, 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 2010, 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 2010 are as follows:

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

### 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.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## 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, Mr. Lee Eng Sheng has attended the relevant training programme to update himself on tax update, Budget 2011 and financial reporting to better enable him to fulfill his responsibility, the rest of the Directors have not attended any training programme 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 | Chairmen, Independent Non Executive Director | 1/1 |
| Ang Poon Chuan | Member, Managing Director | 0/1 |
| 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 2010 is as follows:

| Category | Fees (RM'000) | Salaries (RM'000) | Bonuses (RM'000) | Others (RM'000) |
|---|---|---|---|---|
| Executive Directors | 193 | 1,310 | 388 | 2 |
| Non-Executive Directors | 75 | - | - | 35 |

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 RM24,725 for the financial year ended 31 December 2010.

**Material Contract**

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

# 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 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 2010. 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 | 4/4 |

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 the financial year 2010 was RM68,000. 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.

# AUDIT COMMITTEE REPORT (CONT'D)

- 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;

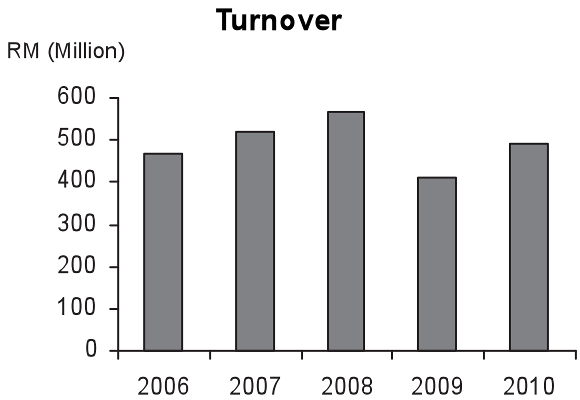
  iv) compliance with accounting standards and other legal requirements; and

  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.

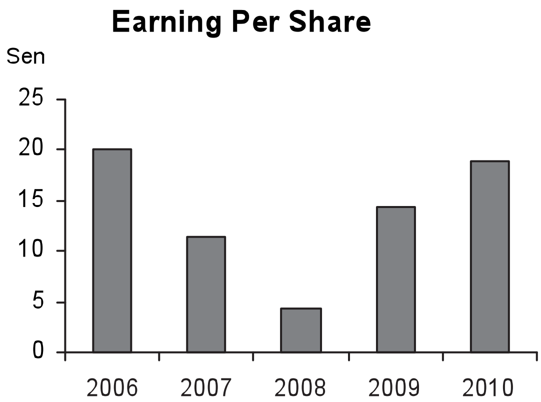
# FINANCIAL SUMMARY

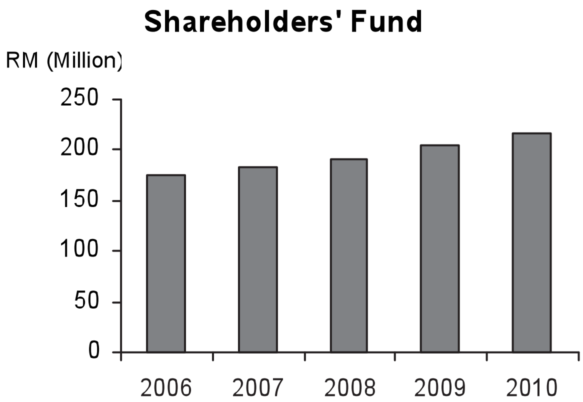
| In RM '000 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Turnover | 469,318 | 518,215 | 564,558 | 408,778 | 488,599 |
| Profit Before Taxation | 26,710 | 16,014 | 3,815 | 18,541 | 22,659 |
| Profit Attributable to shareholders | 21,071 | 12,008 | 4,646 | 15,161 | 19,795 |
| Dividends | 3,156 | 3,156 | 2,104 | 4,208 | 5,260 |
| Shareholders' Fund | 174,747 | 183,864 | 191,705 | 204,407 | 216,711 |

| In Sen | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Earning Per Share | 20.03 | 11.41 | 4.42 | 14.41 | 18.82 |
| Net Tangible Assets Per Share | 166.10 | 174.77 | 182.22 | 194.29 | 205.99 |
| Gross Dividend Per Share | 3.00 | 3.00 | 2.00 | 4.00 | 5.00 |







# Directors' report for the year ended 31 December 2010

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 2010.

## 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 owners of the Company | 19,794,820 | 5,689,937 |

## 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 4 sen per ordinary share, totalling RM4,208,180 in respect of the financial year ended 31 December 2009 on 18 August 2010.

A final tax exempt dividend of 5 sen per ordinary share has been proposed by the Directors in respect of the financial year ended 31 December 2010, 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 |
| Datuk Ang Poon Seong | |
| Ang Poon Khim | |
| Lee Eng Sheng | |
| Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah | |

## Directors' interests in shares

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 2010 (Cont'd)

## Directors' interests in shares (Cont'd)

| | Number of ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| | **Balance at 1.1.2010** | **Bought** | **(Sold)** | **Balance at 31.12.2010** |
| 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 | 619,000 | - | - | 619,000 |
| - others # | 161,000 | 55,500 | (10,000) | 206,500 |
| Datuk 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 | 52,000 | - | 642,325 |
| - others # | 98,700 | 84,000 | (22,000) | 160,700 |

| | Number of options over ordinary shares of RM1 each | | | | |
|---|---|---|---|---|---|
| | **Balance at 1.1.2010** | **Granted** | **(Exercised)** | **(Lapsed)** | **Balance at 31.12.2010** |
| Dato' Ang Poon Chuan | | | | | |
| - own | 650,000 | - | - | (650,000) | - |
| Ang Toon Piah @ Ang Toon Huat | | | | | |
| - own | 300,000 | - | - | (300,000) | - |
| Datuk 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 2010 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 corporation 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 as disclosed in Note 26 to the financial statements.

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 in previous years.

# Directors' report for the year ended 31 December 2010 (Cont'd)

## 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 financial year apart from the issues of options pursuant to the ESOS, which expired on 1 February 2010.

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 is as follows :

| | | Number of options over ordinary shares of RM1 each | | | | |
|---|---|---|---|---|---|---|
| **Date of offer** | **Option price RM** | **Balance at 1.1.2010** | **Granted** | **(Exercised)** | **(Lapsed)** | **Balance at 31.12.2010** |
| 12.11.2005 | 1.73 | 6,213,500 | - | - | (6,213,500) | - |

## Other statutory information

Before the statements of comprehensive income and statements of financial position 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) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

# Directors' report for the year ended 31 December 2010 (Cont'd)

## Other statutory information (Cont'd)

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statement of the Group and of the Company financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## Auditors

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

Signed 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 : 25 April 2011

## Consolidated statement of financial position as at 31 December 2010

| | Note | 2010<br>RM | 2009<br>RM<br>(Restated) |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 3 | 100,322,746 | 98,068,608 |
| Prepaid lease payments | 4 | 9,278,634 | 6,460,788 |
| Other investments | 6 | 1,966,556 | 2,017,668 |
| **Total non-current assets** | | **111,567,936** | **106,547,064** |
| Trade and other receivables | 7 | 73,452,586 | 67,664,525 |
| Inventories | 8 | 79,511,058 | 71,834,575 |
| Current tax assets | | 3,013,085 | 3,942,597 |
| Cash and cash equivalents | 9 | 55,630,918 | 39,009,283 |
| **Total current assets** | | **211,607,647** | **182,450,980** |
| **Total assets** | | **323,175,583** | **288,998,044** |
| **Equity** | | | |
| Share capital | 10 | 105,204,500 | 105,204,500 |
| Reserves | 11 | 111,506,291 | 99,202,393 |
| **Total equity** | | **216,710,791** | **204,406,893** |
| **Liabilities** | | | |
| Loans and borrowings | 12 | 4,034,057 | 207,388 |
| Deferred tax liabilities | 13 | 8,051,227 | 8,516,399 |
| **Total non-current liabilities** | | **12,085,284** | **8,723,787** |
| Trade and other payables | 14 | 68,529,400 | 53,363,296 |
| Loans and borrowings | 12 | 25,363,202 | 22,331,634 |
| Current tax liabilities | | 486,906 | 172,434 |
| **Total current liabilities** | | **94,379,508** | **75,867,364** |
| **Total liabilities** | | **106,464,792** | **84,591,151** |
| **Total equity and liabilities** | | **323,175,583** | **288,998,044** |

The notes on pages 29 to 65 are an integral part of these financial statements.

## Consolidated statement of comprehensive income for the year ended 31 December 2010

| | Note | 2010<br>RM | 2009<br>RM |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 15 | 488,598,955 | 408,778,230 |
| Cost of goods sold | | (431,754,796) | (357,058,528) |
| **Gross profit** | | **56,844,159** | **51,719,702** |
| Other income | | 5,573,561 | 3,777,588 |
| Distribution expenses | | (18,375,978) | (15,369,564) |
| Administrative expenses | | (16,945,128) | (18,848,078) |
| Other expenses | | (3,932,384) | (1,990,467) |
| **Results from operating activities** | 16 | **23,164,230** | **19,289,181** |
| Interest income | | 137,002 | 45,589 |
| Finance costs | 18 | (642,523) | (794,018) |
| **Profit before tax** | | **22,658,709** | **18,540,752** |
| Income tax expense | 19 | (2,863,889) | (3,379,624) |
| **Profit for the year** | | **19,794,820** | **15,161,128** |
| **Other comprehensive income, net of tax** | | | |
| Foreign currency translation differences for foreign operations | | (3,282,742) | (355,230) |
| **Total comprehensive income for the year** | | **16,512,078** | **14,805,898** |
| **Profit attributable to owners of the Company** | | **19,794,820** | **15,161,128** |
| **Total comprehensive income attributable to owners of the Company** | | **16,512,078** | **14,805,898** |
| **Basic earnings per ordinary share (sen)** | 21 | 18.82 | 14.41 |

The notes on pages 29 to 65 are an integral part of these financial statements.

## Consolidated statement of changes in equity for the year ended 31 December 2010

| | | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | | Distributable | |
| | Note | Share capital RM | Share premium RM | Translation reserve RM | Statutory reserve RM | Retained earnings RM | Total equity RM |
| **At 1 January 2009** | | **105,204,500** | **3,938,567** | **4,989,224** | **4,140,888** | **73,431,906** | **191,705,085** |
| Total comprehensive income for the year | | - | - | (355,230) | - | 15,161,128 | 14,805,898 |
| Dividends to owners of the Company | 22 | - | - | - | - | (2,104,090) | (2,104,090) |
| **At 31 December 2009/ At 1 January 2010** | | **105,204,500** | **3,938,567** | **4,633,994** | **4,140,888** | **86,488,944** | **204,406,893** |
| Total comprehensive income for the year | | - | - | (3,282,742) | - | 19,794,820 | 16,512,078 |
| Dividends to owners of the Company | 22 | - | - | - | - | (4,208,180) | (4,208,180) |
| **At 31 December 2010** | | **105,204,500** | **3,938,567** | **1,351,252** | **4,140,888** | **102,075,584** | **216,710,791** |
| | | Note 10 | Note 11 | Note 11 | Note 11 | Note 11 | |

The notes on pages 29 to 65 are an integral part of these financial statements.

## Consolidated statement of cash flows for the year ended 31 December 2010

| | Note | 2010 RM | 2009 RM (restated) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 22,658,709 | 18,540,752 |
| Adjustments for : | | | |
| Depreciation of property, plant and equipment | 3 | 14,474,047 | 14,566,752 |
| Impairment loss on property, plant and equipment | 3 | 38,648 | 137,742 |
| Amortisation of prepaid lease payments | 4 | 181,309 | 156,765 |
| Gain on disposal of property, plant and equipment | 16 | (210,537) | (149,326) |
| Interest income | | (137,002) | (45,589) |
| Interest expense | 18 | 642,523 | 794,018 |
| Impairment loss on other investments | 16 | 51,112 | 82,701 |
| Property, plant and equipment written off | 16 | 72,972 | 2,242 |
| Operating profit before changes in working capital | | 37,771,781 | 34,086,057 |
| Changes in working capital : | | | |
| Trade and other receivables | | (7,719,632) | 8,505,401 |
| Inventories | | (8,961,011) | 18,825,705 |
| Trade and other payables | | 18,409,174 | 13,255,424 |
| Cash generated from operations | | 39,500,312 | 74,672,587 |
| Income taxes paid | | (2,085,077) | (7,052,153) |
| **Net cash from operating activities** | | **37,415,235** | **67,620,434** |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | A | (18,040,160) | (5,906,873) |
| Acquisition of prepaid lease payments | 4 | (3,196,329) | - |
| Proceeds from disposal of property, plant and equipment | | 285,734 | 167,449 |
| Interest received | | 137,002 | 45,589 |
| **Net cash used in investing activities** | | **(20,813,753)** | **(5,693,835)** |
| **Cash flows from financing activities** | | | |
| Interest paid | | (642,523) | (794,018) |
| Payment of finance lease liabilities | | (553,878) | (285,975) |
| Drawdown/(Repayment) of term loans, net | | 4,221,411 | (2,205,355) |
| Drawdown/(Repayment) of other bank borrowings, net | | 1,359,039 | (29,277,014) |
| Dividend paid | 22 | (4,208,180) | (2,104,090) |
| **Net cash used in financing activities** | | **175,869** | **(34,666,452)** |
| Net increase in cash and cash equivalents | | 16,777,351 | 27,260,147 |
| Cash and cash equivalents at 1 January | | 34,870,509 | 7,631,259 |
| Effects of exchange rate fluctuations on cash held | | (917,448) | (20,897) |
| **Cash and cash equivalents at 31 December** | B | **50,730,412** | **34,870,509** |

Notes

A. *Property, plant and equipment*
During the year, the Group acquired property, plant and equipment with an aggregate cost of RM19,302,500 (2009 : RM6,223,373) of which RM1,262,340 (2009 : RM316,500) was acquired by means of finance lease arrangements. The remaining of RM18,040,160 (2009 : RM5,906,873) was purchased by way of cash payments.

B. *Cash and cash equivalents*
Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts :

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| Cash and bank balances | 9 | 49,030,918 | 36,059,283 |
| Short term deposits with licensed banks | 9 | 6,600,000 | 2,950,000 |
| Bank overdrafts | 12 | (4,900,506) | (4,138,774) |
| | | **50,730,412** | **34,870,509** |

The notes on pages 29 to 65 are an integral part of these financial statements.

# Statement of financial position as at 31 December 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| **Assets** | | | |
| Investments in subsidiaries | 5 | 60,855,160 | 56,853,049 |
| Other investments | 6 | 1,966,556 | 2,017,668 |
| **Total non-current assets** | | **62,821,716** | **58,870,717** |
| Trade and other receivables | 7 | 23,866,867 | 29,319,198 |
| Current tax assets | | - | |
| Cash and cash equivalents | 9 | 3,074,556 | 168,260 |
| **Total current assets** | | **26,941,423** | **29,532,364** |
| **Total assets** | | **89,763,139** | **88,403,081** |
| **Equity** | | | |
| Share capital | 10 | 105,204,500 | 105,204,500 |
| Reserves | 11 | (15,725,730) | (17,207,487) |
| **Total equity** | | **89,478,770** | **87,997,013** |
| **Liabilities** | | | |
| Trade and other payables | 14 | 284,369 | 406,068 |
| **Total current liabilities** | | **284,369** | **406,068** |
| **Total equity and liabilities** | | **89,763,139** | **88,403,081** |

The notes on pages 29 to 65 are an integral part of these financial statements.

## Statement of comprehensive income for the year ended 31 December 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 15 | 4,106,936 | 7,015,260 |
| Cost of goods sold | | (105,571) | (1,001,471) |
| **Gross profit** | | **4,001,365** | **6,013,789** |
| Other income | | 3,193,347 | 1,000,477 |
| Administrative expenses | | (478,375) | (511,621) |
| Other operating expenses | | (51,109) | (1,123,440) |
| **Results from operating activities** | 16 | **6,665,228** | **5,379,205** |
| Interest income | | 25,054 | 25,096 |
| Finance costs | 18 | (345) | (50) |
| **Profit before tax** | | **6,689,937** | **5,404,251** |
| Income tax expense | 19 | (1,000,000) | - |
| **Profit for the year and total comprehensive income for the year** | | **5,689,937** | **5,404,251** |

## Statement of changes in equity for the year ended 31 December 2010

| | Note | Share capital RM | Non-distributable Share premium RM | Accumulated losses RM | Total equity RM |
|---|---|---|---|---|---|
| **At 1 January 2009** | | **105,204,500** | **3,938,567** | **(24,446,215)** | **84,696,852** |
| Total comprehensive income for the year | | - | - | 5,404,251 | 5,404,251 |
| Dividends to owners of the Company | 22 | - | - | (2,104,090) | (2,104,090) |
| **At 31 December 2009/ 1 January 2010** | | **105,204,500** | **3,938,567** | **(21,146,054)** | **87,997,013** |
| Total comprehensive income for the year | | - | - | 5,689,937 | 5,689,937 |
| Dividends to owners of the Company | 22 | - | - | (4,208,180) | (4,208,180) |
| **At 31 December 2010** | | **105,204,500** | **3,938,567** | **(19,664,297)** | **89,478,770** |
| | | Note 10 | Note 11 | Note 11 | |

The notes on pages 29 to 65 are an integral part of these financial statements.

# Statement of cash flows for the year ended 31 December 2010

| | Note | 2010<br>RM | 2009<br>RM |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 6,689,937 | 5,404,251 |
| Adjustments for : | | | |
| Interest income | | (25,054) | (25,096) |
| Dividend income | 15 | (4,000,000) | (6,000,000) |
| Reversal of impairment loss on investments in subsidiaries | 16 | (3,193,347) | (1,000,477) |
| Impairment loss on other investments | 16 | 51,112 | 82,701 |
| Interest expense | 18 | 345 | 50 |
| Operating loss before changes in working capital | | (477,007) | (1,538,571) |
| Changes in working capital : | | | |
| Trade and other receivables | | 2,481,794 | 3,434,246 |
| Trade and other payables | | (121,699) | (1,416,487) |
| Cash generated from operations | | 1,883,088 | 479,188 |
| Dividend received | | 6,970,537 | 2,300,860 |
| Income taxes paid | | (955,094) | (5,325) |
| **Net cash from operating activities** | | **7,898,531** | **2,774,723** |
| **Cash flows from investing activities** | | | |
| Interest received | | 25,054 | 25,096 |
| Increase in investments in subsidiaries | | (808,764) | (674,418) |
| **Net cash used in investing activities** | | **(783,710)** | **(649,322)** |
| **Cash flows from financing activities** | | | |
| Interest paid | | (345) | (50) |
| Dividend paid | 22 | (4,208,180) | (2,104,090) |
| **Net cash used in financing activities** | | **(4,208,525)** | **(2,104,140)** |
| Net increase in cash and cash equivalents | | 2,906,296 | 21,261 |
| Cash and cash equivalents at 1 January | | 168,260 | 146,999 |
| **Cash and cash equivalents at 31 December** | A | **3,074,556** | **168,260** |

Note

A. *Cash and cash equivalents*

Cash and cash equivalents included in the statement of cash flows comprise cash and bank balances as shown in Note 9 to the financial statements.

The notes on pages 29 to 65 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 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

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 25 April 2011.

# 1. Basis of preparation

## (a) Statement of compliance

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

The Group and the Company have not applied the following new/revised accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective :

**Amendments effective for annual periods beginning on or after 1 March 2010**

- Amendments to FRS 132, Financial Instruments: Presentation - Classification of Rights Issues *

**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 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
  - Addition Exemption for First-time Adopters
- Amendments to FRS 2, Group Cash-settled Share Based Payment Transactions *
- Amendments to FRS 7, Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments
- IC Interpretation 4, Determining whether on arrangement contains a Lease
- IC Interpretation 18, Transfers of Assets from Customers *
- Improvements to FRSs (2010)

**FRSs, Interpretation and amendments effective for annual periods beginning on or after 1 July 2011**

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement #

**FRSs, Interpretation and amendments effective for annual periods beginning on or after 1 January 2012**

- FRS 124, Related Party Disclosures (revised)
- IC Interpretation 15, Agreements for the Construction of Real Estate #

# 1. Basic of preparation (Cont'd)

## (a) Statement of compliance (Cont'd)

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

- 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 those marked " * " which are not applicable to the Group and the Company; and
- from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for those marked " # " 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 or which requires extended disclosures is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The initial application of the remaining standards, improvements and amendments is not expected to have any significant impact on the Group's and the Company's financial statements.

Following the announcement by the MASB on 1 August 2008, the Group's and the Company's financial statements will be prepared in accordance with International Financial Reporting Standards (IFRS) framework for annual periods beginning on 1 January 2012. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

## (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. All financial information is presented in RM unless otherwise stated.

## (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 notes.

# 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, other than as disclosed.

## (a) Basic 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.

# 2. Significant accounting policies (Cont'd)

## (a) Basic of consolidation (Cont'd)

***(i) Subsidiaries (Cont'd)***

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.
- TG Power Wrap Sdn. Bhd.

Investments in subsidiaries are stated in the Company's statement of financial position 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 profit or loss.

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

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

***(iii) Transactions eliminated on consolidation***

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 transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

# 2. Significant accounting policies (Cont'd)

## (b) Foreign currency (Cont'd)

**(i) Foreign currency transactions (Cont'd)**

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwil fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations, excluding operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign curren translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising f a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

## (c) Financial instruments

Arising from the adoption of FRS 139, Financial Instruments: Recognition and Measurement, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 28.

**(i) Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

**(ii) Financial instrument categories and subsequent measurement**

The Group and the Company categorise financial instruments as follows:

***Financial assets***

***(a) Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

# 2. Significant accounting policies (Cont'd)

## (c) Financial instruments (Cont'd)

**(ii) Financial instrument categories and subsequent measurement (Cont'd)**

***(b) Available-for-sale financial assets***

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

***(c) Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivable and cash and cash equivalent.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

**(iii) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

**(iv) Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

**(v) Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

# 2. Significant accounting policies (Cont'd)

## (c) Financial instruments (Cont'd)

**(v) Derecognition (Cont'd)**

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## (d) Property, plant and equipment

***(i) Recognition and measurement***

Items of property, plant and equipment are measured 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.

The gains or 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 profit or loss. 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 or the Company 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 profit or loss 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 reviewed, and adjusted as appropriate at the end of the reporting period.

## (e) Leased assets

***(i) Finance lease***

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition of 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.

# 2. Significant accounting policies (Cont'd)

## (e) Leased assets (Cont'd)

***(i) Finance lease (Cont'd)***

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 or of the Company 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 statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for leasehold land classified as investment property.

In the previous years, a 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 that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

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.

The Group has adopted the amendment made to FRS 117, *Leases* in 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

## (f) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivable are categorised and measured as loans and receivables in accordance with Note 2(c).

## (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, production or conversion costs and other costs incurred in 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.

## (h) Cash and cash equivalents

Cash and cash equivalents consist of cash in 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.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2(c).

# 2. Significant accounting policies (Cont'd)

## (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.

## (j) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability 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 or 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 end of the reporting period.

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.

## (k) 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.

## (l) Impairment of assets

**(i) Financial assets**

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

# 2. Significant accounting policies (Cont'd)

## (l) Impairment of assets (Cont'd)

**(i) Financial assets (Cont'd)**

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

**(ii) Other assets**

The carrying amounts of other assets (except for inventories and property development cost and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. 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").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period 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 since the last impairment loss was recognised. 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 profit or loss in the year in which the reversals are recognised.

## (m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

**Issue expenses**

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

## (n) 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 in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

***(iii) Services rendered***

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

# 2. Significant accounting policies (Cont'd)

## (o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Before 1 January 2010, all borrowing costs were recognised in profit or loss using the effective interest method in the period in which they are incurred.

Following the adoption of revised FRS 123, *Borrowing Costs*, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

## (p) 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 profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

***(ii) State plans***

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

***(iii) 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.

## (q) 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.

# 2. Significant accounting policies (Cont'd)

## (r) Operating segment

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

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## 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 2009, restated | 36,337,467 | 145,856,630 | 7,099,700 | 9,483,959 | 1,667,339 | 200,445,095 |
| 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/ 1 January 2010, restated | 36,279,464 | 148,933,782 | 7,696,683 | 9,432,522 | 2,748,320 | 205,090,771 |
| Additions | 5,638,504 | 9,581,171 | 993,760 | 1,285,589 | 1,803,476 | 19,302,500 |
| Disposals | - | (246,850) | (22,394) | (586,828) | - | (856,072) |
| Write off | - | (137,383) | (3,400) | - | - | (140,783) |
| Reclassification | - | 2,750,000 | - | - | (2,750,000) | - |
| Foreign exchange differences | (793,455) | (3,060,204) | (100,439) | (33,472) | (115,536) | (4,103,106) |
| At 31 December 2010 | 41,124,513 | 157,820,516 | 8,564,210 | 10,097,811 | 1,686,260 | 219,293,310 |
| **Accumulated depreciation and impairment loss** | | | | | | |
| At 1 January 2009, restated | | | | | | |
| - Accumulated depreciation | 8,452,403 | 72,094,983 | 5,035,333 | 7,851,964 | - | 93,434,683 |
| Depreciation for the year | 1,296,827 | 11,865,560 | 659,413 | 744,952 | - | 14,566,752 |
| 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/ 1 January 2010, restated | | | | | | |
| - Accumulated depreciation | 9,729,939 | 83,640,777 | 5,667,399 | 7,846,306 | - | 106,884,421 |
| - Accumulated impairment losses | - | - | 137,742 | - | - | 137,742 |
| | 9,729,939 | 83,640,777 | 5,805,141 | 7,846,306 | - | 107,022,163 |
| Depreciation for the year | 1,425,164 | 11,763,702 | 579,114 | 706,067 | - | 14,474,047 |
| Impairment loss | - | - | 38,648 | - | - | 38,648 |
| Disposals | - | (180,182) | (13,869) | (586,824) | - | (780,875) |
| Write off | - | (65,944) | (1,867) | - | - | (67,811) |
| Foreign exchange differences | (168,894) | (1,459,827) | (62,363) | (24,524) | - | (1,715,608) |
| At 31 December 2010 | | | | | | |
| - Accumulated depreciation | 10,986,209 | 93,698,526 | 6,168,414 | 7,941,025 | - | 118,794,174 |
| - Accumulated impairment losses | - | - | 176,390 | - | - | 176,390 |
| | 10,986,209 | 93,698,526 | 6,344,804 | 7,941,025 | - | 118,970,564 |
| **Carrying amounts** | | | | | | |
| At 1 January 2009, restated | 27,885,064 | 73,761,647 | 2,064,367 | 1,631,995 | 1,667,339 | 107,010,412 |
| At 31 December 2009/ 1 January 2010, restated | 26,549,525 | 65,293,005 | 1,891,542 | 1,586,216 | 2,748,320 | 98,068,608 |
| At 31 December 2010 | 30,138,304 | 64,121,990 | 2,219,406 | 2,156,786 | 1,686,260 | 100,322,746 |

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

Land and buildings comprise :

| | Cost/Valuation | | Carrying amounts | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| At valuation | | | | |
| Freehold land | 5,149,000 | 5,149,000 | 5,149,000 | 5,149,000 |
| Leasehold land with unexpired lease period of more than 50 years | 375,000 | 375,000 | 364,507 | 364,908 |
| Factory buildings | 5,783,630 | 5,783,630 | 2,721,447 | 2,894,800 |
| At cost | | | | |
| Freehold land | 290,000 | 290,000 | 290,000 | 290,000 |
| Factory buildings | 29,526,883 | 24,681,834 | 21,613,350 | 17,850,817 |
| | 41,124,513 | 36,279,464 | 30,138,304 | 26,549,525 |

The land and buildings carried at valuation 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 |
|---|---|---|---|
| **2010** | | | |
| Freehold land | 489,449 | - | 489,449 |
| Leasehold land with unexpired lease period of more than 50 years | 334,101 | 6,160 | 327,941 |
| Factory buildings | 3,229,681 | 2,231,564 | 998,117 |
| | 4,053,231 | 2,237,724 | 1,815,507 |
| **2009** | | | |
| Freehold land | 489,449 | - | 489,449 |
| Leasehold land with unexpired lease period of more than 50 years | 334,101 | 5,802 | 328,299 |
| Factory buildings | 3,229,681 | 2,097,640 | 1,132,041 |
| | 4,053,231 | 2,103,442 | 1,949,789 |

***Security***

At 31 December 2010, property, plant and equipment with a cost of approximately RM165,000 (2009 : RM165,000) are charged to a licensed bank for banking facilities granted to certain subsidiaries.

***Finance lease liabilities***

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

| | 2010 RM | 2009 RM |
|---|---|---|
| Motor vehicles | 1,019,158 | 843,588 |
| Plant and machinery | 1,080,114 | - |
| | 2,099,272 | 843,588 |

## 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 2009, restated | 8,005,870 | 55,000 | 8,060,870 |
| Foreign exchange differences | (33,300) | - | (33,300) |
| At 31 December 2009/1 January 2010, restated | 7,972,570 | 55,000 | 8,027,570 |
| Additions | 3,196,329 | - | 3,196,329 |
| Foreign exchange differences | (229,914) | - | (229,914) |
| At 31 December 2010 | 10,938,985 | 55,000 | 10,993,985 |
| **Amortisation** | | | |
| At 1 January 2009, restated | 1,401,260 | 12,833 | 1,414,093 |
| Amortisation for the year | 155,665 | 1,100 | 156,765 |
| Foreign exchange differences | (4,076) | - | (4,076) |
| At 31 December 2009/1 January 2010, restated | 1,552,849 | 13,933 | 1,566,782 |
| Amortisation for the year | 180,209 | 1,100 | 181,309 |
| Foreign exchange differences | (32,740) | - | (32,740) |
| At 31 December 2010 | 1,700,318 | 15,033 | 1,715,351 |
| **Carrying amounts** | | | |
| At 1 January 2009, restated | 6,604,610 | 42,167 | 6,646,777 |
| At 31 December 2009/1 January 2010, restated | 6,419,721 | 41,067 | 6,460,788 |
| At 31 December 2010 | 9,238,667 | 39,967 | 9,278,634 |

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.

## 5. Investments in subsidiaries - Company

| | 2010 RM | 2009 RM |
|---|---|---|
| Unquoted shares, at cost | 62,512,771 | 61,704,007 |
| Less : Impairment losses | (1,657,611) | (4,850,958) |
| | 60,855,160 | 56,853,049 |

## 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 2010 % | 2009 % |
|---|---|---|---|---|
| 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 ("TGPP") | 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 |
| TG Power Wrap Sdn. Bhd. ("TGPW") # @ | Malaysia | Manufacturing and marketing of plastic packaging products | 100 | - |

\# - Not audited by KPMG
@ - The unaudited management financial statements were consolidated in the Group financial statements as the subsidiary's financial statements have yet to be audited.

## 6. Other investments

| | Group/Company 2010 RM | 2009 RM |
|---|---|---|
| **Non-current** | | |
| *At cost less impairment losses* | | |
| Unquoted shares | - | 2,873,511 |
| Less : Impairment losses | - | (855,843) |
| | - | 2,017,668 |
| *Available-for-sale financial assets* | | |
| Unquoted shares, at cost | 1,966,556 | - |

The comparative figures as at 31 December 2009 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS139 by virtue of the exemption given in FRS 7.44AA.

## 7. Trade and other receivables

| | Note | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Trade receivables | 7.1 | 65,988,309 | 56,830,623 | 850,863 | 1,032,027 |
| **Non-trade** | | | | | |
| Other receivables | | 3,838,707 | 8,311,351 | 115,000 | - |
| Amount due from subsidiaries | 7.2 | - | - | 22,899,004 | 28,285,171 |
| Deposits | 7.3 | 2,916,019 | 1,498,612 | 2,000 | 2,000 |
| Prepayments | | 709,551 | 1,023,939 | - | - |
| | | 73,452,586 | 67,664,525 | 23,866,867 | 29,319,198 |

***7.1 Trade receivables***

Included in trade receivables of the Group is an amount of RM479,301 (2009 : RM438,420) due from companies in which certain Directors have substantial financial interests.

***7.2 Amount due from subsidiaries***

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

***7.3 Deposits***

Included in current year's deposits of the Group is an amount of RM2,506,700 representing deposits paid for the purchase of machinery. In prior year, deposits included an amount of RM930,000 as deposits paid for purchase of property.

## 8. Inventories - Group

| | 2010 RM | 2009 RM |
|---|---|---|
| Raw materials | 56,752,727 | 46,915,541 |
| Work-in-progress | 3,263,746 | 3,005,623 |
| Manufactured inventories | 7,824,657 | 15,437,099 |
| Trading inventories | 11,669,928 | 6,476,312 |
| | 79,511,058 | 71,834,575 |

## 9. Cash and cash equivalents

| | Group 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|
| Cash and bank balances | 49,030,918 | 36,059,283 | 3,074,556 | 168,260 |
| Short term deposits with licensed banks | 6,600,000 | 2,950,000 | - | - |
| | 55,630,918 | 39,009,283 | 3,074,556 | 168,260 |

## 10. Share capital

| | 2010 Amount RM | 2010 Number of shares | 2009 Amount RM | 2009 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 2010 RM | Group 2009 RM | Company 2010 RM | Company 2009 RM |
|---|---|---|---|---|---|
| **Non-distributable** | | | | | |
| Share premium | | 3,938,567 | 3,938,567 | 3,938,567 | 3,938,567 |
| Translation reserve | 11.1 | 1,351,252 | 4,633,994 | - | - |
| Statutory reserve | 11.2 | 4,140,888 | 4,140,888 | - | - |
| Accumulated losses | | - | - | (19,664,297) | (21,146,054) |
| **Distributable** | | | | | |
| Retained earnings | | 102,075,584 | 86,488,944 | - | - |
| | | 111,506,291 | 99,202,393 | (15,725,730) | (17,207,487) |

***11.1 Translation reserve***

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

***11.2 Statutory reserve***

The statutory reserve represents transfer from retained earnings as required by the local regulations in People's Republic of China.

# 12. Loans and borrowings - Group

| | 2010 RM | 2009 RM |
|---|---|---|
| **Non-current :** | | |
| Secured term loans | 3,367,065 | - |
| Finance lease liabilities | 666,992 | 207,388 |
| | 4,034,057 | 207,388 |
| **Current :** | | |
| Secured | | |
| - Term loans | 854,346 | - |
| - Bank overdrafts | 619,813 | 1,189,181 |
| - Bankers' acceptances | 5,094,000 | 4,177,000 |
| | 6,568,159 | 5,366,181 |
| Unsecured | | |
| - Bank overdrafts | 4,280,693 | 2,949,593 |
| - Revolving credits | 2,475,775 | 2,745,005 |
| - Onshore foreign currency loans | 11,444,778 | 5,608,366 |
| - Bankers' acceptances | - | 5,317,550 |
| | 18,201,246 | 16,620,514 |
| Finance lease liabilities | 593,797 | 344,939 |
| | 25,363,202 | 22,331,634 |

***12.1 Securities***

The above secured term loans and bank borrowings are secured by fixed charges over certain land and factory buildings of the respective subsidiaries for which the facilities are granted (Note 3 and Note 4).

# 12. Loans and borrowings – Group (Cont'd)

### *12.2 Finance lease liabilities*

Finance lease liabilities are payable as follows :

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Future minimum lease payments RM | Interest RM | Present value of minimum lease payments RM | Future minimum lease payments RM | Interest RM | Present value of minimum lease payments RM |
| Less than 1 year | 654,032 | 60,235 | 593,797 | 367,320 | 22,381 | 344,939 |
| Between 1 and 5 years | 704,988 | 37,996 | 666,992 | 214,945 | 7,557 | 207,388 |
| | 1,359,020 | 98,231 | 1,260,789 | 582,265 | 29,938 | 552,327 |

# 13. Deferred tax liabilities

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

| | Group | |
|---|---|---|
| | 2010 RM | 2009 RM |
| Property, plant and equipment (including prepaid lease payments) | | |
| - Capital allowances | 7,387,455 | 7,875,575 |
| - Revaluation | 685,772 | 722,824 |
| - Provision | (22,000) | (82,000) |
| | 8,051,227 | 8,516,399 |

Movement in temporary differences during the year are as follows :

| Group | At 1 January 2009 RM'000 | Recognised in profit or loss (Note 19) RM'000 | At 31 December 2009/ 1 January 2010 RM'000 | Recognised in profit or loss (Note 19) RM'000 | At 31 December 2010 RM'000 |
|---|---|---|---|---|---|
| *Deferred tax liabilities* | | | | | |
| Property, plant and equipment (including prepaid lease payments) | | | | | |
| - Capital allowance | 6,284 | 1,591 | 7,875 | (488) | 7,387 |
| - Revaluation | 760 | (37) | 723 | (37) | 686 |
| - Provision | - | (82) | (82) | 60 | (22) |
| | 7,044 | 1,472 | 8,516 | (465) | 8,051 |

**Unrecognised deferred tax assets**

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Other temporary differences | 1,951,000 | 2,354,000 | - | - |
| Capital allowance carry-forwards | (1,543,000) | (2,004,000) | - | - |
| Tax losses carry-forwards | (3,170,000) | (3,739,000) | (1,706,000) | (1,375,000) |
| | (2,762,000) | (3,389,000) | (1,706,000) | (1,375,000) |

# 13. Deferred tax liabilities (Cont'd)

**Unrecognised deferred tax assets (Cont'd)**

The other temporary differences, capital allowance carry-forwards and tax losses carry-forwards 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 profits will be available against which the Group and the Company can utilise the benefits therefrom.

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

# 14. Trade and other payables

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2010** | **2009** | **2010** | **2009** |
| | | **RM** | **RM** | **RM** | **RM** |
| **Trade** | | | | | |
| Trade payables | 14.1 | 58,018,129 | 38,650,470 | - | - |
| Amount due to a subsidiary | 14.2 | - | - | - | 32,560 |
| | | 58,018,129 | 38,650,470 | - | 32,560 |
| **Non-trade** | | | | | |
| Other payables | | 4,965,893 | 9,184,322 | 50,920 | 139,629 |
| Accrued expenses | | 5,545,378 | 5,528,504 | 233,449 | 233,879 |
| | | 10,511,271 | 14,712,826 | 284,369 | 373,508 |
| | | 68,529,400 | 53,363,296 | 284,369 | 406,068 |

***14.1 Trade payables***

Included in trade payables of the Group is an amount of RM192,270 (2009 : RM1,321,889) due to companies in which certain Directors have substantial financial interests which are subject to normal trade terms.

***14.2 Amount due to a subsidiary***

The trade payables due to a subsidiary were subjected to normal trade terms.

# 15. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **RM** | **RM** | **RM** | **RM** |
| Invoiced value of goods sold less discounts and returns | 488,598,955 | 408,778,230 | 106,936 | 1,015,260 |
| Dividend income from subsidiaries | - | - | 4,000,000 | 6,000,000 |
| | 488,598,955 | 408,778,230 | 4,106,936 | 7,015,260 |

## 16. Results from operating activities

Results from operating activities are arrived at :

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| | | (restated) | | |
| After charging : | | | | |
| Auditors' remuneration | | | | |
| - Statutory audit | | | | |
| - KPMG | | | | |
| - current year | 101,000 | 97,000 | 13,000 | 13,000 |
| - prior year | 2,000 | 25,100 | - | 15,000 |
| - Other auditors | 17,771 | 12,051 | - | - |
| - Other services | | | | |
| - KPMG | | | | |
| - current year | - | 28,000 | - | 28,000 |
| - prior year | 10,000 | 38,000 | 10,000 | 38,000 |
| - Affiliates of KPMG | | | | |
| - current year | 16,350 | 19,025 | 3,000 | 2,000 |
| - prior year | (1,625) | - | 1,000 | - |
| Bad debts written off | 79,104 | 129,073 | - | - |
| Depreciation of property, plant and equipment (Note 3) | 14,474,047 | 14,566,752 | - | - |
| Impairment loss on property, plant and equipment (Note 3) | 38,648 | 137,742 | - | - |
| Amortisation of prepaid lease payments (Note 4) | 181,309 | 156,765 | - | - |
| Directors' emoluments | | | | |
| Directors of the Company | | | | |
| - fees | 268,000 | 268,000 | 175,000 | 175,000 |
| - others | 37,000 | 28,490 | 37,000 | 28,490 |
| - remuneration | 1,808,992 | 1,616,762 | - | - |
| Other Directors | | | | |
| - fees | 52,000 | 52,000 | - | - |
| - remuneration | 456,226 | 465,833 | - | - |
| Personnel expenses (excluding key management personnel) | | | | |
| - Wages, salaries and others | 24,000,526 | 21,228,246 | 35,315 | 67,790 |
| - Contributions to state plans | 1,826,185 | 1,928,974 | 2,160 | 6,164 |
| Rental expense | 712,447 | 1,077,827 | - | - |
| Property, plant and equipment written off | 72,972 | 2,242 | - | - |
| Impairment loss on receivables | 186,380 | 274,495 | - | 1,040,739 |
| Impairment loss on other investments | 51,112 | 82,701 | 51,112 | 82,701 |
| Loss on foreign exchange | | | | |
| - realised | 2,622,761 | - | - | - |
| - unrealised | - | 910,469 | - | - |
| and crediting : | | | | |
| Gain on disposal of property, plant and equipment | 210,537 | 149,326 | - | - |
| Gain on foreign exchange | | | | |
| - realised | - | 1,734,409 | - | - |
| - unrealised | 151,818 | - | - | - |
| Rental income | 98,400 | 93,450 | - | - |
| Bad debts recovered | - | 2,031 | - | - |
| Reversal of impairment loss on receivables | 901,958 | - | - | - |
| Reversal of impairment loss on investments in subsidiaries (Note 5) | - | - | 3,193,347 | 1,000,477 |

## 17. Key management personnel compensation

The key management personnel compensation is as follows :

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| Directors of the Company | | | | |
| - Fees | 146,000 | 146,000 | 75,000 | 75,000 |
| - Others | 2,000 | (2,010) | 2,000 | (2,010) |
| - Remuneration | 1,684,392 | 1,493,962 | - | - |
| Other Directors | | | | |
| - Fees | 8,000 | 8,000 | - | - |
| - Remuneration | 289,366 | 304,351 | 65,072 | - |
| | 2,129,758 | 1,950,303 | 142,072 | 72,990 |

## 18. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| Interest expense on : | | | | |
| Term loans | 268,900 | 211,200 | - | - |
| Finance lease liabilities | 42,830 | 14,012 | - | - |
| Bank overdrafts | 164,136 | 48,138 | 345 | 50 |
| Other borrowings | 166,657 | 520,668 | - | - |
| | 642,523 | 794,018 | 345 | 50 |

## 19. Income tax expense

**Recognised in profit or loss**

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| Income tax expense on continuing operations | 2,863,889 | 3,379,624 | 1,000,000 | - |

Major components of income tax expense include:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM |
| **Current income tax expense** | | | | |
| Malaysian tax | | | | |
| - Current year | 2,678,967 | 1,812,409 | 1,000,000 | - |
| - Prior years | 224,312 | (176,532) | - | - |
| Foreign tax | | | | |
| - Current year | 425,782 | - | - | - |
| - Prior years | - | 271,630 | - | - |
| Total current tax | 3,329,061 | 1,907,507 | 1,000,000 | - |
| **Deferred tax expense** | | | | |
| - Origination and reversal of temporary differences | (158,507) | 1,548,336 | - | - |
| - Prior years | (269,613) | (39,167) | - | - |
| - Revaluation | (37,052) | (37,052) | - | - |
| Total deferred tax | (465,172) | 1,472,117 | - | - |
| Total income tax expense on continuing operations | 2,863,889 | 3,379,624 | 1,000,000 | - |

## 19. Income tax expense (Cont'd)

**Reconciliation of effective income tax expense**

| | 2010 RM | 2009 RM |
|---|---|---|
| **Group** | | |
| Profit for the year | 19,794,820 | 15,161,128 |
| Total income tax expense | 2,863,889 | 3,379,624 |
| Profit excluding tax | 22,658,709 | 18,540,752 |
| Income tax calculated using Malaysian tax rate at 25% | 5,664,677 | 4,635,188 |
| Effect of different tax rates in foreign jurisdictions * | (425,782) | - |
| Non-deductible expenses | 487,483 | 1,261,535 |
| Income not subject to tax | (6,618) | (377,556) |
| Tax incentive | (2,618,657) | (2,183,166) |
| Reversal of deferred tax on revaluation | (37,052) | (37,052) |
| Effect of unrecognised deferred tax assets | (156,864) | 25,431 |
| (Over)/Under provision in prior years | (45,301) | 55,931 |
| Others | 2,003 | (687) |
| Income tax expense | 2,863,889 | 3,379,624 |
| **Company** | | |
| Profit before tax | 6,689,937 | 5,404,251 |
| Income tax calculated using Malaysian tax rate at 25% | 1,672,484 | 1,351,063 |
| Non-deductible expenses | 43,285 | 324,895 |
| Income not subject to tax | (798,351) | (250,119) |
| Tax exempt income | - | (1,500,000) |
| Effect of unrecognised deferred tax assets | 82,582 | 74,161 |
| Income tax expense | 1,000,000 | - |

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.

* The tax rates in the foreign jurisdictions in which certain foreign subsidiaries operate are different from that of the Malaysian tax rate.

# 20. Employee benefits - Group

*Share-based payments*

The number of share options are as follows :

| | Number 2010 | Number 2009 |
|---|---|---|
| At 1 January | 6,213,500 | 6,968,500 |
| Lapsed during the year | (6,213,500) | (755,000) |
| At 31 December | - | 6,213,500 |
| Exercisable at 31 December | - | 6,213,500 |

The Group offered 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, which expired on 1 February 2010. 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 2010 | Number 2009 |
|---|---|---|---|
| 1.2.2010 | RM1.73 | - | 6,213,500 |

# 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 RM19,794,820 (2009 : RM15,161,128) and on the weighted average number of ordinary shares outstanding during the year of 105,204,500 (2009 : 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 (2009 : 105,204,500).

# 22. Dividends

| | Sen per share (tax exempt) | Total amount RM | Date of payment |
|---|---|---|---|
| **2010** | | | |
| - First and final 2009 ordinary dividend | 4.00 | 4,208,180 | 18 August 2010 |
| **2009** | | | |
| - First and final 2008 ordinary dividend | 2.00 | 2,104,090 | 17 August 2009 |

A final dividend of 5 sen per ordinary share tax exempt in respect of the financial year ended 31 December 2010 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 2011.

## 23. Capital commitment

| | Group 2010 RM'000 | Group 2009 RM'000 | Company 2010 RM'000 | Company 2009 RM'000 |
|---|---|---|---|---|
| Contracted but not provided for in the financial statements - within 1 year | | | | |
| Property, plant and equipment | 10,187 | 8,723 | 239 | 1,062 |

## 24. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the year.

## 25. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Plastic products
- Food and beverages
- Consumable products and machinery

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Managing Director (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other non-reportable segment represents the investment holding and other activities of the Group.

**Segment assets**

The total of segment assets are measured on all assets of a segment as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total assets are used to measure the return on assets of each segment.

## 25. Operating segments (Cont'd)

| | Plastic Products | | Food and Beverages | | Consumable products and machinery | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | RM | RM | RM | RM | RM | RM | RM | RM |
| **Revenue** | | | | | | | | |
| Revenue from external customers | 460,395,710 | 382,525,302 | 23,445,017 | 21,313,661 | 4,758,228 | 4,939,267 | 488,598,955 | 408,778,230 |
| **Segment profit** | 21,632,589 | 18,217,518 | 976,901 | 312,456 | 49,219 | 10,778 | 22,658,709 | 18,540,752 |
| Included in the measure of segment profit are : | | | | | | | | |
| - Depreciation and amortisation | 13,998,066 | 14,002,708 | 602,927 | 648,075 | 54,363 | 72,734 | 14,655,356 | 14,723,517 |
| - Non-cash expenses other than depreciation and amortisation | 98,234 | 181,879 | 85,397 | 185,618 | 12,434 | 33,071 | 196,065 | 400,568 |
| **Segment assets** | 298,958,688 | 262,971,482 | 21,688,044 | 21,456,688 | 2,528,851 | 4,569,874 | 323,175,583 | 288,998,044 |
| Included in the measure of segment assets is : | | | | | | | | |
| - Capital expenditure | 24,465,277 | 5,748,736 | 741,358 | 416,402 | 42,194 | 58,235 | 25,248,829 | 6,223,373 |

***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 or customers. Segment assets are based on geographical location of assets. The amounts of non-current assets do not include financial instruments.

| | 2010 | 2009 |
|---|---|---|
| | RM | RM |
| **Geographical information** | | |
| **Revenue** | | |
| Malaysia | 74,627,535 | 86,746,855 |
| Other ASEAN Countries | 56,855,414 | 43,299,768 |
| Japan | 160,690,218 | 153,589,232 |
| Australia | 65,170,407 | 53,602,498 |
| China | 34,453,216 | 17,067,825 |
| Russia | 29,909,250 | 34,232,300 |
| Taiwan | 12,700,556 | 5,133,338 |
| New Zealand | 9,833,267 | 8,862,028 |
| Others | 44,359,092 | 6,244,386 |
| | 488,598,955 | 408,778,230 |
| **Non-current assets** | | |
| Malaysia | 76,866,756 | 69,672,395 |
| China | 30,538,295 | 36,874,669 |
| Vietnam | 2,196,329 | - |
| | 109,601,380 | 106,547,064 |

# 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
- Datuk 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 :

| | 2010 RM | 2009 RM |
|---|---|---|
| **Company** | | |
| Dividend income (gross) receivable from : | | |
| STGT | 2,000,000 | - |
| TGPP | 2,000,000 | - |
| TGPM | - | 6,000,000 |
| Purchases from TGPP | 105,571 | 1,001,471 |
| Interest income from JUS | 25,000 | 25,000 |

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

i) Sales to :

| | 2010 RM | 2009 RM |
|---|---|---|
| KFI | 1,677 | 2,158,005 |
| NS | 7,364 | 17,081 |
| HFS | 1,734,138 | 1,530,980 |

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

26.2 Related party transactions (Cont'd)

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

ii) Purchases from :

| | 2010 RM | 2009 RM |
|---|---|---|
| KM | 32,752 | 20,612 |
| KFI | 3,876,830 | 4,516,329 |
| NS | 17,750 | 42,000 |
| HFS | 2,389 | - |

iii) Rental expense payable to :

| | 2010 RM | 2009 RM |
|---|---|---|
| KP | 51,600 | 51,600 |
| TGPK | 2,400 | 18,600 |

26.2.3 The Group's transactions with 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 :

i) Sales to :

| | 2010 RM | 2009 RM |
|---|---|---|
| JD | - | 4,200 |
| FTT | 78,649 | 116,345 |

ii) Purchases from :

| | 2010 RM | 2009 RM |
|---|---|---|
| FTT | 334,233 | 123,768 |

iii) Rental expense payable to :

| | 2010 RM | 2009 RM |
|---|---|---|
| BV | 329,871 | 691,500 |

iv) Purchase of property, plant and equipment

| | 2010 RM | 2009 RM |
|---|---|---|
| BV | 6,200,000 | - |

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). During the year, the ESOS expired on 1 February 2010.

# 27. Financial instruments

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

### 27.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R);
(b) Fair value through profit or loss (FVTPL)
- Held for trading (HFT);
(c) Available-for-sale financial assets (AFS); and
(d) Other financial liabilities measured at amortised cost (OL).

| | Carrying amount RM'000 | L&R RM'000 | FVTPL -HFT RM'000 | AFS RM'000 |
|---|---|---|---|---|
| **2010** | | | | |
| **Financial assets** | | | | |
| **Group** | | | | |
| Other investments | - | - | - | 1,967 |
| Trade and other receivables, including derivatives | 69,827 | 69,775 | 52 | - |
| Cash and cash equivalents | 55,631 | 55,631 | - | - |
| | 125,458 | 125,406 | 52 | 1,967 |

| | Carrying amount RM'000 | L&R RM'000 | FVTPL -HFT RM'000 | AFS RM'000 |
|---|---|---|---|---|
| **2010** | | | | |
| **Financial assets** | | | | |
| **Company** | | | | |
| Other investments | - | - | - | 1,967 |
| Trade and other receivables | 966 | 966 | - | - |
| Cash and cash equivalents | 3,074 | 3,074 | - | - |
| | 4,040 | 4,040 | - | 1,967 |

| | Carrying amount RM'000 | OL RM'000 |
|---|---|---|
| **2010** | | |
| **Financial liabilities** | | |
| **Group** | | |
| Loans and borrowings | 29,397 | 29,397 |
| Trade and other payables | 68,530 | 68,530 |
| | 97,927 | 97,927 |
| **Company** | | |
| Trade and other payables | 284 | 284 |

# 27. Financial instruments (Cont'd)

**27.2 Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

**27.3 Credit risk**

Credit risk is monitored on an ongoing basis.

At the end of the reporting period, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities. The Company's exposure to credit risk arises principally from advances to subsidiaries.

**(a) Receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. The Group uses ageing analysis to monitor the credit quality of the receivables and the risk is also mitigated by the deposits collected from customers.

*Impairment losses*

The ageing of trade receivables as at the end of the reporting period was :

| | Gross RM'000 | Individual impairment RM'000 | Net RM'000 |
|---|---|---|---|
| **Group** | | | |
| **2010** | | | |
| Not past due | 49,943 | - | 49,943 |
| Past due 0 - 30 days | 11,265 | - | 11,265 |
| Past due 31 - 60 days | 1,694 | - | 1,694 |
| Past due more than 60 days | 4,315 | (1,229) | 3,086 |
| | 67,217 | (1,229) | 65,988 |
| **Company** | | | |
| **2010** | | | |
| Not past due | - | - | - |
| Past due 0 - 30 days | - | - | - |
| Past due 31 - 60 days | - | - | - |
| Past due more than 60 days | 851 | - | 851 |
| | 851 | - | 851 |

# 27. Financial instruments (Cont'd)

**27.3 Credit risk (Cont'd)**

**(a) Receivables (Cont'd)**

*Impairment losses (Cont'd)*

The movements in the allowance for impairment losses of trade receivables during the year were :

| | Group 2010 RM'000 | Company 2010 RM'000 |
|---|---|---|
| At 1 January | 2,015 | - |
| Impairment loss recognised | 186 | - |
| Impairment loss reversed | (902) | - |
| Impairment loss written off | (70) | - |
| At 31 December | 1,229 | - |

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

**(b) Other investments**

*Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Group and the Company has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

The Group and the Company do not have overdue investments that have not been impaired.

The investments and other financial assets are unsecured.

**(c) Inter company balances**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to subsidiaries which are wholly-owned by the Company.

*Impairment losses*

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances are not considered overdue and are repayable on demand.

**(d) Corporate guarantees**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk representing the outstanding unsecured banking facilities of the subsidiaries as at the end of the reporting period are as follows:

i) the Company has issued corporate guarantees to licensed banks for banking facilities granted to certain subsidiaries up to a limit of RM221.8 million (2009 : RM222.5 million) of which RM42.8 million (2009 : RM31.6 million) have been utilised as at the end of the reporting period.

# 27. Financial instruments (Cont'd)

**27.3 Credit risk (Cont'd)**

**(d) Corporate guarantees (Cont'd)**

*Exposure to credit risk, credit quality and collateral (Cont'd)*

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 (2009 : RM860,000) of which RM Nil (2009 : RM Nil) has been utilised as at the end of the reporting period.

iii) the Company has issued corporate guarantees amounting to RM89.5 million (2009 : RM95.9 million) to vendors for the purchase of raw materials by certain subsidiaries. The amount owing by the subsidiaries to those vendors as at the end of the reporting period amounted to RM18.6 million (2009 : RM14.1 million).

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment of its outstanding credit facilities.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

**(e) Contingent liability**

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

**(f) Other financial assets**

*Risk management objectives, policies and processes for managing the risk*

The Group's and the Company's cash and cash equivalents are deposited with licensed banks and approved financial institutions.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk is represented by the carrying amounts of cash and cash equivalents in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The other financial assets are unsecured.

**27.4 Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

# 27. Financial instruments (Cont'd)

## 27.4 Liquidity risk (Cont'd)

*Maturity analysis*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| 2010 | Carrying amount RM | Contractual interest rate % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Term loans | 4,221,411 | 4.30 | 4,642,280 | 1,016,353 | 1,016,352 | 2,609,575 | - |
| Finance lease liabilities | 1,260,789 | 2.39 - 6.24 | 1,359,020 | 654,032 | 427,560 | 277,428 | - |
| Bank overdrafts | 4,900,506 | 7.30 - 7.80 | 4,900,506 | 4,900,506 | - | - | - |
| Revolving credit | 2,475,775 | 3.98 | 2,574,312 | 2,574,312 | - | - | - |
| Onshore foreign currency loan | 11,444,778 | 0.80 - 1.32 | 11,557,890 | 11,557,890 | - | - | - |
| Bankers' acceptances | 5,094,000 | 3.50 - 5.08 | 5,094,000 | 5,094,000 | - | - | - |
| Trade and other payables | 68,529,400 | - | 68,529,400 | 68,529,400 | - | - | - |
| | 97,926,659 | | 98,657,408 | 94,326,493 | 1,443,912 | 2,887,003 | - |

*Maturity analysis*

| 2010 | Carrying amount RM | Contractual interest rate % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| *Derivative financial (assets)/ liabilities* | | | | | | | |
| Forward exchange contracts (gross settled) : | | | | | | | |
| Inflow | (52,319) | - | (7,570,105) | (7,570,105) | - | - | - |
| Outflow | - | - | 7,517,786 | 7,517,786 | - | - | - |
| **Company** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade and other payables | 284,369 | - | 284,369 | 284,369 | - | - | - |

# 27. Financial instruments (Cont'd)

### 27.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

**(a) Currency risk**

*Risk management objectives, policies and processes for managing the 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 US Dollar, Japanese Yen, Australian Dollar and Singapore Dollar.

Material foreign currency transaction exposures are hedged using derivative financial instruments such as forward foreign exchange contracts. Where necessary, the forward foreign exchange contracts are rolled over at maturity at market rates.

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

*Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

| | USD RM'000 | JPY RM'000 | AUD RM'000 | SGD RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2010** | | | | |
| Trade and other receivables | 39,764 | 1,888 | 2,410 | 494 |
| Trade and other payables | (46,223) | - | - | - |
| Cash and bank balances | 36,626 | 2,387 | 2,041 | 984 |
| Loans and borrowings | (11,445) | - | - | - |
| **Net exposure** | 18,722 | 4,275 | 4,451 | 1,478 |

*Currency risk sensitivity analysis*

A 5% strengthening of the RM against the following currencies at the end of the reporting period would have increased (decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases. There is no impact to equity arising from exposure to currency risk.

| | Profit or loss RM'000 |
|---|---|
| **Group** | |
| **2010** | |
| USD | (936) |
| JPY | (214) |
| AUD | (223) |
| SGD | (74) |

A 5% weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

**(b) Interest rate risk**

The Group's primary interest rate risk is related to debt obligations and deposits, which are mainly confined to bank borrowings and short term deposits with licensed banks.

*Risk management objectives, policies and processes for managing the risk*

Bank borrowings are on fixed and floating rates terms. The interest rates are negotiated in order to ensure that the Group benefits from the lowest possible financing costs.

# 27. Financial instruments (Cont'd)

**27.5 Market risk (Cont'd)**

**(b) Interest rate risk (Cont'd)**

*Exposure to foreign currency risk*

The interest rate profile of the Group's and the Company's significant interest-earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was :

| | Group 2010 RM'000 | Company 2010 RM'000 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 6,600 | - |
| Financial liabilities | (5,482) | - |
| | 1,118 | - |
| **Floating rate instruments** | | |
| Financial liabilities | (23,916) | - |

*Interest rate risk sensitivity analysis*

*(i) Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

*(ii) Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased (decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant. There is no impact to entity arising from exposures to interest rate risk.

| | Profit or loss | |
|---|---|---|
| **2010** | **100 bp increase RM'000** | **100 bp decrease RM'000** |
| **Group** | | |
| Floating rate instruments | (24) | 24 |

**27.6 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 statement of financial position as at 31 December are shown below :

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | **Carrying amount RM'000** | **Fair value RM'000** | **Carrying amount RM'000** | **Fair value RM'000** |
| **Group** | | | | |
| Forward exchange contracts | | | | |
| - Assets | 52 | 52 | - | 70 |
| Secured term loans | 4,221 | * 4,221 | - | - |
| Finance lease liabilities | 1,261 | * 1,261 | 552 | * 552 |

# 27. Financial instruments (Cont'd)

### 27.6 Fair values (Cont'd)

*Recognised financial instruments (Cont'd)*

* 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. For finance leases the market rate of interest is determined by reference to similar lease agreements.

*Derivatives*

The fair value of forward exchange contracts is based on their listed market price, if available.

# 28. Significant changes in accounting policies

**FRS 101 (revised), Presentation of Financial Statements**

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

**FRS 139, Financial Instruments: Recognition and Measurement**

***Financial guarantee contracts***

Prior to the adoption of FRS 139, financial guarantee contracts were not recognised in the statement of financial position unless it becomes probable that the guarantee may be called upon. With the adoption of FRS 139, financial guarantee contracts are now recognised initially at their fair values and subsequently measured at their initially measured amount less cumulative amortisation. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made.

***Inter-company loans***

Prior to the adoption of FRS 139, inter-company loans were recorded at cost. With the adoption of FRS 139, inter-company loans are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Finance income and costs are recognised in profit or loss using the effective interest method.

***Impairment of trade and other receivables***

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

These changes in accounting policies have been made in accordance with the transitional provisions of FRS 139. In accordance to the transitional provisions of FRS 139 for first-time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial year were recognised as adjustments of the opening balance of retained earnings or another appropriate reserve. Comparatives are not adjusted.

The adoption of FRS 139 in regards to the impairment of trade and other receivables did not have a significant impact on the financial statements of the Group and no adjustments were necessary arising from remeasuring the financial instruments at the beginning of the financial year to be adjusted against the opening balance of retained earnings or another appropriate reserve.

**FRS117, Leases**

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance is finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

## 28. Significant changes in accounting policies (Cont'd)

**FRS 8, Operating Segments**

As of 1 January 2010, the Group determines and presents operating segments based on the information that internally is provided to the Group Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments was determined and presented in accordance with FRS $114_{2004}$, Segment Reporting.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earning per share.

**FRS 123, Borrowing Costs (revised)**

Before 1 January 2010, borrowing costs were all expensed to profit or loss as and when they were incurred. With the adoption of FRS 123, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset as part of the cost of the asset for which the commencement date of capitalisation is on or after 1 January 2010.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions of the revised FRS 123.

Hence, the adoption of the revised FRS 123 does not affect the basic and diluted earnings per ordinary share for prior periods and has no material impact to current year's basic and diluted earnings per ordinary share.

## 29. Comparative figures

**FRS 101 (revised), Presentation of Financial Statements**

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 December 2009 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

**FRS 117, Leases**

Following the adoption of FRS 117, certain comparatives of the Group have been re-presented as follows :

| | **31.12.2009** | |
|---|---|---|
| | **As restated RM** | **As previously reported RM** |
| ***Carrying amounts*** | | |
| Property, plant and equipment | 98,068,608 | 97,703,700 |
| Prepaid lease payments | 6,460,788 | 6,825,696 |

# 30. Disclosure of realised and unrealised profit/(losses)

On 25 March 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriate profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits/(losses).

The breakdown of the retained profits of the Group and of the Company as at 31 December 2010, into realised and unrealised profits/(losses) based on the prescribed format from Bursa Malaysia is set out is as follows :

| **Group** | **RM** |
|---|---|
| **2010** | |
| Total retained earnings of the Company and its subsidiaries | |
| Realised | 112,173,208 |
| Unrealised | (7,899,409) |
| | 104,273,799 |
| Add : Consolidated adjustments | (2,198,215) |
| Total Group retained earnings | 102,075,584 |

| **Company** | |
|---|---|
| **2010** | |
| Total retained earnings of the Company | |
| Realised | (19,664,297) |
| Unrealised | - |
| Total Company accumulated losses | (19,664,297) |

The determination of realised and unrealised profits/(losses) is based on the Guidance of Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad listing Requirements,* issued by Malaysian Institute of Accountants on 20 December 2010.

# 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 64 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 2010 and of their financial performance and cash flows for the year ended on that date.

In the opinion of the Directors, the information set out in Note 30 on page 65 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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 : 25 April 2011

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# 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 65 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 25 April 2011.

…………………………………………..
**Ang See Ming**

Before me :

K.Vasudevan (No.: K086)
Commission for Oaths
No.11, Tingkat Atas, Jalan Ibrahim
08000 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 statement of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 22 to 64.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*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 about 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 entity's preparation of the financial statements that give a true and fair view 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 entity'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 2010 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.

d) 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 Reporting Responsibilities**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 30 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

# Independent auditors' report
# to the members of Thong Guan Industries Berhad (Cont'd)

**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 : 25 April 2011

Penang

# LIST OF PROPERTIES OWNED BY THE GROUP

| Location | Description | Approximate 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<br>Sungai Petani Industrial Estate<br>Mukim of Sungai Petani<br>District of Kuala Muda, Kedah | Factory with office building | 107,288 | 12-14 years | 60 years, leasehold, expiring on 12.4.2052 | 1.38 | 28.11.1995 |
| Lot. No. P.T.18877, H.S.(D) No.99/92<br>Sungai Petani Industrial Estate<br>Mukim of Sungai Petani<br>District of Kuala Muda, Kedah | Factory with office building | 82,067 | 16 years | 60 years leasehold, expiring on 12.4.2052 | 1.32 | 28.11.1995 |
| Lot P.T.18878, H.S.(D) No.100/92<br>Sungai Petani Industrial Estate<br>Mukim of Sungai Petani<br>District of Kuala Muda, Kedah | Factory building | 141,309 | 10 years | 60 years leasehold, expiring on 4.6.2055 | 5.07 | 31.12.2004 |
| Lot No. P.T.19449, Lot No. 950<br>H.S.(M) No. 249/92 and SP 4009<br>Mukim of Sungai Petani<br>District of Kuala Muda, Kedah | Factories and office building | 208,898 | 13-26 years | Freehold | 3.82 | 28.11.1995 |
| Lot P.T.48288, H.S.(D) No.12034/95<br>Mukim of Sungai Petani<br>District of Kuala Muda, Kedah | Factories and office buildings | 339,590 | 8-28 years | Freehold | 4.70 | 28.11.1995 |
| Lot P.T. 129301, H.S.(D) KA27799<br>Mukim Hulu Kinta<br>District of Kinta, Ipoh, Perak | Warehouse with office building | 5,500 | 26 years | 99 years leasehold, expiring on 18.7.2092 | 0.16 | 28.05.1997 |
| Lot No.P.T.D.89829 H.S.(D) 191571<br>Mukim of Pelentung<br>District of Johor Bahru, Johor | Warehouse with office building | 6,855 | 18 years | Freehold | 0.53 | 31.12.2004 |
| CL 015373672 Lorong Rambutan<br>Off KM 11 Jln Tuaran Kota Kinabalu<br>Sabah | Factory and other buildings | 82,764 | 22 years | 60 years leasehold, expiring on 31.12.2035 | 1.19 | 13.12.1995 |
| CL 015276687 606 Taman Bay View<br>Off Mile 21/2 Jln Tuaran Kota<br>Kinabalu, Sabah | Double storey terrace house | 2,178 | 32 years | 999 years leasehold, expiring on 16.6.2914 | 0.11 | 13.12.1995 |
| TL 077549707 Lot 13,<br>Hock Seng Industrial Estate<br>Jalan Bomba,Off KM 5<br>Jalan Utara Sandakan | Double storey semi-detached light industrial building | 5,670 | 19 years | 60 years leasehold, expiring on 31.12.2040 | 0.22 | 13.12.1995 |
| CL 105390707 KM4,<br>Jalan Apas Tawau, Sabah | Vacant industrial land | 37,462 | - | 999 years leasehold, expiring on 21.5.2930 | 0.30 | 13.12.1995 |
| Jiangsu Province Year 2002<br>Land No: 01006061<br>Jiulong South Road<br>Wujiang Economic Developing Area<br>Jiangsu, China | Factory with office buildings | 315,425 | 5-9 years | 50 years leasehold, expiring on 31.12.2049 | 5.85 | 01.01.2000 |
| Pangjin Road<br>Wujiang Economic Developing Area<br>Jiangsu, China | Factory buildings | 716,876 | 5-6 years | 50 years leasehold, expiring on 08.03.2053 | 4.51 | 09.03.2004 |
| Lot No. 49, Section 65, H.S.(D) 95/92<br>Sungai Petani Industrial Estate<br>Mukim of Sungai Petani<br>District of Kuala Muda, Kedah | Factory with office buildings | 138,822 | 5 years | 60 years leasehold, expiring on 11.04.2052 | 6.50 | 18.05.2010 |

# SHAREHOLDINGS STATISTICS AS AT 28 APRIL 2011

| | | |
|---|---|---|
| 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 | 145 | 9,701 | 0.01 |
| 100 - 1,000 | 187 | 149,497 | 0.14 |
| 1,001 - 10,000 | 1,272 | 6,050,725 | 5.75 |
| 10,001 - 100,000 | 602 | 18,009,825 | 17.12 |
| 100,001 - 5,260,224 | 93 | 39,081,127 | 37.15 |
| 5,260,225 - 105,204,500 | 1 | 41,903,625 | 39.83 |
| **TOTAL** | **2,300** | **105,204,500** | **100.00** |

## DIRECTORS' SHAREHOLDINGS AS AT 28 APRIL 2011

| Name of director | Direct Interest No. of shares | % | Indirect Interest No of shares | % |
|---|---|---|---|---|
| Ang Toon Piah @ Ang Toon Huat | 619,000 | 0.59 | 194,000 (a) | 0.18 |
| Tengku Makram Bin Tengku Ariff | 40,500 | 0.04 | - | - |
| Dato' Ang Poon Chuan | 928,500 | 0.88 | 44,418,002 (b) | 42.22 |
| Datuk Ang Poon Seong | 589,125 | 0.56 | 43,012,494 (c) | 40.88 |
| Ang Poon Khim | 642,325 | 0.61 | 160,700 (a) | 0.15 |
| 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 Datuk 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 2011

| 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 |
| Datuk 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 2011)

(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<br>AMINVESTMENT BANK BERHAD(AMMBUW) | 2,733,750 | 2.599 |
| 4 | CITIGROUP NOMINEES (ASING) SDN. BHD.<br>EXEMPT AN FOR CITIGROUP GLOBAL MARKETS INC (112256) | 2,624,000 | 2.494 |
| 5 | GAN BOON HONG | 2,015,300 | 1.916 |
| 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 | MAYBAN NOMINEES (ASING) SDN BHD<br>PLEDGED SECURITES ACCOUNT FOR SAN TUAN SAM | 1,159,900 | 1.103 |
| 11 | SENSIBLE MATRIX SDN BHD | 1,108,869 | 1.054 |
| 12 | ANG POON KHIM | 642,325 | 0.611 |
| 13 | ANG TOON PIAH @ ANG TOON HUAT | 619,000 | 0.588 |
| 14 | NGOH AH CHYE | 593,800 | 0.564 |
| 15 | ANG POON SEONG | 589,125 | 0.560 |
| 16 | ANG POON CHUAN | 564,000 | 0.536 |
| 17 | HONG WENG HWA | 500,000 | 0.475 |
| 18 | UNITED OVERSEAS NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR ANG SEE MING (MJK) | 490,000 | 0.466 |
| 19 | MAYBAN SECURITIES NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS) | 458,100 | 0.435 |
| 20 | GAN BOON AIK | 447,100 | 0.425 |
| 21 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR ANG SEE MING (473567) | 447,000 | 0.425 |
| 22 | DYNAQUEST SDN. BERHAD | 435,000 | 0.413 |
| 23 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR LIM BOON TIANG (BMM/AAA) | 392,000 | 0.373 |
| 24 | SOONG AND SAW INVESTMENT TRUST SDN. BERHAD | 390,000 | 0.371 |
| 25 | CHEW SENG TOOI | 367,300 | 0.349 |
| 26 | GOH CHOON KIM | 366,600 | 0.348 |
| 27 | ANG TOON CHENG @ ANG TONG SOOI | 365,375 | 0.347 |
| 28 | ANG POON CHUAN | 364,500 | 0.346 |
| 29 | ANG TOON CHENG @ ANG TONG SOOI | 321,100 | 0.305 |
| 30 | QUAH LAKE JEN | 288,700 | 0.274 |
| | | **69,254,494** | **65.828** |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Sixteenth 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, 23 June 2011 at 11:00 a.m. to transact the following business :

1. To receive the Audited Financial Statements for the year ended 31 December 2010 and the Reports of Directors and Auditors thereon. — Refer to Explanatory Note 1

2. To approve a first and final tax exempt dividend of 5% for the year ended 31 December 2010. — 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) Tengku Makram Bin Tengku Ariff — Ordinary Resolution 4
(b) Mr Lee Eng Seng — Ordinary Resolution 5

4. To approve Directors' Fees of RM175,000/- for the year ended 31 December 2010. — 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 2010, the amount of retained losses and share premium account is RM19.66 million and RM3.94 million respectively and based on the management account as at 31 March 2011, the amount of retained losses and share premium account is RM 19.73 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 1 June 2011 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."

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 5% only in respect of :

a) Shares transferred into the depositor's securities account before 4.00 p.m. on 28 July 2011 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 2011 to depositors registered in the Records of Depositors at the close of business on 28 July 2011.

**By Order of the Board**

Lam Voon Kean
Company Secretary
(MIA 4793)

Penang, 1 June 2011.

**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 :**

1. Agenda 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders of the Company and hence, Agenda 1 is not put forward for voting.

2. 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 24 June 2010 and which will lapse at the conclusion of the Sixteenth 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.

3. 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.

4. 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.

**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 Sixteenth AGM of the Company.

**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 SIXTEENTH 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, 23 June 2011 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 | | |

(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* |
|---|---|---|
| 1st | | |
| 2nd | | |

Signed this _________day of __________2011.

| 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 --------------------------------

www.thongguan.com

**THONG GUAN INDUSTRIES BERHAD** (324203-k)
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Tel +604 441 7888 Fax +604 441 9888