GENERATING VALUE

Annual Report 2013

THONG GUAN INDUSTRIES BERHAD
(324203-k)

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FINANCIAL STATEMENT

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Board of Directors

Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	Chairman, Independent Non-Executive Director
Dato' Ang Poon Chuan	Managing Director
Dato' Ang Poon Khim	Executive Director
Datuk Ang Poon Seong	Executive Director
Ang See Ming	Executive Director
Chow Hon Piew	Independent Non-Executive Director
Kang Pang Kiang	Independent Non-Executive Director

Registered Office
Suite 16-1 (Penthouse Upper), 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
Level 18, Hunza Tower,
163E Jalan Kelawei, 10250 Penang.

Principal Bankers
HSBC Bank Malaysia Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
Ambank (M) Berhad
Bangkok Bank Berhad
Al Rajhi Bank

Audit Committee
Chow Hon Piew (Chairman)
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah
Kang Pang Kiang

Nomination Committee
Chow Hon Piew (Chairman)
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah
Kang Pang Kiang

Remuneration Committee
Kang Pang Kiang (Chairman)
Dato' Ang Poon Chuan
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah
Chow Hon Piew

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.
100%	**888 FOOD INDUSTRIES SDN. BHD.** (1061196-H) Manufacturing and dealer of food and beverage products.

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors and as the new chairman of the board, 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 2013.

Economic Review

The year 2014 marks a year of transition for the world economy. As the recovery in the major advanced economies is sustained, the prolonged period of monetary accommodation will shift towards normalisation. Economic conditions in Malaysia have also continued to improve, and the Malaysian economy is expected to remain on a steady growth path going into 2014 and 2015. While the economy will continue to benefit from the gradual global recovery, the private sector-led domestic demand remains the key driver of growth

The global economy expanded at a modest pace of 3.0% in 2013 (2012: 3.1%). Growth in the US slowed to 1.9% (2012: 2.8%) led by its private-sector recovery and improvements in the housing and labour markets despite cuts in Government spending. The Euro area contracted by 0.5% (2012: -0.7%) but emerged from recession despite the crisis in Cyprus that reignited the sovereign debt concerns and further dampened the already weak confidence of its private-sector. The Euro area is still haunted by high unemployment, tight liquidity and high debt levels. The economic conditions improved in Japan following the introduction of stimulative policies ("Abenomics") and grew 1.5% (2012: 1.4%) easing its prolonged deflationary pressure. In China, ongoing efforts to re-balance growth to a more sustainable and consumption-driven path led to more moderate growth of 7.7% (2012: 7.7%) while India grew 4.7% (2012: 4.6%) and South Korea expanded 2.0% (2012: 2.8%). Global demand continued to remain modest as high unemployment continued to suppress wages and consumption in the advanced economies. Headline inflation rates declined to levels below targets set by the central banks. Commodity prices continued to moderate from the peak recorded in early 2011with increased supply and lower demand growth from key emerging economies. Record production of grains, primarily corn and rice, along with higher stocks dampened food prices. The increased supply of metals, amid weak demand, led to lower non-energy commodity prices. Oil prices were sustained at 2012 average levels of USD 112 per barrel.

Closer to home, the ASEAN-4 grew robustly at 6.3% (2012: 5.1%) led by the Phillipines with 7.2% (2012: 6.3%). Growth however moderated in Indonesia at 5.8% (2012: 6.3%), Malaysia at 4.7% (2012: 5.6%) and Thailand (troubled by its prolonged domestic political crisis) at 2.9% (2012: 6.5%).

Locally, the growth rate of the Malaysian economy moderated to 4.7% in 2013 (2012: 5.6%) weighed down by prolonged weak external demand. Demand for Malaysia's exports, particularly for electronics and electrical (E&E) products, was affected by the slow growth in the US and weak European economies. Growth was buoyed mainly by robust domestic demand which expanded by 7.6% (2012: 10.6%) supported by stronger consumption and investment spending. Private consumption expanded by 7.6% (2012: 7.7%), shored up by income growth amidst stable labour market of low unemployment rate at 3.1% (2012: 3.0%) and high employment growth of 4.8% (2012: 3.6%), representing a net addition of 613,000 jobs from the previous year. Wages in the domestic-oriented industries in the manufacturing sector recorded a stronger growth (10.3%; 2012: 6.6%) while the export-oriented industries registered sustained growth (5%; 2012: 5.2%). The implementation of the minimum wage policy on 1 January 2013 also contributed to the higher wage levels. Government transfers to low- and middle-income households continued to support private consumption. These included Bantuan Rakyat 1Malaysia (BR1M), Baucar Buku 1Malaysia (BB1M), and schooling assistance to primary and secondary school students, which in total amounted to RM3.8 billion. Private consumption was also supported by continued access to financing. Outstanding consumption credit to households continued to grow, albeit at a slower pace of 8.5% (2012: 13.3%), which was in part attributable to the pre-emptive macroprudential measures introduced by the Bank in July 2013. Public consumption recorded a higher growth of 6.3% in 2013 (2012: 5.1%) due mainly to higher expenditure on supplies and services while payments to government servant emoluments was sustained at high levels. The pace of investment activity moderated from the exceptionally strong growth in 2012. It continued to be supported by private investment whom registered a double-digit growth of 13.6% (2012: 22%),driven by capital spending by both the domestic and foreign investors in the mining (mainly on oil and gas), services (mainly in the distributive trade, telecommunication and private healthcare as well as expansion and upgrading of ports and petroleum storage terminals) and manufacturing sectors (mainly export-oriented such as the E&E and medical devices, and the domestic-oriented particularly in food manufacturing). Public investment recorded a small growth of 0.7% (2012: 17.1%), following the decline in the Federal Government development expenditure, however, investments such as the construction of the MY Rapid Transit (MRT) and further work on the Light Rapid Transit (LRT) extension were continued. On the supply side, all sectors grew more moderately except for agriculture. Services sector expanded by 5.9% (2012: 6.4%) supported mainly by the continued strength in households' retail spending, continued demand for data communication services and growth in passenger travel. On the other hand, growth in the finance and insurance sub-sector moderated following lower interest rate margins and insurance premiums. The manufacturing sector grew by a modest 3.4% (2012: 4.8%) driven by the domestic-oriented industries. The construction sector grew strongly by 10.9% (2012: 18.1%), boosted mainly by civil engineering projects (Tanjung Bin and Janamanjung power plants, MRT, Sabah Oil and Gas Terminal, Sabah-Sarawak Gas Pipeline and the Kebabangan Oil and Gas project) and residential projects (construction of high-end and high-rise properties in the Klang Valley, Penang and Johor). The agriculture sector (including forestry and fishing) experienced stronger growth of 2.1% (2012: 1.0%) as CPO output increased due to better weather conditions. The mining sector expanded by 0.5% (2012: 1.4%) with higher natural gas output supporting growth.

Consumer Price Index (CPI) averaged at a modest 2.1% in 2013 (2012: 1.6%), despite the upward adjustments to administered prices such as Ron 95 petrol and diesel by 20 sen/litre (10.5% increase) on 3 September and sugar by 34 sen/kg (13.6% increase) on 26 October. Malaysia's external position remained resilient with the current account surplus at RM 37.3 billion (2012: RM57.3 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 RM36.5 billion (2011: RM30.2 billion), with the bulk of it continuing to go into export-oriented manufacturing and mining sectors. Malaysia's international reserves amounted to RM441.9 billion (2012: RM427.2 billion) as at 28 February 2014, (sufficient to finance 9 months of imports) while total external debt increased to RM318.1 billion (2011: RM252.8 billion).

Industry Trends & Development

In 2013, the total sales value of the manufacturing sector recorded a growth of 3.4% to RM652.6 billion (2012: RM622.3 billion). The expansion was broad-based, with all clusters registering better growth. The total turnover of the Malaysian Plastic industry increased by 4.5% to RM 17.94 billion in 2013 (2012: RM 17.16 billion). Export of plastic products increased by 6.9% in 2013 to RM10.69 billion from RM10.0 billion in 2012 representing 60% of total turnover. Total export of plastic bags increased by 6.3% to RM3.69 billion while total export of plastic films and sheets increased by 6.9% to RM3.88 billion. Total export of plastic packaging materials increased in tandem with the recovery of the economies in Europe, USA and Japan and also the increased of imports from European importer prior to the removal of Malaysia's GSP status by the European Union on 1 January 2014.

Group Performance

The Group registered a 14.11% increase in revenue from RM631.19 million in 2012 to RM720.28 million in 2013 and a 8.67% increase in profit before tax (PBT) from RM29.30 million in 2012 to RM31.84 million in 2013. Turnover grew mainly due to the increase of export sales, higher 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 from the group's effort to focus more on selling value added products and its cost rationalisation exercises.

Dividend

The Board of Directors has recommended a final tax-exempt dividend of 8 sen per ordinary share amounting to approximately RM 8.42 million or 30% of net profit attributable to equity holders for the year ended 31 December 2013 (2012: 7 sen, RM 7.36 million, 27%).

Prospects

The gradual improvement in the global economy experienced in 2013 is expected to continue in 2014. Global growth will be supported by a broader economic recovery in the advanced economies and sustained growth in the emerging economies. Continued improvements in the advanced economies will have positive spillovers on the rest of the world, in particular on economies with extensive trade linkages such as Malaysia. The International Monetary Fund has forecasted that the world economy will grow 3.7% in 2014 while world trade will grow by 4.5%. Major economies are predicted to experience higher growth with the US at 2.8%, the Euro Area at 1% and Japan at 1.7%. Continued strong expansion are forecasted for the emerging economies led by China at 7.5% and India at 5.5% while regional economies are expected to continue its growth pattern with Singapore at 3.4%, Indonesia at 5.5%, Thailand at 3.5%, the Phillipines at 6% and Malaysia at 4.5 – 5.5%.

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 2014 and is expecting a growth of 5% for the plastic industry.

With the generally more bullish prospect of economic growth globally, the Group will be looking at expanding its capacity utilisation and adding on capacity to areas where orders have consistently exceeded production capacity and offers strategic prospect. The Group is focused on creating and generating value added products to generate higher value returns to its shareholders amid its commitment to the importance of environmental marketing and growing on environmentally sustainable products. Towards this end, the Group's investments are leveraged towards producing down gauged thin film whereby usage of plastic materials are reduced, thus reducing cost, without compromising on film properties and strength. This is possible with the recent advancements in machinery and raw materials technologies. The importance of generating value to the shareholders 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 high value added growth in the years ahead.

Acknowledgement

Mr Ang Toon Piah, a co-founder of Thong Guan passed away on 30 November 2013. He would be deeply missed and we would like to record our utmost appreciation and gratitude for his enormous contributions to the success of the Company over the many years he had served the board.

We would also like to welcome Mr Chow Hon Piew and Mr Kang Pang Kiang who joined the company as Independent Non-Executive Directors on 30 August 2013 and Mr Ang See Ming who was appointed an Executive Director on 11 December 2013. We are confident that they would be able to contribute positively towards the growth of the group.

On behalf of the Board of Directors, I would like to extend our gratitude to the management and staff for their contribution to the Group during the year. We would also like to thank our shareholders, business partners, advisers, customers, associates and the authorities for their continued trust, confidence, support and guidance.

Thank you

Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah
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 2013, we continued to support educational, charitable and other meaningful social causes through direct donations and in-kind support. Through these efforts, we hope to not only foster community spirit but also encourage our employees and business associates to be actively involved in these programmes.

Education

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

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

Community Care

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

In 2013, 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 private school for school building development fund and cash contribution to table tennis association.

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

Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah, aged 79, Malaysian, was appointed as the Independent Non-Executive Director on 11 August 2004 and subsequently as Chairman on 27 February 2014. He joined the Kedah State Civil Service in 1960 after he graduated with a Bachelor of Arts from the University of Malaya in Singapore. He rose through the ranks to become the State Director of Land and Mines, State Financial Officer and finally the highest civil service post, the State Secretary prior to his retirement in November,1989. He had also obtained a certificate in Land Management from the University of Cambridge, United Kingdom in 1969. He was the past President of the Malaysian Friendship Centre, Taiwan. In recognition of his immense experience and services to the State, he was made a titled Dato' of the Orang Besar Enam Belas by his Majesty Sultan Abdul Halim Mua'adzam Shah with the title of Dato' Jaya Pahlawan.

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

Dato' Ang Poon Chuan, aged 70, 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 are currently wholly-owned subsidiaries of TGI) in 1983. During his 49 years of service, he has gained extensive knowledge of the plastic, paper, food, beverages and trading business and has developed invaluable business acumen and foresight that has shaped TGI to its present stature. He is a well-respected figure in the plastic industry and was the former President of the Malaysian Plastics Manufacturers Association (Northern Branch).

He serves as 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 59, 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 Process Engineer at Advance Micro Devices (Export) Sdn. Bhd. He has contributed to the product development of TGI. He is presently the Executive Director and is responsible for overseeing the production and sales functions of TGI.

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 58, 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 tasked to spearhead the Company's expansion in Sabah in 1980. Under his stewardship, the Sabah operations of TGI Group has grown to be the largest plastic packing manufacturer in Sabah. He is also the President of the Malaysian Plastics Manufacturers Association (Sabah Branch) and was the former President of the Federation of Sabah Manufacturers.

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.

DIRECTORS' PROFILE (continued)

Mr. Ang See Ming, aged 44, Malaysian, was appointed as the Executive Director on 11 December 2013. He holds a Bachelor of Business (Accounting) from Monash University, Australia. He joined TGI in 1993 as an Accounts Executive and rose through the ranks to become the General Manager prior to his appointment to the Board. He was instrumental in planning the listing of TGI on the Kuala Lumpur Stock Exchange and has contributed immensely to the growth of TGI especially in the fields of finance, taxation, project planning and implementation, information technology, operation and marketing.

He has attended all of the four Board meetings held for the financial year on an invitation basis. He is the son of Dato' Ang Poon Chuan and the nephew of Dato' Ang Poon Khim and Datuk Ang Poon Seong. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.

Mr. Chow Hon Piew, aged 60, Malaysian, was appointed as the Independent Non-Executive Director on 30 August 2013. He graduated with a Diploma in Business Studies and a Masters of Business Administration from the University of Strathclyde, Glasgow, United Kingdom and is also a Fellow member of the Institute of Chartered Management Accountants. He started his career as a Assistant Management Accountant at Matthesons Meats Ltd, a multi-national meat processing company in London prior to his return to Malaysia. He had served as the Group Accountant and rose to the position of Managing Director of Poly Glass Fibre (M) Bhd prior to his retirement in December 2012.

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

Mr. Kang Pang Kiang, aged 42, Malaysian, was appointed as the Independent Non-Executive Director on 30 August 2013. He obtained his Bachelor of Commerce and Bachelor of Science degrees from the University of Auckland, New Zealand. He is a Fellow member of the Associate of Chartered Accountant, New Zealand and Member of the Malaysian Institute of Accountants. He started his career with Ernst & Young. He has experience in providing auditing, tax consultation and business advisory services to various clients, which include multinational companies. He joined EG Industries Group in 1999 with more than 10 years of experience in financial management, corporate restructuring exercises, financial planning, compliance and reporting, risk management and investor relations. He played a key role in the formulation and implementation of EG Industries Group's strategic cost reduction plan and was also responsible for the group's corporate finance, finance management and financial strategies.

He serves as the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. He has attended one out 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 EG Industries Berhad. He had no conviction for offences within the past 10 years.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed to maintain good corporate governance throughout the group in its effort to ensure long-term sustainable growth and to safeguard, protect and enhance shareholders' value.

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 Malaysian Code on Corporate Governance (MCCG 2012) ("the Code").

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 the Audit Committee, the Nominating Committee and the Remuneration Committee. These Committees comprised Non-Executive Directors with a majority being Independent Non-Executive Directors ("INEDs"). The composition of the Board and Board Committees are more particularly described under Principle 2 and section 3.5 of this statement.

All decisions and deliberations at Committee level are documented by the Company Secretary in the minutes of various committee meetings. The Chairman of the 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 meeting. The Committees' function is 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 Directors 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 performances 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 INED do not engage in the daily management of the Group. Their presences bring 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 Internal Audit Department ("IAD"), has implemented the Enterprise Risk Management processes and formed a Risk Management Committee to identify, assess and monitor 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 its businesses. The Board is committed to understanding and has vigorously implemented sustainable practices to benefit its businesses 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 the 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 the 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 personal accident, medical and hospitalisation benefits at the Group's expense. There is an emphasis on continuous employees' training and professional development with various training programs continuously organised throughout the year 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 legislations 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, 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 must be independent. The Nominating Committee shall meet at least once in a financial year or more frequently if deemed necessary.

The Nominating Committee currently comprised the following:

Name	Position
Chow Hon Piew *(appointed on 26 November 2013)*	Chairman
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	Member
Kang Pang Kiang *(appointed on 26 November 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 2013, the Committee met on one (1) occasion to discuss the tenure of service of the INEDs as well as to conduct an 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 an annual basis. The assessment also considered the qualifications, contributions and performance of Directors and Chief Financial Officer in meeting the needs of the Group based on the criteria of 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 representation. 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 candidate is based on the candidate's 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 to 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 the 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 subjected 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 the Nominating Committee, will also formalise a guide to be used during annual assessment, recruitment and the induction processes for Directors.

2.3 Remuneration Committee

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

The Remuneration Committee currently comprised the following:

Name	Position
Kang Pang Kiang *(appointed on 26 November 2013)*	Chairman
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	Member
Chow Hon Piew *(appointed on 26 November 2013)*	Member
Dato' Ang Poon Chuan	Member

The Remuneration Committee met once during the financial year with the 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 his 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 2013 is as follows:

	Fees [1] (RM'000)	**Salaries (RM'000)**	**Bonuses (RM'000)**	**Others (RM'000)**
Executive Directors [2]	266	1,789	512	10
Non-Executive Directors	63	-	-	31

Notes:

[1] Fees paid to Non-Executive Directors is inclusive of fees to 2 INEDs who left on 1 June 2013 and 2 INEDs who was appointed on 30 August 2013.

[2] Fees and remuneration paid to Executive Directors is inclusive of one Executive Director who passed away on 30 November 2013 and one Executive Director who was appointed on 11 December 2013.

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

Range of Remuneration	**Executive Directors**	**Non-Executive Directors**
Below RM50,000	-	5
RM50,001 to RM100,000	1	-
RM200,001 to RM300,000	2	-
RM750,001 to RM800,000	1	-
RM850,001 to RM900,000	1	-

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 packages 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 2013, 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 INEDs fulfils the key criteria of appointment as they are 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.

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 and 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 7 Directors as at the date of this Annual Report and are as follows:

Independent Non-Executive Chairman	Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah
Managing Director	Dato' Ang Poon Chuan
Executive Directors	Dato' Ang Poon Khim Datuk Ang Poon Seong Ang See Ming *(appointed on 11 December 2013)*
Independent Non-Executive Director	Chow Hon Piew *(appointed on 30 August 2013)* Kang Pang Kiang *(appointed on 30 August 2013)*

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.

The Board of directors of the Company has appointed Chow Hon Piew and Kang Pang Kiang as INEDs on 30 August 2013 to fill the vacancies in order to comply with para 15.02 of the MMLR. The board of Directors of the Company has appointed Ang See Ming as executive director on 11 December 2013.

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 of INEDs forming the board as 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. The Chairman solicits the opinion of fellow Board members before seeking consensus on decisions. Following the demise of the Executive Chairman, Ang Toon Piah @ Ang Toon Huat on 30 November 2013. The Board appointed Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah as Independent Non-Executive Chairman on 27 February 2014 and the Board therefore observes the recommendation for an Independent Non-Executive Chairman.

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 notices.

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 meeting and respective Board Committees' meeting during the year under review are as follows:

		Committees		
	Board	**Audit**	**Nominating**	**Remuneration**
Ang Toon Piah @ Ang Toon Huat [1]	1/4	-	-	-
Dato' Ang Poon Chuan	4/4	-	-	1/1
Dato' Ang Poon Khim	4/4	-	-	-
Datuk Ang Poon Seong	4/4	-	-	-
Ang See Ming [2]	4/4	3/3	1/1	1/1
Dato' Paduka Syed Mansor Bin Syed Kassim Barabah	4/4	3/3	-	-
Chow Hon Piew [3]	1/1	1/1	-	-
Kang Pang Kiang [4]	1/1	1/1	-	-
Tengku Makram Bin Tengku Ariff [5]	2/2	2/2	1/1	1/1
Lee Eng Sheng [5]	2/2	2/2	1/1	1/1

Notes:

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

[1] Passed away on 30 November 2013

[2] Appointed as Executive Director to the Board on 11 December 2013. Attended the various meeting on invitation basis.

[3] Appointed as INEDs and Chairman of Audit Committees on 30 August 2013; Chairman of Nominating Committees and member of Remuneration Committees on 26 November 2013

[4] Appointed as INEDs and member of Audit Committees on 30 August 2013; member of Nominating Committees and Chairman of Remuneration Committees on 26 November 2013

[5] Resigned from the Board on 1 June 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 and 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 the year under review, attended the following training programs, seminars and international trade exhibition:-

Areas	**Seminar / Programs**
Production/Plastics	• Blown Film Extrusion Technical Knowledge • K 2013 International Plastic & Rubber Trade Fair • Chinaplas 2013 – The International Exhibition on Plastics and Rubber Industries
Finance, Taxation & Governance	• Rising the Challenge
Management	• Advance Skills for Communicating and Influencing for Managers

All Directors have complied with the provision of MMLR in relation to Mandatory Accreditation Program.

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 to ensure that the 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 2013, 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 the audit engagement in accordance with the terms of the relevant professional and regulatory requirements. In early 2014, 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 Risk Management and Internal Control.

6.2 Internal Audit Function

The Board and management has established internal control procedures and policies for its operations. It monitors its compliance 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 taken.

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

STATEMENT ON CORPORATE GOVERNANCE (continued)

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. The Board peruses through and approves all announcements prior to the release of the same to Bursa Securities. At the same time, the Board will take reasonable steps to ensure that the public and investors all who invest in the Company's securities enjoy equal access to such information to avoid selective disclosure.

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 the Investor Relations Department via the email address: 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 the Board to dialogue and interact with shareholders where individual shareholders and investors may seek clarifications on the Group's businesses, performance and prospects. The notices of the AGM and EGM are sent to shareholders. The notices 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 practicality, 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.

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 2013 and up to the date of the printing of this annual report, 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 2 June 2014.

Other Information

Non-Audit Fees
The amount of non-audit fees paid to external auditors by the Company and its subsidiaries is RM28,000 for the financial year ended 31 December 2013.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

Pursuant to Paragraph 15.26(b) of the Main Board 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 the 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 2013.

Responsibility

The Board acknowledges its responsibility for the Groups' system of internal control, which include establishment of an effective control environment and an 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 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

The board has established an on-going process for identifying, evaluating, and managing risk through the Enterprise Risk Management (ERM) Framework. These include the formation of a Risk Management Committee (RMC) during the year that was delegated with the task of identifying risks within 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 the formalisation of the Enterprise Risk Management (ERM) framework, the following initiatives 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 awareness culture and risk management process within the Group, the risk management training for selected management and staff will be conducted on an ongoing basis;
- To roll out the ERM review to the companies in the Group upon the identification, assessment, evaluation 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 risks and controls issues;
- To review the submission of periodic risk management reports to the RMC for tabling to the Audit Committee (AC);
- To execute risk-based internal audit with periodic review by Audit Committee and the Board on the adequacy and integrity of the system of internal control.

Internal Audit Function

The Group's Internal Audit Department (IAD) reports directly to the Audit Committee. Its role is to provide the Audit 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 the current state of procedures and processes for the ease of understanding and reference with the aim of identifying areas for improvements.
- Identifying potential areas that are lack of control and efficiency from the process mapping.
- Testing and conducting audit on the identified risk areas.
- Evaluating other areas and matters that are pertinent to the compliance by the Companies.
- Holding meeting with auditees to agree on findings.
- Reporting of findings and irregularities (if any) to Management and Audit Committee and provide recommendations to mitigate the risks identified.
- Ensuring the compliance with applicable laws, regulations, rules, directives and guidelines by the various authorities and those set out by the Management.
- Carrying out ad-hoc investigation and special review requested by Management.

The Internal audit reports prepared by the IAD arising from the audits are discussed by the AC Meetings and recommendations are duly forwarded to the management for their actions. Follow-up reviews are conducted by the IAD to ensure that all action plans from each audit are adequately addressed by auditee/management. All internal audit reports together with the recommended action plans and their implementation status are presented to the management and the Audit Committee as and when they are completed.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (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 control systems 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 2013. The Audit Committee currently comprises the following directors:-

Directors	Position	Attendance
Chow Hon Piew *(Appointed on 30 August 2013)*	Chairman, Independent Non-Executive Director	1/1
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	Member, Independent Non-Executive Director	3/3
Kang Pang Kiang *(Appointed on 30 August 2013)*	Member, Independent Non-Executive Director	1/1
Tengku Makram Bin Tengku Ariff *(Resigned on 1 June 2013)*	Chairman, Independent Non-Executive Director	2/2
Lee Eng Sheng *(Resigned on 1 June 2013)*	Member, Independent Non-Executive Director	2/2

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.

On 30 August 2013, Chow Hon Piew and Kang Pang Kiang has appointed by the board of the Company as new Independent Non-Executive Directors as well as chairman and member of the Committees respectively. The appointments complied with paragraph 15.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities").

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 is not a members of MIA, he must have at least three (3) years of working experience and he must have passed the examination specified in part I of the 1st Schedule of the Accountant Act 1967;or
- he 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 in a financial 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 shall be the Secretary of the Committee. 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.

During the financial year ended 31 December 2013, the Audit Committee had managed to hold only three meeting due to the lack of quorum following the resignation of two INEDs' on 1 June 2013.

AUDIT COMMITTEE REPORT (continued)

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 services, including non-audit services and their 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, their 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 (continued)

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" and not more favourable to the executive directors and persons connected to them;
- Reviewed the quarterly reports 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, considered and recommended 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 2013 was RM106,400. 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.

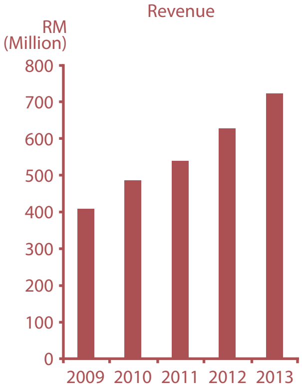
The management, with the assistance from the IAD, has implemented the Enterprise Risk Management processes to identify, assess, monitor with the view to mitigate risks impacting the Group's business and supporting activities.

FINANCIAL HIGHLIGHTS AND INDICATORS

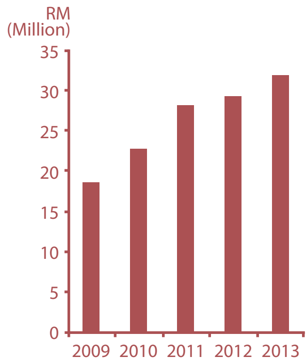
In RM '000	2009	2010	2011	2012	2013
Revenue	408,778	488,599	540,013	631,193	720,276
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	34,013	37,820	44,821	46,479	49,412
Profit Before Taxation	18,541	22,659	28,058	29,298	31,837
Profit After Tax	15,161	19,795	27,126	27,998	28,840
Net Profit Attributable to Equity Holders	15,161	19,795	27,036	27,216	28,180
Total Assets	288,998	323,176	368,497	394,035	447,534
Total Borrowings	22,539	29,397	38,760	42,627	49,657
Shareholders' Equity	204,407	216,711	242,088	261,759	289,523

	2009	2010	2011	2012	2013
Return on Equity (%)	7.42	9.13	11.17	10.40	9.73
Return on Total Assets (%)	5.25	6.13	7.36	7.11	6.44
Gearing Ratio (Times)	0.11	0.14	0.16	0.16	0.17
Interest Cover (Times)	24.29	36.05	41.80	35.45	35.34
Earnings Per Share (Sen)	14.41	18.82	25.70	25.87	26.79
Net Assets Per Share (Sen)	194.29	205.99	230.11	248.81	275.20
Gross Dividend Per Share (Sen)	4.00	5.00	6.00	7.00	8.00
Price Earning (PE) Multiple (Times)	5.34	5.10	4.47	5.18	7.88
Gross Dividend Yield (%)	5.19	5.21	5.22	5.22	3.79
Share Price as at financial year end (RM)	0.77	0.96	1.15	1.34	2.11

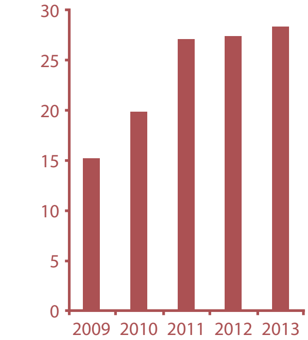
Revenue



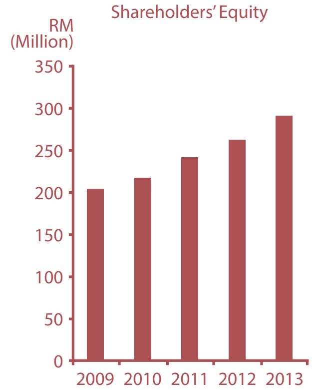
Profit Before Taxation



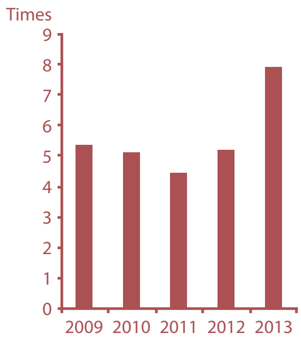
Net Profit Attributable to Equity Holders



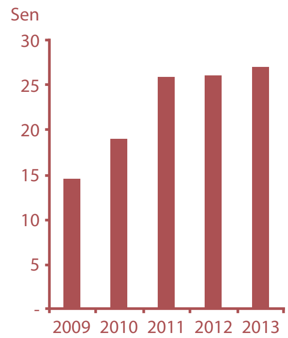
Shareholders' Equity



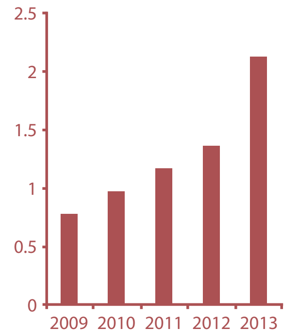
Price Earning (PE) Multiple



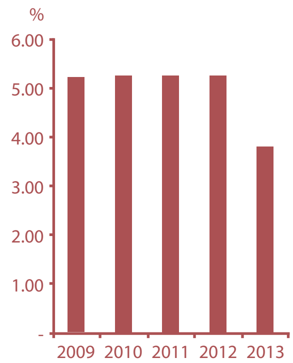
Earnings Per Share



Share Price as at financial year end



Gross Dividend Yield



Directors' report for the year ended 31 December 2013

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 2013.

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'000	Company RM'000
Profit for the year attributable to :		
- Owners of the Company	28,180	12,213
- Non-controlling interests	660	-
	28,840	12,213

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 7 sen per ordinary share, totalling RM7,364,315 in respect of the financial year ended 31 December 2012 on 7 August 2013.

A first and final tax exempt dividend of 8 sen per ordinary share in respect of the financial year ended 31 December 2013 has been proposed by the Directors, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Directors of the Company

Directors who served since the date of the last report are :

Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	- Chairman	(Appointed on 27.2.2014)
Dato' Ang Poon Chuan	-Managing Director	
Datuk Ang Poon Seong		
Dato' Ang Poon Khim		
Chow Hon Piew		(Appointed on 30.8.2013)
Kang Pang Kiang		(Appointed on 30.8.2013)
Ang See Ming		(Appointed on 11.12.2013)
Ang Toon Piah @ Ang Toon Huat	- Chairman	(Deceased on 30.11.2013)
Tengku Makram Bin Tengku Ariff	- Deputy Chairman	(Resigned on 1.6.2013)
Lee Eng Sheng		(Resigned on 1.6.2013)

Directors' interests in shares

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

Directors' report for the year ended 31 December 2013 (continued)

Directors' interests in shares (continued)

	Number of ordinary shares of RM1 each			
	Balance at 1.1.2013/*	Bought	(Sold)	Balance at 31.12.2013
The Company				
Dato' Ang Poon Chuan				
Interest in the Company :				
- own	928,500	-	-	928,500
- others #	238,000	73,000	(20,000)	291,000
Deemed interest in the Company :				
- own	43,012,494	-	-	43,012,494
Datuk Ang Poon Seong				
Interest in the Company :				
- own	589,125	-	-	589,125
Deemed interest in the Company :				
- own	43,012,494	-	-	43,012,494
Dato' Ang Poon Khim				
Interest in the Company :				
- own	642,325	-	-	642,325
- others #	156,700	10,000	-	166,700
Ang See Ming				
Interest in the Company :				
- own	1,192,508*	-	-	1,192,508
Subsidiaries				
- TGSH Plastic Industries Sdn. Bhd.				
Direct interest				
Ang See Ming - own	160,000*	-	-	160,000
- 888 Cafe Sdn. Bhd.				
Direct interest				
Ang See Ming - own	30,000*	-	-	30,000
- TG Power Wrap Sdn. Bhd.				
Direct interest				
Dato' Ang Poon Chuan - own	@1	-	-	@1
Ang See Ming - own	@1*	-	-	@1

* At date of appointment
@ Shares held in trust for Thong Guan Industries Berhad
\# 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 2013 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.

Directors' report for the year ended 31 December 2013 (continued)

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 2013 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.

Subsequent event

Details of such event are disclosed in Note 27 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 Khim

……………………………………………

Ang See Ming

Kedah Darul Aman,
Date: 30 April 2014

Consolidated statement of financial position as at 31 December 2013

	Note	2013 RM'000	2012 RM'000
Assets			
Property, plant and equipment	3	111,515	109,164
Prepaid lease payments	4	11,381	11,183
Other investments	6	1,016	1,623
Total non-current assets		123,912	121,970
Other investments	6	12,700	-
Inventories	7	130,291	111,582
Trade and other receivables, including derivatives	8	108,260	80,900
Current tax assets		2,121	573
Cash and cash equivalents	9	70,250	79,010
Total current assets		323,622	272,065
Total assets		447,534	394,035
Equity			
Share capital	10	105,205	105,205
Reserves	11	184,318	156,554
Total equity attributable to owners of the Company		289,523	261,759
Non-controlling interests		3,598	2,938
Total equity		293,121	264,697
Liabilities			
Loans and borrowings	12	7,424	10,167
Deferred tax liabilities	13	6,348	6,237
Total non-current liabilities		13,772	16,404
Trade and other payables, including derivatives	14	97,873	79,870
Loans and borrowings	12	42,233	32,460
Current tax liabilities		535	604
Total current liabilities		140,641	112,934
Total liabilities		154,413	129,338
Total equity and liabilities		447,534	394,035

The notes on pages 33 to 65 are an integral part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013

	Note	2013 RM'000	2012 RM'000
Continuing operations			
Revenue	15	720,276	631,193
Cost of goods sold		(644,767)	(561,945)
Gross profit		75,509	69,248
Other income		4,247	4,419
Distribution expenses		(22,843)	(21,546)
Administrative expenses		(21,425)	(21,046)
Other expenses		(3,471)	(1,562)
Results from operating activities	16	32,017	29,513
Interest income		726	617
Finance costs	18	(906)	(832)
Profit before tax		31,837	29,298
Income tax expense	19	(2,997)	(1,300)
Profit for the year		28,840	27,998
Other comprehensive income/(expense) for the year, net of tax			
Item that is or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		6,948	(1,233)
Total comprehensive income for the year		35,788	26,765
Profit attributable to :			
Owners of the Company		28,180	27,216
Non-controlling interests		660	782
		28,840	27,998
Total comprehensive income attributable to :			
Owners of the Company		35,128	25,983
Non-controlling interests		660	782
		35,788	26,765
Basic earnings per ordinary share (sen)	20	26.79	25.87

The notes on pages 33 to 65 are an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2013

	Note	Attributable to owners of the Company							
		Non-distributable				Distributable			
	Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2012		105,205	3,938	3,497	4,141	125,307	242,088	986	243,074
Total other comprehensive expense for the year									
- Foreign currency translation differences for foreign operations		-	-	(1,233)	-	-	(1,233)	-	(1,233)
Profit for the year		-	-	-	-	27,216	27,216	782	27,998
Total comprehensive income for the year		-	-	(1,233)	-	27,216	25,983	782	26,765
Contributions by and distributions to owners of the Company									
- Dividend to owners of the Company	21	-	-	-	-	(6,312)	(6,312)	-	(6,312)
Shares issued by a subsidiary and subscribed by non-controlling interests		-	-	-	-	-	-	1,170	1,170
Total transactions with owners of the Company		-	-	-	-	(6,312)	(6,312)	1,170	(5,142)
At 31 December 2012 / At 1 January 2013		105,205	3,938	2,264	4,141	146,211	261,759	2,938	264,697
Total other comprehensive income for the year									
- Foreign currency translation differences for foreign operations		-	-	6,948	-	-	6,948	-	6,948
Profit for the year		-	-	-	-	28,180	28,180	660	28,840
Total comprehensive income for the year		-	-	6,948	-	28,180	35,128	660	35,788
Total distributions to owners of the Company									
- Dividend to owners of the Company	21	-	-	-	-	(7,364)	(7,364)	-	(7,364)
Total transactions with owners of the Company		-	-	-	-	(7,364)	(7,364)	-	(7,364)
At 31 December 2013		105,205	3,938	9,212	4,141	167,027	289,523	3,598	293,121
		Note 10	Note 11	Note 11	Note 11	Note 11			

The notes on pages 33 to 65 are an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2013

	Note	2013 RM'000	2012 RM'000
Cash flows from operating activities			
Profit before tax from continuing operations		31,837	29,298
Adjustments for :			
Property, plant and equipment :			
- Depreciation	3	17,132	16,709
- Gain on disposal	16	(285)	(110)
- Written off	16	2	20
Amortisation of prepaid lease payments	4	263	257
Interest income		(726)	(617)
Interest expense	18	906	832
Impairment loss on other investments	6	607	216
Operating profit before changes in working capital		49,736	46,605
Changes in working capital :			
Trade and other receivables		(24,083)	(4,092)
Inventories		(15,866)	7,949
Trade and other payables		14,319	2,252
Cash generated from operations		24,106	52,714
Income taxes paid		(4,503)	(1,531)
Net cash from operating activities		19,603	51,183
Cash flows from investing activities			
Acquisition of short term investments		(12,700)	-
Acquisition of property, plant and equipment	A	(15,383)	(8,848)
Additions to prepaid lease payments	4	(39)	(37)
Proceeds from disposal of plant and equipment		300	111
Interest received		726	617
Shares subscribed by non-controlling interests in an existing subsidiary		-	1,170
Net cash used in investing activities		(27,096)	(6,987)
Cash flows from financing activities			
Interest paid		(906)	(832)
Repayment of finance lease liabilities		(682)	(242)
Drawdown of term loan		-	12,060
Repayment of term loans		(3,044)	(2,160)
Other bank borrowings, net		8,932	(7,819)
Dividend paid	21	(7,364)	(6,312)
Net cash used in financing activities		(3,064)	(5,305)
Net (decrease)/increase in cash and cash equivalents		(10,557)	38,891
Effects of exchange rate fluctuations on cash held		1,505	(219)
Cash and cash equivalents at 1 January		75,354	36,682
Cash and cash equivalents at 31 December	B	66,302	75,354

Consolidated statement of cash flows for the year ended 31 December 2013(continued)

Notes

A. *Acquisition of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM16,915,000 (2012 : RM9,108,000), of which RM1,532,000 (2012 : RM260,000) was acquired by means of finance leases. The remaining of RM15,383,000 (2012 : RM8,848,000) 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	2013 RM'000	2012 RM'000
Cash and bank balances	9	51,608	48,381
Short term deposits with licensed banks	9	18,642	30,629
Bank overdrafts	12	(3,948)	(3,656)
		66,302	75,354

The notes on pages 33 to 65 are an integral part of these financial statements.

Statement of financial position as at 31 December 2013

	Note	2013 RM'000	2012 RM'000
Assets			
Equipment	3	155	233
Investments in subsidiaries	5	80,276	76,896
Other investments	6	1,016	1,623
Total non-current assets		81,447	78,752
Trade and other receivables	8	21,841	17,762
Cash and cash equivalents	9	20	498
Total current assets		21,861	18,260
Total assets		103,308	97,012
Equity			
Share capital	10	105,205	105,205
Reserves	11	(7,736)	(12,585)
Total equity		97,469	92,620
Liabilities			
Trade and other payables	14	5,839	4,392
Total current liabilities		5,839	4,392
Total equity and liabilities		103,308	97,012

The notes on pages 33 to 65 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2013

	Note	2013 RM'000	2012 RM'000
Continuing operations			
Revenue	15	13,920	8,803
Cost of goods sold		(415)	(3)
Gross profit		13,505	8,800
Other income		157	208
Administrative expenses		(584)	(603)
Other expenses		(1,077)	(216)
Results from operating activities	16	12,001	8,189
Interest income		212	208
Profit before tax		12,213	8,397
Income tax expense	19	-	-
Profit for the year and total comprehensive income for the year		12,213	8,397

Statement of changes in equity for the year ended 31 December 2013

	Note	Share capital RM'000	Non-distributable Share premium RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2012		105,205	3,938	(18,608)	90,535
Total comprehensive income for the year - Profit for the year		-	-	8,397	8,397
Total distributions to owners of the Company - Dividend to owners of the Company	21	-	-	(6,312)	(6,312)
At 31 December 2012/ 1 January 2013		105,205	3,938	(16,523)	92,620
Total comprehensive income for the year - Profit for the year		-	-	12,213	12,213
Total distributions to owners of the Company - Dividend to owners of the Company	21	-	-	(7,364)	(7,364)
At 31 December 2013		105,205	3,938	(11,674)	97,469
		Note 10	Note 11	Note 11	

The notes on pages 33 to 65 are an integral part of these financial statement

Statement of cash flows for the year ended 31 December 2013

	Note	2013 RM'000	2012 RM'000
Cash flows from operating activities			
Profit before tax from continuing operations		12,213	8,397
Adjustments for:			
Depreciation of equipment	3	78	78
Interest income		(212)	(208)
Dividend income	15	(13,500)	(8,800)
Reversal of impairment loss on investments in subsidiaries	5	(157)	(208)
Impairment loss on investments in subsidiaries	5	470	-
Impairment loss on other investments	6	607	216
Operating loss before changes in working capital		(501)	(525)
Changes in working capital:			
Trade and other receivables		621	522
Trade and other payables		1,447	4,070
Cash generated from operations		1,567	4,067
Dividends received		8,800	12,143
Net cash from operating activities		10,367	16,210
Cash flows from investing activities			
Interest received		212	208
Increase in investments in subsidiaries :			
- Incorporation of a new subsidiary		(500)	(459)
- Subscription of additional interests in an existing subsidiary		-	(2,730)
- Additional investments in overseas wholly-owned subsidiaries		(3,193)	(6,491)
Net cash used in investing activities		(3,481)	(9,472)
Cash flows from financing activities			
Dividend paid	21	(7,364)	(6,312)
Net cash used in financing activities		(7,364)	(6,312)
Net (decrease)/increase in cash and cash equivalents		(478)	426
Cash and cash equivalents at 1 January		498	72
Cash and cash equivalents at 31 December	9	20	498

The notes on pages 33 to 65 are an integral part of these financial statements.

Notes to the financial statements

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

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

Registered office
Suite 16-1 (Penthouse Upper),
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 2013 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 2013 do not include other entities.

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.

The financial statements were authorised for issue by the Board of Directors on 30 April 2014.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

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 and the Company:

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*
- Amendments to MFRS 136, Impairment of Asset - *Recoverable Amount Disclosures for Non -Financial Assets*
- Amendments to MFRS 139, Financial Instruments : Recognition and Measurement - *Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies**

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)#*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)#*
- Amendments to MFRS 140, *Investment Properties (Annual Improvements 2011-2013 Cycle)#*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- MFRS 9, Financial Instruments - *Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139#*
- 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 and the Company plan to apply the abovementioned standards, amendments and interpretations:

- 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 and the Company.

- 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 July 2014, except for those marked "#" which are not applicable to the Group and the Company.

  The initial application of the standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below :

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(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 and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with 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.

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured 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.

The Group adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group considers it has *de facto* power over an investee when, despite not having the majority voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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.

For new acquisitions, 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 acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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.

(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) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former 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.

(v) 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.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. Significant accounting policies (continued)

(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 period 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.

(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 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, 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 as 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(h)(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 equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise 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.

Fair value arising from financial guarantee contracts are classified as deferred income and is 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 income" and "other 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 component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction (capital expenditure-in-progress) are not depreciated until the assets are ready for their intended use.

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

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

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

2. Significant accounting policies (continued)

(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, or as investment property if held to earn rental income or for capital appreciation or for both.

(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 measured 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 statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(h) 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 impairment loss of the financial asset 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 other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

2. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets (continued)

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 available-for-sale is not reversed through profit or loss.

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

(ii) Other assets

The carrying amounts of other assets (except for inventories) 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 of disposal. 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 (group of cash- generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups 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 financial year in which the reversals are recognised.

(i) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

2. Significant accounting policies (continued)

(j) Employee benefits

(i) Short-term employee benefits

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

A 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.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(k) 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.

(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 discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

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

(iii) Rental income

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

(iv) Interest income

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

(m) Borrowing costs

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

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

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

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

(n) 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.

2. Significant accounting policies (continued)

(n) Income tax (continued)

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.

(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 segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' 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 to assess its performance, and for which discrete financial information is available.

(q) Contingencies

(i) 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.

(ii) Contingent assets

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow 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 assets unless the probability of inflow of economic benefits is remote.

(r) Fair value measurement

From 1 January 2013, the Group adopted MFRS 13, Fair Value Measurement which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

3. Property, plant and equipment

Group	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital expenditure-in-progress RM'000	Total RM'000
Cost						
At 1 January 2012	47,600	183,857	9,889	11,015	1,180	253,541
Additions	327	4,765	1,166	1,246	1,604	9,108
Disposals	-	(5)	(2)	(605)	-	(612)
Write off	-	(39)	-	-	-	(39)
Reclassifications	-	1,868	318	-	(2,186)	-
Effect of movements in exchange rates	(319)	(1,071)	(37)	(15)	(13)	(1,455)
At 31 December 2012/1 January 2013	47,608	189,375	11,334	11,641	585	260,543
Additions	5	5,618	716	774	9,802	16,915
Disposals	-	(736)	(10)	(560)	-	(1,306)
Write off	-	-	(3)	-	-	(3)
Effect of movements in exchange rates	1,373	4,683	169	93	60	6,378
At 31 December 2013	48,986	198,940	12,206	11,948	10,447	282,527
Accumulated depreciation and impairment losses						
At 1 January 2012						
Accumulated depreciation	12,909	107,917	6,841	8,249	-	135,916
Accumulated impairment losses	-	-	176	-	-	176
	12,909	107,917	7,017	8,249	-	136,092
Depreciation for the year	1,849	13,297	584	979	-	16,709
Disposals	-	(5)	(2)	(605)	-	(612)
Write off	-	(19)	-	-	-	(19)
Effect of movements in exchange rates	(81)	(671)	(28)	(11)	-	(791)
At 31 December 2012/1 January 2013						
Accumulated depreciation	14,677	120,519	7,395	8,612	-	151,203
Accumulated impairment losses	-	-	176	-	-	176
	14,677	120,519	7,571	8,612	-	151,379
Depreciation for the year	1,916	13,462	648	1,106	-	17,132
Disposals	-	(730)	(1)	(560)	-	(1,291)
Write off	-	-	(1)	-	-	(1)
Effect of movements in exchange rates	412	3,196	130	55	-	3,793
At 31 December 2013						
Accumulated depreciation	17,005	136,447	8,171	9,213	-	170,836
Accumulated impairment losses	-	-	176	-	-	176
	17,005	136,447	8,347	9,213	-	171,012
Carrying amounts						
At 31 December 2012/1 January 2013	32,931	68,856	3,763	3,029	585	109,164
At 31 December 2013	31,981	62,493	3,859	2,735	10,447	111,515

3. Property, plant and equipment (continued)

Group

Land and buildings comprise :

	Cost		Carrying amounts	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Freehold land	5,439	5,439	5,439	5,439
Leasehold land with unexpired lease period of more than 50 years	375	375	363	364
Factory buildings	43,172	41,794	26,179	27,128
	48,986	47,608	31,981	32,931

Security

At 31 December 2013, certain land and buildings with carrying amount of RM5,204,000 (2012 : RM5,515,000) 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:

	2013 RM'000	2012 RM'000
Motor vehicles	884	684
Plant and machinery	1,232	875
	2,116	1,559

Company	**Motor vehicles RM'000**
Cost	
At 1 January 2012/31 December 2012/1 January 2013/31 December 2013	388
Accumulated depreciation	
At 1 January 2012	77
Depreciation for the year	78
At 31 December 2012/1 January 2013	155
Depreciation for the year	78
At 31 December 2013	233
Carrying amounts	
At 31 December 2012/1 January 2013	233
At 31 December 2013	155

4. Prepaid lease payments - Group

	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	Total RM'000
Cost			
At 1 January 2012	13,467	55	13,522
Additions	37	-	37
Effect of movements in exchange rates	(156)	-	(156)
At 31 December 2012/1 January 2013	13,348	55	13,403
Additions	39	-	39
Effect of movements in exchange rates	488	-	488
At 31 December 2013	13,875	55	13,930
Amortisation			
At 1 January 2012	1,961	16	1,977
Amortisation for the year	256	1	257
Effect of movements in exchange rates	(14)	-	(14)
At 31 December 2012/1 January 2013	2,203	17	2,220
Amortisation for the year	262	1	263
Effect of movements in exchange rates	66	-	66
At 31 December 2013	2,531	18	2,549
Carrying amounts			
At 31 December 2012/1 January 2013	11,145	38	11,183
At 31 December 2013	11,344	37	11,381

Security

At 31 December 2013, certain leasehold land with carrying amount of RM1,903,000 (2012 : RM1,989,000) are charged to licensed banks for banking facilities granted to certain subsidiaries.

5. Investments in subsidiaries - Company

	2013 RM'000	2012 RM'000
Unquoted shares, at cost	81,103	77,410
Less : Impairment loss	(827)	(514)
	80,276	76,896
Movement of impairment loss :		
Beginning of the year	(514)	(722)
Impairment loss recognised during the year (Note 16)	(470)	-
Reversal during the year (Note 16)	157	208
	(827)	(514)

5. Investments in subsidiaries - Company (continued)

Details of the subsidiaries are as follows :

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2013 %	2012 %
Syarikat Thong Guan Trading Sdn. Bhd.	Malaysia	Manufacturing of beverages and trading of beverages, plastic and paper products and machinery	100	100
Thong Guan Plastic & Paper Industries Sdn. Bhd.	Malaysia	Manufacturing of plastic and paper products	100	100
Uniang Plastic Industries (Sabah) Sdn. Bhd.	Malaysia	Manufacturing and sale of film blown plastic products and flexible plastic packaging products	100	100
Jaya Uni'ang (Sabah) Sdn. Bhd.	Malaysia	Trading in film blown plastic products, food and consumable products	100	100
Ebontech Sdn. Bhd.	Malaysia	Manufacturing and trading of plastic packaging products	100	100
Thong Guan Plastic Industries (Suzhou) Co., Ltd #	People's Republic of China	Manufacturing and trading of plastic packaging products	100	100
TGP Plaspack (Suzhou) Co., Ltd. #	People's Republic of China	Manufacturing and trading of plastic packaging products	100	100
TG Plaspack (Vietnam) Co., Ltd #	Socialist Republic of Vietnam	Dormant	100	100
888 Cafe Sdn. Bhd.	Malaysia	Dormant	70	70
TG Power Wrap Sdn. Bhd.	Malaysia	Manufacturing and marketing of polyvinyl chloride (PVC) cling food wrap	85	85
TGP Marketing Sdn. Bhd.	Malaysia	Marketing of plastic packaging products	100	100
TGSH Plastic Industries Sdn. Bhd.	Malaysia	Manufacturing and marketing of plastic packaging products	70	70
TG Uni'Ang (Shanghai) International Trade Co., Ltd. #	People's Republic of China	Trading and marketing of packed food and beverages	100	100
888 Food Industries Sdn.Bhd.	Malaysia	Manufacturing and dealer of food and beverage products	100	-

\# Not audited by KPMG

5.1 *Incorporation of a new subsidiary*

During the year ended 31 December 2013, the Company incorporated a wholly-owned subsidiary, 888 Food Industries Sdn. Bhd. ("888 FISB"). The registered paid up share capital of 888 FISB amounted to RM500,000.

5.2 *Additional investment in wholly-owned overseas subsidiaries*

During the year ended 31 December 2013, the Company subscribed for additional shares in the following overseas subsidiaries:

i) TG Plaspack (Vietnam) Co., Ltd by a cash consideration of RM43,000; and
ii) TGP Plaspack (Suzhou) Co., Ltd by a cash consideration of RM3,150,000.

6. Other investments

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Non-current				
Available-for-sale financial assets				
Unquoted shares, at cost	2,874	2,874	2,874	2,874
Less : Impairment loss	(1,858)	(1,251)	(1,858)	(1,251)
	1,016	1,623	1,016	1,623
Movement of impairment loss :				
Beginning of the year	(1,251)	(1,035)	(1,251)	(1,035)
Impairment loss recognised during the year (Note 16)	(607)	(216)	(607)	(216)
	(1,858)	(1,251)	(1,858)	(1,251)
Current				
Available-for-sale financial assets				
Short-term investments				
- Unquoted	7,500	-	-	-
- Quoted in Malaysia	5,200	-	-	-
	12,700	-	-	-
Market value of quoted investments	5,200	-	-	-

7. Inventories - Group

	2013	2012
	RM'000	RM'000
At cost :		
Raw materials	99,137	82,774
Work-in-progress	5,863	4,850
Manufactured inventories	18,820	19,518
Trading inventories	6,471	4,440
	130,291	111,582

8. Trade and other receivables, including derivatives

		Group		Company	
	Note	2013	2012	2013	2012
		R M'000	RM'000	RM'000	RM'000
Trade					
Trade receivables	8.1	100,178	73,238	843	699
Non-trade					
Other receivables		6,211	5,812	115	105
Amount due from subsidiaries	8.2	-	-	20,881	16,956
Deposits		362	373	2	2
Prepayments		1,509	1,421	-	-
Derivatives	8.3	-	56	-	-
		8,082	7,662	20,998	17,063
		108,260	80,900	21,841	17,762

8. Trade and other receivables, including derivatives (continued)

8.1 Trade receivables

Included in trade receivables of the Group is an amount of RM57,000 (2012 : RM62,000) due from companies in which certain Directors have substantial financial interests.

8.2 Amount due from subsidiaries

The non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand, except for an amount of RM6,308,000 (2012 : RM6,434,000) due from subsidiaries which is subject to interest at rates ranging from 3% to 5% (2012 : 3% to 5%) per annum.

8.3 Derivatives

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

9. Cash and cash equivalents

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and bank balances	51,608	48,381	20	498
Short term deposits with licensed banks	18,642	30,629	-	-
	70,250	79,010	20	498

10. Share capital - Group/Company

	2013		2012	
	Amount RM'000	Number of shares 000	Amount RM'000	Number of shares 000
Ordinary shares of RM1 each :				
Authorised	500,000	500,000	500,000	500,000
Issued and fully paid	105,205	105,205	105,205	105,205

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

11. Reserves

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-distributable					
Share premium	11.1	3,938	3,938	3,938	3,938
Translation reserve	11.2	9,212	2,264	-	-
Statutory reserve	11.3	4,141	4,141	-	-
Accumulated losses		-	-	(11,674)	(16,523)
Distributable					
Retained earnings		167,027	146,211	-	-
		184,318	156,554	(7,736)	(12,585)

11.1 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

11.2 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.

11.3 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

	2013 RM'000	2012 RM'000
Non-current:		
Finance lease liabilities	1,103	358
Secured term loans	613	1,577
Unsecured term loans	5,708	8,232
	7,424	10,167
Current:		
Secured		
- Term loans	964	920
- Bank overdrafts	504	553
- Bankers' acceptances	421	1,843
	1,889	3,316
Unsecured		
- Term loans	2,947	2,547
- Bank overdrafts	3,444	3,103
- Onshore foreign currency loans	26,851	20,558
- Bankers' acceptances	3,522	2,461
- Revolving credits	3,000	-
	39,764	28,669
Finance lease liabilities	580	475
	42,233	32,460

12.1 Securities

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

12.2 Finance lease liabilities

Finance lease liabilities are payable as follows :

	2013			2012		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than 1 year	659	79	580	507	32	475
Between 1 and 5 years	1,185	82	1,103	372	14	358
	1,844	161	1,683	879	46	833

13. Deferred tax liabilities - Group

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

	2013 RM'000	2012 RM'000
Property, plant and equipment (including prepaid lease payments)		
- Capital allowances	5,793	5,812
- Revaluation	386	413
Provisions	169	12
	6,348	6,237

Movements in temporary differences during the year are as follows :

	1 January 2012 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31 December 2012/ 1 January 2013 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31 December 2013 RM'000
Group					
Property, plant and equipment (including prepaid lease payments)					
- Capital allowances	6,949	(1,137)	5,812	(19)	5,793
- Revaluation	450	(37)	413	(27)	386
Provisions	137	(125)	12	157	169
	7,536	(1,299)	6,237	111	6,348

13. Deferred tax liabilities - Group (continued)

Unrecognised deferred tax assets

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other temporary differences	10	10	10	10
Capital allowance carry-forwards	(227)	(215)	(40)	(30)
Tax losses carry-forwards	(2,714)	(2,561)	(2,157)	(2,005)
	(2,931)	(2,766)	(2,187)	(2,025)

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	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade					
Trade payables	14.1	85,033	67,310	-	-
Amount due to a subsidiary		-	-	395	-
		85,033	67,310	395	-
Non-trade					
Amount due to subsidiaries	14.2	-	-	5,150	4,100
Other payables		5,306	6,632	43	54
Accrued expenses		7,416	5,919	251	238
Derivatives	14.3	118	9	-	-
		12,840	12,560	5,444	4,392
		97,873	79,870	5,839	4,392

14.1 Trade payables

Included in trade payables of the Group is an amount of RM1,568,000 (2012 : RM1,398,000) due to companies in which certain Directors have substantial financial interests which is subject to normal trade terms.

14.2 Amount due to subsidiaries

The non-trade amount due to subsidiaries is 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Invoiced value of goods sold less discounts and returns	720,276	631,193	420	3
Dividend income from subsidiaries	-	-	13,500	8,800
	720,276	631,193	13,920	8,803

16. Results from operating activities

Results from operating activities are arrived at :

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
After charging :				
Auditors' remuneration				
- Statutory audit				
- KPMG				
- current year	139	139	15	15
- prior year	13	12	11	2
- Other auditors	18	17	-	-
- Other services				
- KPMG	10	10	10	10
- Affiliates of KPMG				
- current year	18	18	4	4
- prior year	-	1	-	1
Bad debts written off	4	16	-	-
Property, plant and equipment :				
- Depreciation (Note 3)	17,132	16,709	78	78
- Written off	2	20	-	-
Amortisation of prepaid lease payments (Note 4)	263	257	-	-
Directors' emoluments				
Directors of the Company				
Current Directors				
- fees	258	293	118	175
- others	30	38	22	38
- remuneration	2,365	2,077	79	-
Past Directors				
- fees	71	-	46	-
- others	11	-	11	-
- remuneration	98	-	-	-
Other Directors				
- fees	44	47	-	-
- remuneration	332	577	-	71
Personnel expenses (excluding key management personnel)				
- Wages, salaries and others	38,326	33,136	26	44
- Contributions to state plans	3,345	2,860	1	2
Rental expense in respect of :				
- property	736	709	-	-
- plant and equipment	148	123	-	-
Impairment loss on :				
- receivables	26	189	-	-
- other investments (Note 6)	607	216	607	216
- investments in subsidiaries (Note 5)	-	-	470	-
Loss on foreign exchange				
- unrealised	1,147	243	-	-
Unrealised loss on forward exchange contracts	118	-	-	-
and crediting:				
Gain on disposal of plant and equipment	285	110	-	-
Gain on foreign exchange				
- realised	1,359	2,552	-	-
Unrealised gain on forward exchange contracts	-	47	-	-
Rental income from property and machinery	47	100	-	-
Bad debts recovered	8	2	-	-
Reversal of impairment loss on:				
- receivables	9	24	-	-
- investments in subsidiaries (Note 5)	-	-	157	208

17. Key management personnel compensation

The key management personnel compensation is as follows :

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors of the Company				
- Fees	216	171	76	75
- Others	10	2	2	2
- Remuneration	2,365	1,952	79	-
Other Directors				
- Fees	-	8	-	-
- Others	-	1	-	-
- Remuneration	147	400	-	71
	2,738	2,534	157	148

18. Finance costs - Group

	2013 RM'000	2012 RM'000
Interest expense on:		
Onshore foreign currency loans	193	279
Term loans	364	82
Finance lease liabilities	88	49
Bank overdrafts	48	240
Bankers' acceptances	211	182
Revolving credits	2	-
	906	832

19. Income tax expense

Recognised in profit or loss

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax expense on continuing operations	2,997	1,300	-	-

Major components of income tax expense include :

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current tax expense				
Malaysian tax				
- Current year	2,878	1,802	-	-
- Prior years	(310)	(14)	-	-
Foreign tax				
- Current year	287	696	-	-
- Prior years	31	115	-	-
Total current tax recognised in profit or loss	2,886	2,599	-	-
Deferred tax expense				
- Origination and reversal of temporary differences	110	(1,279)	-	-
- Prior years	28	17	-	-
- Revaluation	(27)	(37)	-	-
Total deferred tax recognised in profit or loss	111	(1,299)	-	-
Total income tax expense	2,997	1,300	-	-

19. Income tax expense (continued)

Reconciliation of tax expense

	2013 RM'000	2012 RM'000
Group		
Profit for the year	28,840	27,998
Total income tax expense	2,997	1,300
Profit excluding tax	31,837	29,298
Income tax calculated using Malaysian tax rate at 25% (2012 : 25%)	7,959	7,324
Effect of different tax rates in foreign jurisdictions*	-	(704)
Non-deductible expenses	1,142	514
Income not subject to tax	(39)	(50)
Tax incentive	(5,826)	(5,859)
Reversal of deferred tax on revaluation	(27)	(37)
Effects of unrecognised deferred tax assets	41	(11)
(Over)/Under provision in prior years	(251)	118
Others	(2)	5
Income tax expense	2,997	1,300
Company		
Profit before tax	12,213	8,397
Income tax calculated using Malaysian tax rate at 25% (2012 : 25%)	3,053	2,099
Non-deductible expenses	320	48
Income not subject to tax	(3,414)	(2,250)
Effect of unrecognised deferred tax assets	41	104
Others	-	(1)
Income tax expense	-	-

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 RM28,180,000 (2012 : RM27,216,000) and on the weighted average number of ordinary shares outstanding during the year of 105,204,500 (2012 : 105,204,500).

21. Dividend - Group and Company

	Sen per share (tax exempt)	Total amount RM'000	Date of payment
2013			
- First and final 2012 ordinary dividend	7.00	7,364	7 August 2013
2012			
- First and final 2011 ordinary dividend	6.00	6,312	8 August 2012

	2013	2012
Dividend per ordinary share - Gross (sen)	8.00	7.00

A first and final tax exempt dividend of 8 sen per ordinary share in respect of the financial year ended 31 December 2013 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 2014. 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 2013.

22. Capital commitment - Group

	2013 RM'000	2012 RM'000
Contracted but not provided for in the financial statements		
Property, plant and equipment	-	1,017

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 financial 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

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

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.

Segment assets

The total of segment assets is 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.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Managing Director. Hence, no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

	Plastic products		Food, beverages and other consumable products		Consolidated	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue						
Revenue from external customers	680,752	595,103	39,524	36,090	720,276	631,193
Segment profit	30,139	27,087	1,698	2,211	31,837	29,298
Included in the measure of segment profit is :						
- Depreciation and amortisation	16,701	16,247	694	719	17,395	16,966
Segment assets	410,632	364,334	36,902	29,701	447,534	394,035
Included in the measure of segment assets is :						
- Capital expenditure	16,740	8,175	214	970	16,954	9,145

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 the geographical location of assets. The amounts of non-current assets do not include financial instruments.

Geographical information

	2013 RM'000	2012 RM'000
Revenue		
Malaysia	184,168	132,827
Other ASEAN Countries	64,011	58,288
Japan	213,893	180,289
Australia	87,287	62,653
China	71,154	93,089
Russia	1,779	766
Taiwan	8,373	12,229
New Zealand	14,159	13,748
Others	75,452	77,304
	720,276	631,193
Non-current assets		
Malaysia	93,476	90,303
China	26,969	27,793
Vietnam	2,451	2,251
	122,896	120,347

25. Related parties

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 (*), Lee Eng Sheng, Chow Hon Piew and Kang Pang Kiang are deemed to have substantial financial interests :

- Tong Yuan Enterprise Co.	("TYE")
- Thong Guan Plastic Industries (Kelantan) Sdn. Bhd.	("TGPK")
- Kimanis Food Industry Sdn. Bhd.	("KFI")
- Komet Makmur Sdn. Bhd.	("KM")
- Kimanis Property Sdn. Bhd.	("KP")

(* up to 1.6.2013)

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

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

iv) 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 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

25. Related parties (continued)

25.2 Significant related party transactions

25.2.1 Transactions with subsidiaries :

	2013 RM'000	2012 RM'000
Company		
Dividend income (gross)	13,500	8,800
Purchases	395	3
Interest income	199	173

25.2.2 Transactions with companies in which certain Directors have substantial financial interests :

i) Sales to:

	Group	
	2013 RM'000	2012 RM'000
KFI	2,360	2,999
NS	-	14

ii) Purchases from:

	2013 RM'000	2012 RM'000
KM	-	7
KFI	5,326	5,394

iii) Rental expense paid and payable to:

	2013 RM'000	2012 RM'000
KP	60	60
TGPK	2	2

25.2.3 Transactions with companies in which close members of the family of certain Directors and key management personnel of the Group are deemed to have substantial financial interests :

i) Sales to:

	Group	
	2013 RM'000	2012 RM'000
RMSB	25	30
FTT	317	-

ii) Purchases from:

	2013 RM'000	2012 RM'000
RMSB	-	6
FTT	355	632

iii) Rental expense paid and payable to :

	2013 RM'000	2012 RM'000
BV	360	367

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 Group other than remuneration package paid to them 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) Financial liabilities measured at amortised cost (FL).

	Carrying amount RM'000	L&R RM'000	FVTPL -HFT RM'000	AFS RM'000
2013				
Financial assets				
Group				
Other investments	13,716	-	-	13,716
Trade and other receivables, including derivatives	106,751	106,751	-	-
Cash and cash equivalents	70,250	70,250	-	-
	190,717	177,001	-	13,716
Company				
Other investments	1,016	-	-	1,016
Trade and other receivables	21,841	21,841	-	-
Cash and cash equivalents	20	20	-	-
	22,877	21,861	-	1,016
2012				
Financial assets				
Group				
Other investments	1,623	-	-	1,623
Trade and other receivables, including derivatives	79,479	79,423	56	-
Cash and cash equivalents	79,010	79,010	-	-
	160,112	158,433	56	1,623
Company				
Other investments	1,623	-	-	1,623
Trade and other receivables	17,762	17,762	-	-
Cash and cash equivalents	498	498	-	-
	19,883	18,260	-	1,623

	Carrying amount RM'000	FL RM'000	FVTPL -HFT RM'000
2013			
Financial liabilities			
Group			
Loans and borrowings	49,657	49,657	-
Trade and other payables, including derivatives	97,873	97,755	118
	147,530	147,412	118
Company			
Trade and other payables	5,839	5,839	-
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	-

26. Financial instruments (continued)

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net (losses)/gains on:				
Fair value through profit or loss :				
- HFT	(118)	47	-	-
Loans and receivables	925	2,747	212	208
Available-for-sale financial assets				
- recognised in profit or loss	(607)	(216)	(607)	(216)
Financial liabilities measured at amortised cost	(906)	(832)	-	-
	(706)	1,746	(395)	(8)

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

26.4 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 statements 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:

	2013 RM'000	2012 RM'000
Group		
Domestic	27,383	25,008
Asia, other than Malaysia	44,871	32,012
Australia	22,671	11,731
Europe	5,258	3,396
Africa	183	913
United State of America	(188)	178
	100,178	73,238

26. Financial instruments (continued)

26.4 Credit risk (continued)

Receivables (continued)

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
2013			
Not past due	82,103	-	82,103
Past due 1 - 30 days	11,918	-	11,918
Past due 31 - 60 days	2,697	-	2,697
Past due more than 60 days	4,319	(859)	3,460
	101,037	(859)	100,178
2012			
Not past due	58,190	-	58,190
Past due 1 - 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
Company			
2013			
Not past due	40	-	40
Past due 1 - 30 days	113	-	113
Past due 31 - 60 days	-	-	-
Past due more than 60 days	690	-	690
	843	-	843
2012			
Past due more than 60 days	699	-	699

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	843	896	-	-
Impairment loss recognised (Note 16)	26	189	-	-
Impairment loss reversed (Note 16)	(9)	(24)	-	-
Impairment loss written off	(1)	(218)	-	-
At 31 December	859	843	-	-

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.

Investments and other financial assets

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. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

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

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations except for the impairment loss recognised in respect of unquoted shares.

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

The investments and other financial assets are unsecured.

The movements in the allowance for impairment loss during the year are shown in Note 6.

26. Financial instruments (continued)

26.4 Credit risk (continued)

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 of 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 as follows:

i) the Company has issued corporate guarantees to licensed banks for banking facilities granted to certain subsidiaries up to a limit of RM289.5 million (2012 : RM250.7 million) of which RM62.8 million (2012 : RM43.8 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 (2012 : RM860,000) of which RM Nil (2012 : RM Nil) has been utilised as at the end of the reporting period.

iii) the Company has issued corporate guarantees amounting to RM132.4 million (2012 : RM92.0 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 RM24.8 million (2012 : RM20.8 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.

26.5 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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

26. Financial instruments (continued)

26.5 Liquidity risk (continued)

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rates per annum %	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
Group							
2013							
Non-derivative financial liabilities							
Term loans	10,232	2.10 - 4.60	10,867	4,179	2,328	4,133	227
Finance lease liabilities	1,683	2.33 - 6.00	1,844	659	575	610	-
Bank overdrafts	3,948	7.50 - 8.10	3,948	3,948	-	-	-
Onshore foreign currency loans	26,851	0.93 - 1.63	26,872	26,872	-	-	-
Bankers' acceptances	3,943	4.74 - 5.01	3,943	3,943	-	-	-
Revolving credits	3,000	3.91	3,000	3,000	-	-	-
Trade and other payables	97,755	-	97,755	97,755	-	-	-
	147,412		148,229	140,356	2,903	4,743	227
Derivative financial (assets)/liabilities							
Forward exchange contracts (gross settled) :							
Inflow	-		(8,392)	(8,392)	-	-	-
Outflow	118		8,510	8,510	-	-	-
2012							
Non-derivative financial liabilities							
Term loans	13,276	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	3,656	7.50 - 8.10	3,656	3,656	-	-	-
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		123,486	112,734	4,273	5,020	1,459
Derivative financial (assets)/liabilities							
Forward exchange contracts (gross settled) :							
Inflow	(47)	-	(3,745)	(3,745)	-	-	-
Outflow	-	-	3,698	3,698	-	-	-
Company							
2013							
Non-derivative financial liabilities							
Trade and other payables	5,839	-	5,839	5,839	-	-	-
2012							
Non-derivative financial liabilities							
Trade and other payables	4,392	-	4,392	4,392	-	-	-

26. Financial instruments (continued)

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"), European Euro ("EUR"), and Chinese Yuan Renminbi ("RMB").

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 functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	USD RM'000	JPY RM'000	AUD RM'000	SGD RM'000	EUR RM'000	RMB RM'000
Group						
2013						
Trade and other receivables	88,755	2,530	2,588	1,526	1,733	5,498
Cash and bank balances	32,222	6,715	4,593	1,276	-	5,126
Trade and other payables	(66,469)	(76)	(1)	-	(3)	(21,179)
Loans and borrowings	(35,505)	-	-	-	-	-
Net exposure	19,003	9,169	7,180	2,802	1,730	(10,555)
2012						
Trade and other receivables	46,203	770	2,561	894	1,024	3,696
Cash and bank balances	38,646	1,191	1,299	637	878	2,645
Trade and other payables	(54,607)	(87)	(2)	(6)	(5)	(21,713)
Loans and borrowings	(20,558)	-	-	-	-	-
Net exposure	9,684	1,874	3,858	1,525	1,897	(15,372)

Currency risk sensitivity analysis

A 10% (2012 : 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-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	
	2013 RM'000	2012 RM'000
Group		
USD	(1,425)	(726)
JPY	(688)	(141)
AUD	(539)	(289)
SGD	(210)	(114)
EUR	(130)	(142)
RMB	792	1,153

A 10% (2012 : 10%) 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.

26. Financial instruments (continued)

26.6 Market risk (continued)

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
2013		
Fixed rate instruments		
Financial assets	18,642	6,308
Financial liabilities	(35,477)	-
	(16,835)	6,308
Floating rate instruments		
Financial liabilities	(14,180)	-
2012		
Fixed rate instruments		
Financial assets	30,629	6,434
Financial liabilities	(25,695)	-
	4,934	6,434
Floating rate instruments		
Financial liabilities	(16,932)	-

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) post-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	
	100 bp increase RM'000	100 bp decrease RM'000
Group		
2013		
Floating rate instruments	(106)	106
2012		
Floating rate instruments	(127)	127

26. Financial instruments (continued)

26.7 Fair value information

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.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013										
Group										
Financial asset										
Short-term investments										
- Unquoted	-	-	7,500	7,500	-	-	-	-	7,500	7,500
- Quoted in Malaysia	-	5,200	-	5,200	-	-	-	-	5,200	5,200
	-	5,200	7,500	12,700	-	-	-	-	12,700	12,700
Financial liabilities										
Forward exchange contracts										
- (Assets)/Liabilities	-	118	-	118	-	-	-	-	118	118
Term loans	-	-	-	-	-	-	10,405	10,405	10,405	10,232
Finance lease liabilities	-	-	-	-	-	-	1,681	1,681	1,681	1,683
	-	118	-	118	-	-	12,086	12,086	12,204	12,033

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value *		
	Level 1	Level 2	Level 3	Total	Total	Total fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012							
Group							
Financial liabilities							
Forward exchange contracts							
- (Assets)/Liabilities	-	(47)	-	(47)	-	(47)	(47)
Term loans	-	-	-	-	13,276	13,276	13,276
Finance lease liabilities	-	-	-	-	833	833	833
	-	(47)	-	(47)	14,109	14,062	14,062

* Comparative figures have not been analysed by level, by virtue of transitional provision given in Appendix C2 of MFRS 13.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

26. Financial instruments (continued)

26.7 Fair value information (continued)

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of forward exchange contracts 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 (based on government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2012: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The fair values of term loans and finance lease liabilities are calculated using discounted cash flows.

27. Subsequent event

The Company had on 6 February 2014 announced its intention to undertake a proposed renounceable rights issue of up to RM52,602,250 nominal value of 5-year 5.00% irredeemable convertible unsecured loan stock ("ICULS") at 100% of its nominal value of RM1.00 each on the basis of one (1) RM1.00 nominal value of ICULS for every two (2) ordinary shares of RM1.00 each in the Company held on an entitlement date to be determined later, together with up to 26,301,125 free new warrants ("Warrants") on the basis of one (1) Warrant for every one (2) ICULS subscribed ("Proposed Rights Issue of ICULS with Warrants").

The Proposed Rights Issue of ICULS with warrants is subject to the shareholders' approval at the forthcoming Extraordinary General Meeting.

28. 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 :

	2013 RM'000	2012 RM'000
Group		
Total retained earnings of the Company and its subsidiaries :		
- realised	183,690	160,297
- unrealised	(7,613)	(6,433)
	176,077	153,864
Less : Consolidated adjustments	(9,050)	(7,653)
Total retained earnings	167,027	146,211
Company		
Total accumulated losses		
- realised	(11,674)	(16,523)

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 Disclosures Pursuant to Bursa Malaysia Securities Berhad listing Requirements, issued by the 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 65 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 2013 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 28 on page 65 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

………………………………..………..
Dato' Ang Poon Khim

………………………………..………..
Ang See Ming

Kedah Darul Aman,
Date : 30 April 2014

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Dato' Ang Poon Khim**, the Director 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 65 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at Georgetown in the State of Penang on 30 April 2014.

………………………………..………..
Dato' Ang Poon Khim

Before me :

Chan Kam Chee (No. P.120)
Pesuruhjaya Sumpah
(Commissioner of Oaths)
Penang

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

(Company No. 324203 K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Thong Guan Industries Berhad, which comprise the statements of financial position as at 31 December 2013, 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 65.

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 2013 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.

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

(Company No. 324203 K)
(Incorporated in Malaysia)

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 28 on page 65 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.

Other Matter(s)

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

Chong Dee Shiang
2782/09/14 (J)
Chartered Accountant

Date: 30 April 2014
Petaling Jaya

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	15-17 years	60 years, leasehold, expiring on 12.4.2052	0.82	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	19 years	60 years leasehold, expiring on 12.4.2052	0.99	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	13 years	60 years leasehold, expiring on 4.6.2055	4.16	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	16-29 years	Freehold	3.40	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	11-31 years	Freehold	4.63	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	29 years	99 years leasehold, expiring on 18.7.2092	0.14	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	21 years	Freehold	0.51	31.12.2004
CL 015373672 Lorong Rambutan Off KM 11 Jln Tuaran Kota Kinabalu Sabah	Factory and other buildings	82,764	25 years	60 years leasehold, expiring on 31.12.2035	1.08	13.12.1995
CL 015276687 606 Taman Bay View Off Mile 21/2 Jln Tuaran Kota Kinabalu, Sabah	Double storey terrace house	2,178	35 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	22 years	60 years leasehold, expiring on 31.12.2040	0.20	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	8-12 years	50 years leasehold, expiring on 31.12.2049	5.60	01.01.2000
Pangjin Road Wujiang Economic Developing Area Jiangsu, China	Factory buildings	716,876	8-9 years	50 years leasehold, expiring on 08.03.2053	6.83	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	8 years	60 years leasehold, expiring on 11.04.2052	5.92	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	13-14 years	60 years leasehold, expiring on 4.7.2055	3.86	26.08.2011
Lot No. PT2574, H.S. (M) 2798, Padang Lembu, Bandar Gurun, District of Kuala Muda, Kedah	Warehouse	83,689	9 years	60 years leasehold, expiring on 15.9.2050	0.94	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	2.45	21.09.2007

SHAREHOLDINGS STATISTICS AS AT 5 MAY 2014

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	155	9,905	0.01
100 - 1,000	189	144,267	0.14
1,001 - 10,000	1,363	6,629,301	6.30
10,001 - 100,000	648	19,390,300	18.43
100,001 - 5,260,224	97	37,127,102	35.29
5,260,225 - 105,204,500	1	41,903,625	39.83
TOTAL	**2,453**	**105,204,500**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 5 MAY 2014

Name of director	Direct Interest No. of shares	%	Indirect Interest No of shares	%
Dato' Ang Poon Chuan	928,500	0.88	44,524,002 (b)	42.32
Datuk Ang Poon Seong	589,125	0.56	43,012,494 (c)	40.88
Dato' Ang Poon Khim	642,325	0.61	166,700 (a)	0.16
Ang See Ming	1,192,508	1.13	-	-
Chow Hon Piew	-	-	-	-
Kang Pang Kiang	-	-	-	-
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	-	-	-	-

Notes :

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

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

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

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

SUBSTANTIAL SHAREHOLDERS AS AT 5 MAY 2014

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 5 May 2014)

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

No.	Name	No. of Shares	% of Shares
1	FOREMOST EQUALS SDN BHD	41,903,625	39.831
2	SUPERB SENSE SDN BHD	3,500,000	3.327
3	AMMB NOMINEES (TEMPATAN) SDN BHD AMINVESTMENT BANK BERHAD (AMMBUW)	2,733,750	2.599
4	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIGROUP GLOBAL MARKETS INC (PRIME FINC CLR)	1,941,900	1.846
5	NEOH CHOO EE & COMPANY, SDN. BERHAD	1,550,000	1.473
6	LASER CARTEL SDN BHD	1,500,000	1.426
7	LEE AH SEE	1,468,125	1.395
8	SENSIBLE MATRIX SDN BHD	1,108,869	1.054
9	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	939,400	0.893
10	ANG POON KHIM	642,325	0.611
11	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MARY TAN @ TAN HUI NGOH (B)	638,000	0.606
12	ANG TOON PIAH @ ANG TOON HUAT	619,000	0.588
13	TAN LEE HWA	602,000	0.572
14	ANG POON SEONG	589,125	0.560
15	ANG POON CHUAN	564,000	0.536
16	DYNAQUEST SDN. BERHAD	563,000	0.535
17	LIM PEI TIAM @ LIAM AHAT KIAT	531,000	0.505
18	GINA GAN	523,000	0.497
19	TAN AIK CHOON	517,600	0.492
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	TOH KAM CHOY	405,000	0.385
23	CHEAM HENG MING	403,800	0.384
24	HONG WENG HWA	400,000	0.380
25	NEOH CHOO EE & COMPANY, SDN BERHAD	400,000	0.380
26	SOONG & SAW INVESTMENT TRUST SDN. BERHAD	390,000	0.371
27	ANG POON CHUAN	364,500	0.346
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KONG CHONG SOON @ CHI SUIM (PB)	325,000	0.309
29	AU YONG MUN YUE	300,000	0.285
30	DENVER CORPORATION SDN BHD	300,000	0.285
		66,660,019	**63.362**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of shareholders of the Company will be held at Meranti Room, Level 2, Park Avenue Hotel, E-1, Jalan Indah 2, Taman Sejati Indah, 08000 Sungai Petani, Kedah on Thursday, 26 June 2014 at 11:30 a.m. to transact the following business :

1. To receive the Audited Financial Statements for the year ended 31 December 2013 and the Reports of Directors and Auditors thereon.

2. To approve a first and final tax exempt dividend of 8 sen per ordinary share for the year ended 31 December 2013. — Ordinary Resolution 1

3. To re-elect Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah who retires in accordance with Section 129 of the Companies Act, 1965. — Ordinary Resolution 2

4. To re-elect Dato' Ang Poon Chuan who retires in accordance with Article 63 of the Companies Acticles of Association. — Ordinary Resolution 3

5. To re-elect the following Directors who retire in accordance with Article 68 of the Company's Articles of Association :-

   (a) Mr Chow Hon Piew — Ordinary Resolution 4
   (b) Mr Kang Pang Kiang — Ordinary Resolution 5
   (c) Mr Ang See Ming — Ordinary Resolution 6

6. To approve Directors' Fees of RM25,000/- each for the year ended 31 December 2013. — Ordinary Resolution 7

7. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration — Ordinary Resolution 8

AS SPECIAL BUSINESS, to consider and if thought fit, to pass with or without any notification, the following Resolutions :-

8. **Power to Issue Shares Pursuant to Section 132D of the Companies Act, 1965** — Ordinary Resolution 9

"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."

9. **Proposed Authority to Buy Back Its Own Shares by the Company** — Ordinary Resolution 10

"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 :-

- 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");

- 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 2013, the amount of retained losses and share premium account is RM11.67 million and RM3.94 million respectively and based on the management account as at 31 March 2014, the amount of retained losses and share premium account is RM 11.98 million and RM3.94 million respectively;

- 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) vthe 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;

- 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."

10. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions between the Company and/or its Subsidiaries** Ordinary Resolution 11

"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 4 June 2014 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 authorised by this resolution."

11. **Retention as Independent Non-Executive Director** Ordinary Resolution 12

"THAT, Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah be retained as Independent Non-Executive Director of the Company, in accordance with the Malaysian Code on Corporate Governance 2012 until the conclusion of the next Annual General Meeting."

12. 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 8 sen per ordinary share only in respect of :

a) Shares transferred into the depositor's securities account before 4.00 p.m. on 18 July 2014 in respect of ordinary transfers; and
b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

The first and final tax exempt dividend, if approved will be paid on 8 August 2014 to depositors registered in the Records of Depositors at the close of business on 18 July 2014.

By Order of the Board

ONG TZE-EN (MAICSA 7026537)
LAU YOKE LENG (MAICSA 7034778)
Joint Company Secretaries
Penang, 4 June 2014

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 authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it may holds with ordinary shares of the Company standing to the credit of the said securities account.

3. 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 authorised nominee may appoint in respect of each omnibus account its holds.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under Common Seal of the company or under the hand of an officer or attorney duly authorised.

5. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 16-1 (Penthouse Upper), 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.

6. In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 18 June 2014 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote in his/her behalf.

Explanatory Notes :

1. The Proposed Ordinary Resolution 9, 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 27 June 2013 and which will lapse at the conclusion of the Nineteenth Annual General Meeting.

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

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

3. The Proposed Ordinary Resolution 11, 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 MMLR of the Bursa Securities. This approval shall continue to be in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by the law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

4. The Proposed Ordinary Resolution 12 is in relation to Retention as Independent Non-Executive Director. Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah was appointed as an Independent Non-Executive Director on 11 August 2004. He has served the Board for a cumulative term of more than 9 years as at the date of the notice of AGM. The Board of Directors has recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:-
   - Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah fulfils the criteria under the definition on Independent Director as stated in the MMLR of Bursa Securities and, therefore, is able to bring independent and objective judgment to the Board;
   - his service in the public sector enables him to share his valuable experience, skills and expertise with the Board and Board Committee;
   - he has been with the Company long and therefore understands the Company's business operations which enables him to contribute actively and effectively during deliberations or discussions at Board and Board Committee meetings;
   - he has contributed sufficient time and efforts in attending the Board and Board Committee meetings;

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

1. No individual is seeking election as a Director at the forthcoming Nineteenth 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 NINETEENTH ANNUAL GENERAL MEETING of the Company which will be held at Meranti Room, Level 2, Park Avenue Hotel, E-1, Jalan Indah 2, Taman Sejati Indah, 08000 Sungai Petani, Kedah on Thursday, 26 June 2014 at 11:30 a.m. or at any adjournment thereof.

	ORDINARY RESOLUTIONS											
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
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 June 2014.

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 authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it may holds with ordinary shares of the Company standing to the credit of the said securities account.

3. 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 authorised nominee may appoint in respect of each omnibus account its holds.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under Common Seal of the company or under the hand of an officer or attorney duly authorised.

5. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 16-1 (Penthouse Upper), 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.

6. In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 18 June 2014 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote in his/her behalf.

Please fold across the lines and close

STAMP

To: The Company Secretaries
Thong Guan Industries Berhad

Registered Office
Suite 16-1 (Penthouse Upper)
Menara Penang Garden
42A Jalan Sultan Ahmad Shah
10050 Penang

Please fold across the lines and close www.thongguan.com

THONG GUAN INDUSTRIES BERHAD
(324203-k)

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