

Managing Sustainable Growth

annual report **2011**



**THONG GUAN
INDUSTRIES BERHAD**
(324203-K)



PVC Food Wraps

Thickness: 9 microns
Reduce from > 12 microns



Stretch Films

Thickness: 9 - 12 microns
Reduce from > 20 microns



Calcium Carbonate Masterbatch

Blended in production to
reduce plastic consumption
> 500 tons per month

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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
Dato' 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

Joint Company Secretaries

Ong Tze-En (MAICSA 7026537)
Lau Yoke Leng (MAICSA 7034778)

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
Ambank (M) Berhad
Bangkok Bank Berhad
Kuwait Finance House (Malaysia) 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.
70%	TGSH PLASTIC INDUSTRIES SDN. BHD. (679305-X) Manufacturing and marketing of plastic packaging products.
100%	TG UNI'ANG (SHANGHAI) INTERNATIONAL TRADE CO., LTD. * Trading and marketing of packed food and beverages

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 2011.

Economic Review

The global economy was expecting healthy economic growth to continue into 2011 after recovering from the sharp decline in 2008. Adverse developments however moderated the global growth. In March, the earthquake and tsunami in Japan which led to the nuclear crisis disrupted the global supply chain particularly in the electrical and electronics (e&e) and the automobiles sectors. In the second half of 2011, the escalation of the sovereign debt crisis in the euro area and the downgrade of the US sovereign credit rating in August coupled with the fears of a double dip recession intensified the financial uncertainties and eroded growth particularly in the US. Geopolitical tensions in the Middle East regions which witnessed the ouster of regimes in Tunisia, Egypt and Libya and the massive uprisings in Syria, Yemen and Bahrain heightened concerns and dampened market confidence. Closer to home, the massive flood in Thailand also disrupted production supply chains and eroded growth momentum. The world economy grew at a slower rate of 3.8% in 2011 (2010: 5.2%) while world trade moderated to 6.9% (2010: 12.7%). The US grew by 1.7% (2010: 3%), Japan contracted by 0.7% (2010: 4.4% growth), the Euro Area grew by 1.4% (2009: 1.9%) and China by 9.2% (2009: 10.4%). Commodity prices rose further in 2011, reaching new peaks in April, due to supply concerns subsequent to the geopolitical developments in the Middle East that disrupted crude oil supply and strong demand amid speculative activity. Brent crude oil prices averaged USD111 per barrel in 2011, a 38% increase from 2010.

Locally, the Malaysian economy grew by 5.1% in 2011 (2010: 7.2%), buoyed mainly by robust domestic demand which expanded strongly by 8.2% (2010: 6.3%). Private consumption expanded by 6.9% (2010: 6.5%), shored up by the better labour market and rising commodity prices. Private investment grew by 14.4% in 2011 (2010: 17.7%) driven mainly by strong domestic demand. Public sector growth was sustained during the year, with public consumption expanding by 16.8% (2010: 0.5%), partly reflecting the higher emoluments adjusted in 2010 and also the one month bonus payment to government servants. Public investment contracted by 2.4% (2010: 2.8%) following the completion of the second stimulus package. On the supply side, growth in 2011 was supported by strong activities in the domestic sectors. The services sector grew by 6.8% (2010: 6.8%) contributing 3.9% to overall GDP growth. The manufacturing sector registered a slower growth of 4.5% (2010: 11.4%), driven mainly by the domestic industries. The construction sector grew at a moderate 3.5% in 2010 (2010: 5.1%) after the lapsed of the stimulus package but was supported by the residential sub-sector with national house price rising at 8.6% (2010: 6.7%), much higher than the average growth of 3.7% between 2000 and 2010. The agriculture sector (including forestry and fishing) expanded by 5.6% (2010: 1.7%) buoyed by the production of crude palm oil (up by 11.3% to 18.9 million tonnes) and rubber. The mining sector contracted by 5.7% (2010: 0.2% growth) due mainly to the decline in the production of crude oil and natural gas as a consequence of maintenance shutdown, declining production from mature fields, and lower-than-expected output from new fields. The labour market improved further with the unemployment rate declining to 3.1% (2010: 3.3%) the lowest rate since 2000. Consumer Price Index (CPI) rose 3.2% in 2011 (2010: 1.7%) mainly due to the impact from the upward adjustments in the prices of petroleum products and sugar in 2010. Malaysia's external position strengthened further in 2011 with the current account surplus widening to RM97.9 billion (2010: RM88.1 billion) riding on larger trade surplus, emanating mainly from strong commodity exports due to the higher prices while the financial account reversed to a net inflow of RM15.5 billion (2010: -RM19.9 billion), largely due to the continued FDI and inflow of portfolio funds. Gross foreign direct investment into Malaysia rose to RM 98.9 billion in 2010 (2009: RM 89.2 billion). As at 31 December 2011, Malaysia's international reserves amounted to RM423.3 billion while total external debt rose to RM257.2 billion (2010: RM227.1 billion). Bank Negara raised the Overnight Policy Rate (OPR) by 25 basis points on 5 May 2011 to 3.00%. Between January and July 2011, the ringgit strengthened due to significant portfolio inflows. The appreciating trend was reversed in August and September as investor risk aversion rose sharply following heightened and the Ringgit ended the year at RM3.17 against the US dollar, a depreciation of 2.9% (31/12/2009: RM 3.08). The Bursa Malaysia Composite Index (FBM KLCI) increased by 0.8% to close at 1,530.7 in 2011. Financing conditions remained supportive of economic activity with reasonable cost of borrowing and ample liquidity. Net financing raised by the private sector expanded by 12.5% (2010: 10.9%) with strong demand for financing from both businesses and households.

Industry Trends & Development

The manufacturing sector's growth was driven mainly by the domestic-oriented industries as export-oriented was dampened by slower demand from the advanced economies and supply disruptions due to the natural disasters in Japan and Thailand. In 2011, the export-oriented industries expanded at a slower 3.4% (2010: 9.7%), as the contraction in the e&e's industries was cushioned by output growth in the refined petroleum product (2011: 6.2% growth 2010: -2.4%), chemical related products (2011: 8.82% growth 2010: 11.5%) and rubber related industries (2011: 13.92% growth 2010: 20.8%). The total turnover of the Malaysian Plastic industry grew by 2.1% (2010: 8%) to RM 16.1 billion in 2011. Export of plastic products grew by 6.2% in 2011 to RM9.9 billion from RM8.4 billion in 2010 representing 61.9% of total turnover (2000: 59.4%). 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. Total export of plastic bags increased moderately by 4.2% to RM3.43 billion while total export of plastic films and sheets increased by 11.2% to RM3.62 billion.

Group Performance

The Group registered a 10.5% increase in revenue from RM 488.6 million in 2010 to RM 540 million in 2011. Group profit before tax (PBT) was RM 28.1 million, an increase of 23.8% from the RM 22.7 million recorded in 2010. Turnover grew mainly due to the increase of export sales, better performance from the China based operations and contributions from new subsidiary companies (TGSH and TG Power Wrap). The increase in PBT was spread evenly across most business units and mainly attributable to the revenue growth, better margins achieved as well as cost rationalisation exercises within the group.

Dividend

The Board of Directors has recommended a final tax-exempt dividend of 6 sen per ordinary share amounting to approximately RM 6.31 million or 23.3% of net profit attributable to equity holders for the year ended 31 December 2011 (2010: 5 sen, RM 5.26 million, 26.6%).

Prospects

The global economic recovery, which began in the second half of 2009, is expected to continue to moderate in 2012 due mainly to the unresolved sovereign debt issues in the advanced economies. The extent of the moderation in global growth is largely contingent on how the debt crisis evolves. It will affect growth in both the advanced and emerging economies to varying degrees, through both trade and financial channels. The International Monetary Fund has forecasted that the world economy will grow 3.3% in 2012 while world trade will grow by 3.8%. Major economies are predicted to experience moderate growth with the US at 1.8%, the Euro Area at -0.5% and Japan at 1.7%. Stronger expansion are forecasted for the emerging economies led by China at 8.6% and India at 7% while regional economies are expected to continue its growth pattern with Singapore at 4.3%, Indonesia at 6.5%, Thailand at 4.8%, the Philippines at 4.9% and Malaysia at 4 – 5%. 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, sustained consumer confidence, the one-off financial assistance to low and middle income groups and the higher increment of public sector wages. The Malaysian economy registered a moderate growth of 4.6% in the first quarter of 2012 (1Q 2011: 4.6%). The manufacturing sub-sectors are expected to grow at a more moderate pace of 3.9% in 2012, consistent with the expected moderation in external demand, in particular, the e&e cluster following continuous weak demand from the developed economies. The Malaysian Plastic Manufacturer's Association expected the plastic industry to grow at between 2 - 3% in 2012.

With the generally moderate prospect of economic growth globally, the Group will be looking at maximising its capacity utilisation and adding on capacity to areas where orders have consistently exceeded production capacity. The Group realised and is committed to the importance of environmental marketing and growing on environmentally sustainable products. Towards this end, the Group's investments are leveraged towards producing thin film whereby usage of plastic materials are reduced without compromising on film strength. This is now possible with the advancement in machinery and raw materials technologies. The Group is also heavily reliant on its recycling machines that recycled all in-house plastic waste into resin that is blended and reused in its production. The compounding unit enables ground calcium carbonate to be blended and used in the production of plastic products thus reducing the reliance on plastic materials. The importance of sustainability is projected as the theme of this year's annual report. Blessed with consistent revenue streams, a strong balance sheet, good reputation, a team of experienced and dedicated management team and its unique advantageous positions in the industry, the Group is confident of charting sustainable growth in the years ahead.

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

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 2011, 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 60 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 2011, we also took on an initiative to support the underprivileged and less fortunate through a local welfare home, the Than Hsiang Buddhist Welfare Association 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.



DIRECTORS' PROFILE

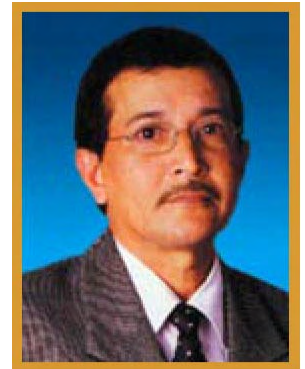


Mr. Ang Toon Piah @ Ang Toon Huat, aged 83, Malaysian, was appointed as the Non-Independent Executive Director' on 18 September 1997 and subsequently as Chairman on 27 February 2008. He finished his middle high school and co-founded Thong Guan's initial operation in 1942. He has gained more than 52 years 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 61, 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 68, 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 its present stature. He is a well respected figure in the plastic industry and was the former President of the MPMA (Northern Branch).

He serves as the Chairman of the Employees' Share Option Scheme Committee and a member of the Remuneration Committee. He has attended all of the four Board meetings held for the financial year. He is the brother of Dato' 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.

Dato' Ang Poon Khim, aged 57, 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 56, 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 the three out of the four Board meetings held for the financial year. He is the brother of Dato' Ang Poon Chuan and Dato' 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 49, 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 77, 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 Board of Yayasan Sultanah Bahiyah Berhad. He had no conviction for offences within the past 10 years.

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 2011, 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 2011, 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 2011 are as follows:

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

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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 Act 1965.

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, Datuk Ang Poon Seong and Mr. Lee Eng Sheng have attended the following courses and training programmes to better enable them to fulfill their responsibility, the rest of the Directors have not attended any training programme due to tight business schedule.

Directors	Courses
Datuk Ang Poon Seong	Qing Hua Professional Manager Training Course in Beijing
Lee Eng Sheng	Building Confidence in Capital Market jointly organised by Malaysian Institute of Accountants and Securities Commission Malaysia. National Tax Seminars 2011 by Inland Revenue Board of Malaysia Annual Conference 2011 by Malaysian Institute of Chartered Secretaries and Administrators Sun Tzu Art of War Resolves Conflicts & Build Team Spirit by HD Training House

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
Dato' 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 2011 is as follows:

Category	Fees (RM'000)	Salaries (RM'000)	Bonuses (RM'000)	Others (RM'000)
Executive Directors	218	1,398	419	2
Non-Executive Directors	75	-	-	35

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

Range of remuneration	Number of Directors	
	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	-

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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 RM26,350 for the financial year ended 31 December 2011.

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 CONTROL

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 oversees the function. At the beginning of each financial year, the IAD prepares an Annual Audit Plan and presented it to the Audit Committee for its approval. Subsequently at every Audit Committee meeting, the IAD will present its audit findings and review them with the Audit Committee.

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 forwarded to the management for their actions. Follow-up reviews are conducted by IAD to ensure that all action plans from each audit are adequately taken up by auditee/management. All internal audit reports together with the recommended action plans and their implementation status are presented to the management and Audit Committee as and when they are completed.

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 budget and the results of prior years, with major variances explained and appropriate action taken.
- The Group sets out an annual budget and operations targets 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 systems namely the ISO 9001-QMS, ISO14001-EMS & OHSAS 18001-Health & Safety into a 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 its 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 2011. 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 of the Company prior to submission to the Board for their consideration and approval;
- Reviewed the quarterly unaudited financial results of the Group and the Company before recommending them for the Board's approval;
- Reviewed the Company's quarterly and year-end financial statements to ensure that they comply 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 the internal and external audit procedures;
- Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function and to ensure that it has the necessary authority to carry out its work;
- Reviewed the related party transactions to ensure that they are at "arm's length" not more favourable to the executive directors and persons connected to them.
- Received and reviewed the quarterly report from the Internal Audit Department and make necessary recommendations to the Management and Board of Directors.

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 2011 was RM115,000. 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. The IAD have followed the Committee of Sponsoring Organisation of the treadway Commission (COSO) principles to assess higher risk areas in the organization. The IAD would present the high risk areas to the Audit Committee for discussion. Upon completion of the high risks review report, the IAD would prepare the annual internal audit plan to be approved by the audit committee. The internal auditor shall carry out audit work base on the internal audit plan.

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 I 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 II 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 procedures.
- 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.

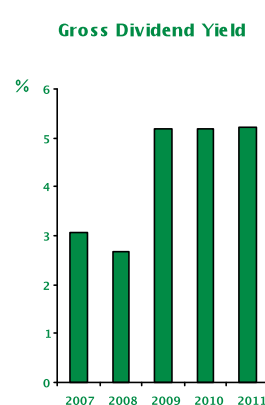
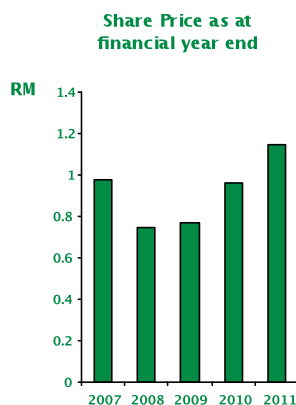
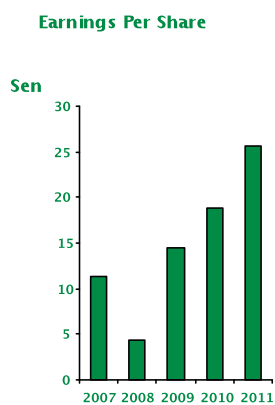
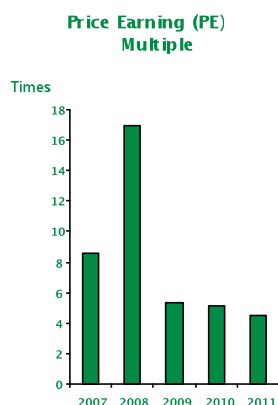
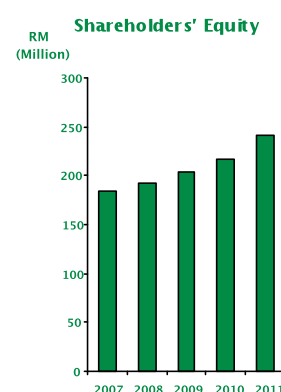
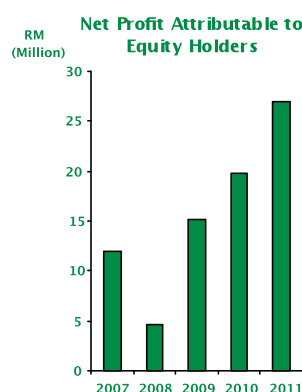
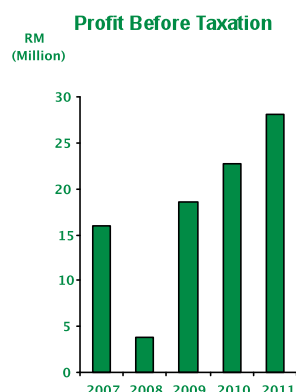
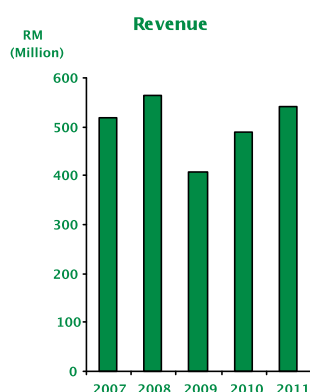
AUDIT COMMITTEE REPORT (CONT'D)

- 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 HIGHLIGHTS AND INDICATORS

In RM '000	2007	2008	2009	2010	2011
Revenue	518,215	564,558	408,778	488,599	540,013
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	33,323	20,632	34,013	37,820	44,821
Profit Before Taxation	16,014	3,815	18,541	22,659	28,058
Profit After Tax	11,982	4,646	15,161	19,795	27,126
Net Profit Attributable to Equity Holders	12,008	4,646	15,161	19,795	27,036
Total Assets	336,394	297,774	288,998	323,176	368,497
Total Borrowings	59,684	55,485	22,539	29,397	38,760
Shareholders' Equity	183,864	191,705	204,407	216,711	242,088

	2007	2008	2009	2010	2011
Return on Equity (%)	6.53	2.42	7.42	9.13	11.17
Return on Total Assets (%)	3.56	1.56	5.25	6.13	7.36
Gearing Ratio (Times)	0.32	0.29	0.11	0.14	0.16
Interest Cover (Times)	6.24	2.61	24.29	36.05	41.80
Earnings Per Share (Sen)	11.41	4.42	14.41	18.82	25.70
Net Assets Per Share (Sen)	174.77	182.22	194.29	205.99	231.05
Gross Dividend Per Share (Sen)	3.00	2.00	4.00	5.00	6.00
Price Earning (PE) Multiple (Times)	8.59	16.97	5.34	5.10	4.47
Gross Dividend Yield (%)	3.06	2.67	5.19	5.21	5.22
Share Price as at financial year end (RM)	0.98	0.75	0.77	0.96	1.15



Directors' report for the year ended 31 December 2011

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 2011.

Principal activities

The Company is principally engaged in investment holding activities and trading of plastic and paper products, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Profit for the year attributable to :		
- Owners of the Company	27,036,472	6,315,818
- Non-controlling interests	89,081	-
	<u>27,125,553</u>	<u>6,315,818</u>

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 5 sen per ordinary share, totalling RM5,260,225 in respect of the financial year ended 31 December 2010 on 18 August 2011.

A first and final tax exempt dividend of 6 sen per ordinary share has been proposed by the Directors in respect of the financial year ended 31 December 2011, 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	
Dato' 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 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 2011 (continued)

Directors' interests in shares (continued)

	Number of ordinary shares of RM1 each			
	Balance at 1.1.2011	Bought	(Sold)	Balance at 31.12.2011
Ang Toon Piah @ Ang Toon Huat				
Interest in the Company :				
- own	619,000	-	-	619,000
- others #	206,500	33,000	(78,500)	161,000
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
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
Dato' Ang Poon Khim				
Interest in the Company :				
- own	642,325	-	-	642,325
- others #	160,700	-	-	160,700

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 2011 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.

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.

Other statutory information

Before the statements of financial position and statements of comprehensive income 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

Directors' report for the year ended 31 December 2011 (continued)

Other statutory information (continued)

Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that : (continued)

- 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.

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

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events during the year

Details of such events are disclosed in Note 28 to the financial statements.

Subsequent event

Details of such event are disclosed in Note 29 to the financial statements.

Auditors

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

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

.....
Dato' Ang Poon Chuan

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

Kedah Darul Aman,

Date : 27 April 2012

Consolidated statement of financial position as at 31 December 2011

	Note	2011 RM	2010 RM
Assets			
Property, plant and equipment	3	117,448,521	100,322,746
Prepaid lease payments	4	11,545,560	9,278,634
Other investments	6	1,838,341	1,966,556
Total non-current assets		<u>130,832,422</u>	<u>111,567,936</u>
Inventories	7	120,274,678	79,511,058
Trade and other receivables, including derivatives	8	77,523,683	73,452,586
Current tax assets		1,295,491	3,013,085
Cash and cash equivalents	9	38,570,662	55,630,918
Total current assets		<u>237,664,514</u>	<u>211,607,647</u>
Total assets		<u>368,496,936</u>	<u>323,175,583</u>
Equity			
Share capital	10	105,204,500	105,204,500
Reserves	11	136,883,693	111,506,291
Total equity attributable to owners of the Company		<u>242,088,193</u>	<u>216,710,791</u>
Non-controlling interests		986,413	-
Total equity		<u>243,074,606</u>	<u>216,710,791</u>
Liabilities			
Loans and borrowings	12	2,848,036	4,034,057
Deferred tax liabilities	13	7,535,977	8,051,227
Total non-current liabilities		<u>10,384,013</u>	<u>12,085,284</u>
Trade and other payables, including derivatives	14	78,867,355	68,529,400
Loans and borrowings	12	35,912,429	25,363,202
Current tax liabilities		258,533	486,906
Total current liabilities		<u>115,038,317</u>	<u>94,379,508</u>
Total liabilities		<u>125,422,330</u>	<u>106,464,792</u>
Total equity and liabilities		<u>368,496,936</u>	<u>323,175,583</u>

The notes on pages 30 to 64 are an integral part of these financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2011

	Note	2011 RM	2010 RM
Continuing operations			
Revenue	15	540,013,477	488,598,955
Cost of goods sold		(474,657,391)	(431,754,796)
Gross profit		<u>65,356,086</u>	<u>56,844,159</u>
Other income		3,467,506	5,573,561
Distribution expenses		(20,052,646)	(18,375,978)
Administrative expenses		(19,126,013)	(16,945,128)
Other expenses		(1,324,591)	(3,932,384)
Results from operating activities	16	<u>28,320,342</u>	<u>23,164,230</u>
Interest income		414,940	137,002
Finance costs	18	(677,483)	(642,523)
Profit before tax		<u>28,057,799</u>	<u>22,658,709</u>
Income tax expense	19	(932,246)	(2,863,889)
Profit for the year		<u>27,125,553</u>	<u>19,794,820</u>
Other comprehensive income/(expense), net of tax			
Foreign currency translation differences for foreign operations		3,497,640	(3,282,742)
Total comprehensive income for the year		<u>30,623,193</u>	<u>16,512,078</u>
Profit attributable to :			
Owners of the Company		27,036,472	19,794,820
Non-controlling interests		89,081	-
		<u>27,125,553</u>	<u>19,794,820</u>
Total comprehensive income attributable to :			
Owners of the Company		30,534,112	16,512,078
Non-controlling interests		89,081	-
		<u>30,623,193</u>	<u>16,512,078</u>
Basic earnings per ordinary share (sen)	21	<u>25.70</u>	<u>18.82</u>

The notes on pages 30 to 64 are an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2011

	Note	Attributable to owners of the Company					Total equity RM
		Share capital RM	Share premium RM	Translation reserve RM	Statutory reserve RM	Distributable Retained earnings RM	
At 1 January 2010		105,204,500	3,938,567	4,633,994	4,140,888	86,488,944	204,406,893
Other comprehensive expense for the year		-	-	-	-	-	-
- Foreign currency translation differences for foreign operations		-	-	(3,282,742)	-	-	(3,282,742)
Profit for the year		-	-	-	-	19,794,820	19,794,820
Total comprehensive (expense)/ income for the year		-	-	(3,282,742)	-	19,794,820	16,512,078
Total distribution to owners		-	-	-	-	(4,208,180)	(4,208,180)
- Dividends to owners of the Company	22	-	-	-	-	-	-
At 31 December 2010/ 1 January 2011		105,204,500	3,938,567	1,351,252	4,140,888	102,075,584	216,710,791
Other comprehensive income for the year		-	-	3,497,640	-	-	3,497,640
- Foreign currency translation differences for foreign operations		-	-	-	-	27,036,472	27,125,553
Profit for the year		-	-	-	-	27,036,472	27,125,553
Total comprehensive income for the year		-	-	3,497,640	-	27,036,472	30,623,193
Total distribution to owners		-	-	-	-	(5,260,225)	(5,260,225)
- Dividends to owners of the Company	22	-	-	-	-	-	-
Shares issued by a subsidiary and subscribed by non - controlling interests		-	-	-	-	-	900,000
Dilution arising from additional shares issued by a subsidiary		-	-	-	-	103,515	(103,515)
Acquisition of a new subsidiary		-	-	-	-	-	100,847
Total transactions with owners		-	-	-	-	(5,156,710)	(4,259,378)
At 31 December 2011		105,204,500	3,938,567	4,848,892	4,140,888	123,955,346	243,074,606
		Note 10	Note 11	Note 11	Note 11	Note 11	Note 11

The notes on pages 30 to 64 are an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2011

	Note	2011 RM	2010 RM
Cash flows from operating activities			
Profit before tax from continuing operations		28,057,799	22,658,709
Adjustments for :			
Property, plant and equipment :			
- Depreciation	3	16,276,744	14,474,047
- Impairment loss	3	-	38,648
- Gain on disposal		(181,480)	(210,537)
- Assets written off		34,576	72,972
Amortisation of prepaid lease payments	4	223,940	181,309
Interest income		(414,940)	(137,002)
Interest expense	18	677,483	642,523
Impairment loss on other investments		128,215	51,112
Negative goodwill on acquisition of a subsidiary		(165,310)	-
Operating profit before changes in working capital		44,637,027	37,771,781
Changes in working capital :			
Trade and other receivables		(1,360,137)	(7,719,632)
Inventories		(39,145,565)	(8,961,011)
Trade and other payables		6,734,807	18,409,174
Cash generated from operations		10,866,132	39,500,312
Income taxes refunded/(paid)		26,652	(2,085,077)
Net cash from operating activities		10,892,784	37,415,235
Cash flows from investing activities			
Acquisition of property, plant and equipment	A	(31,222,938)	(18,040,160)
Acquisition of prepaid lease payments	4	(2,242,493)	(3,196,329)
Proceeds from disposal of property, plant and equipment		181,499	285,734
Interest received		414,940	137,002
Shares subscribed by non-controlling interests in an existing subsidiary		900,000	-
Net cash inflow from acquisition of a new subsidiary	28 (a)	25,202	-
Net cash used in investing activities		(31,943,790)	(20,813,753)
Cash flows from financing activities			
Interest paid		(677,483)	(642,523)
Repayment of finance lease liabilities		(516,253)	(553,878)
Drawdown of term loan		-	4,650,000
Repayment of term loan		(844,372)	(428,589)
Drawdown of other borrowings, net		13,479,020	1,359,039
Dividend paid	22	(5,260,225)	(4,208,180)
Net cash from financing activities		6,180,687	175,869
Net (decrease)/increase in cash and cash equivalents		(14,870,319)	16,777,351
Effects of exchange rate fluctuations on cash held		822,169	(917,448)
Cash and cash equivalents at 1 January		50,730,412	34,870,509
Cash and cash equivalents at 31 December	B	36,682,262	50,730,412

Consolidated statement of cash flows for the year ended 31 December 2011 (continued)

Notes

A. Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM31,293,238 (2010 : RM19,302,500), of which RM70,300 (2010 : RM1,262,340) was acquired by means of finance leases. The remaining of RM31,222,938 (2010 : RM18,040,160) 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 amounts :

	Note	2011 RM	2010 RM
Cash and bank balances	9	17,350,662	49,030,918
Short term deposits with licensed banks	9	21,220,000	6,600,000
Bank overdrafts	12	(1,888,400)	(4,900,506)
		<u>36,682,262</u>	<u>50,730,412</u>

The notes on pages 30 to 64 are an integral part of these financial statements.

Statement of financial position as at 31 December 2011

	Note	2011 RM	2010 RM
Assets			
Equipment	3	310,546	-
Investments in subsidiaries	5	67,008,072	60,855,160
Other investments	6	1,838,341	1,966,556
Total non-current assets		<u>69,156,959</u>	<u>62,821,716</u>
Trade and other receivables	8	21,626,910	23,866,867
Cash and cash equivalents	9	72,714	3,074,556
Total current assets		<u>21,699,624</u>	<u>26,941,423</u>
Total assets		<u>90,856,583</u>	<u>89,763,139</u>
Equity			
Share capital	10	105,204,500	105,204,500
Reserves	11	(14,670,137)	(15,725,730)
Total equity		<u>90,534,363</u>	<u>89,478,770</u>
Liabilities			
Trade and other payables	14	322,220	284,369
Total current liabilities		<u>322,220</u>	<u>284,369</u>
Total equity and liabilities		<u>90,856,583</u>	<u>89,763,139</u>

The notes on pages 30 to 64 are an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2011

	Note	2011 RM	2010 RM
Continuing operations			
Revenue	15	6,185,800	4,106,936
Cost of goods sold		(181,155)	(105,571)
Gross profit		<u>6,004,645</u>	<u>4,001,365</u>
Other income		935,970	3,193,347
Administrative expenses		(557,743)	(478,375)
Other expenses		(128,219)	(51,109)
Results from operating activities	16	<u>6,254,653</u>	<u>6,665,228</u>
Interest income		61,378	25,054
Finance costs	18	(213)	(345)
Profit before tax		<u>6,315,818</u>	<u>6,689,937</u>
Income tax expense	19	-	(1,000,000)
Profit for the year and total comprehensive income for the year		<u><u>6,315,818</u></u>	<u><u>5,689,937</u></u>

Statement of changes in equity for the year ended 31 December 2011

	Note	Share capital RM	Non-distributable Share premium RM	Accumulated losses RM	Total equity RM
At 1 January 2010		105,204,500	3,938,567	(21,146,054)	87,997,013
Total comprehensive income for the year					
- Profit for the year		-	-	5,689,937	5,689,937
Total distribution to owners					
- Dividends to owners of the Company	22	-	-	(4,208,180)	(4,208,180)
At 31 December 2010/ 1 January 2011		105,204,500	3,938,567	(19,664,297)	89,478,770
Total comprehensive income for the year					
- Profit for the year		-	-	6,315,818	6,315,818
Total distribution to owners					
- Dividends to owners of the Company	22	-	-	(5,260,225)	(5,260,225)
At 31 December 2011		<u>105,204,500</u>	<u>3,938,567</u>	<u>(18,608,704)</u>	<u>90,534,363</u>
		Note 10	Note 11	Note 11	

The notes on pages 30 to 64 are an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2011

	Note	2011 RM	2010 RM
Cash flows from operating activities			
Profit before tax from continuing operations		6,315,818	6,689,937
Adjustments for :			
Depreciation of equipment	3	77,578	-
Interest income		(61,378)	(25,054)
Dividend income	15	(6,000,000)	(4,000,000)
Reversal of impairment loss on investments in subsidiaries		(935,970)	(3,193,347)
Impairment loss on other investments	6	128,215	51,112
Interest expense	18	213	345
Operating loss before changes in working capital		(475,524)	(477,007)
Changes in working capital :			
Trade and other receivables		(7,770,043)	2,481,794
Trade and other payables		37,851	(121,699)
Cash (used in)/generated from operations		(8,207,716)	1,883,088
Dividends received		16,010,000	6,970,537
Income taxes paid		-	(955,094)
Net cash from operating activities		7,802,284	7,898,531
Cash flows from investing activities			
Acquisition of equipment	3	(388,124)	-
Interest received		61,378	25,054
Increase in investments in subsidiaries :			
- Acquisition of a new subsidiary	28 (a)	(70,000)	-
- Subscription of additional interests in an existing subsidiary	28 (b)	(5,099,998)	-
- Additional investment in an overseas subsidiary	28 (c)	(46,944)	(808,762)
- Incorporation of a new subsidiary		-	(2)
Net cash used in investing activities		(5,543,688)	(783,710)
Cash flows from financing activities			
Interest paid		(213)	(345)
Dividend paid	22	(5,260,225)	(4,208,180)
Net cash used in financing activities		(5,260,438)	(4,208,525)
Net (decrease)/increase in cash and cash equivalents		(3,001,842)	2,906,296
Cash and cash equivalents at 1 January		3,074,556	168,260
Cash and cash equivalents at 31 December	A	72,714	3,074,556

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 30 to 64 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 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2011 do not include other 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 to the financial statements.

The financial statements were authorised for issue by the Board of Directors on 27 April 2012.

1. Basis of preparation

(a) Statement of compliance

The 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 following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by Group and the Company :

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

- FRS 124, Related Party Disclosures (revised)
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets
- Amendments to FRS 112, Income Taxes - Deferred Tax: Recovery of Underlying Assets

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, Consolidated Financial Statements
- FRS 11, Joint Arrangements
- FRS 12, Disclosure of Interests in Other Entities
- FRS 13, Fair Value Measurement
- FRS 119, Employee Benefits (2011)
- FRS 127, Separate Financial Statements (2011)
- FRS 128, Investments in Associates and Joint Ventures (2011)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendments to FRS 7, Financial Instruments : Disclosures - Offsetting Financial Assets and Financial Liabilities

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, Financial Instruments (2009)
- FRS 9, Financial Instruments (2010)
- Amendments to FRS 7, Financial Instruments : Disclosures - Mandatory Date of FRS 9 and Transition Disclosures

The Group's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group will not be adopting the above FRSs, Interpretations and amendments.

(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 in conformity with FRSs 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, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

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

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) *Accounting for business combinations (continued)*

Subsidiaries that are consolidated using the pooling-of-interests method of accounting are Syarikat Thong Guan Trading Sdn. Bhd. and Thong Guan Plastic & Paper Industries Sdn. Bhd..

Business combinations for other subsidiaries are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011 the Group has applied FRS 3, Business Combinations (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as :

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

(iii) *Accounting for acquisitions of non-controlling interests*

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) *Loss of control*

The Group applied FRS 127, Consolidated and Separate Financial Statement (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognised the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

(v) *Non-controlling interests*

Non-controlling interest at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, Consolidated and Separate Financial Statements (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interest to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

(vi) *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.

(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.

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 goodwill and 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.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

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

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified 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 from such 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 in equity.

(c) Financial instruments

(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 a designated and effective hedging instrument) 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.

(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.

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note (j)(i)).

Financial liabilities

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities (continued)

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.

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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) *Recognition and measurement (continued)*

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

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 gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "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 a 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 to profit or loss. 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 calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss 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 (capital expenditure in progress) are not depreciated until the assets are ready for their intended use.

The depreciation rates 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.

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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(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, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is 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.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(ii) Operating lease (continued)

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. Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average cost formula 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.

(g) 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 with original maturities of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(h) 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. The unwinding of the discount is recognised as finance cost.

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.

(i) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are 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 or receivable on the taxable income or loss 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 in the statement of financial position and their tax bases. 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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 the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Significant accounting policies (continued)

(i) Income tax (continued)

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(j) Impairment

(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 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 classified as and available-for-sale is not reversed through profit or loss.

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 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 (known as 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated 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 cash-generating unit or the group cash generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating 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.

2. Significant accounting policies (continued)

(k) 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.

(l) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, 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, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(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) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(m) 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.

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.

(n) Employee benefits

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

2. Significant accounting policies (continued)

(o) *Earnings per share*

The Group presents basic 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, adjusted for own shares held.

(p) **Operating segment**

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 2010	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)	-
Effect of movements in exchange rates	(793,455)	(3,060,204)	(100,439)	(33,472)	(115,536)	(4,103,106)
At 31 December 2010/ 1 January 2011	41,124,513	157,820,516	8,564,210	10,097,811	1,686,260	219,293,310
Additions	5,422,246	22,394,935	1,105,373	1,460,154	910,530	31,293,238
Addition through acquisition of a subsidiary	-	1,711	32,860	-	-	34,571
Disposals	-	(608,080)	-	(513,921)	-	(1,122,001)
Write off	-	(1,711)	(32,860)	(75,595)	-	(110,166)
Reclassification	259,460	1,155,779	117,785	-	(1,533,024)	-
Effect of movements in exchange rates	793,455	3,094,058	101,201	46,620	115,966	4,151,300
At 31 December 2011	47,599,674	183,857,208	9,888,569	11,015,069	1,179,732	253,540,252
Accumulated depreciation and impairment loss						
At 1 January 2010						
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)
Effect of movements in exchange rates	(168,894)	(1,459,827)	(62,363)	(24,524)	-	(1,715,608)
At 31 December 2010/ 1 January 2011	10,986,209	93,698,526	6,168,414	7,941,025	-	118,794,174
Accumulated depreciation						
Accumulated impairment losses	-	-	176,390	-	-	176,390
	10,986,209	93,698,526	6,344,804	7,941,025	-	118,970,564
Depreciation for the year	1,717,972	13,094,862	596,095	867,815	-	16,276,744
Disposals	-	(608,064)	-	(513,918)	-	(1,121,982)
Write off	-	-	-	(75,590)	-	(75,590)
Effect of movements in exchange rates	204,600	1,731,734	76,351	29,310	-	2,041,995
At 31 December 2011	12,908,781	107,917,058	6,840,860	8,248,642	-	135,915,341
Accumulated depreciation						
Accumulated impairment losses	-	-	176,390	-	-	176,390
	12,908,781	107,917,058	7,017,250	8,248,642	-	136,091,731
Carrying amounts						
At 1 January 2010	26,549,525	65,293,005	1,891,542	1,586,216	2,748,320	98,068,608
At 31 December 2010/ 1 January 2011	30,138,304	64,121,990	2,219,406	2,156,786	1,686,260	100,322,746
At 31 December 2011	34,690,893	75,940,150	2,871,319	2,766,427	1,179,732	117,448,521

3. Property, plant and equipment (continued)

	Motor vehicle RM
Company	
Cost	
At 1 January 2010/31 December 2010/1 January 2011	-
Addition	388,124
At 31 December 2011	<u>388,124</u>
Accumulated depreciation	
At 1 January 2010/31 December 2010/1 January 2011	-
Depreciation for the year	77,578
At 31 December 2011	<u>77,578</u>
Carrying amounts	
At 1 January 2010/31 December 2010/1 January 2011	-
At 31 December 2011	<u>310,546</u>

Group

Land and buildings comprise :

	Cost/Valuation		Carrying amounts	
	2011 RM	2010 RM	2011 RM	2010 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	364,106	364,507
Factory buildings	5,783,630	5,783,630	2,548,094	2,721,447
At cost				
Freehold land	290,000	290,000	290,000	290,000
Factory buildings	36,002,044	29,526,883	26,339,693	21,613,350
	<u>47,599,674</u>	<u>41,124,513</u>	<u>34,690,893</u>	<u>30,138,304</u>

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
2011			
Freehold land	489,449	-	489,449
Leasehold land with unexpired lease period of more than 50 years	334,101	6,518	327,583
Factory buildings	3,229,681	2,365,488	864,193
	<u>4,053,231</u>	<u>2,372,006</u>	<u>1,681,225</u>

3. Property, plant and equipment (continued)

	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
	<u>4,053,231</u>	<u>2,237,724</u>	<u>1,815,507</u>

Security

At 31 December 2011, certain land and buildings with carrying amounts of RM5,791,689 (2010 : RM5,643,076) are charged to licensed banks 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:

	2011 RM	2010 RM
Motor vehicles	449,484	1,019,158
Plant and machinery	995,417	1,080,114
	<u>1,444,901</u>	<u>2,099,272</u>

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 2010	7,972,570	55,000	8,027,570
Additions	3,196,329	-	3,196,329
Effect of movements in exchange rates	(229,914)	-	(229,914)
At 31 December 2010/1 January 2011	<u>10,938,985</u>	<u>55,000</u>	<u>10,993,985</u>
Additions	2,242,493	-	2,242,493
Effect of movements in exchange rates	285,711	-	285,711
At 31 December 2011	<u>13,467,189</u>	<u>55,000</u>	<u>13,522,189</u>
Amortisation			
At 1 January 2010	1,552,849	13,933	1,566,782
Amortisation for the year	180,209	1,100	181,309
Effect of movements in exchange rates	(32,740)	-	(32,740)
At 31 December 2010/1 January 2011	<u>1,700,318</u>	<u>15,033</u>	<u>1,715,351</u>
Amortisation for the year	222,840	1,100	223,940
Effect of movements in exchange rates	37,338	-	37,338
At 31 December 2011	<u>1,960,496</u>	<u>16,133</u>	<u>1,976,629</u>

4. Prepaid lease payments - Group (continued)

	Unexpired period less than 50 years RM	Unexpired period more than 50 years RM	Total RM
Carrying amounts			
At 1 January 2010	6,419,721	41,067	6,460,788
At 31 December 2010/1 January 2011	9,238,667	39,967	9,278,634
At 31 December 2011	11,506,693	38,867	11,545,560

The prepaid lease payments represent leasehold land of the Group and are shown based on an open market value basis by independent professional valuers conducted in 1995. The Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.

Security

At 31 December 2011, certain leasehold land with carrying amounts of RM2,075,313 (2010 : RM2,161,393) are charged to licensed banks for banking facilities granted to certain subsidiaries.

5. Investments in subsidiaries - Company

	2011 RM	2010 RM
Unquoted shares, at cost	67,729,713	62,512,771
Less : Impairment losses	(721,641)	(1,657,611)
	<u>67,008,072</u>	<u>60,855,160</u>

Details of the subsidiaries are as follows :

Name of Company	Country of incorporation	Principal activities	Effective ownership interest	
			2011 %	2010 %
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 ("TGPI") #	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	85	100
TGSH Plastic Industries Sdn. Bhd.	Malaysia	Manufacturing of plastic bag and recycling	70	-

- Not audited by KPMG

6. Other investments

	Group/Company	
	2011 RM	2010 RM
Non-current		
<i>Available-for-sale financial assets</i>		
Unquoted shares, at cost	2,873,511	2,873,511
Less : Impairment losses	(1,035,170)	(906,955)
	<u>1,838,341</u>	<u>1,966,556</u>

7. Inventories - Group

	2011 RM	2010 RM
At cost :		
Raw materials	93,113,023	56,752,727
Work-in-progress	5,025,428	3,263,746
Manufactured inventories	9,708,706	7,824,657
Trading inventories	12,427,521	11,669,928
	<u>120,274,678</u>	<u>79,511,058</u>

8. Trade and other receivables, including derivatives

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Trade					
Trade receivables	8.1	73,066,744	65,988,309	769,162	850,863
Non-trade					
Other receivables		3,487,306	3,786,388	105,000	115,000
Derivatives	8.2	76,738	52,319	-	-
Amount due from subsidiaries	8.3	-	-	20,750,748	22,899,004
Deposits	8.4	278,230	2,916,019	2,000	2,000
Prepayments		614,665	709,551	-	-
		<u>4,456,939</u>	<u>7,464,277</u>	<u>20,857,748</u>	<u>23,016,004</u>
		<u>77,523,683</u>	<u>73,452,586</u>	<u>21,626,910</u>	<u>23,866,867</u>

8.1 Trade receivables

Included in trade receivables of the Group is an amount of RM412,777 (2010 : RM479,301) due from companies in which certain Directors have substantial financial interests.

8.2 Derivatives

This represents fair value gain on forward exchange contracts at the end of the reporting period.

8.3 Amount due from subsidiaries

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

8.4 Deposits

Included in prior year deposits of the Group was an amount of RM2,506,700 representing deposits paid for the purchase of machinery.

9. Cash and cash equivalents

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash and bank balances	17,350,662	49,030,918	72,714	3,074,556
Short term deposits with licensed banks	21,220,000	6,600,000	-	-
	<u>38,570,662</u>	<u>55,630,918</u>	<u>72,714</u>	<u>3,074,556</u>

10. Share capital - Group/Company

	2011		2010	
	Amount RM	Number of shares	Amount RM	Number of shares
Ordinary shares of RM1 each :				
Authorised	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid	105,204,500	105,204,500	105,204,500	105,204,500

11. Reserves

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Non-distributable					
Share premium		3,938,567	3,938,567	3,938,567	3,938,567
Translation reserve	11.1	4,848,892	1,351,252	-	-
Statutory reserve	11.2	4,140,888	4,140,888	-	-
Accumulated losses		-	-	(18,608,704)	(19,664,297)
Distributable					
Retained earnings		123,955,346	102,075,584	-	-
		<u>136,883,693</u>	<u>111,506,291</u>	<u>(14,670,137)</u>	<u>(15,725,730)</u>

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

	2011 RM	2010 RM
Non-current :		
Secured term loans	2,497,640	3,367,065
Finance lease liabilities	350,396	666,992
	<u>2,848,036</u>	<u>4,034,057</u>
Current :		
Secured		
- Term loans	879,399	854,346
- Bank overdrafts	470,278	619,813
- Bankers' acceptances	1,084,000	2,556,000
	<u>2,433,677</u>	<u>4,030,159</u>
Unsecured		
- Bank overdrafts	1,418,122	4,280,693
- Revolving credits	-	2,475,775
- Onshore foreign currency loans	29,109,190	11,444,778
- Bankers' acceptances	2,487,000	2,538,000
	<u>33,014,312</u>	<u>20,739,246</u>
Finance lease liabilities	464,440	593,797
	<u>35,912,429</u>	<u>25,363,202</u>

12. Loans and borrowings – Group (continued)

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).

12.2 Finance lease liabilities

Finance lease liabilities are payable as follows :

	2011			2010		
	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	500,429	35,989	464,440	654,032	60,235	593,797
Between 1 and 5 years	362,706	12,310	350,396	704,988	37,996	666,992
	<u>863,135</u>	<u>48,299</u>	<u>814,836</u>	<u>1,359,020</u>	<u>98,231</u>	<u>1,260,789</u>

13. Deferred tax liabilities

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

	Group	
	2011 RM	2010 RM
Property, plant and equipment (including prepaid lease payments)		
- Capital allowances	6,749,757	7,387,455
- Revaluation	648,720	685,772
- Provisions	137,500	(22,000)
	<u>7,535,977</u>	<u>8,051,227</u>

Movement in temporary differences during the year are as follows :

	At 1 January 2010 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31 December 2010/ 1 January 2011 RM'000	Acquisition of a subsidiary RM'000	Recognised in profit or loss (Note 19) RM'000	At 31 December 2011 RM'000
Group						
<i>Deferred tax liabilities</i>						
Property, plant and equipment (including prepaid lease payments)						
- Capital allowances	7,875	(488)	7,387	5	(642)	6,750
- Revaluation	723	(37)	686	-	(37)	649
- Provisions	(82)	60	(22)	-	159	137
	<u>8,516</u>	<u>(465)</u>	<u>8,051</u>	<u>5</u>	<u>(520)</u>	<u>7,536</u>

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross) :

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Other temporary differences	8,321,000	5,563,000	10,000	-
Capital allowance carry-forwards	(8,113,000)	(5,151,000)	(20,000)	-
Tax losses carry-forwards	(3,626,000)	(5,230,000)	(2,006,000)	(1,706,000)
	<u>(3,418,000)</u>	<u>(4,818,000)</u>	<u>(2,016,000)</u>	<u>(1,706,000)</u>

13. Deferred tax liabilities (continued)

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, including derivatives

	Note	Group		Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Trade					
Trade payables	14.1	61,701,378	58,018,129	-	-
Non-trade					
Other payables		11,652,545	4,965,893	88,400	50,920
Accrued expenses		5,346,763	5,545,378	233,820	233,449
Derivatives	14.2	166,669	-	-	-
		17,165,977	10,511,271	322,220	284,369
		<u>78,867,355</u>	<u>68,529,400</u>	<u>322,220</u>	<u>284,369</u>

14.1 Trade payables

Included in trade payables of the Group is an amount of RM1,788,581 (2010 : RM192,270) due to companies in which certain Directors have substantial financial interests which are subject to normal trade terms.

14.2 Derivatives

This represents fair value loss on forward exchange contracts at the end of the reporting period.

15. Revenue

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Invoiced value of goods sold less discounts and returns	540,013,477	488,598,955	185,800	106,936
Dividend income from subsidiaries	-	-	6,000,000	4,000,000
	<u>540,013,477</u>	<u>488,598,955</u>	<u>6,185,800</u>	<u>4,106,936</u>

16. Results from operating activities

Results from operating activities are arrived at :

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
After charging :				
Auditors' remuneration				
- Statutory audit				
- KPMG				
- current year	117,000	101,000	13,000	13,000
- prior year	2,000	2,000	-	-
- Other auditors	18,585	17,771	-	-
- Other services				
- KPMG				
- current year	10,000	10,000	10,000	10,000
- Affiliates of KPMG				
- current year	16,350	16,350	3,000	3,000
- prior year	-	(1,625)	-	1,000
Bad debts written off	17,519	79,104	-	-
Property, plant and equipment :				
- Depreciation (Note 3)	16,276,744	14,474,047	77,578	-
- Impairment loss (Note 3)	-	38,648	-	-
- Assets written off	34,576	72,972	-	-
Amortisation of prepaid lease payments (Note 4)	223,940	181,309	-	-

16. Results from operating activities (continued)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors' emoluments				
Directors of the Company				
- fees	288,000	268,000	175,000	175,000
- others	37,000	37,000	37,000	37,000
- remuneration	1,931,609	1,808,992	-	-
Other Directors				
- fees	52,000	52,000	-	-
- remuneration	490,119	456,226	-	-
Personnel expenses (excluding key management personnel)				
- Wages, salaries and others	28,708,116	24,000,526	39,810	35,315
- Contributions to state plans	2,311,564	1,826,185	2,232	2,160
Rental expense in respect of :				
- property	550,843	600,465	-	-
- plant and equipment	152,187	111,982	-	-
Impairment loss on receivables	1,750	186,380	-	1,040,739
Impairment loss on other investments	128,215	51,112	128,215	51,112
Loss on foreign exchange				
- realised	-	2,622,761	-	-
Unrealised loss on forward exchange contracts	89,931	-	-	-
and crediting :				
Gain on disposal of property, plant and equipment	181,480	210,537	-	-
Gain on foreign exchange				
- realised	1,247,332	-	-	-
- unrealised	47,902	99,499	-	-
Unrealised gain on forward exchange contracts	-	52,319	-	-
Negative goodwill on acquisition of a subsidiary (Note 28 (a))	165,310	-	-	-
Rental income from property and machinery	111,400	98,400	-	-
Bad debts recovered	13,509	-	-	-
Reversal of impairment loss on receivables	19,225	901,958	-	-
Reversal of impairment loss on investments in subsidiaries (Note 5)	-	-	935,970	3,193,347

17. Key management personnel compensation

The key management personnel compensation is as follows :

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors of the Company				
- Fees	166,000	146,000	75,000	75,000
- Others	2,000	2,000	2,000	2,000
- Remuneration	1,807,009	1,684,392	-	-
Other Directors				
- Fees	13,000	8,000	-	-
- Remuneration	313,892	289,366	65,072	65,072
	<u>2,301,901</u>	<u>2,129,758</u>	<u>142,072</u>	<u>142,072</u>

18. Finance costs

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Interest expense on :				
Onshore foreign currency loan	116,080	70,444	-	-
Term loans	171,980	98,983	-	-
Finance lease liabilities	67,826	57,803	-	-
Bank overdrafts	108,144	164,136	213	345
Bankers' acceptances	213,453	251,157	-	-
	<u>677,483</u>	<u>642,523</u>	<u>213</u>	<u>345</u>

19. Income tax expense

Recognised in profit or loss

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Income tax expense on continuing operations	<u>932,246</u>	<u>2,863,889</u>	<u>-</u>	<u>1,000,000</u>

Major components of income tax expense include :

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Current income tax expense				
Malaysian tax				
- Current year	1,239,391	2,678,967	-	1,000,000
- Prior years	153,925	224,312	-	-
Foreign tax				
- Current year	480,737	425,782	-	-
- Prior years	(421,984)	-	-	-
Total current tax	<u>1,452,069</u>	<u>3,329,061</u>	<u>-</u>	<u>1,000,000</u>
Deferred tax expense				
- Origination and reversal of temporary differences	(564,469)	(158,507)	-	-
- Prior years	81,698	(269,613)	-	-
- Revaluation	(37,052)	(37,052)	-	-
Total deferred tax	<u>(519,823)</u>	<u>(465,172)</u>	<u>-</u>	<u>-</u>
Total income tax expense on continuing operations	<u>932,246</u>	<u>2,863,889</u>	<u>-</u>	<u>1,000,000</u>

Reconciliation of effective income tax expense

	2011 RM	2010 RM
Group		
Profit for the year	27,125,553	19,794,820
Total income tax expense	<u>932,246</u>	<u>2,863,889</u>
Profit excluding tax	<u>28,057,799</u>	<u>22,658,709</u>

19. Income tax expense (continued)

Reconciliation of effective income tax expense (continued)

	2011 RM	2010 RM
Income tax calculated using Malaysian tax rate at 25% (2010 : 25%)	7,014,450	5,664,677
Effect of different tax rates in foreign jurisdictions *	(480,737)	(425,782)
Non-deductible expenses	353,636	487,483
Income not subject to tax	-	(6,618)
Tax incentive	(5,402,975)	(2,618,657)
Reversal of deferred tax on revaluation	(37,052)	(37,052)
Effect of unrecognised deferred tax assets	(349,784)	(156,864)
Over provision in prior years	(186,361)	(45,301)
Others	21,069	2,003
Income tax expense	932,246	2,863,889

Company

Profit before tax	6,315,818	6,689,937
Income tax calculated using Malaysian tax rate at 25% (2010 : 25%)	1,578,955	1,672,484
Non-deductible expenses	77,602	43,285
Income not subject to tax	(1,733,993)	(798,351)
Effect of unrecognised deferred tax assets	77,436	82,582
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 2011	Number 2010
At 1 January	-	6,213,500
Lapsed during the year	-	(6,213,500)
At 31 December	-	-
Exercisable at 31 December	-	-

The Group's share options expired on 1 February 2010.

21. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit attributable to the owners of the Company of RM27,036,472 (2010 : RM19,794,820) and on the weighted average number of ordinary shares outstanding during the year of 105,204,500 (2010 : 105,204,500).

22. Dividends

	Sen per share (tax exempt)	Total amount RM	Date of payment
2011			
- First and final 2010 ordinary dividend	5.00	<u>5,260,225</u>	18 August 2011
2010			
- First and final 2009 ordinary dividend	4.00	<u>4,208,180</u>	18 August 2010

A final tax exempt dividend of 6 sen per ordinary share in respect of the financial year ended 31 December 2011 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 the owners of the Company, will be accounted for as an appropriation of retained earnings from the owners' equity in the financial year ending 31 December 2012.

23. Capital commitment

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Contracted but not provided for in the financial statements - within 1 year				
Property, plant and equipment	<u>-</u>	<u>10,187</u>	<u>240</u>	<u>239</u>

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 three 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 (continued)

	Plastic Products		Food and Beverages		Consumable products and machinery		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
	RM	RM	RM	RM	RM	RM	RM	RM
Revenue								
Revenue from external customers	506,578,169	460,395,710	28,206,168	23,445,017	5,229,141	4,758,228	540,013,477	488,598,955
Segment profit	25,953,662	21,632,589	1,969,806	976,901	134,331	49,219	28,057,799	22,658,709
Included in the measure of segment profit are :								
- Depreciation and amortisation	15,791,747	13,998,066	589,156	602,927	119,781	54,363	16,500,684	14,655,356
- Non-cash expenses other than depreciation and amortisation	(20,289)	98,234	45,785	85,397	(8,324)	12,434	17,172	196,065
Segment assets	342,765,121	298,958,688	22,810,940	21,688,044	2,920,875	2,528,851	368,496,936	323,175,583
Included in the measure of segment assets is :								
- Capital expenditure	32,564,478	24,465,277	545,926	741,358	425,327	42,194	33,535,731	25,248,829

Geographical segments

The business segments are operated principally in Malaysia and China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on geographical location of assets. The amounts of non-current assets do not include financial instruments.

	2011 RM	2010 RM
Geographical information		
Revenue		
Malaysia	102,499,005	74,627,535
Other ASEAN Countries	51,767,544	56,855,414
Japan	198,515,669	160,690,218
Australia	63,509,977	65,170,407
China	40,664,527	34,453,216
Russia	1,473,742	29,909,250
Taiwan	2,345,529	12,700,556
New Zealand	13,468,217	9,833,267
Others	65,769,267	44,359,092
	<u>540,013,477</u>	<u>488,598,955</u>
Non-current assets		
Malaysia	95,528,220	76,866,756
China	31,171,243	30,538,295
Vietnam	2,294,618	2,196,329
	<u>128,994,081</u>	<u>109,601,380</u>

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

26. Related parties - Group/Company (continued)

- 26.1 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")
- Respack Manufacturing Sdn. Bhd.	("RMSB")

- 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 :

Company	2011 RM	2010 RM
Dividend income (gross) receivable from :		
STGT	-	2,000,000
TGPP	-	2,000,000
TGPM	6,000,000	-
Purchases from TGPP	181,155	105,571
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 :

	2011 RM	2010 RM
KFI	2,640,545	1,677
NS	6,108	7,364
HFS	-	1,734,138

- ii) Purchases from :

	2011 RM	2010 RM
KM	18,528	32,752
KFI	4,835,791	3,876,830
NS	-	17,750
HFS	-	2,389

- iii) Rental expense payable to :

	2011 RM	2010 RM
KP	60,000	51,600
TGPK	2,400	2,400

26. Related parties - Group/Company (continued)

26.2 Related party transactions (continued)

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 :		
	2011 RM	2010 RM
RMSB	70,207	-
FTT	23,760	78,649
ii) Purchases from :		
	2011 RM	2010 RM
RMSB	79,688	-
FTT	675,516	334,233
iii) Rental expense payable to :		
	2011 RM	2010 RM
BV	258,000	329,871
iv) Purchase of property, plant and equipment :		
	2011 RM	2010 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 non-trade balances are disclosed in Notes 8 and 14 to the financial statements.

26.3 There were no transactions with key management personnel and Directors of the Company other than remuneration package paid to them as employees of the Group/Company as disclosed in Note 17.

27. Financial instruments

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
2011				
Financial assets				
Group				
Other investments	1,838	-	-	1,838
Trade and other receivables, including derivatives	76,631	76,554	77	-
Cash and cash equivalents	38,571	38,571	-	-
	<u>117,040</u>	<u>115,125</u>	<u>77</u>	<u>1,838</u>
Company				
Other investments	1,838	-	-	1,838
Trade and other receivables	21,624	21,624	-	-
Cash and cash equivalents	73	73	-	-
	<u>23,535</u>	<u>21,697</u>	<u>-</u>	<u>1,838</u>

27. Financial instruments (continued)

27.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R RM'000	FVTPL -HFT RM'000	AFS RM'000
2010				
Financial assets				
Group				
Other investments	1,967	-	-	1,967
Trade and other receivables, including derivatives	69,827	69,775	52	-
Cash and cash equivalents	55,631	55,631	-	-
	<u>127,425</u>	<u>125,406</u>	<u>52</u>	<u>1,967</u>
Company				
Other investments	1,967	-	-	1,967
Trade and other receivables	23,014	23,014	-	-
Cash and cash equivalents	3,074	3,074	-	-
	<u>28,055</u>	<u>26,088</u>	<u>-</u>	<u>1,967</u>

	Carrying amount RM'000	OL RM'000	FVTPL -HFT RM'000
2011			
Financial liabilities			
Group			
Loans and borrowings	38,760	38,760	-
Trade and other payables, including derivatives	78,867	78,700	167
	<u>117,627</u>	<u>117,460</u>	<u>167</u>
Company			
Trade and other payables	322	322	-

	Carrying amount RM'000	OL RM'000	FVTPL -HFT RM'000
2010			
Financial liabilities			
Group			
Loans and borrowings	29,397	29,397	-
Trade and other payables	68,530	68,530	-
	<u>97,927</u>	<u>97,927</u>	<u>-</u>
Company			
Trade and other payables	284	284	-

27.2 Net gains and losses arising from financial instruments

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Net (losses)/gain on :				
Fair value through profit or loss :				
- HFT	(90)	52	-	-
Loans and receivables	13	636	-	(1,041)
Available-for-sale financial assets - recognised in profit or loss	(128)	(51)	(128)	(51)
	<u>(205)</u>	<u>637</u>	<u>(128)</u>	<u>(1,092)</u>

27. Financial instruments (continued)

27.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

27.4 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.

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			
2011			
Not past due	56,889	-	56,889
Past due 0 - 30 days	9,631	-	9,631
Past due 31 - 60 days	1,971	-	1,971
Past due more than 60 days	5,472	(896)	4,576
	<u>73,963</u>	<u>(896)</u>	<u>73,067</u>
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
	<u>67,217</u>	<u>(1,229)</u>	<u>65,988</u>
Company			
2011			
Not past due	-	-	-
Past due 0 - 30 days	-	-	-
Past due 31 - 60 days	-	-	-
Past due more than 60 days	769	-	769
	<u>769</u>	<u>-</u>	<u>769</u>

27. Financial instruments (continued)

27.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

Company	Gross RM'000	Individual impairment RM'000	Net RM'000
2010			
Not past due	-	-	-
Past due 0 - 30 days	-	-	-
Past due 31 - 60 days	-	-	-
Past due more than 60 days	851	-	851
	<u>851</u>	<u>-</u>	<u>851</u>

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1 January	1,229	2,015	-	-
Impairment loss recognised	1	186	-	-
Impairment loss reversed	(19)	(902)	-	-
Impairment loss written off	(315)	(70)	-	-
At 31 December	<u>896</u>	<u>1,229</u>	<u>-</u>	<u>-</u>

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.

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.

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.

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.

27. Financial instruments (continued)

27.4 Credit risk (continued)

Corporate guarantees (continued)

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 RM226.8 million (2010 : RM221.8 million) of which RM46.7 million (2010 : RM42.8 million) have been utilised as at the end of the reporting period.
- 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 (2010 : RM860,000) of which RM Nil (2010 : RM Nil) has been utilised as at the end of the reporting period.
- iii) the Company has issued corporate guarantees amounting to RM91.0 million (2010 : RM89.5 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 RM22.0 million (2010 : RM18.6 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.

Contingent liability

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

27.5 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.

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 :

	Carrying amount RM'000	Contractual interest rates %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2011							
Group							
<i>Non-derivative financial liabilities</i>							
Term loans	3,377	4.60	3,672	1,016	1,016	1,640	-
Finance lease liabilities	815	2.72 - 6.24	863	500	302	61	-
Bank overdrafts	1,888	7.85 - 8.10	1,888	1,888	-	-	-
Onshore foreign currency loans	29,109	1.10 - 1.65	29,135	29,135	-	-	-
Bankers' acceptances	3,571	3.50 - 5.25	3,571	3,571	-	-	-
Trade and other payables	78,701	-	78,701	78,701	-	-	-
	<u>117,461</u>		<u>117,830</u>	<u>114,811</u>	<u>1,318</u>	<u>1,701</u>	<u>-</u>

27. Financial instruments (continued)

27.5 Liquidity risk (continued)

Maturity analysis (continued)

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 :

	Carrying amount RM'000	Contractual interest rates %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2010							
Group							
<i>Non-derivative financial liabilities</i>							
Term loans	4,221	4.30	4,642	1,016	1,016	2,610	-
Finance lease liabilities	1,261	2.39 - 6.24	1,359	654	428	277	-
Bank overdrafts	4,901	7.30 - 7.80	4,901	4,901	-	-	-
Revolving credit	2,476	3.98	2,574	2,574	-	-	-
Onshore foreign currency loans	11,445	0.80 - 1.32	11,558	11,558	-	-	-
Bankers' acceptances	5,094	3.50 - 5.08	5,094	5,094	-	-	-
Trade and other payables	68,529	-	68,529	68,529	-	-	-
	<u>97,927</u>		<u>98,657</u>	<u>94,326</u>	<u>1,444</u>	<u>2,887</u>	<u>-</u>
Group							
2011							
<i>Derivative financial (assets)/liabilities</i>							
Forward exchange contracts (gross settled) :							
Inflow	-	-	(22,672)	(22,672)	-	-	-
Outflow	<u>90</u>	-	<u>22,762</u>	<u>22,762</u>	-	-	-
2010							
<i>Derivative financial (assets)/liabilities</i>							
Forward exchange contracts (gross settled) :							
Inflow	(52)	-	(7,570)	(7,570)	-	-	-
Outflow	<u>-</u>	-	<u>7,518</u>	<u>7,518</u>	-	-	-
Company							
2011							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	<u>322</u>	-	<u>322</u>	<u>322</u>	-	-	-
2010							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	<u>284</u>	-	<u>284</u>	<u>284</u>	-	-	-

27.6 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.

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 ("USD"), Japanese Yen ("JPY"), Australian Dollar ("AUD"), Singapore Dollar ("SGD") and European Euro ("EUR").

27. Financial instruments (continued)

27.6 Market risk (continued)

Currency risk (continued)

Risk management objectives, policies and processes for managing the risk (continued)

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	EUR RM'000
Group					
2011					
Trade and other receivables	43,987	715	2,673	1,394	1,036
Trade and other payables	(44,177)	(99)	-	(6)	(2,212)
Cash and bank balances	10,950	601	2,559	5	-
Loans and borrowings	(29,109)	-	-	-	-
Net exposure	(18,349)	1,217	5,232	1,393	(1,176)
2010					
Trade and other receivables	39,764	1,888	2,410	494	200
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	200

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.

Group	Profit or loss	
	2011 RM'000	2010 RM'000
USD	917	(936)
JPY	(61)	(214)
AUD	(262)	(223)
SGD	(70)	(74)
EUR	59	(10)

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.

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 (continued)

27.6 Market risk (continued)

Interest rate risk (continued)

Exposure to interest rate 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 RM'000	Company RM'000
2011		
Fixed rate instruments		
Financial assets	21,220	-
Financial liabilities	(4,192)	-
	<u>17,028</u>	<u>-</u>
Floating rate instruments		
Financial liabilities	<u>(34,568)</u>	<u>-</u>
2010		
Fixed rate instruments		
Financial assets	6,600	-
Financial liabilities	(5,482)	-
	<u>1,118</u>	<u>-</u>
Floating rate instruments		
Financial liabilities	<u>(23,916)</u>	<u>-</u>

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	
Group	100 bp increase RM'000	100 bp decrease RM'000
2011		
Floating rate instruments	<u>(346)</u>	<u>346</u>
2010		
Floating rate instruments	<u>(239)</u>	<u>239</u>

27.7 Fair value of financial instruments

27.7.1 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.

27. Financial instruments (continued)

27.7 Fair value of financial instruments (continued)

27.7.1 Recognised financial instruments (continued)

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 costs.

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

Group	2011		2010	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Forward exchange contracts				
- (Assets)/Liabilities	90	90	(52)	(52)
Secured term loans	3,377	* 3,377	4,221	* 4,221
Finance lease liabilities	815	* 815	1,261	* 1,261

* 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 end of the reporting period. 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 end of the reporting period. 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. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

27.7.2 Fair value hierarchy

Comparative figures have not been presented for 31 December 2010 by virtue of paragraph 44G of FRS 7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows :

- Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2011				
Financial assets				
Forward exchange contracts	-	77	-	77
Financial liabilities				
Forward exchange contracts	-	167	-	167

28. Significant events during the year

a) Acquisition of a new subsidiary

On 26 August 2011, the Company subscribed for 70,000 ordinary shares of RM1 each in Yuenley Sdn Bhd, representing 70% of the enlarged share capital for a total cash consideration of RM70,000.

On 7 September 2011, the subsidiary changed its name to TGSH Plastic Industries Sdn Bhd ("TGSH").

In the four months to 31 December 2011, TGSH contributed a revenue of RM7,615,201 and profit after tax of RM296,936. Had the acquisition occurred on 1 January 2011, management estimates that TGSH would have contributed RM2,265,283 to the consolidated revenue and RM60,893 to the consolidated profit after tax. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2011. The acquisition is accounted for using the acquisition method.

28. Significant events during the year (continued)

a) Acquisition of a new subsidiary (continued)

The acquisition had the following effect on the Group's assets and liabilities on 1 September 2011, being the acquisition date :

	Note	Recognised values on acquisition RM
Plant and equipment	3	34,571
Trade and other receivables		711,136
Cash and bank balances		95,202
Trade and other payables		(489,678)
Provision for taxation		(10,500)
Deferred taxation	13	(4,574)
Net identifiable assets		336,157
Non-controlling interests		(100,847)
Negative goodwill on acquisition	16	(165,310)
Consideration paid, satisfied in cash		70,000
Cash acquired		(95,202)
Net cash inflow		25,202

Pre-acquisition carrying amounts were determined based on applicable FRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

b) Subscription in an existing subsidiary

On 28 December 2011, TG Power Wrap Sdn. Bhd. ("TGPW"), a wholly owned subsidiary increased its authorised share capital from RM1,000,000 to RM10,000,000 represented by 10,000,000 ordinary shares of RM1 each. TGPW has also increased its issued and paid-up share capital from RM2 to RM6,000,000 by the allotment of an additional 5,999,998 ordinary shares of RM1 each at par for cash. The Company subscribed for 5,099,998 ordinary shares of RM1 each for a total cash consideration of RM5,099,998. The remaining shares were subscribed by a Director of TGPW. Consequent to this, the equity interest of the Company in TGPW was diluted from 100% to 85%.

c) Additional investment in an overseas subsidiary

During the year, the Group further increased its investment in TG Plaspac (Vietnam) Co., Ltd by RM46,944.

29. Subsequent event

Subsequent to the end of the reporting period, the Group incorporated a wholly-owned subsidiary, TG Uni'Ang (Shanghai) International Trade Co. Ltd. ("TGU") in the People's Republic of China. As at the date of this report, an amount of USD75,000 (equivalent to RM229,125) has been paid up as registered capital.

The intended activities of TGU are trading and marketing of packed food and beverages in the People's Republic of China.

30. Supplementary information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows :

Group	2011 RM	2010 RM
Total retained earnings of the Company and its subsidiaries :		
- realised	137,768,351	112,173,208
- unrealised	(6,929,286)	(7,899,409)
	130,839,065	104,273,799
Less : Consolidated adjustments	(6,883,719)	(2,198,215)
Total retained earnings	123,955,346	102,075,584
Company		
Total accumulated losses		
- realised	(18,608,704)	(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 as at 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 30 on page 64 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 : 27 April 2012

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 64 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 Georgetown in the State of Penang on 27 April 2012.

.....
Ang See Ming

Before me :

CHEAH BENG SUN
DJN, AMN, PKT, PJK, PJM, PK
(No. P103)
Pesuruhjaya Sumpah
(Commissions for Oaths)
Penang

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 statements of financial position as at 31 December 2011 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 is 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 2011 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 on page 64 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. 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 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.

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
1857/02/14 (J)
Chartered Accountant

Date : 27 April 2012

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 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory with office building	107,288	13-15 years	60 years, leasehold, expiring on 12.4.2052	1.20	28.11.1995
Lot. No. P.T.18877, H.S.(D) No.99/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory with office building	82,067	17 years	60 years leasehold, expiring on 12.4.2052	1.21	28.11.1995
Lot P.T.18878, H.S.(D) No.100/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory building	141,309	11 years	60 years leasehold, expiring on 4.6.2055	4.76	31.12.2004
Lot No. P.T.19449, Lot No. 950 H.S.(M) No. 249/92 and SP 4009 Mukim of Sungai Petani District of Kuala Muda, Kedah	Factories and office building	208,898	14-27 years	Freehold	3.68	28.11.1995
Lot P.T.48288, H.S.(D) No.12034/95 Mukim of Sungai Petani District of Kuala Muda, Kedah	Factories and office buildings	339,590	9-29 years	Freehold	4.67	28.11.1995
Lot P.T. 129301, H.S.(D) KA27799 Mukim Hulu Kinta District of Kinta, Ipoh, Perak	Warehouse with office building	5,500	27 years	99 years leasehold, expiring on 18.7.2092	0.16	28.05.1997
Lot No.P.T.D.89829 H.S.(D) 191571 Mukim of Pelentung District of Johor Bahru, Johor	Warehouse with office building	6,855	19 years	Freehold	0.52	31.12.2004
CL 015373672 Lorong Rambutan Off KM 11 Jln Tuaran Kota Kinabalu Sabah	Factory and other buildings	82,764	23 years	60 years leasehold, expiring on 31.12.2035	1.15	13.12.1995
CL 015276687 606 Taman Bay View Off Mile 21/2 Jln Tuaran Kota Kinabalu, Sabah	Double storey terrace house	2,178	33 years	999 years leasehold, expiring on 16.6.2914	0.10	13.12.1995
TL 077549707 Lot 13, Hock Seng Industrial Estate Jalan Bomba,Off KM 5 Jalan Utara Sandakan	Double storey semi-detached light industrial building	5,670	20 years	60 years leasehold, expiring on 31.12.2040	0.21	13.12.1995
CL 105390707 KM4, 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 Land No: 01006061 Jiulong South Road Wujiang Economic Developing Area Jiangsu, China	Factory with office buildings	315,425	6-10 years	50 years leasehold, expiring on 31.12.2049	5.93	01.01.2000
Pangjin Road Wujiang Economic Developing Area Jiangsu, China	Factory buildings	716,876	6-7 years	50 years leasehold, expiring on 08.03.2053	6.98	09.03.2004
Lot No. 49, Section 65, H.S.(D) 95/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah	Factory with office buildings	138,822	6 years	60 years leasehold, expiring on 11.04.2052	6.60	18.05.2010
Lot No. PT2223, H.S. (M) 1365, Padang Lembu, Bandar Gurun, District of Kuala Muda, Kedah	Factory with office building	278,785	11-12 years	60 years leasehold, expiring on 4.7.2055	3.94	26.08.2011
Lot No. PT2574, H.S. (M) 2798, Padang Lembu, Bandar Gurun, District of Kuala Muda, Kedah	Warehouse	83,689	7 years	60 years leasehold, expiring on 15.9.2050	1.01	26.08.2011
No. 12 VSIP II Street 9, Vietnam Singapore Industrial Park II Ben Cat District Binh Duong Province, Vietnam	Vacant industrial land	269,571	-	48 years leasehold, expiring on 30.11.2055	2.29	21.09.2007

SHAREHOLDINGS STATISTICS AS AT 3 MAY 2012

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	149	9,844	0.009
100 - 1,000	185	143,903	0.137
1,001 - 10,000	1,212	5,811,876	5.524
10,001 - 100,000	558	16,907,125	16.071
100,001 - 5,260,224	84	40,428,127	38.428
5,260,225 - 105,204,500	1	41,903,625	39.831
TOTAL	2,189	105,204,500	100.00

DIRECTORS' SHAREHOLDINGS AS AT 3 MAY 2012

Name of director	Direct Interest		Indirect Interest	
	No. of shares	%	No of shares	%
Ang Toon Piah @ Ang Toon Huat	619,000	0.59	173,000 (a)	0.16
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	1,275,600	1.21	43,012,494 (c)	40.88
Dato' Ang Poon Khim	642,325	0.61	156,700 (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 AT 3 MAY 2012

Name	Direct Interest		Indirect Interest	
	No. of shares	%	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	1,275,600	1.21	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 3 May 2012)

(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	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIGROUP GLOBAL MARKETS INC (112256)	3,213,800	3.055
4	AMMB NOMINEES (TEMPATAN) SDN. BHD. AMINVESTMENT BANK BERHAD(AMMBUW)	2,733,750	2.599
5	GAN BOON HONG	2,050,800	1.949
6	NEOH CHOO EE & COMPANY, SDN. BERHAD	1,550,000	1.473
7	LASER CARTEL SDN BHD	1,500,000	1.426
8	LEE AH SEE	1,468,125	1.395
9	GAN BOON AIK	1,420,800	1.351
10	QUARRY LANE SDN BHD	1,300,000	1.236
11	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAN TUAN SAM	1,159,900	1.103
12	SENSIBLE MATRIX SDN BHD	1,108,869	1.054
13	TAN AIK CHOON	785,200	0.746
14	ANG POON SEONG	686,475	0.653
15	ANG POON KHIM	642,325	0.611
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM BOON TIANG (BMM/AAA)	642,000	0.610
17	ANG TOON PIAH @ ANG TOON HUAT	619,000	0.588
18	ANG POON SEONG	589,125	0.560
19	ANG POON CHUAN	564,000	0.536
20	DYNAQUEST SDN. BERHAD	530,000	0.504
21	NGOH AH CHYE	495,000	0.471
22	UNITED OVERSEAS NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG SEE MING (MJK)	490,000	0.466
23	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG SEE MING (473567)	447,000	0.425
24	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	427,600	0.406
25	HONG WENG HWA	400,000	0.380
26	SOONG AND SAW INVESTMENT TRUST SDN. BERHAD	390,000	0.371
27	CHEW SENG TOOI	367,300	0.349
28	GOH CHOON KIM	366,600	0.348
29	ANG POON CHUAN	364,500	0.346
30	CHONG SIAN YEE	360,000	0.342
		72,075,794	68.511

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth 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, 21 June 2012 at 11:00 a.m. to transact the following business :

1. To receive the Audited Financial Statements for the year ended 31 December 2011 and the Reports of Directors and Auditors thereon. Refer to Explanatory Note 1
2. To approve a first and final tax exempt dividend of 6% for the year ended 31 December 2011. Ordinary Resolution 1
- 3.(i) To re-elect the following Directors who retire in accordance with Section 129 of the Companies Act, 1965 :-
 - (a) Mr Ang Toon Piah @ Ang Toon Huat Ordinary Resolution 2
 - (b) Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah Ordinary Resolution 3
- (ii) To re-elect the following Directors who retire in accordance with Article 63 of the Company's Articles of Association :-
 - (a) Dato' Ang Poon Chuan Ordinary Resolution 4
 - (b) Dato' Ang Poon Khim Ordinary Resolution 5
4. To approve Directors' Fees of RM175,000/- for the year ended 31 December 2011. 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 2011, the amount of retained losses and share premium account is RM18.61 million and RM3.94 million respectively and based on the management account as at 31 March 2012, the amount of retained losses and share premium account is RM 18.75 million and RM3.94 million respectively;

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

- (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 OF A REVENUE OR TRADING NATURE** 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 30 May 2012 which transactions are necessary for the day-to-day operations in the ordinary course of business of TGI Group on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company and that such approval shall continue to be in force until:-

- i) the conclusion of the next AGM of the Company, at which time it will lapse, unless renewed by a resolution passed at that meeting;
- ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting;

whichever is earlier.

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

(iv) **PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION** Special Resolution 1

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

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a depositor shall qualify for entitlement to the first and final tax exempt dividend of 6% only in respect of :

- a) Shares transferred into the depositor's securities account before 4.00 p.m. on 18 July 2012 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 8 August 2012 to depositors registered in the Records of Depositors at the close of business on 18 July 2012.

By Order of the Board

ONG TZE-EN (MAICSA 7026537)
LAU YOKE LENG (MAICSA 7034778)
Joint Company Secretaries
Penang, 30 May 2012

Notes :

Appointment of Proxy

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 provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with. 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. Where a Member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account its holds.
An exempt authorised nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
3. 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.
4. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
5. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 43(3) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 13 June 2012 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/her behalf.

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 23 June 2011 and which will lapse at the conclusion of the Seventeenth 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.
5. The Special Resolution 1, if passed, will allow the Company's Articles of Association to reflect the recent amendments made to Chapter 7 of the Main Market Listing Requirements of Bursa Securities.

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 Seventeenth AGM of the Company.

Appendix 1
Special Resolution

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

That the details of the proposed amendments to the Articles of Association of the Company are as follows:

Article No.	Existing Articles		Amended Articles	
	<u>Words</u>	<u>Meanings</u>	<u>Words</u>	<u>Meanings</u>
Article 2	(New definition)		<u>Exempt Authorised Nominee</u>	An Authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.
Article 2	(New definition)		<u>Omnibus Account</u>	<u>Securities Account</u> in which ordinary shares are held in the Company for multiple beneficial owners in one securities account.
Article 2	(New definition)		<u>Share Issuance Scheme</u>	means a scheme involving a new issuance of shares to the employees
Article 4(A)	<u>Issue of shares to the Directors</u> No Director shall participate in an issue of shares or options to employees unless the shareholders in general meeting have approved of the specific allotment to be made to such Director.		<u>Issue of shares to the Directors</u> No Director shall participate in a <u>Share Issuance Scheme</u> unless the shareholders in general meeting have approved the specific allotment to such Director.	
Article 56	No member to vote whilst calls unpaid. A member shall be entitled to be present and to vote at any general meeting in respect of any share or shares upon which all calls, together with interest and expenses (if any), due to the Company have been paid and no member shall be entitled to receive any dividend or to exercise any privileges as a member until he has paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any). A member may appoint two proxies to attend at the same meeting. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.		No member to vote whilst calls unpaid. A member shall be entitled to be present and to vote at any general meeting in respect of any share or shares upon which all calls, together with interest and expenses (if any), due to the Company have been paid and no member shall be entitled to receive any dividend or to exercise any privileges as a member until he has paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any). A member may appoint two proxies to attend at the same meeting. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. <u>He must also specify which proxy is entitled to vote on a show of hands and only 1 of those proxies is entitled to vote on a show of hands.</u>	

Article 56 (1)	<u>Appointment of more than one proxy</u> Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.	<u>Appointment of more than one proxy</u> Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint <u>up to 2 proxies</u> in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
Article 56 (2)	<i>(New provision)</i>	<u>Exempt Authorised Nominee</u> Where a member of the Company is an <u>Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account")</u> , there shall be no limit to the number of proxies which the <u>Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.</u>
Article 58	<u>Proxy to be in writing.</u> The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or of his attorney duly authorized in writing or, if appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized. A proxy may but need not be a member of company and need not be an advocate, an approved company auditor or a person approved by the registrar of the Companies under the Act in a particular case. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. The proxy shall be entitled to vote on a show of hands on any question at any general meeting.	<u>Proxy to be in writing.</u> The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or of his attorney duly authorized in writing or, if appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized. A proxy may but need not be a member of company and need not be an advocate, an approved company auditor or a person approved by the registrar of the Companies under the Act in a particular case. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. The proxy shall be entitled to vote on a show of hands on any question at any general meeting. <u>There shall be no restriction as to the qualification of the proxy.</u>
Article 58(1)	<i>(New provision)</i>	<u>Rights of proxy to speak</u> <u>A proxy appointed to attend and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.</u>

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 SEVENTEENTH 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 Sehati Indah, 08000 Sungai Petani, Kedah on Thursday, 21 June 2012 at 11:00 a.m. or at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		
Ordinary Resolution 10		
Special Resolution 1		

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

	Name of Proxy	% of shareholding
1 st		
2 nd		

Signed this _____ day of _____ 2012.

Signature of Shareholder

No. of Ordinary Shares Held

Notes :

1. A member entitled to attend and vote at this meeting may appoint a proxy to attend and, on a poll, to vote on his behalf. Such proxy need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies under the Companies Act, 1965 in a particular case. A member may appoint more than two proxies to attend at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with. 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. Where a Member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account its holds.

An exempt authorised nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

3. 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.
4. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
5. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 43(3) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 13 June 2012 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/her behalf.



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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

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www.thongguan.com

THONG GUAN INDUSTRIES BERHAD (3242034)

Lot 52, Jalan PKNK 1/6, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah Darul Aman, Malaysia
Tel +604 441 7888 Fax +604 441 9888



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