Sustainable Development

annual report **2012**

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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FINANCIAL STATEMENT

CORPORATE INFORMATION

Board of Directors

Ang Toon Piah @ Ang Toon Huat	Chairman, Executive Director
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	Independent Non-Executive Director
Dato' Ang Poon Chuan	Managing Director
Dato' Ang Poon Khim	Executive Director
Datuk Ang Poon Seong	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
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah

Nominating Committee
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah

Remuneration Committee
Dato' Ang Poon Chuan
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah

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.

85% **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 2012.

Economic Review

The world economy grew at a slower rate of 3.2% in 2012 (2011: 3.8%), continuing a subdued trend that had begun in early 2011, subsequent to the sovereign debt crisis in the euro area and the US. This weaknesses affected international trade and adversely spillover onto the domestic activities of the emerging economies. Commodity prices, with the exception of crude oil were lower on account of weaker global demand and favourable supply. Brent crude oil prices averaged USD 112 per barrel in 2012 (2011: USD 111 per barrel). This led to lower inflationary pressures. In response to these weaknesses, many countries eased monetary policies to support growth. World trade moderated further to 2.8% (2011:5.9%). The US grew by 2.2% (2011: 1.8%), Japan grew by 2% (2011: -0.6%), the Euro Area contracted by 0.6% (2011: 1.4%), China grew by 7.8% (2011: 9.3%) and India by 7.8% (2011:4%)

Locally, the Malaysian economy grew by 5.6% in 2012 (2011: 5.1%), buoyed mainly by robust domestic demand which expanded strongly by 10.6% (2010: 8.2%) supported by stronger consumption and investment spending. Private consumption expanded by 7.7% (2011: 7.1%), shored up by income growth amidst stable labour market of low unemployment rate at 3% (2011: 3.1%). In anticipation of the general election, the government has also improved remuneration schemes to civil servants and pensioners, introduced the Bantuan Rakyat 1Malaysia (BR1M), Baucar Buku 1Malaysia (BB1M) and the schooling assistance to primary and secondary students. Rural income was however affected by the drop in prices of crude palm oil (declined 13%, 2011: +21.1%) and rubber (declined 29.3%, 2011: +30.9%). For the FELDA settlers, this was mitigated by the payment of RM15,000 to each FELDA settler, disbursed in three phases totaling RM1.7 billion in conjunction with the listing of FELDA Global Ventures Holdings on Bursa Malaysia.

Private investment continued its strong double digit growth of 22% in 2012 (2011: 14.4%) driven mainly by capital spending in the consumer-oriented services sectors, domestic-oriented manufacturing sectors, and the implementation of major infrastructure projects, particularly in the mining sector on deepwater and marginal oil fields as energy prices remain resilient. Public sector growth was sustained during the year, with strong public investment growth of 17.1% (2011: -2.4%) driven by higher capital spending by public enterprises in the oil and gas sector, and the transportation, utilities, and telecommunications services sub-sectors. Major projects included the exploration and development of new oil and gas fields and the rejuvenation of existing oil fields in Sabah and Sarawak, the low-cost carriers (KLIA2) project, the Second Penang Bridge, aircraft fleet modernisation, the extension of the Light Rail Transit, the double tracking of rail road and purchases of equipment to improve urban rail. Public consumption recorded a more moderate growth of 5% in 2012, due to the moderation in expenditure on supplies and services as the Government continued with its fiscal consolidation efforts. Expenditure on emoluments remained high due to the higher salary increments and bonus payments to the civil servants. On the supply side, the services and manufacturing sectors continued to be consistent expanding by 6.4% (2011: 7%) and 4.8% (2011: 4.7%) respectively supported by the strong domestic demand and private sector spending. The construction sector grew strongly by 18.5% in 2012 (2011: 4.6%), the highest since 1995 (21.1%) boosted mainly by investments in civil engineering projects. The agriculture sector (including forestry and fishing) expanded moderately by 0.8% (2011: 5.9%) as CPO output was affected by deteriorating weather conditions in the first half of the year. The mining sector expanded by 1.4% (2011: -5.7% growth) with the recovery in the production of crude oil and condensates.

The labour market improved further with the unemployment rate declining to 3% (2011: 3.1%). Consumer Price Index (CPI) averaged 1.6% in 2012 (2011: 3.2%), below the expected range of 2.5-3.0%, due mainly to better domestic food supply conditions and lower inflation in the transport category. Malaysia's external position remained resilient with the current account surplus at RM 60 billion (2011: RM97.1 billion) amidst lower goods surplus amid larger deficits in the services and income accounts. Foreign direct investment (FDI) continued to register a sizeable net inflow of RM29.1 billion or 3.1% of GDP (2011: RM36.6 billion), with the bulk of it continuing to go into export-oriented manufacturing sector. Malaysia's international reserves amounted to RM427.2 billion (2011: RM423.3 billion) as at 31 December 2012. while total external debt declined to RM252.8 billion (2011: RM257.1 billion).

Industry Trends & Development

In 2012, the total sales value of the manufacturing sector recorded a growth of 5.5% to RM622.3 billion (2011: RM590.1 billion). The expansion was broad-based, with all clusters registering better growth. The total turnover of the Malaysian Plastic industry declined by 1% to RM 15.94 billion in 2012 (2011: RM 16.14 billion). Export of plastic products also declined 1% in 2012 to RM10.05 billion from RM10.15 billion in 2011 representing 63% of total turnover.

Total export of plastic bags increased moderately by 0.6% to RM3.47 billion while total export of plastic films and sheets dropped by 2% to RM3.63 billion. Overall, total export of plastic packaging materials in 2012 declined by 0.8% to RM RM7.10 billion, from RM7.16 billion. Exports were affected by the slower consumer spending in the developed markets, particularly to the EU.

Group Performance

The Group registered a 16.9% increase in revenue from RM 540 million in 2011 to RM 631.1 million in 2012. Group profit before tax (PBT) was RM 29.3 million, an increase of 4.3% from the RM 28.1 million recorded in 2011. Turnover grew mainly due to the increase of export sales, contributions from new subsidiary companies (TGSH and TG Power Wrap) and higher average raw material prices. The increase in PBT was spread evenly across most business units and mainly attributable to the revenue growth, increased margins as well as cost rationalisation exercises within the group.

Dividend

The Board of Directors has recommended a final tax-exempt dividend of 7 sen per ordinary share amounting to approximately RM 7.36 million or 27% of net profit attributable to equity holders for the year ended 31 December 2012 (2010: 6 sen, RM 6.31 million, 23.3%).

Prospects

The global economy is expected to recover gradually in 2013 driven by the optimistic outlook as a result of economic reform measures undertaken in the US and the EU. The International Monetary Fund has forecasted that the world economy will grow 3.5% in 2013 while world trade will grow by 3.8%. Major economies are predicted to experience moderate growth with the US at 2%, the Euro Area at -0.2% and Japan at 1.2%. Stronger expansion are forecasted for the emerging economies led by China at 8.2% and India at 5.9% while regional economies are expected to continue its growth pattern with Singapore at 2.9%, Indonesia at 6.3%, Thailand at 6%, the Phillipines at 4.8% and Malaysia at 5 – 6%. The Malaysian economic growth will continue to be supported mainly by domestic demand driven mainly by private consumption, supported by a favourable labour market, higher disposable incomes, availability of credit, sustained consumer confidence, and the higher increment of public sector wages. The Malaysian Plastic Manufacturer's Association is confident that the recovery prospect in the major economies will boost the export of the Malaysian plastic products in 2013. 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 is also 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 repot. 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

Yang Mulia Tengku Makram bin Tengku Ariff and Mr Lee Eng Sheng resigned from the Board on 6 June 2013 as a consequence of the new ruling by Bursa Malaysia that limits the tenure of independent directors to nine years of service. We would like to record our appreciation and gratitude for their enormous
contributions to the success of the Company over their many years serving the board.

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. I would like to

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 2012, we continued to support educational, charitable and other meaningful social causes through direct donations and in-kind support. Through these efforts, we hope to not only foster community spirit but also encourage our employees and business associates to be actively involved in these programmes.

Education

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

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

Community Care

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

In 2012, we also took on an initiative to support the underprivileged and less fortunate with donation in goods and 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.

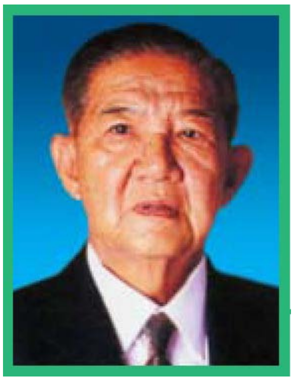
Occupational Safety and Health, and the Environment

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 84, 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 three out of 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.

Dato' Ang Poon Chuan, aged 69, 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 46 years of services, he has gained extensive knowledge of the plastic, paper, food, beverages and trading business and has developed invaluable business acumen and foresight that has shaped TGI to it present stature. He is a well respected figure in the plastic industry and was the former President of the MPMA (Northern Branch).

He serves as the Chairman of the Employees' Share Option Scheme Committee and a member of the Remuneration Committee. He has attended all of the four Board meetings held for the financial year. He is the brother of 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 58, 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 57, 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.

Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah, aged 78, 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, 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 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 ("the Board") recognises the importance of adopting the principles and recommendations in the Malaysian Code on Corporate Governance (MCCG 2012) ("the Code") for long term sustainable business growth and to protect and enhance shareholders' values. Accordingly, the Board is committed to ensure recommended standards of Corporate Governance are practised throughout TGI and its subsidiaries ("the Group") towards enhancing business success and corporate accountability to protect and enhance the interests of its shareholders and stakeholders.

The Statement on Corporate Governance will set out how the Company has applied the principles and recommendations and the approach the Board will take to steer the Company to apply such principles and recommendations to governance as prescribed by the MCCG 2012.

Principle 1: Establish Clear Roles and Responsibilities

1.1 Clear Functions of the Board and Management

The Board takes full responsibilities for the overall performance of the Group by providing leadership and direction as well as management supervision. As a whole, the Board is the ultimate decision making body. Further to its legal responsibilities, the Board assumes full responsibility for the Group's strategic direction, overseeing the proper conduct of the Group's business, identifying principal risks and ensuring the implementation of systems to manage risks, succession planning, developing investor relations programme, reviewing the adequacy and integrity of the Group's internal control systems and management information systems, establishing goals for management and monitoring the achievement of these goals.

The Board has established 3 Board Committees ('Committees') to assist in the performance of its stewardship duties under specific terms of reference. The Committees established are Audit Committee, Nominating Committee and Remuneration Committee. These Committees comprised Non-Executive Directors with a majority Independent Non-Executive Directors ("INEDs"). The composition of the Board and Board Committees are more particularly described under Principle 2 and section 3.5 in this statement.

All decisions and deliberations at Committee level are documented by the Company Secretary in the minutes of Committee meetings. The Chairman of Board Committees reports on the outcome and recommendations of the Board Committee meetings to the Board for further deliberation and approval. Such reporting and ensuing deliberation, if any, is detailed in the minutes of Board meetings. The Committees function to principally assist the Board in the execution of its duties and responsibilities to enhance operational and business efficiency and efficacy. The Board reviews the Committees' authority and terms of reference from time to time to ensure its relevance and enhance its efficacy.

1.2 Clear Roles and Responsibilities

The Board is collectively responsible for oversight and overall management of the Group. The Board delegates the day-to-day operations of the Group to the Executive Directors, who have vast experience in the business of the Group. The Director are normally involved in the deliberation of 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.

As part of the continuous effort on governance process, the Company will be revising its Board Charter. The Executive Directors are responsible for the day-to-day operational management of the Group, implementing the policies and decisions of the Board, overseeing business operations as well as coordinating the development and implementation of business and corporate strategies. On the other hand, the Independent Non-Executive Directors ("INED") do not engage in the daily management of the Group. Their presence brings objectivity and independence to any evaluation of strategic, performance or resources related issues. In this manner, the INEDs fulfil a crucial corporate accountability role as they provide independent and objective views, opinions and judgment on issues being deliberated.

The Board has yet to have descriptions for certain Board positions and also the corporate objectives for which the Executive Directors are responsible to meet. Having due note of that, the Board is of the opinion that the Managing Director, with the assistance and support from the Executive Directors and key management, is responsible for the day-to-day operations of the Group and represents Management to the Board.

The management, with the assistance from the IAD, has recently implemented the Enterprise Risk Management processes to identify, assess, monitor with the view to mitigate risks impacting the Group's business and supporting activities.

1.3 Formalise Ethical Standards through a Code of Conduct and Ethics

A Code of Conduct, which outlines the conduct and responsibilities of both Management and employees, is in place. An Employee Handbook, which contained various human resource policies, serve as a guide for Management and employees of the Group and ensured that accepted code of conduct as well as employee responsibilities are practiced.

There is also a platform in place for employees and Management to report on any grievances and or wrongdoing by employees and or Management. Insofar as the Board is concerned, the Directors have a duty to declare immediately to the Board and abstain from further discussion and decision-making process should they be interested in any transaction to be entered into by the Group and or whenever there is a potential conflict arising from any transactions which involved the interest of the Directors.

Similar with the Board Charter, the Board will consider formalising Whistle Blower Policy as well as Code of Ethics and Code of Conduct for Directors for adoption and subsequent disclosure on corporate website.

1.4 Strategies Promoting Sustainability

The Board recognises the importance of sustainability vis a vis the environment, governance and social context and its increasing impact to any business. The Board is committed to understanding and implementing sustainable practices and to exploring the benefits of the business whilst attempting to achieve the right balance between the needs of the wider community, and the requirements of shareholders and stakeholders.

It is the normal practice of senior management team to conduct annual review of group performance, refine business strategies and set targets, both qualitative and quantitative, in consultation with the Managing Director and Executive Directors. To that end, the Board is in the process of formulating a Sustainability Policy.

From a social context, employees' welfare, financial contribution and participation in community activities are part and parcel of the Group's commitment as a responsible corporate citizen. The Group acknowledges the contribution of its employees and strive to improve their welfare and benefits. All recruits undergo induction program to familiarise themselves with Group's background, policies, structure, products and services. There is an established performance review process to reward deserving employees with competitive remuneration packages, increment and bonus. In addition, confirmed employees are entitled to medical and hospitalisation benefits at the Group's expense. There is an emphasis on continuous employees' training and professional development with various training programs organised from time to time to enhance skills and knowledge. Company dinners are organised to foster relationship amongst employees and Management. Long service awards are conferred to Management and employees as a token of appreciation for their continued loyalty, support, dedication and contribution to the Group.

All operations of the Group are conducted within the ambit of the various legislating authorities in the countries where the Group operates.

1.5 Access to Information and Advice

The Chairman ensures that all Directors have full 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. Meeting papers on issues or corporate proposals which are deemed confidential and sensitive would only be presented to the Directors during the meeting itself. Management is invited to provide Directors with updates on business and operational matters or clarify items tabled to the Board. Verbal explanation and briefings are also provided by management to enhance understanding of the matters under discussions.

All Directors have access to the advice and services of the Company Secretaries. The Board of Directors, whether as a full board or in their individual capacity, may upon approval of the Board of Directors, seek independent professional advice if required, in discharge of their duties with full knowledge of cause and effect, at the Company's expense.

1.6 Qualified and Competent Company Secretaries

All the Directors have unrestricted access to all information within the Group and to the advice and service of the Company Secretaries. The Company Secretaries, who are qualified and experienced, advise the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors and the potential impact and implications arising there from.

1.7 Board Charter

The Board acknowledges the need to establish a point of reference for Board activities through a Charter as recommended by the MCCG 2012. As such, the Board is taking the necessary steps to revise such a Charter to clearly define the roles of the Board, Board Committees and Management in order to provide a structured guidance regarding their various responsibilities including the requirements of Directors in carrying out their leadership and supervisory role and in discharging their duties towards the Group as well as boardroom activities. An abridged version of the Board Charter will be made available on the Company website www.thongguan.com.

Principle 2: Strengthen the Composition

2.1 Nominating Committee

The Nominating Committee is chaired by an INED and the Committee consists entirely of 3 Non-Executive Directors, a majority of whom are independent. The Nominating Committee shall meet at least once in a financial year or more frequently if required to do so.

The Nominating Committee currently comprised the following:

Name	Position
Dato' Paduka Syed Mansor Bin Syed Kassim Barabah *(appointed on 21 February 2013)*	Member

2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

The Nominating Committee's mandate expressed through its terms of reference is to bring to the Board; recommendations on the appointment of new Directors, review of the Board structure, size, composition as well as systematic assessment of the effectiveness and contribution of the Board, its Committees, and individual Directors on an annual basis. The Nominating Committee is empowered to seek professional advice within or outside the Group as it deem necessary to discharge its responsibilities.

During the financial year ended 31 December 2012, the Committee met on one (1) occasion to discuss the tenure of service of the INEDs as well as conduct annual assessment of the Directors, Board and Board Committees.

The Nominating Committee also systematically assesses the effectiveness of the Board, the Committees of the Board and contribution of each individual Director and reviews the required mix of skills, experience and other qualities, including core competencies of the members of the Board on annual basis. The assessment also considered the qualifications, contribution and performance of Directors and Chief Financial Officer in meeting the needs of the Group based on the criteria - competency, character, time commitment, integrity and experience as set out under paragraph 2.20A of the Listing Requirements.

The Board is committed to ensuring diversity and inclusiveness in its composition and deliberations. The present Board composition reflects the broad range of experience, skills and expertise necessary for the success of the Group and the importance of independent judgment and opinion at Board level.

The Board acknowledges the recommendation of the Code on gender diversity. However, the Board has yet to establish a specific policy on setting targets for women candidates. The Board believes it is not necessary to adopt a formal gender diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Group. The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity, performance and experience to bring value and expertise to the Board. The Nominating Committee will however continue to take steps to ensure suitable women candidates are sought as part of its recruitment exercise.

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.

The director who is subject to re-election and/or re-appointment at next Annual General Meeting is assessed by the Nominating Committee before recommendation is made to the Board and shareholders for re-election and/or re-appointment. Appropriate assessment and recommendation by the Nominating Committee is based on the annual assessment conducted. The Articles of Association of the Company requires that all Directors shall be subject to re-election by shareholders at the first opportunity after their appointment and that at least one third (1/3) or the number nearest to one third (1/3) of the Directors, be subject to re-election thereafter by rotation at least once in every three (3) years at the Annual General Meeting.

The Board, together with Nominating Committee, will also formalise a guide to be used during annual assessment, recruitment and induction processes for Directors.

2.3 Remuneration Committee

The Remuneration Committee consists of three members, the majority of whom are Independent Non-Executive Directors.

The Remuneration Committee currently comprised the following:

Name	Position
Dato' Paduka Syed Mansor Bin Syed Kassim Barabah *(appointed on 21 February 2013)*	Member

The Remuneration Committee met once during the financial year with full attendance by all members of the Remuneration Committee. The adoption of remuneration packages for the Executive 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 Remuneration Committee is authorised, inter-alia, to recommend to the Board the remuneration packages for the Executive Directors of the Company and set up a broad policy or framework for all elements of remuneration for the Directors.

The remuneration of Non-Executive Directors is linked to their experience and level of responsibilities undertaken by them. Non-Executive Directors are paid fixed annual fees as members of the Board and Board Committees. The Directors' fees are approved annually by the shareholders of the Company.

The aggregate remuneration, with categorisation into appropriate components and distinguishing between Executive and Non-Executive Directors, paid or payable to all Directors of the Company for the financial year ended 31 December 2012 is as follows:

	Fees [1] (RM'000)	**Salaries (RM'000)**	**Bonus (RM'000)**	**Others (RM'000)**
Executive Directors	218	1,506	448	2
Non-Executive Directors	75	-	-	36

Notes:
[1] Fees paid to Non-Executive Directors is inclusive of fees to 2 INEDs who left on 1 June 2013

The number of Directors whose total remuneration falls within the following bands is as follows:

Range of Remuneration	**Executive Directors**	**Non-Executive Directors**
Below RM50,000 *	-	3
RM100,001 to RM150,000	1	-
RM250,001 to RM300,000	1	-
RM700,001 to RM750,000	1	-
RM800,001 to RM850,000	1	-

Notes:
* Include fee to two former INEDs who left on 1 June 2013

The Board has opted not to disclose each Director's remuneration as it considers such information sensitive.

The Board is in the process of establishing a Remuneration Policy and Procedure to facilitate the Remuneration Committee to consider and recommend to the Board for decision the remuneration package of the Executive Directors. Going forward, the Remuneration Committee would take on the task of reviewing and recommending the compensation structure of the Board for both Executive and Non-Executive Directors.

Principle 3: Reinforce Independence

3.1 Annual Assessment of Independent Directors

The Board, through the Nominating Committee, assesses the independence of the INEDs annually. Based on the assessment carried out for financial year ended 31 December 2012, the Board is generally satisfied with the level of independence demonstrated by the INEDs and their ability to act in the best interests of the Company.

3.2 Tenure of Independent Directors

The Board's view on independence is in accordance with the definition of an independent director under para 1.01 and Practice Note 13 of MMLR of Bursa Securities. The present INED fulfils the key criteria of appointment as he is not a member of management, free of any relationship that could interfere with exercise of independent judgment or ability to act in the best interest of the Company.

The Board noted that the resignation of Tengku Makram Bin Tengku Ariff and Lee Eng Sheng is in line with the MCCG 2012 as their tenure, on individual basis, had reached a cumulative term of 9 years.

Dato' Paduka Syed Mansor Bin Syed Kassim Barabah is the sole remaining INED whose tenure has not exceeded a cumulative term of 9 years.

Going forward, the Nominating Committee will review and recommend to the Board, as part of the Board Charter, the term of tenure of Independent Non-Executive Directors of the Company.

3.3 Shareholders' Approval for Retaining Independent Non-Executive Directors

The Company does not have term limits for all Directors presently as the Board is of the opinion that continued contribution by Directors provides benefit to the Board and the Group as a whole. The MCCG 2012 provides a limit of a cumulative term of 9 years on the tenure of an Independent Director.

However, an INED may continue to serve the Board upon reaching the 9-year limit subject to re-designation as a Non-INED. In the event the Board intends to retain the said INED as independent after the latter has served a cumulative term of 9 years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the Nominating Committee is entrusted to assess the candidate's suitability to continue as an INED based on the criteria on independence.

3.4 Separation of Positions of Chairman and Managing Director

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 INEDs also provides an element of objectivity, independent judgement, view and check balance on the Board as well as to safeguard the interest not only of the Group, but also minority shareholders, employees, customers, suppliers and the community in general.

3.5 Composition of the Board

The Board comprised 5 Directors as at the date of this Annual Report as follows:

Executive Chairman	Ang Toon Piah @ Ang Toon Huat
Managing Director	Dato' Ang Poon Chuan
Executive Directors	Dato' Ang Poon Khim Datuk Ang Poon Seong
Independent Non-Executive Director	Dato' Paduka Syed Mansor Bin Syed Kassim Barabah

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. Brief profiles of the Board members are presented under "Profile of Directors' section in this Annual Report.

Tengku Makram Bin Tengku Ariff and Lee Eng Sheng resigned on 1 June 2013 from the Board as well as from the Audit, Remuneration and Nominating Committees. Accordingly, the Board composition is not in compliance with para 15.02 of the MMLR presently. Having due note of the non-compliance, the Board will take all the necessary actions to ensure that new INEDs are appointed within the stipulated time frame.

The current Board has a balanced mix of skills, relevant expertise and professional experience. The Directors, with their different background and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, general management, marketing and operations.

The Board is of the opinion that it is not necessary to have a majority INEDs when the Chairman is an executive position in view of the facts that the Directors are seasoned business leaders who exercise objectivity and independence of opinions in arriving at their decisions and that Board deliberations are collegial and inclusive with ultimate aim of objective review of priorities and proposals. Chairman solicits the opinion of fellow Board members before seeking consensus on decisions.

Principle 4: Foster Commitment

4.1 Time Commitment

The Board normally meets at least 4 times annually at quarterly intervals. Under exceptional circumstances owing to urgent and important issues at hand, additional meetings are convened between the scheduled meetings with sufficient notice.

During the year under review, the Board held 4 meetings to deliberate and decide on various issues. The major deliberation, in terms of issues discussed and the conclusion arrived by the Board during the meetings, are recorded by the Company Secretary with the minutes signed by the Chairman of the meetings.

Details of attendance of each Director on the Board and respective Board Committees of TGI during the year under review are as follows:

		Committees		
	Board	**Audit**	**Nominating**	**Remuneration**
Ang Toon Piah @ Ang Toon Huat	3/4	-	-	-
Dato' Ang Poon Chuan	4/4	-	-	1/1
Dato' Ang Poon Khim	4/4	-	-	-
Datuk Ang Poon Seong	3/4	-	-	-
Tengku Makram Bin Tengku Ariff [1]	4/4	4/4	1/1	1/1
Lee Eng Sheng [1]	4/4	4/4	1/1	1/1
Dato' Paduka Syed Mansor Bin Syed Kassim Barabah [2]	4/4	4/4	0/0	0/0

Notes:
All Board members, save for the resignations, met the minimum percentage required for Board meeting attendance as prescribed under MMLR of Bursa Securities during the period under review.

[1] Resigned from the Board on 1 June 2013

[2] Appointed as member of the Remuneration and Nominating Committees on 21 February 2013

The Company Secretary will convene, upon request of any Board members, special Board meetings to discuss any urgent issues. Agenda for Board meetings are set by the Company Secretary in consultation with the Chairman, as appropriate. In between meetings, whenever required, decisions are taken by way of Directors' Circular Resolutions.

In the absence of a formal protocol on induction, acceptance of new Directorship and time commitment, a Director accepting new directorships will notify the Board ahead of his new appointment. 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 programmes 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.

4.2 Directors' Training

The Board is cognisant of the need to ensure that its members undergo continuous trainings to enhance their knowledge, expertise and professionalism in discharging their duties. The Company Secretary circulates relevant guideline to update the Directors on statutory and regulatory requirements changes from time to time. Internal briefings were also conducted for the Directors on key corporate governance developments and salient changes to the MMLR.

Pursuant to para 15.08(2) and Appendix 9C (Part A, para 28) of MMLR, some of the Directors had, during year under review, attended the following training programs and seminars:

Areas	**Seminar / Programs**
Production	• Lean Manufacturing Value Stream Improvement
Finance, Taxation & Governance	• Mastering Recent Tax Cases: Insights to Tax Litigation and Controversies • CSP For PLCs: Related Party Transactions and Updates to Listing Requirements • Raising the Bar: The Malaysian Code on Corporate Governance 2012 • MAICSA Annual Conference 2012 • Seminar Percukaian Kebangsaan 2012
Risk Management	• Malaysian Code on Corporate Governance 2012 & Recognition and Management of Risk
Human Resource	• Living with the Union: Best Practices in Industrial Relations

All Directors have complied with the provision of MMLR in relation to Mandatory Accreditation Program. Going forward, the Board would stress on all Directors' participation at relevant continuous professional development programs.

Principle 5: Uphold Integrity in Financial Reporting

5.1 Compliance with Applicable Financial Reporting Standards

The Board is committed 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 Audit Committee is to aid the Board in discharging its duties on financial reporting by overseeing the processes for production of the financial data, reviewing and monitoring the integrity of the financial reports and the internal controls of the Company. The composition and terms of reference of the Audit Committee together with its report are presented under "Audit Committee Report" in this Annual Report.

In consultation with the External Auditors, the Audit Committee reviews the appropriateness of the Group's accounting policies and the changes to these policies as well as ensures these financial statements comply with accounting standards and regulatory requirements.

Directors' Responsibility Statement

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

5.2 Assessment of Suitability and Independence of External Auditors by the Audit Committee

The Audit Committee has a close and transparent relationship with the External Auditors in seeking professional advice and ensuring compliance with relevant accounting standards. During the financial year ended 31 December 2012, the Audit Committee held two (2) dialogue sessions with the External Auditors in the absence of the Executive Directors and Management.

The Audit Committee is empowered by the Board to review all issues in relation to appointment and re-appointment, resignation or dismissal of External Auditors. The External Auditors had given written assurance that, they are, and have been, independent throughout the conduct of audit engagement in accordance with terms of relevant professional and regulatory requirements. In early 2013, the Audit Committee undertook a review of the suitability and independence of the External Auditors and was satisfied with the independence and technical competency of the External Auditors.

Moving on, the Audit Committee will establish procedures to assess the suitability and independence of the External Auditors as well as policy governing the circumstance under which contracts for provision of non-audit services could be entered into by the External Auditors.

Principle 6: Recognise and Manage Risks

6.1 Sound Framework to Manage Risks

In general, all major projects, investment and capital expenditure initiatives are presented to the Board for consideration and approval. An overview of the state of internal controls and risk management within the Group is spelt out in this Annual Report under Statement on Internal Control.

6.2 Internal Audit Function

The Board has established internal control procedures and policies for its operations and monitors, through the Internal Audit department, to ensure that such internal control system is implemented and carried out effectively by the Management.

The Company has in place an internal audit function which is led by the Head of Internal Audit, who reports directly to the Audit Committee. The Internal Audit Department undertakes regular review of identified operational areas annually to assess the effectiveness of internal controls and risk management. During the review of Internal Audit Reports, the Audit Committee is made aware of the operational risks affecting the Group's operations and all follow through mitigating actions thereof.

The Statement on Internal Control, which provided an overview of the state of internal control and risk management within the Group, is included in this Annual Report.

Principle 7: Ensure Timely and High Quality Disclosure

7.1 Corporate Disclosure Policy

The Board acknowledges the need and importance of ensuring dissemination of information to shareholders, investors and regulatory bodies with the intention of giving as clear and complete information of the Group's financial performance as well as corporate initiatives and operations as possible within the bounds of practicality and legal and regulatory framework governing release of material and price sensitive information. The Board peruses through and approves all announcements prior to release of the same to Bursa Securities. At the same time, the Board will take reasonable steps to ensure that all who invest in the Company's securities enjoy equal access to such information to avoid an individual or selective disclosure.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

In line with increased investor awareness for greater accountability and transparency, the Board is the process of formalising a corporate disclosure policy and procedure which is in line with requirements of MMLR to enable comprehensive, timely and accurate disclosures on the Group to the regulators, shareholders and other stakeholders.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Company's website, www.thongguan.com, provides an avenue for information dissemination with dedicated sections on corporate information including announcements to Bursa Securities, financial information, press releases and news and events related to the Group. Any queries or concerns regarding the Group may be directed to : *info@thongguan.com*.

As the Group release all material information publicly through Bursa Securities, shareholders and the public in general may also obtain announcements and financial results of the Company from Bursa Securities' website at www.bursamalaysia.com.

Principle 8: Strengthen Relationship with Shareholders

8.1 Shareholders Participation at General Meetings

The Annual General Meeting ("AGM") and Extraordinary General Meeting ("EGM"), provide a platform for Board dialogue and interaction with shareholders where individual shareholders and investors may seek clarifications on the Group's businesses, performance and prospects. The notices of the AGM and the Annual Reports as well as EGM, as applicable, are sent to shareholders. The notices of the AGM and EGM are also published in a national newspaper and released through Bursa Securities for public dissemination. Members of the Board attend the AGM and EGM to answer queries and concerns of the shareholders. All suggestions and comments put forth by shareholders will be noted by the Board for consideration.

The Board will consider adopting electronic voting, within the bound of practicability, in the future to facilitate greater shareholder participation at general meetings.

8.2 Encourage Poll Voting

At the onset of all general meetings, shareholders are informed that voting will be by show of hands of every member or representative or proxy of a member present, unless a poll is duly demanded, before the meeting proceeds to transact the businesses set forth in the notice calling for the meeting.

8.3 Effective Communication and Proactive Engagement

The Board recognises the need for shareholders to be kept updated with all material business matters affecting the Group. Shareholders are provided with an overview of the Group's performance and operations through timely release of financial results on yearly and quarterly basis as well as various other announcements.

The general meetings are useful forums for shareholders to engage directly with the Board and Senior Management. The shareholders are at liberty to raise questions or seek clarification on the agenda of the meeting from the Board and the Senior Management.

Further, in a move to promote wider publicity and dissemination of public information, the Group will issue press releases to the media on significant corporate developments and business initiatives to keep the investment community and shareholders updated on the progress and development of the Group.

Compliance with the Principles and Recommendations of the Code

For the year ended 31 December 2012 and until to-date, the Group has complied substantially with the Principles and Recommendations of the Code insofar as applicable and described herein.

This statement is issued in accordance with a resolution of the Directors dated 3 June 2013.

Other Information

Non-Audit Fees

The amount of non-audit fees paid to external auditors by the Company and its subsidiaries is RM29,770 for the financial year ended 31 December 2012.

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

INTERNAL CONTROL STATEMENT

Introduction

Pursuant to Paragraph 15.26(b) of the Main Listing Requirement of Bursa Malaysia Securities Berhad, the Board of Directors of listed companies is required to include in its Company's Annual Report a 'statement about the state of its internal controls of the listed issuer as a group'. The Board is pleased to provide the following Internal Control Statement for the financial year ended 31 December 2012.

Responsibility

The Board acknowledges its responsibility for the Groups' system of internal control, which include establishment of an effective control environment and appropriate internal control framework, as well as to review its adequacy and integrity. Due to limitations inherent in any system of internal control, it is important to note that the system is designated to manage, rather than eliminate the risk of failure. Therefore, the system can only provide reasonable and not absolute, degree of assurance that assets are safeguarded against material loss or misstatement. The system of internal control covers, inter-alia, financial, organisational, and operational and compliance controls and risk management.

Risk Management Framework

In the prior years, the Board had appointed a firm of consultants to assist it in establishing a risk management framework for the group. The IAD has taken over the management of the framework and has continued, updated and improved on the work of the consultants. On-going processes for identifying, evaluating, and managing risks have been firmly established by the Group. The Board through its Audit Committee regularly reviews this process. The main objective of the review is to formalize and embed a risk management process across the Group in order to sensitise all employees within the Group to risk identification, evaluation, control, ongoing monitoring, and reporting. Through formalisations of the Enterprise Risk Management (ERM) framework, it encompasses the following initiatives, which were undertaken during the financial year:

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

Internal Audit Function

To strengthen the internal audit function, the Group established an internal audit department and 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.

INTERNAL CONTROL STATEMENT (continued)

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 Board and Audit Committee rigorously review the quarterly financial results and reports and evaluate the reasons for unusual variances noted thereof.
- Internal audit function includes performing regular reviews of business processes to assess the effectiveness of the internal control system and to highlight significant risks impacting the Group with recommendations for improvement;
- The close involvement of Executive Directors, who are hands-on in the operations of the Group. The Managing Directors briefs the Board on significant changes in the business and external environment, which affect the operations of the Group at large.
- 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).

Conclusion

The Board has received assurance from the Group Managing Director and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal controls system of the Group.

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.

For the financial year under review and up to the date of issuance of the financial statements, the Board is satisfied with the adequacy, integrity and effectiveness of the Group's system of risk management and internal control. No material losses, contingencies or uncertainties have arisen from any inadequacy or failure of the Group's system of internal control that would require separate disclosure in the Group's Annual Report.

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 2012. The Audit Committee currently comprises the following directors:-

Directors	Position	Attendance
Tengku Makram Bin Tengku Ariff *(Resigned on 1 June 2013)*	Chairman, Independent Non-Executive Director	4/4
Lee Eng Sheng *(Resigned on 1 June 2013)*	Member, Independent Non-Executive Director	4/4
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	Member, Independent Non-Executive Director	4/4

Composition

The 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.

With the concurrent resignation of Tengku Makram Bin Tengku Ariff and Mr Lee Eng Sheng on 1 June 2013, the Company does not comply with Paragraph 15.09(1) of the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Board of Directors of the Company shall appoint new Independent Non-Executive Directors to fill the vacancy in order to comply with Paragraph 15.09 (1) of the Main LR of Bursa Securities within 3 months from 1 June 2013.

The Board shall at all time ensure that all members of the 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 Securities.

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.

Terms of Office

In the event of any vacancy in the 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 Board of Directors shall review the terms of office and performance of the Committee and each of its members at least once every three (3) years to determine whether such Committee and its members have carried out their duties in accordance with their Terms of Reference.

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

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 Company Secretary to the Committee shall be the Secretary. The Secretary, in cooperation 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 Company Secretary or her representative would be present at all the meetings. The Group's Internal Audit Manager, Senior Management and representatives of the external auditors would also attend the meetings, upon invitation.

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.

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 Statement of Internal Controls in relation to internal controls and management of risk for inclusion in the annual report.
- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board.
- Review the budget and staffing of the internal audit department.
- Review the adequacy and integrity of internal control system, including enterprise risk management, management information system, and the internal auditor's and/or external auditor's evaluation of the said system.
- Direct and where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defaults, frauds and thefts.
- Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:
  - i) going concern assumption;
  - ii) any changes in or implementation of major accounting policies and practices;
  - iii) significant or unusual event;
  - iv) compliance with accounting standards and other legal requirements; and
  - v) Significant adjustment arising from the audit.
- Review any related party transaction and conflict of interest situation that may rise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity;
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarizing the work performed in fulfilling the Committee's primary responsibilities;
- Review any appraisal or assessment of the performance and any appointment or termination of members of the internal audit function;
- Review the financial reporting procedures in place to ensure that the Group is in compliance with the Companies Act 1965, Main LR of Bursa Securities and other legislative and reporting requirement;
- Review the allocation of option granted pursuant to the Employee Share Option Scheme (ESOS) of the Company, if any;
- Any other activities, as authorized or instructed by the Board.

AUDIT COMMITTEE REPORT (CONT'D)

Summary of Activities during the Financial Year

The main activities undertaken by the Committee during the financial year were as follows:

- Reviewed with the external auditors the 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 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 LR of Bursa Securities and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board and other relevant legal and regulatory requirements;
- 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;
- Reviewed the quarterly report from the Internal Audit Department ("IAD") and make necessary recommendations to the Management and Board of Directors;
- Met twice with the external auditors without the presence of the Executive Directors and management staff to discuss issues of concern to the auditors;
- Reviewed the performance of the external auditors, consider and recommending their re-appointment to the Board.

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 Committee reviewed and approved the internal audit plan of the Group submitted by the Head of Internal Audit annually.

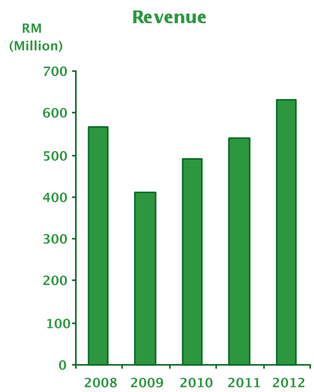
The total cost incurred for the internal audit function for the financial year 2012 was RM129,000. During the financial year, areas of audits included various departments at head office and other operating sites. Internal audit reports were issued to the Committee quarterly and tabled in the Audit Committee meetings. The reports, which incorporated audit recommendations and management responses with regard to any audit findings, were also copied to the respective operational managers. 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 based on their audit framework and plan on 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 for approval by the Committee. Internal audit work will be based on the approved internal audit plan.

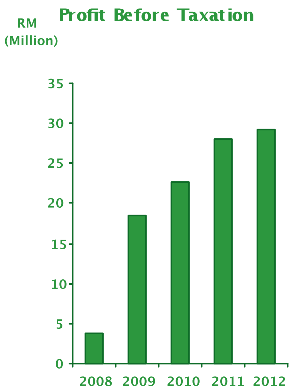
The management, with the assistance from the IAD, has recently implemented the Enterprise Risk Management processes to identify, assess, monitor with the view to mitigate risks impacting the Group's business and supporting activities.

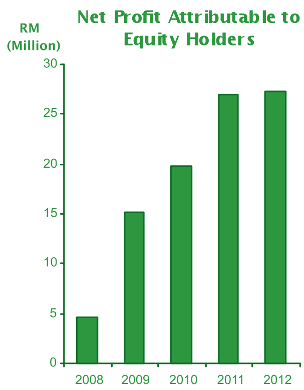
FINANCIAL HIGHLIGHTS AND INDICATORS

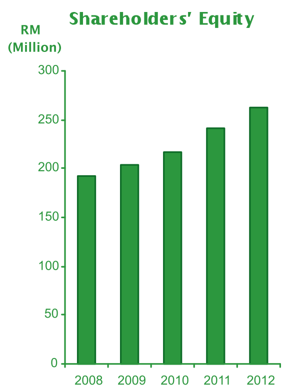
In RM '000	2008	2009	2010	2011	2012
Revenue	564,558	408,778	488,599	540,013	631,193
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	20,632	34,013	37,820	44,821	46,479
Profit Before Taxation	3,815	18,541	22,659	28,058	29,298
Profit After Tax	4,646	15,161	19,795	27,126	27,998
Net Profit Attributable to Equity Holders	4,646	15,161	19,795	27,036	27,216
Total Assets	297,774	288,998	323,176	368,497	394,035
Total Borrowings	55,485	22,539	29,397	38,760	42,627
Shareholders' Equity	191,705	204,407	216,711	242,088	261,759

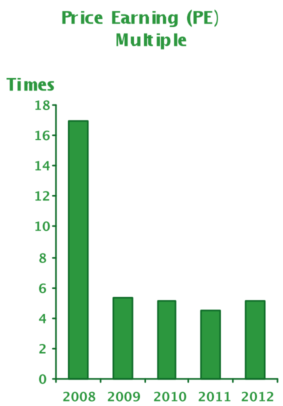
	2008	2009	2010	2011	2012
Return on Equity (%)	2.42	7.42	9.13	11.17	10.40
Return on Total Assets (%)	1.56	5.25	6.13	7.36	7.11
Gearing Ratio (Times)	0.29	0.11	0.14	0.16	0.16
Interest Cover (Times)	2.61	24.29	36.05	41.80	35.45
Earnings Per Share (Sen)	4.42	14.41	18.82	25.70	25.87
Net Assets Per Share (Sen)	182.22	194.29	205.99	231.05	251.60
Gross Dividend Per Share (Sen)	2.00	4.00	5.00	6.00	7.00
Price Earning (PE) Multiple (Times)	16.97	5.34	5.10	4.47	5.18
Gross Dividend Yield (%)	2.67	5.19	5.21	5.22	5.22
Share Price as at financial year end (RM)	0.75	0.77	0.96	1.15	1.34

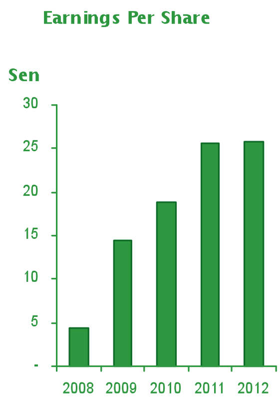


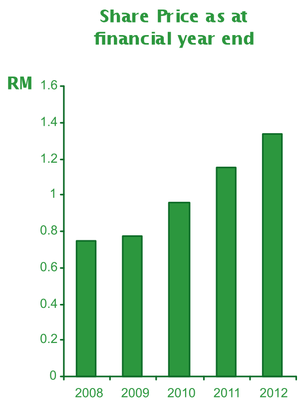


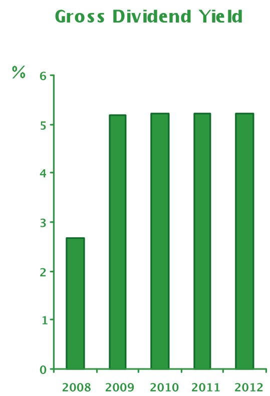












Directors' report for the year ended 31 December 2012

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 2012.

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	27,216,414	8,397,080
- Non-controlling interests	781,822	-
	27,998,236	8,397,080

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 6 sen per ordinary share, totalling RM6,312,270 in respect of the financial year ended 31 December 2011 on 8 August 2012.

A first and final tax exempt dividend of 7 sen per ordinary share has been proposed by the Directors in respect of the financial year ended 31 December 2012, 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 :

	Number of ordinary shares of RM1 each			
	Balance at 1.1.2012	Bought	(Sold)	Balance at 31.12.2012
Ang Toon Piah @ Ang Toon Huat				
Interest in the Company :				
- own	619,000	-	-	619,000
- others #	161,000	50,000	-	211,000
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	25,000	-	1,430,508
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

Directors' interests in shares (continued)

	Number of ordinary shares of RM1 each			
	Balance at 1.1.2012	Bought	(Sold)	Balance at 31.12.2012
Dato' Ang Poon Khim				
Interest in the Company :				
- own	642,325	-	-	642,325
- others #	160,700	-	(4,000)	156,700

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.

By virtue of their interests of more than 15% in the shares of the Company, Dato' Ang Poon Chuan and Datuk Ang Poon Seong are also deemed to have interests in the shares of all subsidiaries during the financial year to the extent the Company has an interest.

None of the other Directors holding office at 31 December 2012 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 25 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 financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

i) all known bad debts have been written off and adequate provision made for doubtful debts; and

ii) 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 2012 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.

Directors' report for the year ended 31 December 2012 (continued)

Significant events during the year

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

Auditors

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

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

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

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

Kedah Darul Aman,
Date : 29 April 2013

Consolidated statement of financial position as at 31 December 2012

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Assets				
Property, plant and equipment	3	109,163,711	117,448,521	100,322,746
Prepaid lease payments	4	11,183,140	11,545,560	9,278,634
Other investments	6	1,622,508	1,838,341	1,966,556
Total non-current assets		121,969,359	130,832,422	111,567,936
Inventories	7	111,582,632	120,274,678	79,511,058
Trade and other receivables, including derivatives	8	80,899,881	77,523,683	73,452,586
Current tax assets		572,953	1,295,491	3,013,085
Cash and cash equivalents	9	79,009,779	38,570,662	55,630,918
Total current assets		272,065,245	237,664,514	211,607,647
Total assets		394,034,604	368,496,936	323,175,583
Equity				
Share capital	10	105,204,500	105,204,500	105,204,500
Reserves	11	156,554,309	136,883,693	111,506,291
Total equity attributable to owners of the Company		261,758,809	242,088,193	216,710,791
Non-controlling interests		2,938,235	986,413	-
Total equity		264,697,044	243,074,606	216,710,791
Liabilities				
Loans and borrowings	12	10,166,954	2,848,036	4,034,057
Deferred tax liabilities	13	6,237,066	7,535,977	8,051,227
Total non-current liabilities		16,404,020	10,384,013	12,085,284
Trade and other payables, including derivatives	14	79,869,523	78,867,355	68,529,400
Loans and borrowings	12	32,460,277	35,912,429	25,363,202
Current tax liabilities		603,740	258,533	486,906
Total current liabilities		112,933,540	115,038,317	94,379,508
Total liabilities		129,337,560	125,422,330	106,464,792
Total equity and liabilities		394,034,604	368,496,936	323,175,583

The notes on pages 33 to 69 are an integral part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012

	Note	2012 RM	2011 RM
Continuing operations			
Revenue	15	631,193,110	540,013,477
Cost of goods sold		(561,945,402)	(474,657,391)
Gross profit		69,247,708	65,356,086
Other income		4,418,657	3,467,506
Distribution expenses		(21,545,981)	(20,052,646)
Administrative expenses		(21,045,868)	(19,126,013)
Other expenses		(1,561,863)	(1,324,591)
Results from operating activities	16	29,512,653	28,320,342
Interest income		617,754	414,940
Finance costs	18	(832,432)	(677,483)
Profit before tax		29,297,975	28,057,799
Income tax expense	19	(1,299,739)	(932,246)
Profit for the year		27,998,236	27,125,553
Other comprehensive income/(expense), net of tax			
Foreign currency translation differences for foreign operations		(1,233,528)	3,497,640
Total comprehensive income for the year		26,764,708	30,623,193
Profit attributable to :			
Owners of the Company		27,216,414	27,036,472
Non-controlling interests		781,822	89,081
		27,998,236	27,125,553
Total comprehensive income attributable to :			
Owners of the Company		25,982,886	30,534,112
Non-controlling interests		781,822	89,081
		26,764,708	30,623,193
Basic earnings per ordinary share (sen)	20	25.87	25.70

The notes on pages 33 to 69 are an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2012

	Note	Attributable to owners of the Company							
		Non-distributable				Distributable			
		Share capital RM	Share premium RM	Translation reserve RM	Statutory reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2011		105,204,500	3,938,567	-	4,140,888	103,426,836	216,710,791	-	216,710,791
Other comprehensive expense for the year									
- Foreign currency translation differences for foreign operations		-	-	3,497,640	-	-	3,497,640	-	3,497,640
Profit for the year		-	-	-	-	27,036,472	27,036,472	89,081	27,125,553
Total comprehensive (expense)/ income for the year		-	-	3,497,640	-	27,036,472	30,534,112	89,081	30,623,193
Total distribution to owners									
- Dividends to owners of the Company	21	-	-	-	-	(5,260,225)	(5,260,225)	-	(5,260,225)
Shares issued by a subsidiary and subscribed by non-controlling interests		-	-	-	-	-	-	900,000	900,000
Dilution arising from additional shares issued by a subsidiary		-	-	-	-	103,515	103,515	(103,515)	-
Acquisition of a new subsidiary		-	-	-	-	-	-	100,847	100,847
Total transactions with owners		-	-	-	-	(5,156,710)	(5,156,710)	897,332	(4,259,378)
At 31 December 2011/ 1 January 2012		105,204,500	3,938,567	3,497,640	4,140,888	125,306,598	242,088,193	986,413	243,074,606
Other comprehensive income for the year									
- Foreign currency translation differences for foreign operations		-	-	(1,233,528)	-	-	(1,233,528)	-	(1,233,528)
Profit for the year		-	-	-	-	27,216,414	27,216,414	781,822	27,998,236
Total comprehensive income for the year		-	-	(1,233,528)	-	27,216,414	25,982,886	781,822	26,764,708
Total distribution to owners									
- Dividends to owners of the Company	21	-	-	-	-	(6,312,270)	(6,312,270)	-	(6,312,270)
Shares issued by a subsidiary and subscribed by non-controlling interests		-	-	-	-	-	-	1,170,000	1,170,000
Total transactions with owners		-	-	-	-	(6,312,270)	(6,312,270)	1,170,000	(5,142,270)
At 31 December 2012		105,204,500	3,938,567	2,264,112	4,140,888	146,210,742	261,758,809	2,938,235	264,697,044
		Note 10	Note 11	Note 11	Note 11	Note 11			

The notes on pages 33 to 69 are an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2012

	Note	2012	2011
		RM	RM
Cash flows from operating activities			
Profit before tax from continuing operations		29,297,975	28,057,799
Adjustments for :			
Property, plant and equipment :			
- Depreciation	3	16,709,444	16,276,744
- Gain on disposal		(109,994)	(181,480)
- Written off		20,116	34,576
Amortisation of prepaid lease payments	4	256,765	223,940
Interest income		(617,754)	(414,940)
Interest expense	18	832,432	677,483
Impairment loss on other investments	6	215,833	128,215
Bargain purchase gain on acquisition of a subsidiary	27	-	(165,310)
Operating profit before changes in working capital		46,604,817	44,637,027
Changes in working capital :			
Trade and other receivables		(4,093,490)	(1,360,137)
Inventories		7,949,376	(39,145,565)
Trade and other payables		2,252,330	6,734,807
Cash generated from operations		52,713,033	10,866,132
Income taxes (paid)/refunded		(1,530,902)	26,652
Net cash from operating activities		51,182,131	10,892,784
Cash flows from investing activities			
Acquisition of property, plant and equipment	A	(8,848,107)	(31,222,938)
Acquisition of prepaid lease payments	4	(36,761)	(2,242,493)
Proceeds from disposal of property, plant and equipment		110,545	181,499
Interest received		617,754	414,940
Shares subscribed by non-controlling interests in an existing subsidiary		1,170,000	900,000
Net cash inflow from acquisition of a new subsidiary	27	-	25,202
Net cash used in investing activities		(6,986,569)	(31,943,790)
Cash flows from financing activities			
Interest paid		(832,432)	(677,483)
Repayment of finance lease liabilities		(241,805)	(516,253)
Drawdown of term loan		12,060,000	-
Repayment of term loan		(2,160,000)	(844,372)
Other borrowings, net		(7,818,509)	13,479,020
Dividend paid	21	(6,312,270)	(5,260,225)
Net cash (used in)/from financing activities		(5,305,016)	6,180,687
Net increase/(decrease) in cash and cash equivalents		38,890,546	(14,870,319)
Effects of exchange rate fluctuations on cash held		(218,509)	822,169
Cash and cash equivalents at 1 January		36,682,262	50,730,412
Cash and cash equivalents at 31 December	B	75,354,299	36,682,262

Consolidated statement of cash flows for the year ended 31 December 2012 (continued)

Notes

A. *Acquisition of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM9,108,107 (2011 : RM31,293,238), of which RM260,000 (2011 : RM70,300) was acquired by means of finance leases. The remaining of RM8,848,107 (2011 : RM31,222,938) 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	**2012**	**2011**
		RM	**RM**
Cash and bank balances	9	48,380,779	17,350,662
Short term deposits with licensed banks	9	30,629,000	21,220,000
Bank overdrafts	12	(3,655,480)	(1,888,400)
		75,354,299	36,682,262

The notes on pages 33 to 69 are an integral part of these financial statements.

Statement of financial position as at 31 December 2012

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Assets				
Equipment	3	232,921	310,546	-
Investments in subsidiaries	5	76,896,364	67,008,072	60,855,160
Other investments	6	1,622,508	1,838,341	1,966,556
Total non-current assets		78,751,793	69,156,959	62,821,716
Trade and other receivables	8	17,761,288	21,626,910	23,866,867
Cash and cash equivalents	9	498,440	72,714	3,074,556
Total current assets		18,259,728	21,699,624	26,941,423
Total assets		97,011,521	90,856,583	89,763,139
Equity				
Share capital	10	105,204,500	105,204,500	105,204,500
Reserves	11	(12,585,327)	(14,670,137)	(15,725,730)
Total equity		92,619,173	90,534,363	89,478,770
Liabilities				
Trade and other payables	14	4,392,348	322,220	284,369
Total current liabilities		4,392,348	322,220	284,369
Total equity and liabilities		97,011,521	90,856,583	89,763,139

The notes on pages 33 to 69 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2012

	Note	2012 RM	2011 RM
Continuing operations			
Revenue	15	8,803,200	6,185,800
Cost of goods sold		(3,120)	(181,155)
Gross profit		8,800,080	6,004,645
Other income		207,888	935,970
Administrative expenses		(602,889)	(557,743)
Other expenses		(215,833)	(128,219)
Results from operating activities	16	8,189,246	6,254,653
Interest income		208,106	61,378
Finance costs	18	(272)	(213)
Profit before tax		8,397,080	6,315,818
Income tax expense	19	-	-
Profit for the year and total comprehensive income for the year		8,397,080	6,315,818

Statement of changes in equity for the year ended 31 December 2012

	Note	Share capital RM	Non-distributable Share premium RM	Accumulated losses RM	Total equity RM
At 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	21	-	-	(5,260,225)	(5,260,225)
At 31 December 2011/ 1 January 2012		105,204,500	3,938,567	(18,608,704)	90,534,363
Total comprehensive income for the year - Profit for the year		-	-	8,397,080	8,397,080
Total distribution to owners - Dividends to owners of the Company	21	-	-	(6,312,270)	(6,312,270)
At 31 December 2012		105,204,500	3,938,567	(16,523,894)	92,619,173
		Note 10	Note 11	Note 11	

The notes on pages 33 to 69 are an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2012

	Note	2012 RM	2011 RM
Cash flows from operating activities			
Profit before tax from continuing operations		8,397,080	6,315,818
Adjustments for :			
Depreciation of equipment	3	77,625	77,578
Interest income		(208,106)	(61,378)
Dividend income	15	(8,800,000)	(6,000,000)
Reversal of impairment loss on investments in subsidiaries	5	(207,888)	(935,970)
Impairment loss on other investments	6	215,833	128,215
Interest expense	18	272	213
Operating loss before changes in working capital		(525,184)	(475,524)
Changes in working capital :			
Trade and other receivables		522,361	(7,770,043)
Trade and other payables		4,070,128	37,851
Cash generated from/(used in) operations		4,067,305	(8,207,716)
Dividends received		12,143,261	16,010,000
Income taxes paid		-	-
Net cash from operating activities		16,210,566	7,802,284
Cash flows from investing activities			
Acquisition of equipment	3	-	(388,124)
Interest received		208,106	61,378
Increase in investments in subsidiaries :			
- Acquisition of a new subsidiary	27	-	(70,000)
- Incorporation of a new subsidiary	28(a)	(459,075)	-
- Subscription of additional interests in an existing subsidiary	28(b)	(2,730,000)	(5,099,998)
- Additional investment in overseas wholly owned subsidiaries	28(c)	(6,491,329)	(46,944)
Net cash used in investing activities		(9,472,298)	(5,543,688)
Cash flows from financing activities			
Interest paid		(272)	(213)
Dividend paid	21	(6,312,270)	(5,260,225)
Net cash used in financing activities		(6,312,542)	(5,260,438)
Net increase/(decrease) in cash and cash equivalents		425,726	(3,001,842)
Cash and cash equivalents at 1 January		72,714	3,074,556
Cash and cash equivalents at 31 December	A	498,440	72,714

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 33 to 69 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 2012 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 2012 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 29 April 2013.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Group's first financial statements prepared in accordance with MFRSs and MFRS 1. *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous years, the financial statements of the Group were prepared in accordance with Financial Reporting Standards (FRS) in Malaysia. The financial impact on transition to MFRSs are disclosed in Note 29.

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

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

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements**
- MFRS 12*, Disclosure of Interests in Other Entities**
- MFRS 13, *Fair Value Measurement*
- MFRS 119*, Employee Benefits (2011)*
- MFRS 127, *Separate Financial Statements (2011)**
- MFRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine**
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans**
- Amendments to MFRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

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

- Amendments to MFRS 10*, Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities#*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities#*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

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

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013, except for those marked "*" which are not applicable to the Group.
- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for those marked "#" which are not applicable to the Group.
- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

The initial application of the other standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Company upon their first adoption.

(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 Malaysian Financial Reporting Standards (MFRSs) 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 in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company 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 classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

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

Acquisitions on or after 1 January 2011

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

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

- 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.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, 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.

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(iii) 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.

(iv) Non-controlling interests

Non-controlling interests 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 profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

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 interests to have a deficit balance.

(v) 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.

(vi) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises 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.

(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 end of 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 hedge of currency risk, which are recognised in other comprehensive income.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(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 2011 which are treated as assets and liabilities of the Company. The income and expenses of foreign operation, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign 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.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

(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 2(j)(i)).

Financial liabilities

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

Fair value through profit or loss category comprises financial liabilities that are 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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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 less accumulated depreciation and any accumulated impairment losses.

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 also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged 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 operating income" and "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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 based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

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 and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. 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 on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2. Signifant accounting policies (continued)

(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 not recognised in the statements of financial position and 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 financial 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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against 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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

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.

2. Signifant accounting policies (continued)

(j) Impairment (continued)

(i) Financial assets (continued)

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 goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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 cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a group of cash-generating units that are expected to benefit from the synergies of the combination.

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.

(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.

Ordinary shares

Ordinary shares are classified as 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.

2. Signifant accounting policies (continued)

(l) Revenue and other income (continued)

(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.

(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.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(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						
At 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 2011/1 January 2012	47,599,674	183,857,208	9,888,569	11,015,069	1,179,732	253,540,252
Additions	327,082	4,764,788	1,166,413	1,246,067	1,603,757	9,108,107
Disposals	-	(5,100)	(2,184)	(605,000)	-	(612,284)
Write off	-	(39, 251)	-	-	-	(39, 251)
Reclassification	-	1,868,370	318,293	-	(2,186,663)	-
Effect of movements in exchange rates	(319,241)	(1,071,152)	(37,019)	(15,474)	(11,601)	(1,454,487)
At 31 December 2012	47,607,515	189,374,863	11,334,072	11,640,662	585,225	260,542,337
Accumulated depreciation and impairment loss						
At 1 January 2011						
Accumulated depreciation	10,986,209	93,698,526	6,168,414	7,941,025	-	118,794,174
Accumulated impairment losses	-	-	176,390	-	-	176,390
	10,986,209	93,698,526	6,344,804	7,941,025	-	118,970,564
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 2011/1 January 2012						
Accumulated depreciation	12,908,781	107,917,058	6,840,860	8,248,642	-	135,915,341
Accumulated impairment losses	-	-	176,390	-	-	176,390
	12,908,781	107,917,058	7,017,250	8,248,642	-	136,091,731
Depreciation for the year	1,849,238	13,297,124	583,622	979,460	-	16,709,444
Disposals	-	(5,099)	(1,638)	(604,996)	-	(611,733)
Write off	-	(19,135)	-	-	-	(19,135)
Effect of movements in exchange rates	(81,437)	(671,116)	(28,082)	(11,046)	-	(791,681)
At 31 December 2012						
Accumulated depreciation	14,676,582	120,518,832	7,394,762	8,612,060	-	151,202,236
Accumulated impairment losses	-	-	176,390	-	-	176,390
	14,676,582	120,518,832	7,571,152	8,612,060	-	151,378,626
Carrying amounts						
At 1 January 2011	30,138,304	64,121,990	2,219,406	2,156,786	1,686,260	100,322,746
At 31 December 2011/1 January 2012	34,690,893	75,940,150	2,871,319	2,766,427	1,179,732	117,448,521
At 31 December 2012	32,930,933	68,856,031	3,762,920	3,028,602	585,225	109,163,711

3. Property, plant and equipment (continued)

Group

Land and buildings comprise :

	Cost			Carrying amounts		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**	**31.12.2012 RM**	**31.12.2011 RM**	**1.1.2011 RM**
Freehold land	5,439,000	5,439,000	5,439,000	5,439,000	5,439,000	5,439,000
Leasehold land with unexpired lease period of more than 50 years	375,000	375,000	375,000	363,706	364,106	364,507
Factory buildings	41,793,515	41,785,674	35,310,513	27,128,227	28,887,787	24,334,797
	47,607,515	47,599,674	41,124,513	32,930,933	34,690,893	30,138,304

Security

At 31 December 2012, certain land and buildings with carrying amount of RM5,515,430 (31 December 2011 : RM5,791,689; 1 January 2011 : RM5,643,076) are charged to licensed banks for banking facilities granted to certain subsidiaries.

Finance lease liabilities

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

	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Motor vehicles	414,477	449,484	1,019,158
Plant and machinery	875,399	995,417	1,080,114
	1,289,876	1,444,901	2,099,272

Company	**Motor vehicle RM**
Cost	
At 1 January 2011	-
Addition	388,124
At 31 December 2011/1 January 2012/ 31 December 2012	388,124
Accumulated depreciation	
At 1 January 2011	-
Depreciation for the year	77,578
At 31 December 2011/1 January 2012	77,578
Depreciation for the year	77,625
At 31 December 2012	155,203
Carrying amounts	
At 1 January 2011	-
At 31 December 2011/1 January 2012	310,546
At 31 December 2012	232,921

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 2011	10,938,985	55,000	10,993,985
Additions	2,242,493	-	2,242,493
Effect of movements in exchange rates	285,711	-	285,711
At 31 December 2011/1 January 2012	13,467,189	55,000	13,522,189
Additions	36,761	-	36,761
Effect of movements in exchange rates	(156,335)	-	(156,335)
At 31 December 2012	13,347,615	55,000	13,402,615
Amortisation			
At 1 January 2011	1,700,318	15,033	1,715,351
Amortisation for the year	222,840	1,100	223,940
Effect of movements in exchange rates	37,338	-	37,338
At 31 December 2011/1 January 2012	1,960,496	16,133	1,976,629
Amortisation for the year	255,665	1,100	256,765
Effect of movements in exchange rates	(13,919)	-	(13,919)
At 31 December 2012	2,202,242	17,233	2,219,475
Carrying amounts			
At 1 January 2011	9,238,667	39,967	9,278,634
At 31 December 2011/1 January 2012	11,506,693	38,867	11,545,560
At 31 December 2012	11,145,373	37,767	11,183,140

Security

At 31 December 2012, certain leasehold land with carrying amount of RM1,989,233 (31 December 2011 : RM2,075,313; 1 January 2011 : RM2,161,393) are charged to licensed banks for banking facilities granted to certain subsidiaries.

5. Investments in subsidiaries - Company

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unquoted shares, at cost	77,410,117	67,729,713	62,512,771
Less : Impairment losses	(513,753)	(721,641)	(1,657,611)
	76,896,364	67,008,072	60,855,160

Movement of impairment loss :

Beginning of the year	(721,641)	(1,657,611)
Reversal during the year	207,888	935,970
	(513,753)	(721,641)

5. Investments in subsidiaries – Company (continued)

Details of the subsidiaries are as follows :

Name of Company	Country of incorporation	Principal activities	Effective ownership interest 31.12.2012	31.12.2011	1.1.2011
			%	%	%
Syarikat Thong Guan Trading Sdn. Bhd. ("STGT")	Malaysia	Manufacturing of beverages and trading of beverages, plastic and paper products and machinery	100	100	100
Thong Guan Plastic & Paper Industries Sdn. Bhd. ("TGPP")	Malaysia	Manufacturing of plastic and paper products	100	100	100
Uniang Plastic Industries (Sabah) Sdn. Bhd.	Malaysia	Manufacturing and sale of film blown plastic products and flexible plastic packaging products	100	100	100
Jaya Uni'ang (Sabah) Sdn. Bhd. ("JUS")	Malaysia	Trading in film blown plastic products, food and consumable products	100	100	100
Ebontech Sdn. Bhd.	Malaysia	Dormant	100	100	100
Thong Guan Plastic Industries (Suzhou) Co., Ltd #	People's Republic of China	Manufacturing and trading of plastic packaging products	100	100	100
TGP Plaspack (Suzhou) Co., Ltd. #	People's Republic of China	Manufacturing and trading of plastic packaging products	100	100	100
888 Cafe Sdn. Bhd.	Malaysia	Dormant	70	70	70
TGP Marketing Sdn. Bhd. ("TGPM")	Malaysia	Manufacturing and marketing of plastic packaging products	100	100	100
TG Plaspack (Vietnam) Co., Ltd #	Socialist Republic of Vietnam	Dormant	100	100	100
TG Power Wrap Sdn. Bhd.	Malaysia	Manufacturing and marketing of plastic packaging products	85	85	100
TGSH Plastic Industries Sdn. Bhd. ("TGSH")	Malaysia	Manufacturing of plastic bag and recycling	70	70	-
TG Uni'Ang (Shanghai) International Trade Co., Ltd. #	People's Republic of China	Trading and marketing of packed food and beverages	100	-	-

- Not audited by KPMG

6. Other investments

	Group/Company 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Non-current			
Available-for-sale financial assets			
Unquoted shares, at cost	2,873,511	2,873,511	2,873,511
Less : Impairment losses	(1,251,003)	(1,035,170)	(906,955)
	1,622,508	1,838,341	1,966,556
Movement of impairment loss :			
Beginning of the year	(1,035,170)	(906,955)	
Recognised during the year	(215,833)	(128,215)	
	(1,251,003)	(1,035,170)	

7. Inventories - Group

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At cost :			
Raw materials	82,774,429	93,113,023	56,752,727
Work-in-progress	4,850,329	5,025,428	3,263,746
Manufactured inventories	9,440,515	9,708,706	7,824,657
Trading inventories	14,517,359	12,427,521	11,669,928
	111,582,632	120,274,678	79,511,058

8. Trade and other receivables, including derivatives

	Note	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM	Company 31.12.2012 RM	Company 31.12.2011 RM	Company 1.1.2011 RM
Trade							
Trade receivables	8.1	73,238,375	73,066,744	65,988,309	698,670	769,162	850,863
Non-trade							
Other receivables		5,811,952	3,487,306	3,786,388	105,000	105,000	115,000
Derivatives	8.2	55,661	76,738	52,319	-	-	-
Amount due from subsidiaries	8.3	-	-	-	16,955,618	20,750,748	22,899,004
Deposits		372,530	278,230	2,916,019	2,000	2,000	2,000
Prepayments		1,421,363	614,665	709,551	-	-	-
		7,661,506	4,456,939	7,464,277	17,062,618	20,857,748	23,016,004
		80,899,881	77,523,683	73,452,586	17,761,288	21,626,910	23,866,867

8.1 Trade receivables

Included in trade receivables of the Group is an amount of RM61,988 (31 December 2011 : RM412,777; 1 January 2011 : 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, except for an amount of RM5,939,220 (31 December 2011 : Nil; 1 January 2011 : Nil) due from a subsidiary which is subject to interest rate at 3% per annum (31 December 2011 : Nil; 1 January 2011 : Nil).

9. Cash and cash equivalents

	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM	Company 31.12.2012 RM	Company 31.12.2011 RM	Company 1.1.2011 RM
Cash and bank balances	48,380,779	17,350,662	49,030,918	498,440	72,714	3,074,556
Short term deposits with licensed banks	30,629,000	21,220,000	6,600,000	-	-	-
	79,009,779	38,570,662	55,630,918	498,440	72,714	3,074,556

10. Share capital - Group/Company

	31.12.2012 Amount RM	31.12.2012 Number of shares	31.12.2011 Amount RM	31.12.2011 Number of shares	1.1.2011 Amount RM	1.1.2011 Number of Shares
Ordinary shares of RM1 each :						
Authorised	500,000,000	500,000,000	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	105,204,500	105,204,500

11. Reserves

	Note	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM	Company 31.12.2012 RM	Company 31.12.2011 RM	Company 1.1.2011 RM
Non-distributable							
Share premium		3,938,567	3,938,567	3,938,567	3,938,567	3,938,567	3,938,567
Translation reserve	11.1	2,264,112	3,497,640	-	-	-	-
Statutory reserve	11.2	4,140,888	4,140,888	4,140,888	-	-	-
Accumulated losses		-	-	-	(16,523,894)	(18,608,704)	(19,664,297)
Distributable							
Retained earnings		146,210,742	125,306,598	103,426,836	-	-	-
		156,554,309	136,883,693	111,506,291	(12,585,327)	(14,670,137)	(15,725,730)

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

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Non-current :			
Secured term loans	1,576,874	2,497,640	3,367,065
Finance lease liabilities	357,944	350,396	666,992
Unsecured term loans	8,232,136	-	-
	10,166,954	2,848,036	4,034,057
Current :			
Secured			
- Term loans	920,715	879,399	854,346
- Bank overdrafts	552,859	470,278	619,813
- Bankers' acceptances	1,843,000	1,084,000	2,556,000
	3,316,574	2,433,677	4,030,159
Unsecured			
- Term loans	2,547,314	-	-
- Bank overdrafts	3,102,621	1,418,122	4,280,693
- Revolving credits	-	-	2,475,775
- Onshore foreign currency loans	20,557,681	29,109,190	11,444,778
- Bankers' acceptances	2,461,000	2,487,000	2,538,000
	28,668,616	33,014,312	20,739,246
Finance lease liabilities	475,087	464,440	593,797
	32,460,277	35,912,429	25,363,202

12.1 Securities

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

12. Loans and borrowings – Group (continued)

12.2 Finance lease liabilities

Finance lease liabilities are payable as follows :

	31.12.2012			31.12.2011			1.1.2011		
	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	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Less than 1 year	506,696	31,609	475,087	500,429	35,989	464,440	654,032	60,235	593,797
Between 1 and 5 years	372,497	14,553	357,944	362,706	12,310	350,396	704,988	37,996	666,992
	879,193	46,162	833,031	863,135	48,299	814,836	1,359,020	98,231	1,260,789

13. Deferred tax liabilities

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

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Property, plant and equipment (including prepaid lease payments)			
- Capital allowances	5,613,400	6,749,757	7,387,455
- Revaluation	611,666	648,720	685,772
Provisions	12,000	137,500	(22,000)
	6,237,066	7,535,977	8,051,227

Movement in temporary differences during the year are as follows :

Group	1 January 2011 RM'000	Acquisition of a subsidiary RM'000	Recognised in profit or loss (Note 19) RM'000	At 31 December 2011/ 1 January 2012 RM'000	Acquisition of a subsidiary RM'000	Recognised in profit or loss (Note 19) RM'000	At 31 December 2012 RM'000
Deferred tax liabilities							
Property, plant and equipment (including prepaid lease payments)							
- Capital allowances	7,387	5	(642)	6,750	-	(1,137)	5,613
- Revaluation	686	-	(37)	649	-	(37)	612
Provisions	(22)	-	159	137	-	(125)	12
	8,051	5	(520)	7,536	-	(1,299)	6,237

Unrecognised deferred tax assets

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

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Other temporary differences	2,000	204,000	5,563,000	(20,000)	(8,000)	-
Capital allowance carry-forwards	(209,000)	-	(5,151,000)	(512,000)	(720,000)	-
Tax losses carry-forwards	(2,991,000)	(3,444,000)	(5,230,000)	(2,436,000)	(1,824,000)	(1,706,000)
	(3,198,000)	(3,240,000)	(4,818,000)	(2,968,000)	(2,552,000)	(1,706,000)

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

		Group			Company		
	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade							
Trade payables	14.1	67,309,591	61,701,378	58,018,129	-	-	-
Non-trade							
Related companies	14.2	-	-	-	4,100,000	-	-
Other payables		6,632,120	11,652,545	4,965,893	54,339	88,400	50,920
Accrued expenses		5,918,433	5,346,763	5,545,378	238,009	233,820	233,449
Derivatives	14.3	9,379	166,669	-	-	-	-
		12,559,932	17,165,977	10,511,271	4,392,348	322,220	284,369
		79,869,523	78,867,355	68,529,400	4,392,348	322,220	284,369

14.1 *Trade payables*

Included in trade payables of the Group is an amount of RM1,398,401 (31 December 2011: RM1,788,581; 1 January 2011: RM192,270) due to companies in which certain Directors have substantial financial interests which are subject to normal trade terms.

14.2 *Amount due to related companies*

The non-trade amounts due to related companies are unsecured, interest free and repayable on demand.

14.3 *Derivatives*

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

15. Revenue

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Invoiced value of goods sold less discounts and returns	631,193,110	540,013,477	3,200	185,800
Dividend income from subsidiaries	-	-	8,800,000	6,000,000
	631,193,110	540,013,477	8,803,200	6,185,800

16. Results from operating activities

Results from operating activities are arrived at :

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
After charging :				
Auditors' remuneration				
- Statutory audit				
- KPMG				
- current year	139,000	117,000	15,000	13,000
- prior year	12,000	2,000	2,000	-
- Other auditors	17,476	18,585	-	-
- Other services				
- KPMG				
- current year	17,350	10,000	10,000	10,000

16. Results from operating activities (continued)

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
- Affiliates of KPMG				
- current year	11,420	16,350	4,000	3,000
- prior year	1,000	-	1,000	-
Bad debts written off	16,298	17,519	-	-
Property, plant and equipment :				
- Depreciation (Note 3)	16,709,444	16,276,744	77,625	77,578
- Written off	20,116	34,576	-	-
Amortisation of prepaid lease payments (Note 4)	256,765	223,940	-	-
Directors' emoluments				
Directors of the Company				
- fees	293,000	288,000	175,000	175,000
- others	38,000	37,000	38,000	37,000
- remuneration	2,076,645	1,931,609	-	-
Other Directors				
- fees	47,000	52,000	-	-
- remuneration	577,276	490,119	-	-
Personnel expenses (excluding key management personnel)				
- Wages, salaries and Others	33,135,525	28,708,116	44,440	39,810
- Contributions to state plans	2,860,333	2,311,564	2,492	2,232
Rental expense in respect of :				
- property	709,480	550,843	-	-
- plant and equipment	123,160	152,187	-	-
Impairment loss on :				
- receivables	189,046	1,750	-	-
- other investments	215,833	128,215	215,833	128,215
Loss on foreign exchange				
- unrealised	243,272	-	-	-
Unrealised loss on forward exchange contracts	-	89,931	-	-
and crediting :				
Gain on disposal of property, plant and equipment	109,994	181,480	-	-
Gain on foreign exchange				
- realised	2,551,786	1,247,332	-	-
- unrealised	-	47,902	-	-
Unrealised gain on forward exchange contracts	46,282	-	-	-
Bargain purchase gain on acquisition of a subsidiary (Note 27)	-	165,310	-	-
Rental income from property and machinery	99,928	111,400	-	-
Bad debts recovered	1,800	13,509	-	-
Reversal of impairment loss on:				
- receivables	23,688	19,225	-	-
- investments in subsidiaries (Note 5)	-	-	207,888	935,970

17. Key management personnel compensation

The key management personnel compensation is as follows :

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Directors of the Company				
- Fees	171,000	166,000	75,000	75,000
- Others	2,000	2,000	2,000	2,000
- Remuneration	1,952,045	1,807,009	-	-
Other Directors				
- Fees	8,000	13,000	-	-
- Remuneration	401,030	313,892	70,941	65,072
	2,534,075	2,301,901	147,941	142,072

18. Finance costs

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Interest expense on :				
Onshore foreign currency loan	278,557	116,080	-	-
Term loans	82,491	171,980	-	-
Finance lease liabilities	48,830	67,826	-	-
Bank overdrafts	240,145	108,144	272	213
Bankers' acceptances	182,409	213,453	-	-
	832,432	677,483	272	213

19. Income tax expense

Recognised in profit or loss

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Income tax expense on continuing operations	1,299,739	932,246	-	-

Major components of income tax expense include :

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Current income tax expense				
Malaysian tax				
- Current year	1,801,981	1,239,391	-	-
- Prior years	(14,862)	153,925	-	-
Foreign tax				
- Current year	696,073	480,737	-	-
- Prior years	115,456	(421,984)	-	-
Total current tax	2,598,648	1,452,069	-	-
Deferred tax expense				
- Origination and reversal of temporary differences	(1,279,006)	(564,469)	-	-
- Prior years	17,149	81,698	-	-
- Revaluation	(37,052)	(37,052)	-	-
Total deferred tax	(1,298,909)	(519,823)	-	-
Total income tax expense on continuing operations	1,299,739	932,246	-	-

Reconciliation of effective income tax expense

	2012	2011
	RM	RM
Group		
Profit for the year	27,998,236	27,125,553
Total income tax expense	1,299,739	932,246
Profit excluding tax	29,297,975	28,057,799
Income tax calculated using Malaysian tax rate at 25% (2011 : 25%)	7,324,493	7,014,450
Effect of different tax rates in foreign jurisdictions*	(703,746)	(480,737)
Non-deductible expenses	513,888	353,636
Income not subject to tax	(50,203)	-
Tax incentive	(5,859,397)	(5,402,975)
Reversal of deferred tax on revaluation	(37,052)	(37,052)
Effect of unrecognised deferred tax assets	(10,500)	(349,784)
Over provision in prior years	117,743	(186,361)
Others	4,513	21,069
Income tax expense	1,299,739	932,246

19. Income tax expense (continued)

Reconciliation of effective income tax expense (continued)

	2012 RM	2011 RM
Company		
(Loss)/Profit before tax	8,397,080	6,315,818
Income tax calculated using Malaysian tax rate at 25% (2011 : 25%)	2,099,270	1,578,955
Non-deductible expenses	47,867	77,602
Income not subject to tax	(2,250,203)	(1,733,993)
Effect of unrecognised deferred tax assets	104,000	77,436
Others	(934)	-
Income tax expense	-	-

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. 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 RM27,216,414 (2011 : RM27,036,472) and on the weighted average number of ordinary shares outstanding during the year of 105,204,500 (2011 : 105,204,500).

21. Dividends

	Sen per share (tax exempt)	Total amount RM	Date of payment
2012			
- First and final 2011 ordinary dividend	6.00	6,312,270	8 August 2012
2011			
- First and final 2010 ordinary dividend	5.00	5,260,225	18 August 2011

	2012	2011
Dividend per ordinary share – Gross (sen)	7.00	6.00

A first and final tax exempt dividend of 7 sen per ordinary share in respect of the financial year ended 31 December 2012 has been 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 2013. The gross dividend per ordinary share as disclosed above take into account the first and final tax exempt dividend proposed for the financial year ended 31 December 2012.

22. Capital commitment

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Contracted but not provided for in the financial statements - within 1 year				
Property, plant and equipment	1,017	-	-	240

23. 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 investors, creditors 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.

24. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies.

For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Plastic products
- Food, beverages and other consumable products

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.

	Plastic Products		Food, beverages and other consumable products		Consolidated	
	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM
Revenue						
Revenue from external customers	595,103,108	506,578,169	36,090,002	33,435,308	631,193,110	540,013,477
Segment profit	27,087,068	25,953,662	2,210,907	2,104,137	29,297,975	28,057,799
Included in the measure of segment profit are :						
- Depreciation and amortisation	16,394,029	15,791,747	719,108	708,937	17,113,137	16,500,684
- Non-cash expenses other than depreciation and amortisation	3,837	(20,289)	(10,666)	37,461	(6,829)	17,172
Segment assets	364,334,028	342,765,121	29,700,576	25,731,815	394,034,604	368,496,936
Included in the measure of segment assets is :						
- Capital expenditure	8,585,707	32,564,478	970,291	971,253	9,555,998	33,535,731

24. Operating segments (continued)

Geographical segments

The business segments are operated principally in Malaysia and China.

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

	2012 RM	2011 RM
Geographical information		
Revenue		
Malaysia	132,826,776	102,499,005
Other ASEAN Countries	58,288,392	51,767,544
Japan	180,289,004	198,515,669
Australia	62,652,988	63,509,977
China	93,088,717	40,664,527
Russia	766,102	1,473,742
Taiwan	12,229,146	2,345,529
New Zealand	13,747,671	13,468,217
Others	77,304,314	65,769,267
	631,193,110	540,013,477
Non-current assets		
Malaysia	90,302,840	95,528,220
China	27,792,655	31,171,243
Vietnam	2,251,356	2,294,618
	120,346,851	128,994,081

25. Related parties - Group/Company

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

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

ii) Companies in which all Directors except Tengku Makram Bin Tengku Ariff, Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah and Mr. Lee Eng Sheng are deemed to have substantial financial interests :
- Nice Saga Sdn. Bhd. ("NS")
- Tong Yuan Enterprise Co. ("TYE")
- Thong Guan Plastic Industries (Kelantan) Sdn. Bhd. ("TGPK")
- Herh Fuah (Sabah) Sdn. Bhd. ("HFS")
- Kimanis Food Industry Sdn. Bhd. ("KFI")
- Komet Makmur Sdn. Bhd. ("KM")
- Kimanis Property Sdn. Bhd. ("KP")

iii) Companies in which close members of the family of certain Directors of the Company and key management personnel are deemed to have substantial financial interest :
- Bounty Values Sdn. Bhd. ("BV")
- Fang Thong Trading ("FTT")
- Jianson Development Sdn. Bhd. ("JD")
- Respack Manufacturing Sdn. Bhd. ("RMSB")

iv) Key management personnel, Directors and persons connected with Directors of the Group :
- Dato' Ang Poon Chuan
- Dato' 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.

25. Related parties - Group/Company (continued)

25.2 Related party transactions

25.2.1 Transactions with related companies :

	2012 RM	2011 RM
Company		
Dividend income (gross) receivable from :		
TGPM	8,800,000	6,000,000
Purchases from TGPP	3,120	181,155
Purchase of machinery from :		
TGPM	315,016	-
Interest income from :		
JUS	25,068	25,000
TGSH	148,252	-

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

i) Sales to :

	2012 RM	2011 RM
KFI	2,998,782	2,640,545
NS	14,174	6,108

ii) Purchases from :

	2012 RM	2011 RM
KM	6,949	18,528
KFI	5,394,291	4,835,791

iii) Rental expense payable to :

	2012 RM	2011 RM
KP	60,000	60,000
TGPK	2,400	2,400

25.2.3 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 :

	2012 RM	2011 RM
RMSB	29,730	70,207
FTT	-	23,760

ii) Purchases from :

	2012 RM	2011 RM
RMSB	5,892	79,688
FTT	632,363	675,516

iii) Rental expense payable to :

	2012 RM	2011 RM
BV	367,000	258,000

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. All the amounts outstanding are unsecured and expected to be settled with cash.

25.3 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.

26. Financial instruments

26.1 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 (FL).

	Carrying amount RM'000	L&R RM'000	FVTPL -HFT RM'000	AFS RM'000
31 December 2012				
Financial assets				
Group				
Other investments	1,623	-	-	1,623
Trade and other receivables, including derivatives	79,106	79,050	56	-
Cash and cash equivalents	79,010	79,010	-	-
	159,739	158,060	56	1,623
Company				
Other investments	1,623	-	-	1,623
Trade and other receivables	17,759	17,759	-	-
Cash and cash equivalents	498	498	-	-
	19,880	18,257	-	1,623
31 December 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	-	-
	117,040	115,125	77	1,838
Company				
Other investments	1,838	-	-	1,838
Trade and other receivables	21,624	21,624	-	-
Cash and cash equivalents	73	73	-	-
	23,535	21,697	-	1,838
1 January 2011				
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	-	-
	127,425	125,406	52	1,967
Company				
Other investments	1,967	-	-	1,967
Trade and other receivables	23,865	23,865	-	-
Cash and cash equivalents	3,074	3,074	-	-
	28,906	26,939	-	1,967

26. Financial instruments (continued)

26.1 Categories of financial instruments (continued)

	Carrying amount RM'000	FL RM'000	FVTPL -HFT RM'000
31 December 2012			
Financial liabilities			
Group			
Loans and borrowings	42,627	42,627	-
Trade and other payables, including derivatives	79,870	79,861	9
	122,497	122,488	9
Company			
Trade and other payables	4,392	4,392	-
31 December 2011			
Financial liabilities			
Group			
Loans and borrowings	38,760	38,760	-
Trade and other payables, including derivatives	78,867	78,700	167
	117,627	117,460	167
Company			
Trade and other payables	322	322	-
1 January 2011			
Financial liabilities			
Group			
Loans and borrowings	29,397	29,397	-
Trade and other payables	68,530	68,530	-
	97,927	97,927	-
Company			
Trade and other payables	284	284	-

26.2 Net gains and losses arising from financial instruments

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Net (losses)/gain on :				
Fair value through profit or loss :				
- HFT	46	(90)	-	-
Loans and receivables	438	428	208	61
Available-for-sale financial assets				
- recognised in profit or loss	(216)	(128)	(216)	(128)
Financial liabilities measured at amortised cost	(832)	(677)	-	-
	(564)	(467)	(8)	(67)

26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

26. Financial instruments (continued)

26.4 Credit risk

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, there was no concentration of risk. 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.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was :

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Domestic	61,504	57,517	54,925
Asia, other than Malaysia	12,577	16,446	12,292
	74,081	73,963	67,217

Impairment losses

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

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
31 December 2012			
Not past due	58,190	-	58,190
Past due 0 - 30 days	8,632	-	8,632
Past due 31 - 60 days	2,275	-	2,275
Past due more than 60 days	4,984	(843)	4,141
	74,081	(843)	73,238
31 December 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
	73,963	(896)	73,067
1 January 2011			
Not past due	49,943	-	49,943
Past due 0 - 30 days	11,265	-	11,265
Past due 31 - 60 days	1,694	-	1,694
Past due more than 60 days	4,315	(1,229)	3,086
	67,217	(1,229)	65,988

26. Financial instruments (continued)

26.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

Company	Gross RM'000	Individual impairment RM'000	Net RM'000
31 December 2012			
Not past due	-	-	-
Past due 0 - 30 days	-	-	-
Past due 31 - 60 days	-	-	-
Past due more than 60 days	699	-	699
	699	-	699
31 December 2011			
Not past due	-	-	-
Past due 0 - 30 days	-	-	-
Past due 31 - 60 days	-	-	-
Past due more than 60 days	769	-	769
	769	-	769
1 January 2011			
Not past due	-	-	-
Past due 0 - 30 days	-	-	-
Past due 31 - 60 days	-	-	-
Past due more than 60 days	851	-	851
	851	-	851

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 January	896	1,229	-	-
Impairment loss recognised	189	1	-	-
Impairment loss reversed	(24)	(19)	-	-
Impairment loss written off	(218)	(315)	-	-
At 31 December	843	896	-	-

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.

26. Financial instruments (continued)

26.4 Credit risk (continued)

Other investments (continued)

Exposure to credit risk, credit quality and collateral (continued)

The movements in the allowance for impairment loss during the year were :

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 January	1,035	907	1,035	907
Impairment loss recognised	216	128	216	128
At 31 December	1,251	1,035	1,251	1,035

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.

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 RM250.7 million (31 December 2011 : RM226.8 million; 1 January 2011 : RM221.8 million) of which RM43.8 million (31 December 2011 : RM46.7 million; 1 January 2011 : 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 (31 December 2011 : RM860,000; 1 January 2011 : RM860,000) of which RM Nil (31 December 2011 : RM Nil; 1 January 2011 : RM Nil) has been utilised as at the end of the reporting period.

iii) the Company has issued corporate guarantees amounting to RM92.0 million (31 December 2011 : RM91.0 million; 1 January 2011 : 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 RM20.8 million (31 December 2011 : RM22.0 million; 1 January 2011 : 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.

26. Financial instruments (continued)

26.5 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 :

Group	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
31 December 2012							
Non-derivative financial liabilities							
Term loans	13,277	2.30 - 4.60	14,208	3,828	3,963	4,958	1,459
Finance lease liabilities	833	2.33 - 6.24	879	507	310	62	-
Bank overdrafts	3,655	7.50 - 8.10	3,655	3,655	-	-	-
Onshore foreign currency loans	20,558	1.00 - 1.30	20,578	20,578	-	-	-
Bankers' acceptances	4,304	4.73 - 5.25	4,304	4,304	-	-	-
Trade and other payables	79,861	-	79,861	79,861	-	-	-
	122,488		123,485	112,733	4,273	5,020	1,459
Derivative financial (assets)/liabilities							
Forward exchange contracts (gross settled) :							
Inflow	(46)	-	(3,744)	(3,744)	-	-	-
Outflow	-	-	3,698	3,698	-	-	-
31 December 2011							
Non-derivative financial liabilities							
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	78,700	-	78,700	78,700	-	-	-
	117,460		117,829	114,810	1,318	1,701	-
Derivative financial (assets)/liabilities							
Forward exchange contracts (gross settled) :							
Inflow	-	-	(22,672)	(22,672)	-	-	-
Outflow	90	-	22,762	22,762	-	-	-
1 January 2011							
Non-derivative financial liabilities							
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 credits	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	68,530	-	68,530	68,530	-	-	-
	97,928		98,658	94,327	1,444	2,887	-

26. Financial instruments (continued)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	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
1 January 2011							
Derivative financial (assets)/liabilities							
Forward exchange contracts (gross settled) :							
Inflow	(52)	-	(7,570)	(7,570)	-	-	-
Outflow	-	-	7,518	7,518	-	-	-
Company							
31 December 2012							
Non-derivative financial liabilities							
Trade and other payables	4,392	-	4,392	4,392	-	-	-
31 December 2011							
Non-derivative financial liabilities							
Trade and other payables	322	-	322	322	-	-	-
1 January 2011							
Non-derivative financial liabilities							
Trade and other payables	284	-	284	284	-	-	-

26.6 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").

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:

Group	USD RM'000	JPY RM'000	AUD RM'000	SGD RM'000	EUR RM'000
31 December 2012					
Trade and other receivables	46,203	770	2,561	894	1,024
Trade and other payables	(54,607)	(87)	(2)	(6)	(5)
Cash and bank balances	38,646	1,191	1,299	637	878
Loans and borrowings	(20,558)	-	-	-	-
Net exposure	9,684	1,874	3,858	1,525	1,897

26. Financial instruments (continued)

26.6 Market risk (continued)

Currency risk (continued)

Exposure to foreign currency risk (continued)

Group	USD RM'000	JPY RM'000	AUD RM'000	SGD RM'000	EUR RM'000
31 December 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)
1 January 2011					
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.

	Profit or loss	
	2012 RM'000	2011 RM'000
Group		
USD	(484)	917
JPY	(94)	(61)
AUD	(193)	(262)
SGD	(76)	(70)
EUR	(95)	59

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.

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
31 December 2012		
Fixed rate instruments		
Financial assets	30,629	-
Financial liabilities	(25,695)	-
	4,934	-
Floating rate instruments		
Financial liabilities	(16,932)	-

26. Financial instruments (continued)

26.6 Market risk (continued)

Interest rate risk (continued)

Exposure to interest rate risk (continued)

	Group RM'000	Company RM'000
31 December 2011		
Fixed rate instruments		
Financial assets	21,220	-
Financial liabilities	(33,495)	-
	(12,275)	-
Floating rate instruments		
Financial liabilities	(5,265)	-
1 January 2011		
Fixed rate instruments		
Financial assets	6,600	-
Financial liabilities	(17,800)	-
	(11,200)	-
Floating rate instruments		
Financial liabilities	(11,598)	-

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**
2012		
Floating rate instruments	(169)	169
2011		
Floating rate instruments	(53)	53

26.7 Fair value of financial instruments

26.7.1 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.

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.

26. Financial instruments (continued)

26.7 Fair value of financial instruments (continued)

26.7.1 Recognised financial instruments (continued)

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

Group	31.12.2012 Carrying amount RM'000	31.12.2012 Fair value RM'000	31.12.2011 Carrying amount RM'000	31.12.2011 Fair value RM'000	1.1.2011 Carrying amount RM'000	1.1.2011 Fair value RM'000
Forward exchange contracts						
- (Assets)/Liabilities	(46)	(46)	90	90	(52)	(52)
Term loans	13,277	*13,277	3,377	* 3,377	4,221	* 4,221
Finance lease liabilities	833	*833	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.

26.7.2 Fair value hierarchy

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
31 December 2012				
Financial assets				
Forward exchange contracts	-	56	-	56
Financial liabilities				
Forward exchange contracts	-	9	-	9
31 December 2011				
Financial assets				
Forward exchange contracts	-	77	-	77
Financial liabilities				
Forward exchange contracts	-	167	-	167

27. 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").

27. Acquisition of a new subsidiary (continued)

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.

The acquisition had the following effect on the Group's assets and liabilitie s 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)
Bargain purchase gain 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.

28. Significant events during the year

a) Incorporation of a new subsidiary

During the year, the Company incorporated a wholly-owned subsidiary, TG Uni'Ang (Shanghai) International Trade Co., Ltd. ("TGU") in the People's Republic of China. The registered paid up capital of TGU amounted to RM459,075.

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

b) Subscription in an existing subsidiary

During the year, the Company subscribed for its 70% rights entitlement in TGSH Plastic Industries Sdn. Bhd. ("TGSH") amounted to RM2,730,000. As remaining 30% of its entitlement subscribed by non-controlling shareholders of TGSH, the equity interest of the Company in TGSH is remained at 70%.

c) Additional investment in wholly owned overseas subsidiaries

During the year, the Company subscribed for additional shares in the following subsidiaries:

i) TG Plaspack (Vietnam) Co., Ltd by cash consideration of RM49,315; and

ii) TGP Plaspack (Suzhou) Co., Ltd by cash consideration of RM6,442,014.

29. Explanation of transition to MFRSs

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have financial impact to the separate financial statements of the Company.

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

29. Explanation of transition to MFRSs (continued)

29.1 Reconciliation of financial position

Group	Note	1.1.2011 FRSs RM	1.1.2011 Effect of transition to MFRSs RM	1.1.2011 MFRSs RM	31.12.2011 FRSs RM	31.12.2011 Effect of transition to MFRSs RM	31.12.2011 MFRSs RM
Assets							
Property, plant and equipment		100,322,746	-	100,322,746	117,448,521	-	117,448,521
Prepaid lease payments		9,278,634	-	9,278,634	11,545,560	-	11,545,560
Other investment		1,966,556	-	1,966,556	1,838,341	-	1,838,341
Total non-current assets		111,567,936	-	111,567,936	130,832,422	-	130,832,422
Inventories		79,511,058	-	79,511,058	120,274,678	-	120,274,678
Current tax assets		3,013,085	-	3,013,085	1,295,491	-	1,295,491
Trade and other receivables, including derivatives		73,452,586	-	73,452,586	77,523,683	-	77,523,683
Cash and cash equivalents		55,630,918	-	55,630,918	38,570,662	-	38,570,662
Total current assets		211,607,647	-	211,607,647	237,664,514	-	237,664,514
Total assets		323,175,583	-	323,175,583	368,496,936	-	368,496,936
Equity							
Share capital		105,204,500	-	105,204,500	105,204,500	-	105,204,500
Share premium		3,938,567	-	3,938,567	3,938,567	-	3,938,567
Translation reserves	a	1,351,252	(1,351,252)	-	4,848,892	(1,351,252)	3,497,640
Statutory reserves		4,140,888	-	4,140,888	4,140,888	-	4,140,888
Retained earnings	b	102,075,584	1,351,252	103,426,836	123,955,346	1,351,252	125,306,598
Non-controlling interests		-	-	-	986,413	-	986,413
Total equity		216,710,791	-	216,710,791	243,074,606	-	243,074,606
Liabilities							
Loans and borrowings		4,034,057	-	4,034,057	2,848,036	-	2,848,036
Deferred tax liabilities		8,051,227	-	8,051,227	7,535,977	-	7,535,977
Total non-current liabilities		12,085,284	-	12,085,284	10,384,013	-	10,384,013
Loans and borrowings		25,363,202	-	25,363,202	35,912,429	-	35,912,429
Current tax liabilities		486,906	-	486,906	258,533	-	258,533
Trade and other payables, including derivatives		68,529,400	-	68,529,400	78,867,355	-	78,867,355
Total current liabilities		94,379,508	-	94,379,508	115,038,317	-	115,038,317
Total liabilities		106,464,792	-	106,464,792	125,422,330	-	125,422,330
Total equity and liabilities		323,175,583	-	323,175,583	368,496,936	-	368,496,936

29. Explanation of transition to MFRSs (continued)

29.2 Material adjustments to the statements of profit or loss and other comprehensive income and cash flows for 2011

There are no material differences between the statement of profit or loss and other comprehensive income and cash flows presented under MFRSs and the statement of profit or loss and other comprehensive income and cash flows presented under FRSs.

29.3 Notes to reconciliations

(a) Foreign currency translation differences

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the foreign currency translation reserve in equity.

Upon transition to MFRSs, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

	Group	
	1.1.2011	**31.12.2011**
Consolidated statement of financial position	**RM**	**RM**
Translation reserves	1,351,252	1,351,252
Adjustment to retained earnings	1,351,252	1,351,252

(b) Retained earnings

The changes that affected the retained earnings are as follows:

		Group	
	Note	**1.1.2011**	**31.12.2011**
		RM	**RM**
Translation reserves	a	1,351,252	1,351,252
Increase in retained earnings		1,351,252	1,351,252

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 :

	2012	**2011**
Group	**RM**	**RM**
Total retained earnings of the Company and its subsidiaries :		
- realised	160,295,070	139,119,603
- unrealised	(6,431,125)	(6,929,286)
	153,863,945	132,190,317
Less : Consolidated adjustments	(7,653,203)	(6,883,719)
Total retained earnings	146,210,742	125,306,598
Company		
Total accumulated losses		
- realised	(16,523,894)	(18,608,704)

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 25 to 69 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 2012 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 69 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 : 29 April 2013

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

Subscribed and solemnly declared by the above named at Georgetown in the State of Penang on 29 April 2013.

………………………………………..
Ang See Ming

Before me :

GOH SUAN BEE (No.P.125)
Pesuruhjaya Sumpah
(Commissioner 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 statement of financial position as at 31 December 2012, and the statements of profit or loss and other 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 25 to 69.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible 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 give a true and fair view of the financial position of the Group and the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 69 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 Malaysian Financial Reporting Standards or International 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

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

Other Matter(s)

As stated in Note 1(a) to the financial statements, Thong Guan Industries Berhad adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

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 : 29 April 2013
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	14-16 years	60 years, leasehold, expiring on 12.4.2052	1.01	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	18 years	60 years leasehold, expiring on 12.4.2052	1.10	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	12 years	60 years leasehold, expiring on 4.6.2055	4.47	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	15-28 years	Freehold	3.54	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	10-30 years	Freehold	4.66	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	28 years	99 years leasehold, expiring on 18.7.2092	0.15	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	20 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	24 years	60 years leasehold, expiring on 31.12.2035	1.12	13.12.1995
CL 015276687 606 Taman Bay View Off Mile 21/2 Jln Tuaran Kota Kinabalu, Sabah	Double storey terrace house	2,178	34 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	21 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	7-11 years	50 years leasehold, expiring on 31.12.2049	5.43	01.01.2000
Pangjin Road Wujiang Economic Developing Area Jiangsu, China	Factory buildings	716,876	7-8 years	50 years leasehold, expiring on 08.03.2053	6.50	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	7 years	60 years leasehold, expiring on 11.04.2052	6.28	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	12-13 years	60 years leasehold, expiring on 4.7.2055	4.02	26.08.2011
Lot No. PT2574, H.S. (M) 2798, Padang Lembu, Bandar Gurun, District of Kuala Muda, Kedah	Warehouse	83,689	8 years	60 years leasehold, expiring on 15.9.2050	0.98	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	2.25	21.09.2007

SHAREHOLDINGS STATISTICS AS AT 6 MAY 2013

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	150	9,819	0.009
100 - 1,000	182	139,153	0.132
1,001 - 10,000	1,101	5,244,751	4.985
10,001 - 100,000	548	16,931,100	16.094
100,001 - 5,260,224	98	40,976,052	38.949
5,260,225 - 105,204,500	1	41,903,625	39.831
TOTAL	**2,080**	**105,204,500**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 6 MAY 2013

Name of director	Direct Interest No. of shares	%	Indirect Interest No of shares	%
Ang Toon Piah @ Ang Toon Huat	619,000	0.59	231,000 (a)	0.22
Tengku Makram Bin Tengku Ariff *	40,500	0.04	-	-
Dato' Ang Poon Chuan	928,500	0.88	44,506,002 (b)	42.30
Datuk Ang Poon Seong	589,125	0.56	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.

* They resigned on 1 June 2013

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 6 MAY 2013

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

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

LIST OF 30 LARGEST SHAREHOLDERS (as at 6 May 2013)

(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	SENSIBLE MATRIX SDN BHD	1,108,869	1.054
12	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	762,700	0.725
13	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM BOON TIANG (BMM/AAA)	702,000	0.667
14	ANG POON KHIM	642,325	0.611
15	ANG TOON PIAH @ ANG TOON HUAT	619,000	0.588
16	ANG POON SEONG	589,125	0.560
17	ANG POON CHUAN	564,000	0.536
18	DYNAQUEST SDN. BERHAD	530,000	0.504
19	NGOH AH CHYE	505,000	0.480
20	UNITED OVERSEAS NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG SEE MING (MJK)	490,000	0.466
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG SEE MING (473567)	447,000	0.425
22	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	401,900	0.382
23	HONG WENG HWA	400,000	0.380
24	SOONG AND SAW INVESTMENT TRUST SDN. BERHAD	390,000	0.371
25	CHONG SIAN YEE	375,000	0.356
26	GOH CHOON KIM	366,600	0.348
27	ANG POON CHUAN	364,500	0.346
28	TAN LEE HWA	350,000	0.333
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE KIAN HONG (E-TSA)	300,000	0.285
30	QUAH LAKE JEN	288,700	0.274
		70,837,619	**67.333**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of shareholders of the Company will be held at Sejati Room, Level 2, Park Avenue Hotel, E-1, Jalan Indah 2, Taman Sejati Indah, 08000 Sungai Petani, Kedah on Thursday, 27 June 2013 at 11:00 a.m. to transact the following business :

1.	To receive the Audited Financial Statements for the year ended 31 December 2012 and the Reports of Directors and Auditors thereon.	Refer to Explanatory Note 1
2.	To approve a first and final tax exempt dividend of 7% for the year ended 31 December 2012.	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) Datuk Ang Poon Seong	Ordinary Resolution 4
4.	To approve Directors' Fees of RM175,000/- for the year ended 31 December 2012.	Ordinary Resolution 5
5.	To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration	Ordinary Resolution 6
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 7

"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 8

"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 2012, the amount of retained losses and share premium account is RM16.52 million and RM3.94 million respectively and based on the management account as at 31 March 2013, the amount of retained losses and share premium account is RM 16.81 million and RM3.94 million respectively;

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

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

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

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

i) to cancel the TGI Shares so purchased; or

ii) to retain the TGI Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or

iii) to retain part of the TGI Shares so purchased as treasury shares and cancel the remainder; or

iv) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

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

(iii) **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS BETWEEN THE COMPANY AND/OR ITS SUBSIDIARIES** Ordinary Resolution 9

"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 5 June 2013 which transactions are necessary for the day-to-day operations in the ordinary course of business of TGI Group on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company and that such approval shall continue to be in force until:-

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

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

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

whichever is earlier.

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

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a depositor shall qualify for entitlement to the first and final tax exempt dividend of 7% only in respect of :

a) Shares transferred into the depositor's securities account before 4.00 p.m. on 18 July 2013 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 7 August 2013 to depositors registered in the Records of Depositors at the close of business on 18 July 2013.

By Order of the Board

ONG TZE-EN (MAICSA 7026537)
LAU YOKE LENG (MAICSA 7034778)
Joint Company Secretaries
Penang, 5 June 2013

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 20 June 2013 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 7, 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 21 June 2012 and which will lapse at the conclusion of the Eighteenth 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 8, 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 9, if passed will approve the Proposed Shareholders' Mandate on Recurrent Related Party Transactions and allow the Company and its subsidiaries to enter into Recurrent Related Party Transactions in accordance with Chapter 10 of the Listing Requirements of the Bursa Malaysia Securities Berhad. This approval shall continue to be in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by the law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

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

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

PROXY FORM

I/We,………
(Full name in block letters)

NRIC/Company No.………

of……
(Address)

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

……
(Full name in block letters)

of……
(Address)

or failing him/her ………
(Full name in block letters)

of ……
(Address)

as my/our proxy, to vote for me/us and on my/our behalf at the EIGHTEENTH ANNUAL GENERAL MEETING of the Company which will be held at Sejati Room, Level 2, Park Avenue Hotel, E-1, Jalan Indah 2, Taman Sejati Indah, 08000 Sungai Petani, Kedah on Thursday, 27 June 2013 at 11:00 a.m. or at any adjournment thereof.

	ORDINARY RESOLUTIONS								
	1	2	3	4	5	6	7	8	9
FOR									
AGAINST									

(Please indicate with "X" in the appropriate space 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)

* Strike out whichever is not desired.

Signed this day of 2013.

For appointment of two (2) proxies, no. of shares and percentage of shareholdings to be represented by the each proxy:-		
	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

……………………………………………………………..
Signature of Shareholder(s)/ Common Seal

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 20 June 2013 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 Secretaries
Thong Guan Industries Berhad

Registered Office
Suite 2-1, 2^{nd} Floor
Menara Penang Garden
42A Jalan Sultan Ahmad Shah
10050 Penang

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www.thongguan.com

THONG GUAN INDUSTRIES BERHAD (324203-k)
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

Garbage Bags
Thickness: 12 microns
Reduce from > 20 microns

Recycling Plastic Wastes
Reuse in production
800 tons per month