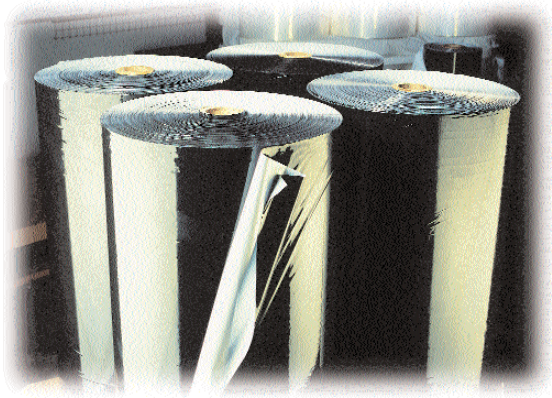




THONG GUAN INDUSTRIES BHD.



Report Annual



'01



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Cover Rational

Globalisation has always been the heartbeat of our company's vision. Today, we see more of that reality as our growth has expanded into markets globally.

We aim to empower our fundamentals through innovation and technological advancement to meet the economic challenges of the 21st Century.



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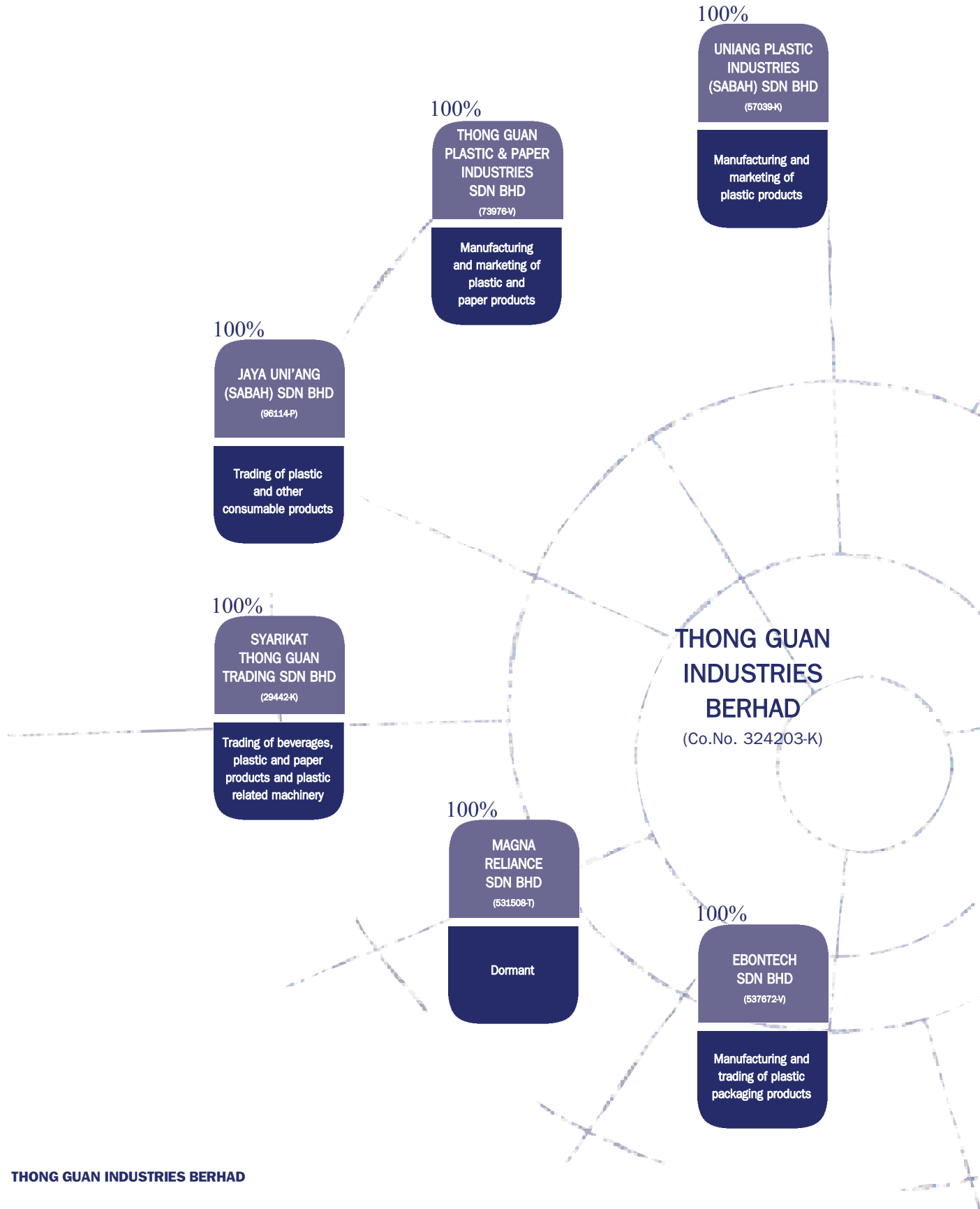
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Corporate Structure

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Directors	Ang Toon Cheng @ Ang Tong Sooi Tengku Makram Bin Tengku Ariff Ang Poon Chuan Ang Toon Piah @ Ang Toon Huat Ang Poon Seong Ang Poon Kang Ang Poon Khim Mohd Salleh Bin Zakaria Datuk Ahmad Bin Tokimin Lee Eng Sheng	(Chairman, Non Independent Executive Director) (Deputy Chairman, Independent Non Executive Director) (Managing Director) (Non Independent Executive Director) (Non Independent Executive Director) (Non Independent Executive Director) (Non Independent Executive Director) (Independent Non Executive Director) (Non Independent Non Executive Director) (Independent Non Executive Director)
Registered Office	Suite 2-1, 2nd Floor Menara Penang Garden 42A Jalan Sultan Ahmad Shah 10050 Penang Telephone : 04-2294390 Facsimile : 04-2265860	
Principal Place of Business	Lot 52, Jalan PKNK 1/6 Kawasan Perusahaan Sungai Petani 08000 Sungai Petani Kedah Darul Aman Telephone : 04-4417888 Facsimile : 04-4419888	
Company Secretary	Lam Voon Kean MIA 4793	
Share Registrar	M & C Services Sdn Bhd Suite 2-1, 2nd Floor Menara Penang Garden 42A Jalan Sultan Ahmad Shah 10050 Penang Telephone : 04-2294390 Facsimile : 04-2265860	
Auditor	KPMG Chartered Accountants 1st Floor, Wisma Penang Garden 42 Jalan Sultan Ahmad Shah 10050 Penang	
Principal Bankers	HSBC Bank Malaysian Berhad Hong Leong Bank Berhad Malayan Banking Berhad United Overseas Bank (Malaysia) Berhad	
Stock Exchange Listing	The Second Board, Kuala Lumpur Stock Exchange	
AUDIT COMMITTEE		
Chairman	Tengku Makram Bin Tengku Ariff	<i>(Independent Non Executive Director)</i>
Members	Mohd Salleh Bin Zakaria Ang Poon Chuan Lee Eng Sheng	<i>(Independent Non Executive Director)</i> <i>(Managing Director)</i> <i>(Independent Non Executive Director)</i>

Notice of Annual General Meeting

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NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of shareholders of the Company will be held at Serindit Room (Lower Level 1, Main Wing), Hotel Equatorial, No 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Friday, 28 June 2002 at 12.00 noon to transact the following business :

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2001 and the Reports of Directors and Auditors thereon. Ordinary Resolution 1
2. (i) To re-elect the following Directors who retire in accordance with Section 129 of the Companies Act, 1965 :-
 - (a) Mr Ang Toon Cheng @ Ang Tong Sooi Ordinary Resolution 2
 - (b) Mr Ang Toon Piah @ Ang Toon Huat Ordinary Resolution 3
- (ii) To re-elect the following Directors who retire in accordance with Article 63 of the Company's Articles of Association :-
 - (a) Mr. Ang Poon Chuan Ordinary Resolution 4
 - (b) Tengku Makram Bin Tengku Ariff Ordinary Resolution 5
 - (c) Mr. Ang Poon Seong Ordinary Resolution 6
- (iii) To re-elect Mr. Lee Eng Sheng who retires in accordance with Article 68 of the Company's Articles of Association Ordinary Resolution 7
3. To approve a First and Final Tax Exempt Dividend of 5% for the year ended 31 December 2001 Ordinary Resolution 8
4. To approve Directors' Fees of RM225,000/- for the year ended 31 December 2001 Ordinary Resolution 9
5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration Ordinary Resolution 10
6. AS SPECIAL BUSINESS
To consider and if thought fit, to pass the following as an Ordinary Resolution :-

Power To Issue Shares Pursuant to Section 132D of the Companies Act, 1965
"THAT pursuant to Section 132D of the Companies Act, 1965 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 in any one financial year 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 Kuala Lumpur Stock Exchange and that such authority shall continue in force until the conclusion of the Annual General Meeting commencing next after the date on which the approval was given; or the expiration of the period within which the next annual general meeting 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."

Ordinary Resolution 11
7. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association.

Notice of Annual General Meeting

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DIVIDEND ANNOUNCEMENT

NOTICE IS HEREBY GIVEN that a depositor shall qualify for entitlement to the dividend only in respect of :

- a) Shares transferred into the depositor's securities account before 12.30 p.m. on 3 September 2002 in respect of ordinary transfers; and
- b) Shares bought on Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

The final dividend, if approved will be paid on 27 September 2002 to depositors registered in the Records of Depositors at the close of business on 3 September 2002.

By Order of the Board

Lam Voon Kean
Company Secretary
(MIA 4793)

Penang, 6 June 2002.

Notes :

1. A member entitled to attend and vote at this meeting may appoint a proxy to attend and, on a poll, to vote on his behalf. Such proxy need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies under the Companies Act, 1965 in a particular case. A member may appoint more than two proxies to attend at the same meeting. Where a member appoints two proxies to attend at the same meeting, he shall specify the proportion of his shareholdings to be represented by each proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under Common Seal of the company or under the hand of an officer or attorney duly authorised.
3. To be valid, the proxy form must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

Explanatory Notes on Special Business :

1. The Proposed Ordinary Resolution 11, if passed, will give authority to the Board of Directors to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority, unless revoked or varied at a General Meeting, will expire at the next Annual General Meeting of the Company.

Statement on Corporate Governance

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The Board of Directors of Thong Guan Industries Berhad is pleased to provide the following statements, which outline the main corporate governance practices that were in place throughout the financial year, unless otherwise stated.

The Board fully appreciates the importance of adopting high standards of corporate governance within the Group. The Board views corporate governance as synonymous with three key concepts; namely transparency, accountability as well as corporate performance.

As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is thus fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance (the “Code”) respectively.

Principles statement

The following statement sets out how the Company has applied the principles in Part 1 of the Code. The principles are dealt with under the following headings: Board of Directors, Directors’ remuneration, Shareholders and Accountability and audit.

A. Board of Directors

Board duties and responsibilities

The Group acknowledges the pivotal role played by the Board of Directors in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including the strategic direction, establishing goals for the management and monitoring the achievement of these goals.

The Board delegates the day-to-day operations of the Group to the Executive Directors, who have vast experience in the business of the Group.

Meetings

The Board meets on a scheduled basis at least four (4) times a year with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the financial year, the Board met on five (5) occasions; where it deliberated upon and considered a variety of matters including the Group’s financial results, major investments and strategic decisions of the Group.

Statement on Corporate Governance

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All the Directors are provided with an agenda on matters requiring its consideration issued prior to and in advance of each meeting. During the meetings, the Board is briefed by the Managing Director and where appropriate, board papers which encompass mainly financial information are made available to Directors. This enables the Directors to obtain further explanations where necessary. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting.

Details of the Directors' meeting attendances during the financial year are tabulated below:-

Director	Attendance
Ang Toon Cheng @ Ang Tong Sooi	4/5
Tengku Makram Bin Tengku Ariff	5/5
Ang Poon Chuan	5/5
Ang Toon Piah @ Ang Toon Huat	5/5
Ang Poon Seong	4/5
Ang Poon Kang	5/5
Ang Poon Khim	5/5
Datuk Wan Kassin Bin Ahmed (<i>Resigned on 24 August 2001</i>)	4/4
Mohd Salleh Bin Zakaria	4/5
Datuk Ahmad Bin Tokimin	3/5

Board Committees

The Board of Directors delegates certain responsibilities to the Audit Committee in order to enhance business and operational efficiency as well as efficacy. The Chairman of the Audit Committee will report to the Board of the outcome of the committee meetings and a copy of the minutes of meeting is distributed to all the Directors.

During the financial year, the Audit Committee had written terms of reference to carry out its duties and responsibilities. The Board is of the view that the scope of the terms of reference of the Audit Committee need to be widened to include, amongst others, its purpose/objectives, size and composition, meeting administration and proceeding matters and authority. As at the date of this statement, the terms of reference of the Audit Committee have been revised to conform to the Listing Requirements of the KLSE ("Listing Requirements").

The revised terms of reference of the Audit Committee and the Audit Committee Report pursuant to Paragraph 15.16 of the Listing Requirements are set out on pages 20 to 22 in this annual report.

Statement on Corporate Governance

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Board Balance

As at the date of this statement, the Board consists of ten (10) members; comprising three (3) Independent Non-Executive Directors within the meaning of Chapter 1.01 of the Listing Requirements, one (1) Non-Executive Director and the balance Executive Directors. The Board is required under Paragraph 15.02 of the Listing Requirements to ensure that it has one-third in number of Independent Non-Executive Directors.

The Board has within it, professionals drawn from varied backgrounds who bring with them in-depth and diverse experience and expertise to the Group's business operations. 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 professionalism in all its activities. A brief profile of each Director is presented on pages 16 and 18 of this annual report.

The Code recommends the appointment of a senior independent non-executive Director to whom concerns may be conveyed. During the year, the Board has not appointed any Independent Non-Executive Director to fulfill the Code's Best Practice as the Chairman normally encouraged participation by all Directors during meetings. However, the Board recognises the importance of this provision and has taken steps to formalise the appointment subsequent to the financial year end.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Managing Director has overall responsibilities over the operating units, organizational effectiveness and implementation of Board policies and decisions. The presence of Independent Non-Executive Director is essential as they provide an unbiased and independent view, advice and judgement as well as to safeguard the interest not only of the Group, but also shareholders, employees, customers, suppliers and the community in general.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Company.

Supply of information

The Chairman ensures that all Directors have full and timely access to information with an agenda on matters requiring Board consideration issued with appropriate notice and in advance of each meeting to enable the Directors to obtain further explanations, during the meeting, where necessary.

Every Director also has unhindered access to the advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board. The Articles of Association specify that the removal of the Company Secretary is a matter for the Board as a whole.

The Directors meet, review and approve all corporate announcements, including the announcement of the quarterly financial reports, prior to releasing them to the KLSE.

From time to time, the Board as a whole determines, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense.

Statement on Corporate Governance

Directors' training

The Board as a whole recruits only individuals of sufficient calibre, knowledge and experience to fulfill the duties of a Director appropriately. There is no formal training programme for Directors. However, all the Directors have attended and completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysts Malaysia (RIIAM). The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

Re-election of Directors

The Articles of Association provide that at least one-third of the Directors for the time being, including the Managing Director, are subject to retirement by rotation at each Annual General Meeting ("AGM"). The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. New Directors appointed to the Board shall also retire at the Annual General Meeting following their appointment. In any of the circumstances, the Directors are eligible for re-election. These provide an opportunity for shareholders to renew their mandates. The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and the shareholdings, in the Group of each Director standing for election are furnished in the annual report accompanying the Notice of the AGM.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act 1965.

The Company Secretary will ensure that all appointments are properly made, that all necessary information is obtained, as well as all legal and regulatory obligations are met.

B. Director's remuneration

The Company pays its Directors annual fees that are approved annually by the shareholders at the AGM. In addition, members of the Audit Committee are paid meeting allowances for each meeting they attend.

The Board as a whole determines the remuneration of the Directors with individual Directors abstaining from decisions in respect of their individual remuneration.

Details of remuneration of Directors of the Company for the financial year ended 31 December 2001 are as follow:

	Fees RM	Salaries RM	Bonuses RM	Other emoluments RM
Executive Directors	150,000	865,500	135,350	150,626
Non-Executive Directors	75,000	—	—	—

Statement on Corporate Governance

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The number of Directors of the Company whose total remuneration falls within the following bands for the financial year ended 31 December 2001 is as follow:-

Range of remuneration	Number of Directors	
	Executive Directors	Non-Executive Directors
Below RM50,000		3
RM50,001 to RM100,000		
RM100,001 to RM150,000	1	
RM150,001 to RM200,000	2	
RM200,001 to RM 250,000	1	
RM250,001 to RM 300,000		
RM300,001 to RM350,000		
RM350,001 to RM400,000	1	
RM400,001 to RM450,000		
RM450,001 to RM500,000	1	

C Shareholders and investors

The Board acknowledges that shareholders should be informed of all material business matters, which influence the Group. Timely release of quarterly financial results to the KLSE and other information and corporate actions taken by the Group that warrant an announcement to KLSE under the Listing Requirements provide shareholders with an up to date overview of the performance and strategies of the Group.

The Board intends to maintain an active dialogue with shareholders. Whilst the annual report gives the shareholders a quick run through of the financial and operational performance of the Group, the Annual General Meeting and Extraordinary General Meeting provide a platform to shareholders to seek more information on the audited financial statements and operational matters. During the meetings, the Chairman and the members of the Board are prepared to respond to all queries and undertake to provide sufficient clarification on concerns raised by shareholders.

Additionally, individual briefing to selected fund managers and analysts were held during the year. This has given investors and interested parties on one hand, a better appreciation and understanding of the Company's performance and on the other, awareness of the expectation and concerns of the investors and such interested parties. Besides, the Company also maintains an official web site at www.thongguan.com that provides background information of the Group and Company to the general public.

In any of the circumstances, the Directors are cautious not to provide undisclosed material information about the Group and frequently stress the importance of timely and equal dissemination of information to shareholders and stakeholders.

D Accountability and Audit

Financial reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of the results to shareholders as well as the Chairman's statement and review of the operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of their profit or loss and cashflows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

State of internal controls

The Directors recognize their ultimate responsibility for the Group's system of internal controls and the need to review its effectiveness regularly in order to safeguard the Group's assets and therefore shareholders' investments in the Group. This system, by its nature, can only provide reasonable but not absolute assurance against misstatement, fraud or loss.

Statement on Corporate Governance

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At this juncture, the Board is of the view that the current system of internal control in place throughout the Group is sufficient to safeguard the Group's interest.

The Board and Management are currently considering undertaking a formal approach towards risk management and are working towards complying with the "Statement on Internal Control: A Guidance to Directors of Public Listed Companies" issued by the Task Force on internal control.

Relationship with the Auditors

The Company's external auditors fill an essential role for shareholders by enhancing the reliability of the financial statements of the Group and Company and giving assurance of that reliability to users of these financial statements.

A summary of the activities of the Audit Committee during the year, including its revised terms of reference, are set out in the Audit Committee Report on pages 19 to 22 of the annual report.

Compliance statement

Save as disclosed below, the Group has substantially complied with the Best Practices set out in Part 2 of the Code throughout the year.

- Appointment of a senior independent non-executive Director to whom concerns may be conveyed has not been made as the Board is of the view that the concerns of all Directors can be effectively discussed at the Board Meetings. Nevertheless, the Board believes the appointment of a senior independent non-executive Director will enhance the present set-up of the Board. Accordingly, Tengku Makram Bin Tengku Ariff has been appointed the senior independent non-executive Director by the Board on 8 April 2002.
- Upon the resignation of Datuk Wan Kassim bin Ahmed, an Independent Non-Executive Director on 24 August 2001, the composition of the Board did not comply with the Best Practice Provision AA III of the Code which stipulates that at least one-third of the Board members should be made up of Independent Non-Executive Directors. This situation was, however, rectified with the appointment of an additional Independent Non-Executive Director on 28 March 2002.
- Establishment of a Nominating Committee ("NC") has not been carried out as the Board believes that the present number of Directors is deemed optimal considering the size of the Group and the nature of its operations. There was no review done on the present members of the Board, as the mix of experience and expertise of the current number of Directors in the opinion of the Board, are considered sufficient and optimum in addressing the issues affecting the Group.

Statement on Corporate Governance

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- Pursuant to Best Practice Provision AA XIII of the Code on training to new recruits to the Board, the Company does not have a formal training programme for its new Directors since it is the Board's policy to recruit only individuals of sufficient calibre and experience to carry out the necessary duties of a Director. Nevertheless, the Board will review the necessity for a formal orientation programme for its new Directors from time to time.
- The Board has not developed position description for the Board and the Managing Director nor a formal schedule of matters specifically reserved to it for decision. The Board recognises the importance for a proper identification of the roles and limits of Management as well as a formal schedule on matters that require multiple Board signatures and/or Board decision and will consider enacting a Board Charter to delineate the roles and responsibilities of Executive and Non-Executive Directors;
- The Board does not have any agreed procedure for Directors, whether as a full Board or in their individual capacity, in furtherance of their duties to take independent professional advice at the Company's expense, if necessary. Any need for professional advice normally comes under the purview of the Board who will deliberate on a consensual basis.
- Establishment of Remuneration Committee has not been undertaken as the Board is of the view that the remuneration of Directors has been expeditiously handled by the Board as a whole.
- The Board, through the Executive Directors and the Audit Committee, has been able to identify business risks and ensure the implementation of appropriate measures to manage these risks. Nevertheless, the Board is of the view that a more structured risk management process would need to be established to better identify, monitor and manage the business risks affecting the Group. The Board is considering appointing an external consultant to carry out an Enterprise Risk Management assignment on the Group. This assignment will enable the Board to identify the principal business risks of the Group on a more objective and structured manner so that relevant and appropriate measures can be implemented to manage the risks.
- The Board does not have any internal audit function within the Group. The close involvement of the Executive Directors in the daily operations of the Group and the contribution by the Audit Committee enable the Board to be aware of the state of internal control system within the Group.

The daily operations of a major subsidiary are guided by the ISO quality management documentation, which provides some assurance on the system of internal control on operations.

In view of the importance of maintaining a formal monitoring and continuous appraisal on the internal control system of the Group, the Board has intention to outsource its internal audit function to a firm of consultants and at the same time provide training to identified internal personnel to take up such function in the future.

Other information

Non-audit fees

Non audit fees amounting to RM58,350 for the Group and RM38,010 for the Company will be paid to the external auditors of the Company for the financial year ended 31 December 2001.

Material Contract

Since the end of the previous financial year, the Company and its subsidiary have not entered into any material contract involving Directors and Substantial Shareholders.

Chairman's Statement

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On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and the Audited Accounts of Thong Guan Industries Berhad for the financial year ended 31 December 2001.



Economic Review

The softening of the Malaysian economy that started in the second half of 2000, as highlighted in my last report, became worse in 2001. However, despite a contraction of 2.2% in the first quarter, the Malaysian Gross Domestic Product showed some resilience and managed to register a small growth of 0.4% for the year 2001 notwithstanding the tragic event of September 11 in New York that had put further recessionary pressure around the world. This was possible partly because of the RM 3 billion pump-priming of the economy announced by the Government in March 2001 and a further RM 4.3 billion announced subsequent to September 11. Liquidity continued to be encouraged with the extended easing of monetary policy as base lending rate dropped to approximately 6.4% following further drops of rates in the United States and elsewhere in the world. The Kuala Lumpur Stock Exchange remained weak and directionless for most of the year with the Composite Index closing the year slightly higher at 696 points compared to 680 points previously.

Industry Trends & Development

The manufacturing sector in Malaysia which is very much dependent on export to the United States experienced a significant contraction of 5.1% for 2001 with the slowdown of the United States economy. The total turnover of the plastic industry in Malaysia grew modestly by 1% to approximately RM 8.5 billion for 2001 compared to the 16% growth experienced in the previous year. The plastic industry turnover has doubled in a 6-year period between 1995 and 2000 boosted by strong export which grew 125% within that 6-year period.

Group Performance

The Group achieved a 5.3% growth in turnover to RM 140.7 million from RM 133.3 million registered in the previous year. Profit after tax however dropped for the first time in the company's history to RM 7.9 million from RM 12.3 million, representing a contraction of 35.8%.

The drop in profit compares to the previous year was partly due to the strong performance of the United States Dollar to which the Malaysian Ringgit are pegged. The currency of the countries to which the Group exported to depreciated against the Ringgit causing margins to be squeezed in Ringgit terms. During the year, the Japanese Yen dropped approximately 12% while the Australian Dollar and the Singapore Dollar dropped approximately 10% and 6% respectively against the Ringgit. The situation was made worse by the stiff competition experienced during the year with the excessive investment in stretch film production which resulted in over capacity in the industry. The Group also experienced increase in operating cost in some areas of its business partly due to increase in turnover and higher depreciation charges.

Dividend

As recognition of our shareholders' continued support during these challenging times, the Board is recommending a final dividend distribution of 5 sen per share tax exempt. For the financial year ended 31 December 2000, the Company paid a 5 sen tax exempt interim dividend totaling RM 1.37 million.



Prospects & Outlook

The prospect for the Malaysian economy for 2002 has improved on the back of the recovery in the global economy in particular in the United States post September 11. The world economy is expected to grow by 2.6% in 2002 while the Malaysian economy is forecasted to grow 3.5%. The positive economic environment will have a favourable impact on the manufacturing industry in Malaysia in terms of higher consumption locally and export. The Group will continue to take measures to enhance its capability and capacity and is confident of delivering higher earnings performance in the year 2002.



Change In Directorate

On behalf of the Board, I would like to take this opportunity to record our appreciation to the director who have resigned. We thank Datuk Wan Kassim Bin Ahmed, for his contribution during his tenure as a director of the Company and we wish him every success in his future undertakings. At the same time, we welcome Mr Lee Eng Sheng, who has joined the Board on 28 March 2002.

Acknowledgements

My fellow Directors and I wish to thank the management and staff for their hard work and contribution, which have enabled the Group to achieve what it did during the demanding year just ended. I hope they will continue to maintain this high performance standards and scale greater heights. I would also like to thank the loyal shareholders for their continued support, the various Government agencies for their guidance and business associates for their continued support and confidence in the Company.

Ang Toon Cheng
Chairman

Board of Directors

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Ang Toon Cheng @ Ang Tong Sooi, aged 75, Malaysian, was appointed the Non Independent Executive Chairman of Thong Guan Industries Berhad (TGI) on 18 September 1997. He finished his high school and was the co-founder of Thong Guan's initial operations in 1942. He has accumulated a wealth of business experience in the fields of beverages, plastics and trading businesses and has guided the company over the years in its expansion path. Mr Ang was the past Presidents of the Malaysian Tea Merchants Association and the Malaysian Plastic Manufacturers Association (MPMA) (Northern Branch). He was also active in community activities and was the former Chairman, Merbok Division of the MCA and the past Vice President of the Malaysian Table Tennis Association.

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

YM Tengku Makram Bin Tengku Ariff, aged 51, Malaysian, was appointed as the Independent Non-Executive Deputy Chairman on 18 September 1997. Tengku Makram completed his middle certificate of education (MCE) and served in the Royal Malaysian Armed Forces before venturing into business. He was involved in property development and construction and operates a motocar distribution dealership.



He serves as the Chairman of the Audit Committee of TGI. He has attended all the five Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He also an Executive Director of Kemayan Corporation Bhd. He had no conviction for offences within the past 10 years.



Mr Ang Poon Chuan, aged 58, Malaysian, was appointed 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 Inds. Sdn. Bhd., both currently wholly owned subsidiary of TGI in 1983. During his 37 years of service, he has gained extensive knowledge of the plastic, paper, food, beverages and trading businesses and has developed invaluable business acumen and foresight that has shaped TGI to its present stature. He is a well respected figure in the plastic industry and was the former President of the MPMA (Northern Branch).

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



Mr Ang Toon Piah @ Ang Toon Huat, aged 73, Malaysian, was appointed Non-Independent Executive Director on 18 September 1997. He finished his middle high school and co-founded Thong Guan's initial operations in 1942. He has gained more than 50 years experience in the Business of TGI having played major roles in its growth from a small trading outfit engaged in van sales to a reputable public listed company.

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

within the past 10 years.

Mr Ang Poon Khim, aged 48, Malaysian, was appointed a Non-Independent Executive Director on 18 September 1997. He obtained a Bachelor of Science (Hons) degree in Mechanical Engineering from Teeside Polytechnic, United Kingdom in 1980. He joined Thong Guan in 1981 after a spell as a Test Engineer at Advance Micro Devices (Export) Sdn. Bhd. He has contributed to developing the production processes and was instrumental in developing the industrial and export sales of TGI. He is presently the Operations Director and is responsible for overseeing the production and sales functions of TGI.



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



Mr Ang Poon Seong, aged 46, Malaysian, was appointed a Non-Independent Executive Director on 18 September 1997. He is the Managing Director of Jaya Uniang (Sabah) Sdn. Bhd. and Uni'ang Plastic Inds. (Sabah) Sdn. Bhd., both currently wholly owned subsidiary of TGI. He completed his MCE and joined Thong Guan as a Marketing Executive in 1976 and was sent to Sabah to spearhead the Company's expansion there in 1980. Under his stewardship, the Sabah operations has grown to be the largest plastic packaging manufacturer in Sabah. He is also the President of the MPMA (Sabah Branch) and the President of the Federation of Sabah Manufacturers.

He serves as a member of the Employees' Share Option Scheme Committee. He has attended four out of the five Board meetings held for the financial year. He is the son of

Mr Ang Toon Cheng and the brother of Mr Ang Poon Chuan and Mr Ang Poon Khim. He is a major shareholder of Foremost Equals Sdn. Bhd., which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the notes to the financial statements and does not hold any other directorship in public companies. He had no conviction for offences within the past 10 years.

Mr Ang Poon Kang, aged 46, Malaysian, was appointed to the Board of Director on 18 September 1997. He is presently a Non-Independent Executive Director of TGI. He completed his MCE and joined Thong Guan in 1979. In 1980 he was sent to Kelantan to expand the Ang Family's business there.

He has attended all the five Board meetings held for the financial year. He is the son of Mr Ang Toon Piah. 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.



Board of Directors

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Haji Mohd Salleh Bin Zakaria, aged 54, Malaysian, was appointed as an Independent Non-Executive Director on 18 September 1997. He obtained a Masters Degree in Development Management (Economics) from University of Birmingham, United Kingdom in 1989 and a Bachelor of Arts (Mass Communication) from Universiti Sains Malaysia in 1975. He was with Government services for 20 years prior to his retirement in 1995. The last position held being the Principle Assistant Director of the Ministry of International Trade and Industry. He has also held various senior positions including Finance Manager of Penang Regional Development Authority and Deputy Director of Penang State Economic Planning Unit. After his retirement, he set up his own company, Ace Polymers Sdn. Bhd. and is presently its

Executive Chairman.

He serves as a member of the Audit Committee of TGI. He has attended four out of the five Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He also sits on the boards of Aokam Perdana Berhad and Idris Hydraulic Berhad. He had no conviction for offences within the past 10 years.

Datuk Ahmad Bin Tokimin, aged 58, Malaysian, was appointed as a Non-Independent Non-Executive Director on 6 October 2000. He obtained a Masters Degree in Public Administration from University of Wisconsin, United States in 1979 and a Bachelor of Arts (Hons) Social Science from University of Exeter, United Kingdom in 1969. He also holds a Diploma in Public Administration (University Malaya) and a Diploma in Islamic Studies (Universiti Kebangsaan Malaysia). He was with Government services for more than 20 years and has held various senior positions including that of Director General of Federal Agriculture Marketing Authority, Director of Federal Development Department (Sabah) and Deputy Secretary Generals of both the Ministry of Defence and Ministry of Education.



He has attended three out of the five Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He also sits on the board of Koperasi Setia Malaysia Berhad. He had no conviction for offences within the past 10 years.



Mr Lee Eng Sheng, aged 39, Malaysian, was appointed as an Independent Non-Executive Director on 28 March 2002. He obtained a Bachelor of Accountancy (Hons) Degree from Universiti Utara Malaysia and is a member of the Malaysian Institute of Accountants. He has worked in the accounting and finance fields in various capacity since 1988 and is presently the Finance Director of publicly listed Chee Wah Corporation Berhad.

He serves as a member of the Audit Committee of TGI. He has not attended any of the Board meetings held for the financial year which was before his appointment. He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He also sits on the board of Chee Wah Corporation Berhad. He had no conviction for offences within the past 10 years.

Membership

The present members of the Committee comprise:-

Tengku Makram Bin Tengku Ariff	– Chairman Independent Non-Executive Director
Mohd Salleh Bin Zakaria	– Member Independent Non-Executive Directors
Ang Poon Chuan	– Member Managing Director
Lee Eng Sheng <i>(appointed on 28 March 2002)</i>	– Member Independent Non-Executive Director

Terms Of Reference

The Audit Committee (the “committee”) was established on 1.10.1997 to act as a Committee of the Board of Directors, with the terms of reference as set out on pages 20 to 22. As at the date of this report, the terms of reference of the Audit Committee have been revised to conform to the Listing Requirements of the KLSE.

Meetings

During the financial year ended 31 December 2001, the Committee met five (5) times to discuss matters relating to the accounting and reporting practices of the Company and its subsidiary companies. The details of attendance of each Audit Committee member are as follows:-

Date and Time	21.2.01 11.30am	9.3.01 12.10pm	24.5.01 12.00pm	23.8.01 12.10pm	21.11.01 12.20pm
Datuk Wan Kassim Bin Ahmed <i>(ceased to be a member on 24 August 2001)</i>	✓	✓	✓	✓	N/A
Tuan Haji Mohd Salleh Bin Zakaria	✓	✗	✓	✓	✓
Ang Poon Chuan	✓	✓	✓	✓	✓
Tengku Makram Bin Tengku Ariff <i>(appointed to be a member on 24 August 2001)</i>	N/A	N/A	N/A	N/A	✓

All meetings were held at Lot 52, Jalan PKNK 1/6, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah except for the meeting on 9 March 2001, which was held at Hotel Equatorial, No. 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang.

The meetings were appropriately through the use of agendas, which were distributed to members with sufficient notification. The Company Secretary was present by invitation in all the meetings. Representatives of the external auditors, Merrrs KPMG, and the Senior Manager (Corporate Finance and Business Development) also attended the meetings, upon invitation as appropriate.

Summary of activities during the financial year

The Audit Committee carried out its duties in accordance with its terms of reference during the year. The main activities undertaken by the Committee were as follows:

- Reviewed with the external auditors the scope of their work and audit plan.
- Reviewed with the external auditors the results of the audit and the audit report.
- Reviewed the quarterly unaudited financial results and audited financial statements of the Company with management and the external auditors prior to their release to the KLSE.
- Reviewed pertinent issues which had significant impact on the results of the Group, including bank borrowings, investments and variation to proposed corporate exercise.

Internal audit function

No internal audit function was established within the Group during the financial year ended 31 December 2001. During the year, the Committee, together with the Board discussed, in general, significant changes in business and external environment that affected the operations of the Group. The review of quarterly financial results for reasonableness and explanations for unusual fluctuations also provided the Committee with certain level of assurance, on the adequacy and integrity of the Group's system of internal control.

The Board has put in place an organizational structure with defined lines of responsibility and delegation of authority. A process of hierarchical reporting structure, which provides a documented and auditable trail of accountability avails reasonable assurance on the effectiveness of the system of internal control within the Group. Furthermore, the operations of a major subsidiary of the Company are guided by the requirements of ISO 9002 documented procedures.

Terms of Reference of Audit Committee

Objectives

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities:

- assess the Group's processes relating to its risks and control environment;
- oversee financial reporting; and
- evaluate the internal and external audit processes.

Composition

The Board shall elect and appoint Committee members from amongst their numbers, comprising no fewer than three (3) Directors, the majority of whom shall be independent non-executive Directors of the Company.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if the person is not a member of MIA, the person must have at least three (3) years of working experience and:-
 - the person must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - the person must be a member of any of the associations of accountants specified in Part II of the

If a member of the Committee resigns, dies 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 the event appoint such number of new members as may be required to fill the vacancy.

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.

The Board shall review the terms of each of its members at least once (1) every three (3) years.

Quorum and Committee's procedures

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.

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 appointed Secretary of the Committee (the "Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support 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, as and when deemed necessary, invite other Board members and senior management members to attend the meetings.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

The Committee shall meet at least annually with the Management, and at least once every year with the Head of Internal Audit and external auditors in separate sessions to discuss any matters with the Committee without the presence of any executive member of the Board.

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

Authority

The Committee is authorised to seek any information it requires from employees, who are required to co-operate with any request made by the Committee.

The Committee shall have full and unlimited access to any information pertaining to the Group.

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

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the KLSE Listing Requirements, the Committee shall promptly report such matter to the KLSE.

Responsibilities and duties

In fulfilling its primary objectives, the Committee shall undertake 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 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 that are identified.
- Review major audit findings and the Management's response during the year with Management, external auditors and internal auditors, including the status of previous audit recommendations.
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board.
- Review the Internal Audit Charter, budget and staffing of the internal audit department.
- Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/ or external auditors' evaluation of the said systems.
- Direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.
- Review the quarterly results and the year end financial statements, prior to the approval by the Board focussing particularly on:
 - changes in or implementation of major accounting policies
 - significant or unusual events; and
 - compliance with accounting standards and other legal requirements;
- Review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, KLSE Listing Requirements and other legislative and reporting requirements.
- Review any related party transaction and conflict of interest situation that may arise 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 summarising the work performed in fulfilling the Committee's primary responsibilities.
- Any other activities, as authorised by the Board.

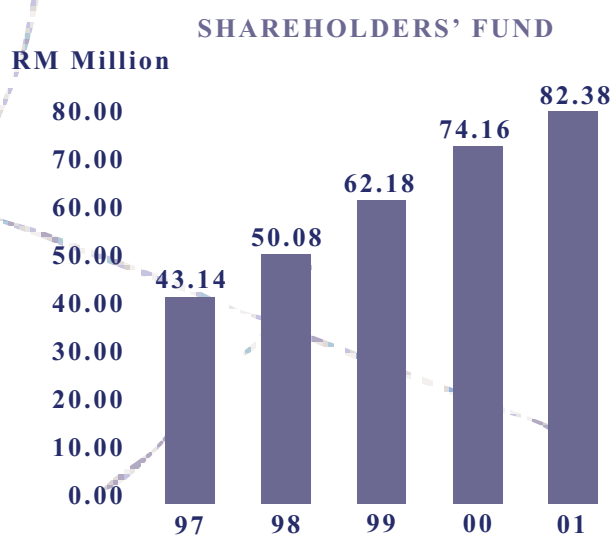
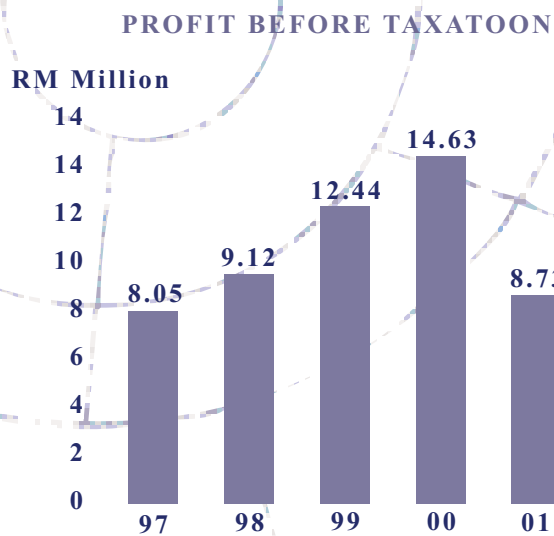
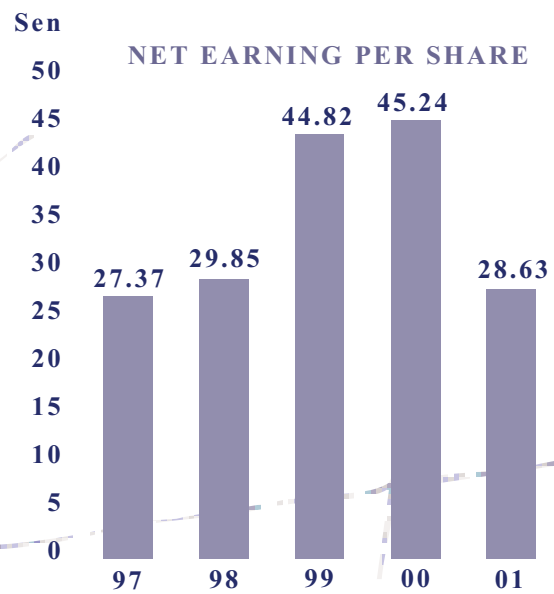
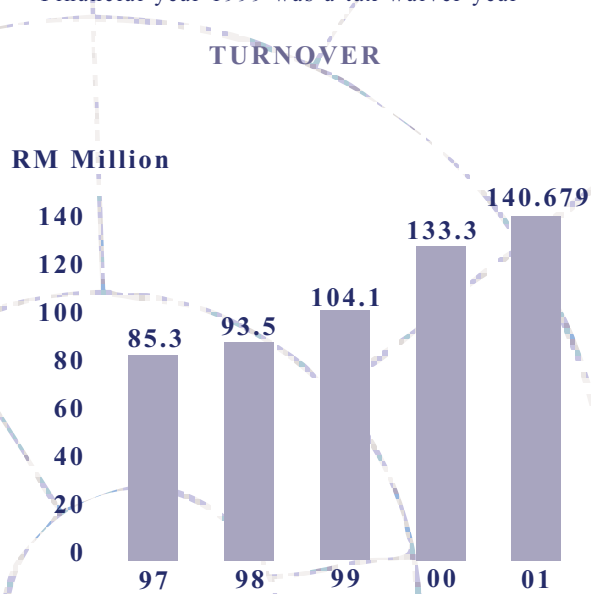
Financial Summary

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In RM '000	Proforma		1999	2000	2001
	1997	1998			
Turnover	85,271	93,506	104,126	133,326	140,679
Profit Before Taxation	8,052	9,122	12,441	14,631	8,726
Profit Attributable To Shareholders	6,444	8,060	12,100	12,291	7,906
Dividends	-	-	-	-	-
Shareholders' Fund	43,139	50,076	61,176	74,162	82,380

In Sen	1997	1998	1999	2000	2001
Earnings Per Share	27.37	29.85	44.82	45.24	28.63
Net Tangible Assets Per Share	1.60	1.89	2.30	2.73	2.98
Gross Dividend Per Share	-	0.05	-	0.05	-

* Financial year 1999 was a tax waiver year



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DIRECTORS' REPORT

for the year ended 31 December 2001

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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 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and also engaged in trading of plastic and paper products, whilst the principal activities of the subsidiary companies are as stated in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS	GROUP RM	COMPANY RM
Net profit after tax for the year	<u>7,906,214</u>	<u>19,898,509</u>

DIVIDEND

No dividend was paid since the end of the previous financial year.

Subject to shareholders' approval, the directors recommended the payment of a first and final 5% tax exempt dividend, totaling RM1,382,200, based on the issued and paid up share capital of RM27,644,000 in respect of the year ended 31 December 2001. These financial statements do not reflect this final dividend which, when approved by shareholders, will be accounted for as an appropriation of retained profits from shareholders' equity in the financial year ending 31 December 2002.

RESERVES

There were no material transfers to or from reserves and provisions during the year under review.

DIRECTORS OF THE COMPANY

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

Ang Toon Cheng @ Ang Tong Sooi	- Chairman
Tengku Makram Bin Tengku Ariff	- Deputy Chairman
Ang Poon Chuan	- Managing Director
Ang Toon Piah @ Ang Toon Huat	
Ang Poon Seong	
Ang Poon Kang	
Ang Poon Khim	
Tuan Haji Mohd Salleh Bin Zakaria	
Datuk Ahmad Bin Tokimin	
Lee Eng Sheng	(Appointed on 28.3.2002)
Datuk Wan Kassim Bin Ahmed	(Resigned on 24.8.2001)

DIRECTORS' REPORT

for the year ended 31 December 2001

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According to the Register of Directors' Shareholdings, the directors who have interests in the shares of the Company are as follows :

Ordinary Shares of RM1 each

<u>The Company</u>	Direct Interest		
	Balance at <u>1.1.2001</u>	Bought/ (Sold)	Balance at <u>31.12.2001</u>
Ang Toon Cheng @ Ang Tong Sooi	9,000	20,000	29,000
Tengku Makram Bin Tengku Ariff	12,000	–	12,000
Ang Poon Chuan	8,000	–	8,000
Ang Toon Piah @ Ang Toon Huat	9,000	–	9,000
Ang Poon Seong	9,000	30,000	39,000
Ang Poon Kang	14,000	(4,000)	10,000
Ang Poon Khim	9,000	–	9,000
Tuan Haji Mohd Salleh Bin Zakaria	3,000	–	3,000

According to the Register of Directors' Shareholdings, the directors who have interests in the Share Option of the Company are as follows :

Number of Options for Ordinary Shares

<u>The Company</u>	Exercise for		
	Balance at <u>1.1.2001</u>	Bought/ (Sold)	Balance at <u>31.12.2001</u>
Ang Toon Cheng @ Ang Tong Sooi	80,000	(20,000)	60,000
Ang Poon Chuan	190,000	–	190,000
Ang Toon Piah @ Ang Toon Huat	80,000	–	80,000
Ang Poon Seong	150,000	(30,000)	120,000
Ang Poon Khim	150,000	–	150,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements) by reason of a contract made by the Company or a related company with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than the following:

- i) Sales and purchases entered in the ordinary course of business with companies in which certain directors have substantial financial interests; and
- ii) Rental payable to companies in which certain directors have substantial financial interests.

There were no arrangements during and at the end of the financial year which had the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of Employees' Share Option Scheme.

DIRECTORS' REPORT

for the year ended 31 December 2001

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ISSUE OF SHARES

During the financial year, the issued and fully paid-up share capital of the Company was increased from RM27,498,000 to RM27,644,000 by the issue of 146,000 new ordinary shares of RM1 each at RM2.14 per share pursuant to the exercise of share options under the Company's Employees' Share Option Scheme. These new shares were issued for cash as fully paid and rank pari passu in all respects with the existing ordinary shares of the Company in issue.

Subsequent to the balance sheet date, the issued and fully paid-up share capital of the Company was increased from RM27,644,000 to RM28,336,000 by the issue of 692,000 new ordinary shares of RM1 each at RM2.14 per share pursuant to the exercise of options under the Company's ESOS. These new shares were issued for cash as fully paid and rank pari passu in all respects with the existing ordinary shares of the Company in issue.

OPTIONS GRANTED OVER UNISSUED SHARES AND DEBENTURES

No options were granted to any person to take up unissued shares or debentures of the Company during the year apart from the issue of Employees' Share Option Scheme.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company's ESOS was approved by the shareholders at the Extraordinary General Meeting held on 29 June 1999.

On 9 March 2001, the shareholders at the Extraordinary General Meeting approved certain amendments to the ESOS and the main features of the ESOS are as follows :

- i) Eligible employees are those full time employees of the Group who have been confirmed with at least 1 year of service before the offer date or are full time Executive Directors of the Company who are specifically approved as eligible to participate in the ESOS by the Company in General Meeting;
- ii) The total number of shares to be offered under the ESOS shall not exceed 10% of the issued and paid up share capital of the Company at any time during the existence of the ESOS. However, in the event, the maximum number of shares comprised in the options granted under the ESOS exceeds the aggregate of 10% of the issued and paid up share capital of the Company as a result of the Company purchasing its own shares and thereby diminishing its issued and paid up share capital then such options granted prior to the adjustment of the issued and paid up share capital of the Company shall remain valid and exercisable;
- iii) No options shall be granted for less than 1,000 nor more than 300,000 shares to selected employee;
- iv) The option price shall be the higher of the following :
 - a) at a discount of not more than 10% from the weighted average market price of the shares as shown in the daily official list issued by the Kuala Lumpur Stock Exchange for the 5 market days preceding the date of offer; and
 - b) the par value of the shares.

DIRECTORS' REPORT

for the year ended 31 December 2001

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- v) The ESOS shall continue to be in force for a period of 5 years commencing from 7 September 1999. However, the Company may, if the Board deems fit upon the recommendation of the option committee, renew the ESOS for a further 5 years.

The movements during the year in the number of options over the shares of the Company are as follows :

	2000	
At 1 January	1,791,000	2,289,000
Exercised	(146,000)	(498,000)
At 31 December	<u>1,645,000</u>	<u>1,791,000</u>

At 31 December 2001, there were 1,645,000 unissued ordinary shares under option at an exercise price of RM2.14 per share.

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) all current assets have been stated at the lower of cost and net realisable value.

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

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

DIRECTORS' REPORT

for the year ended 31 December 2001

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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 companies to meet their obligations as and when they fall due.

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2001 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

Signed in accordance with a resolution of the directors:

.....

ANG POON CHUAN
Director

.....

ANG TOON PIAH @ ANG TOON HUAT
Director

Penang,

Date : 8 April 2002

STATEMENT BY DIRECTORS

pursuant to Section 169 (15) of
the Companies Act, 1965

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In the opinion of the directors, the financial statements set out on pages 32 to 59, are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2001 and the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the directors:

.....

ANG POON CHUAN

Director

.....

ANG TOON PIAH @ ANG TOON HUAT

Director

Penang,

Date : 8 April 2002

STATUTORY DECLARATION pursuant to Section 169(15) of the Companies Act, 1965

I, ANG POON CHUAN, 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 32 to 59, 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 ANG POON CHUAN at)
Sungai Petani, Kedah Darul Aman)
on 8 April 2002.)

BEFORE ME :

THONG GUAN INDUSTRIES BERHAD

REPORT OF THE AUDITORS TO THE MEMBERS

of Thong Guan Industries Berhad

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We have audited the financial statements set out on pages 32 to 59. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion :

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :
 - i) the state of affairs of the Group and of the Company at 31 December 2001 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiary company in respect of which we have not acted as auditors is identified in Note 3 to the financial statements and we have considered its financial statements and the auditors' report thereon.

We are satisfied that the financial statements of the subsidiary companies 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

None of the audit reports on the financial statements of the subsidiary companies were subject to any qualification nor included any comment made under sub-section (3) of Section 174 of the Act.

KPMG

Firm No : AF : 0758
Chartered Accountants

LEE KEAN TEONG

Partner
Approval No : 1857/02/04 (J)

Penang,

Date : 8 April 2002

THONG GUAN INDUSTRIES BERHAD

CONSOLIDATED BALANCE SHEET

at 31 December 2001

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	NOTE	RM	2000 RM
PROPERTY, PLANT AND EQUIPMENT	2	63,328,013	56,684,148
CURRENT ASSETS			
Inventories	4	31,362,355	30,000,970
Trade and other receivables	5	40,502,218	30,921,067
Cash and cash equivalents	6	2,134,309	3,391,055
		73,998,882	64,313,092
CURRENT LIABILITIES			
Trade and other payables	7	27,286,089	21,555,105
Bank borrowings	8	15,664,003	13,348,669
Provision for taxation		559,082	1,164,000
		43,509,174	36,067,774
NET CURRENT ASSETS		30,489,708	28,245,318
		93,817,721	84,929,466
Financed by :			
SHARE CAPITAL	9	27,644,000	27,498,000
RESERVES	10	54,736,363	46,663,709
SHAREHOLDERS' FUNDS		82,380,363	74,161,709
BANK BORROWINGS	8	10,686,358	10,016,757
DEFERRED TAXATION		751,000	751,000
		93,817,721	84,929,466

The notes set out on pages 41 to 59 form an integral part of, and, should be read in conjunction with, these financial statements.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2001

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	NOTE	RM	2000 RM
Revenue	11	140,678,522	133,326,101
Cost of sales		(113,221,222)	(103,634,510)
Gross profit		27,457,300	29,691,591
Distribution costs		(6,255,296)	(6,137,858)
Administrative expenses		(11,563,084)	(9,773,335)
Other operating expenses		–	(252,685)
Other operating income		801,840	2,219,084
Operating profit	12	10,440,760	15,746,797
Finance costs		(1,714,626)	(1,115,500)
Profit before tax		8,726,134	14,631,297
Tax expense	14	(819,920)	(2,340,781)
Net profit after tax for the year		7,906,214	12,290,516
Basic earnings per ordinary share (sen)	15	28.63	45.24
Diluted earnings per ordinary share (sen)	15	28.19	44.72
Dividend per ordinary share (sen)		5.00	5.00

The notes set out on pages 41 to 59 form an integral part of, and, should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2001

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	Share Capital RM	Share Premium RM	Retained Profits RM	Total RM
At 1 January 2000	27,000,000	4,709,172	30,466,851	62,176,023
Arising from issue of new ordinary shares by virtue of the exercise of option under ESOS at RM2.14 per share	498,000	567,720	–	1,065,720
Net profit after tax for the year	–	–	12,290,516	12,290,516
Dividend paid : Interim 5% tax exempt	–	–	(1,370,550)	(1,370,550)
At 31 December 2000	27,498,000	5,276,892	41,386,817	74,161,709
Arising from issue of new ordinary shares by virtue of the exercise of option under ESOS at RM2.14 per share	146,000	166,440	–	312,440
Net profit after tax for the year	–	–	7,906,214	7,906,214
At 31 December 2001	27,644,000	5,443,332	49,293,031	82,380,363

The notes set out on pages 41 to 59 form an integral part of, and, should be read in conjunction with, these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2001

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	RM	2000 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	8,726,134	14,631,297
Adjustments for :		
Bad debts written off	76,391	9,257
Write back of allowance for doubtful debts	(7,551)	(944,676)
Depreciation	6,305,258	4,916,506
Gain on disposal of plant and equipment	(232,836)	(322,998)
Interest income	(6,727)	(23,493)
Interest expense	1,714,626	1,115,500
Net insurance claim on assets destroyed by fire	–	(29,311)
Write back of allowance for slow moving inventories	–	(366,000)
Preliminary expenses written off	5,125	–
Loss on foreign exchange, unrealised	523,790	–
Operating profit before working capital changes	17,104,210	18,986,082
Increase in :		
Inventories	(1,361,385)	(9,468,771)
Trade and other receivables	(10,173,781)	(5,987,212)
Trade and other payables	5,725,859	1,909,330
Cash generated from operating activities	11,294,903	5,439,429
Interest paid	(1,714,626)	(1,115,500)
Tax paid	(1,424,838)	(1,245,164)
Net cash generated from operating activities	8,155,439	3,078,765
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from insurance claim on assets destroyed by fire	–	4,537,300
Purchase of property, plant and equipment	(12,986,587)	(17,062,267)
Proceeds from disposal of plant and equipment	270,300	382,920
Interest received	6,727	23,493
Net cash used in investing activities	(12,709,560)	(12,118,554)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2001

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	RM	2000 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of ESOS	312,440	1,065,720
Drawdown of revolving credit	–	3,610,000
Repayment of revolving credit	(1,212,615)	(606,552)
Repayment of hire purchase obligations	(197,781)	(366,421)
Term loan drawdown	5,510,505	7,089,495
Repayment of term loan	(2,733,405)	(1,015,658)
Dividend paid	–	(1,370,550)
(Repayment)/drawdown of short term bank borrowings, net	(1,644,326)	4,175,676
Net cash generated from financing activities	34,818	12,581,710
Net (decrease)/increase in cash and cash equivalents	(4,519,303)	3,541,921
Cash and cash equivalents at beginning of year	1,971,154	(1,570,767)
Cash and cash equivalents at end of year	(2,548,149)	1,971,154

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the following consolidated balance sheet amounts :

	RM	2000 RM
Short term deposits with a licensed bank	1,000,000	1,000,000
Cash and bank balances	1,134,309	2,391,055
Bank overdrafts	(4,682,458)	(1,419,901)
	(2,548,149)	1,971,154

The notes set out on pages 41 to 59 form an integral part of, and, should be read in conjunction with, these financial statements.

BALANCE SHEET

at 31 December 2001

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	NOTE	RM	2000 RM
INVESTMENT IN SUBSIDIARY COMPANIES	3	22,050,002	22,049,998
CURRENT ASSETS			
Trade and other receivables	5	40,360,656	20,637,335
Cash and cash equivalents	6	674,308	51,274
		41,034,964	20,688,609
CURRENT LIABILITIES			
Trade and other payables	7	398,048	262,638
		398,048	262,638
NET CURRENT ASSETS		40,636,916	20,425,971
		62,686,918	42,475,969
Financed by :			
SHARE CAPITAL	9	27,644,000	27,498,000
RESERVES	10	35,042,918	14,977,969
SHAREHOLDERS' FUNDS		62,686,918	42,475,969

The notes set out on pages 41 to 59 form an integral part of, and, should be read in conjunction with, these financial statements.

INCOME STATEMENT

for the year ended 31 December 2001

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	NOTE	RM	2000 RM
Revenue	11	25,605,072	11,120,521
Cost of sales		(1,282,353)	(816,600)
Gross profit		24,322,719	10,303,921
Administrative expenses		(653,219)	(252,378)
Other operating income		411,347	471,985
Operating profit	12	24,080,847	10,523,528
Finance costs		(3,476)	(3,262)
Profit before tax		24,077,371	10,520,266
Tax expense	14	(4,178,862)	(61,571)
Net profit after tax for the year		19,898,509	10,458,695

The notes set out on pages 41 to 59 form an integral part of, and, should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2001

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	Share Capital RM	Share Premium RM	Retained Profits RM	Total RM
At 1 January 2000	27,000,000	4,709,172	612,932	32,322,104
Arising from issue of new ordinary shares by virtue of the exercise of option under ESOS at RM2.14 per share	498,000	567,720	–	1,065,720
Net profit after tax for the year	–	–	10,458,695	10,458,695
Dividend paid: - Interim 5% tax paid	–	–	(1,370,550)	(1,370,550)
At 31 December 2000	<u>27,498,000</u>	<u>5,276,892</u>	<u>9,701,077</u>	<u>42,475,969</u>
Arising from issue of new ordinary shares by virtue of the exercise of option under ESOS at RM2.14 per share	146,000	166,440	–	312,440
Net profit after tax for the year	–	–	19,898,509	19,898,509
At 31 December 2001	<u><u>27,644,000</u></u>	<u><u>5,443,332</u></u>	<u><u>29,599,586</u></u>	<u><u>62,686,918</u></u>

The notes set out on pages 41 to 59 form an integral part of, and, should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT

for the year ended 31 December 2001

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	RM	2000 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	24,077,371	10,520,266
Adjustments for :		
Interest income	(411,347)	(469,685)
Interest expense	3,476	3,262
Dividend income	(24,308,552)	(10,300,371)
Operating loss before working capital changes	(639,052)	(246,528)
Decrease/(Increase) in trade and other receivables	487,902	(1,221,485)
Increase in trade and other payables	135,410	135,733
Cash used in operating activities	(15,740)	(1,332,280)
Interest paid	(3,476)	(3,262)
Tax paid	(81,533)	(149,481)
Net cash used in operating activities	(100,749)	(1,485,023)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	411,347	469,685
Dividend received	–	1,378,350
Investment in subsidiary companies	(4)	–
Net cash generated from investing activities	411,343	1,848,035
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of ESOS	312,440	1,065,720
Dividend paid	–	(1,370,550)
Net cash generated from/(used in) financing activities	312,440	(304,830)
Net increase in cash and cash equivalents	623,034	58,182
Cash and cash equivalents at beginning of year	51,274	(6,908)
Cash and cash equivalents at end of year (Note 6)	674,308	51,274

The notes set out on pages 41 to 59 form an integral part of, and, should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years except for the early adoption of the accounting for proposed dividends in accordance with MASB 19 on Events After Post Balance Sheet Date.

1.1 Basis of Accounting

The financial statements of the Group and of the Company are prepared in compliance with applicable approved accounting standards in Malaysia.

1.2 Basis of Consolidation

Subsidiary companies are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiary companies are consolidated using the merger method of accounting except for certain subsidiary companies which are consolidated using the acquisition method of accounting.

A subsidiary company is excluded from consolidation when control is intended to be temporary if the subsidiary company is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiary companies excluded on these grounds are accounted for as investments.

Under the merger method of accounting, the results of the subsidiaries brought in for the first time are included in the consolidated Income Statement for the entire year without any adjustment in respect of that part of period prior to merger. The difference between the nominal value of the share capital issued as purchase consideration and the nominal value of the share capital of the subsidiaries acquired is taken to merger reserve.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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1.3 Property, Plant and Equipment

Property, plant and equipment except for freehold land are stated at cost/valuation less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. In determining recoverable amount of property, plant and equipment, expected future cash flows are discounted to their present values. The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement.

1.4 Depreciation

Freehold land is stated at valuation and is not depreciated. Leasehold land is amortised over the lease period as follows:

Long term leasehold land	60 and 99 years
Short term leasehold land	39 - 44 years

On other assets, depreciation is calculated to write off the cost or valuation of the assets on a straight line basis over their expected useful lives at the following principal annual rates:

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

1.5 Investments

Long term investments are stated at cost. An allowance is made when the directors are of the view that there is a diminution in their value which is other than temporary.

1.6 Inventories

Inventories are stated at the lower of cost and net realisable value with first-in, first-out being the main basis for cost.

The cost of manufactured inventories and work-in-progress includes cost of materials, direct labour and an appropriate allocation of manufacturing overheads.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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1.7 Foreign Currency Transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates approximating those ruling at transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising from translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows :

1USD	RM3.80	(2000	:	1USD	=	RM3.80)
1AUD	RM1.95	(2000	:	1AUD	=	RM2.10)
1YEN	RM0.029	(2000	:	1YEN	=	RM0.033)
1SGD	RM2.05	(2000	:	1SGD	=	RM2.20)

1.8 Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. In arriving at the calculation of deferred taxation, future income tax benefits arising from unutilised reinvestment allowances have also been accounted for. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

1.9 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

1.10 Finance Costs

All interest and other costs incurred in connection with borrowings are expensed as incurred.

1.11 Income Recognition

i) Goods sold

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

iii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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2. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Capital expenditure-in-progress	Total
Cost/Valuation	RM	RM	RM	RM	RM	RM
At 1 January 2001	18,898,465	48,245,537	2,624,005	6,794,018	4,142,811	80,704,836
Additions	1,252,592	4,283,547	394,609	561,520	6,494,319	12,986,587
Disposals	-	(35,796)	-	(448,634)	-	(484,430)
Reclassifications	89,736	8,726,224	-	-	(8,815,960)	-
At 31 December 2001	20,240,793	61,219,512	3,018,614	6,906,904	1,821,170	93,206,993
Accumulated Depreciation						
At 1 January 2001	2,095,967	15,767,919	1,426,562	4,730,240	-	24,020,688
Charge for the year	535,274	4,701,628	263,592	804,764	-	6,305,258
Disposals	-	(11,335)	-	(435,631)	-	(446,966)
At 31 December 2001	2,631,241	20,458,212	1,690,154	5,099,373	-	29,878,980
Net Book Value						
At 31 December 2001	17,609,552	40,761,300	1,328,460	1,807,531	1,821,170	63,328,013
At 31 December 2000	16,802,498	32,477,618	1,197,443	2,063,778	4,142,811	56,684,148
Depreciation For						
The Year Ended						
31 December 2000	457,871	3,455,715	242,911	760,009	-	4,916,506

Land and buildings comprise :

	Cost/Valuation		Net Book Value	
	RM	2000 RM	RM	2000 RM
At valuation				
Freehold land	5,839,000	5,839,000	5,839,000	5,839,000
Long term leasehold land	1,690,000	1,690,000	1,555,062	1,580,416
Short term leasehold land	2,096,370	2,096,370	1,783,576	1,836,581
Factory buildings	5,783,630	5,783,630	4,440,915	4,663,178
At cost				
Long term leasehold land	55,000	55,000	49,867	50,967
Factory buildings	4,776,793	3,434,465	3,941,132	2,832,356
	20,240,793	18,898,465	17,609,552	16,802,498

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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The freehold land, leasehold land and factory buildings are shown at Directors' valuation based on a valuation exercise carried out in 1995 by an independent firm of valuers based on an open market value basis.

Subsequent additions are shown at cost while deletions are at valuation or cost as appropriate.

It is the Group's policy to state property, plant and equipment at cost. Revaluation of certain properties was carried out in 1995 in conjunction with the listing exercise of the Company then and was not intended to effect a change in accounting policy to one of revaluation of properties. Hence, in accordance with the transitional provisions of the Malaysian Accounting Standards Board's Approved Accounting Standards, International Accounting Standards 16 (Revised) : Property, Plant and Equipment which allows for the current treatment of revalued properties by the Group, the valuation in 1995 has not been updated. It is envisaged that the current market values of the revalued properties are no less than their net book values.

The net book value of those revalued assets stated at their original costs less accumulated depreciation are as follows :

	Cost RM	Accumulated Depreciation RM	Net Book Value RM
Freehold land	1,143,129	—	1,143,129
Long term leasehold land	934,165	90,011	844,154
Short term leasehold land	858,181	127,308	730,873
Factory buildings	3,229,681	1,026,248	2,203,433
	<u>6,165,156</u>	<u>1,243,567</u>	<u>4,921,589</u>
2000			
Freehold land	1,143,129	—	1,143,129
Long term leasehold land	934,165	80,009	854,156
Short term leasehold land	858,181	106,090	752,091
Factory buildings	3,229,681	895,082	2,334,599
	<u>6,165,156</u>	<u>1,081,181</u>	<u>5,083,975</u>

Deferred tax in respect of the revaluation of properties of the Group of RM478,000 (2000:RM478,000) has not been provided for as the properties are held for long term use.

Included in the net book value of property, plant and equipment are the following assets acquired under hire purchase instalment plan:

	RM	2000 RM
Plant and machinery	202,893	237,161
Motor vehicles	—	338,758
	<u>202,893</u>	<u>575,919</u>

The amount of property, plant and equipment pledged as securities for term loans and other bank borrowings of the Group was up to the limit of RM12,820,000 (2000 : RM12,820,000).

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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3. INVESTMENT IN SUBSIDIARY COMPANIES - COMPANY

	RM	2000 RM
Unquoted shares, at cost	22,050,002	22,049,998

Details of subsidiary companies are as follows :

Name of Company	Percentage of Equity Held 2000		Principal Activities
Syarikat Thong Guan Trading Sdn Bhd	100	100	Trading of plastic and paper products, beverages (such as tea and coffee) and machinery
Thong Guan Plastic & Paper Industries Sdn Bhd	100	100	Manufacture and trading of plastic and paper products
Uniang Plastic Industries (Sabah) Sdn Bhd	100	100	Manufacture and trading of plastic products
Jaya Uni'ang (Sabah) Sdn Bhd	100	100	Trading of plastic products and consumable products
Ebontech Sdn. Bhd	100	-	Manufacture and trading of plastic packaging products
Magna Reliance Sdn Bhd #	100	-	Dormant

- Not audited by KPMG

All the above subsidiary companies are incorporated in Malaysia.

4. INVENTORIES - GROUP

	RM	2000 RM
Raw materials	20,410,307	19,421,633
Work-in-progress	900,532	938,080
Manufactured inventories	4,388,093	3,736,460
Trading inventories	5,663,423	5,904,797
	<u>31,362,355</u>	<u>30,000,970</u>

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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5. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	RM	2000 RM	RM	2000 RM
Trade receivables	30,078,382	25,493,500	422,158	-
Less : Allowance for doubtful debts	(1,010,476)	(1,018,027)	-	-
	<u>29,067,906</u>	<u>24,475,473</u>	<u>422,158</u>	<u>-</u>
Other receivables	11,272,483	6,357,684	4,497,484	1,478,853
Tax refundable	161,829	87,910	161,829	87,910
Amount due from subsidiary companies	-	-	6,219,860	10,148,551
Dividends receivable from subsidiary companies	-	-	29,059,325	8,922,021
	<u>40,502,218</u>	<u>30,921,067</u>	<u>40,360,656</u>	<u>20,637,335</u>

Included in trade receivables and other receivables of the Group are amounts of RM703,759 (2000 : RM1,236,264) and RM295,885 (2000 : RM315,102) respectively due from companies in which certain directors have substantial financial interests.

6. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	RM	2000 RM	RM	2000 RM
Cash and bank balances	1,134,309	2,391,055	674,308	51,274
Short term deposits with a licensed bank	1,000,000	1,000,000	-	-
	<u>2,134,309</u>	<u>3,391,055</u>	<u>674,308</u>	<u>51,274</u>

7. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	RM	2000 RM	RM	2000 RM
Trade payables	23,193,546	14,200,505	-	-
Other payables	4,072,543	7,331,250	398,048	262,638
Amount owing to directors	20,000	23,350	-	-
	<u>27,286,089</u>	<u>21,555,105</u>	<u>398,048</u>	<u>262,638</u>

Included in other payables of the Group is an amount of RM249,581 (2000 : RM48,500) due to a company in which certain directors have substantial financial interests.

The amount owing to directors is unsecured, interest-free and has no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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8. BANK BORROWINGS - GROUP

	RM	2000 RM
Current :		
Secured		
- Term loans	2,632,148	2,976,745
- Overdrafts	4,660,359	1,394,670
- Bankers' acceptances	1,326,000	2,637,330
- Bills payable	459,693	-
	9,078,200	7,008,745
Unsecured		
- Term loans	1,136,215	-
- Overdrafts	22,099	25,231
- Bankers' acceptances	2,615,000	4,903,000
- Revolving credit	1,216,000	1,216,000
- Bills payable	1,039,311	-
- Export credit refinancing	456,000	-
	6,484,625	6,144,231
Hire purchase obligations	101,178	195,693
	<u>15,664,003</u>	<u>13,348,669</u>
Non-current :		
Secured		
- Term loans	6,362,552	8,105,206
Unsecured		
- Term loans	3,728,136	-
- Revolving credit	574,833	1,787,448
	4,302,969	1,787,448
Hire purchase obligations	20,837	124,103
	<u>10,686,358</u>	<u>10,016,757</u>

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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8.1 Terms and debt repayment schedule

8.1.1 Term loans are payable as follows :

	Total RM	Within 1 year RM	1 to 2 years RM	2 to 5 years RM
As at 31 December 2001	13,859,051	3,768,363	3,325,159	6,765,529
As at 31 December 2000	11,081,951	2,976,745	3,717,069	4,388,137

8.1.2 Revolving credit is payable as follows:

	Total RM	Within 1 year RM	1 to 2 years RM	2 to 5 years RM
As at 31 December 2001	1,790,833	1,216,000	574,833	-
As at 31 December 2000	3,003,448	1,216,000	1,216,000	571,448

The above bank borrowings of the Group and Company are subject to interest at rates ranging from 0.75% to 1.50% (2000 : 0.75% to 1.50%) per annum above the respective bankers' base lending rates or cost of funds as the case may be.

Hire purchase obligations are subject to a fixed interest rate of 7% (2000 : 7%) per annum.

The above secured bank borrowings are secured by fixed charges over the land and factory buildings of the respective subsidiary companies for which the facilities are granted.

8.1.3 Hire purchase obligations are payable as follows :

	Payments RM	Interest RM	Principal RM	Payments RM	2000 Interest RM	Principal RM
Within 1 year	120,077	(18,899)	101,178	236,002	(40,309)	195,693
Between 1 and 5 years	24,489	(3,652)	20,837	149,666	(25,563)	124,103
	144,566	(22,551)	122,015	385,668	(65,872)	319,796

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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9. SHARE CAPITAL

	RM	2000 RM
Ordinary shares of RM1 each		
Authorised :		
Balance at 1 January	50,000,000	50,000,000
Increase during the year	450,000,000	—
Balance at 31 December	500,000,000	50,000,000
Issued and fully paid :		
Balance at 1 January	27,498,000	27,000,000
Exercise of ESOS at RM2.14 per share for cash	146,000	498,000
Balance at 31 December	27,644,000	27,498,000

Employees' Share Option Scheme ("ESOS")

The Company's ESOS was approved by the shareholders at the Extraordinary General Meeting held on 29 June 1999.

On 9 March 2001, the shareholders at the Extraordinary General Meeting approved certain amendments to the ESOS and the main features of the ESOS are as follows :

- i) Eligible employees are those full time employees of the Group who have been confirmed with at least 1 year of service before the offer date or are full time Executive Directors of the Company who are specifically approved as eligible to participate in the ESOS by the Company in General Meeting;
- ii) The total number of shares to be offered under the ESOS shall not exceed 10% of the issued and paid up share capital of the Company at any time during the existence of the ESOS. However, in the event, the maximum number of shares comprised in the options granted under the ESOS exceeds the aggregate of 10% of the issued and paid up share capital of the Company as a result of the Company purchasing its own shares and thereby diminishing its issued and paid up share capital then such options granted prior to the adjustment of the issued and paid up share capital of the Company shall remain valid and exercisable;
- iii) No options shall be granted for less than 1,000 nor more than 300,000 shares to selected employee;
- iv) The option price shall be the higher of the following :
 - a) at a discount of not more than 10% from the weighted average market price of the shares as shown in the daily official list issued by the Kuala Lumpur Stock Exchange for the 5 market days preceding the date of offer; and
 - b) the par value of the shares.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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- v) The ESOS shall continue to be in force for a period of 5 years commencing from 7 September 1999. However the Company, may, if the Board deems fit upon the recommendation of the option committee, renew the ESOS for a further 5 years.

The movements during the year in the number of options over the shares of the Company are as follows:
2000

At 1 January	1,791,000	2,289,000
Exercised	(146,000)	(498,000)
At 31 December	<u>1,645,000</u>	<u>1,791,000</u>

At 31 December 2001, there were 1,645,000 unissued ordinary shares under option at an exercise price of RM2.14 per share.

10. RESERVES

	GROUP		COMPANY	
	RM	2000 RM	RM	2000 RM
Non-distributable				
Share premium	5,443,332	5,276,892	5,443,332	5,276,892
Distributable				
Retained profits	49,293,031	41,386,817	29,599,586	9,701,077
	<u>54,736,363</u>	<u>46,663,709</u>	<u>35,042,918</u>	<u>14,977,969</u>

11. REVENUE

	GROUP		COMPANY	
	RM	2000 RM	RM	2000 RM
Invoiced value of goods sold less discounts and returns	140,678,522	133,326,101	1,296,520	820,150
Dividend income from subsidiary companies	-	-	24,308,552	10,300,371
	<u>140,678,522</u>	<u>133,326,101</u>	<u>25,605,072</u>	<u>11,120,521</u>

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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12. OPERATING PROFIT

Operating profit is arrived at :

	GROUP		COMPANY	
	RM	2000 RM	RM	2000 RM
After charging :				
Auditors' remuneration				
- current year	44,650	42,070	5,000	5,000
- prior year	3,000	-	-	-
Bad debts written off	76,391	9,257	-	-
Depreciation (Note 2)	6,305,258	4,916,506	-	-
Directors' emoluments				
Directors of the Company				
- fees	437,500	224,500	225,000	92,500
- others	1,151,476	1,016,990	-	-
Other Directors				
- fees	32,425	32,000	-	-
- others	173,646	149,248	-	-
Loss on foreign exchange				
- Realised	1,914,342	-	-	-
- Unrealised	523,790	494	-	-
Rental expense	894,470	780,305	-	-
Preliminary expenses written off	5,125	-	-	-
and crediting :				
Interest income	6,727	23,493	411,347	469,685
Dividend income (gross) receivable from subsidiary companies	-	-	24,308,552	10,300,371
Write back of allowance for doubtful debts	7,551	944,676	-	-
Gain on disposal of plant and equipment	232,836	322,998	-	-
Realised gain on foreign exchange	-	269,618	-	-
Rental income	1,650	780	-	-
Write back of allowance for slow moving inventories	-	366,000	-	-
Net insurance claim on assets destroyed by fire	-	29,311	-	-

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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13. EMPLOYEES' INFORMATION

	GROUP		COMPANY	
	RM	2000 RM	RM	2000 RM
Staff cost	12,168,823	11,083,613	85,927	61,416

The number of employees of the Group and of the Company (including directors) at the end of the year was 765 (2000 : 686) and 4 (2000 : 3) respectively.

14. TAX EXPENSE

	RM	2000 RM	RM	2000 RM
Current tax expense				
- Based on results for the year	837,614	1,640,781	4,178,862	61,571
- (Over)/Under provision in prior years	(17,694)	700,000	-	-
	819,920	2,340,781	4,178,862	61,571

The disproportionate tax expense in relation to the results of the Group for the year is mainly due to certain tax incentives available to certain subsidiaries of the Group.

The disproportionate tax expense in relation to the results of the Company for the year is mainly due to tax exempt dividends received.

Subject to agreement with the Inland Revenue Board, the Company has sufficient Section 108 tax credit and exempt income to frank/distribute its entire retained profits if paid out as dividends.

Subject to agreement with the Inland Revenue Board, the Group has potential deferred tax benefits not taken up under the liability method amounting to approximately RM436,000 (2000 : RM70,000) in respect of the following items:-

	RM	2000 RM
Timing differences between accounting depreciation and related capital allowances	708,000	719,000
Reinvestment allowances	(981,000)	(24,000)
Unabsorbed capital allowances	(341,000)	-
Unutilised tax losses	(944,000)	(944,000)
	(1,558,000)	(249,000)

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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15. EARNINGS PER ORDINARY SHARE - GROUP

i) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM7,906,214 (2000 : RM12,290,516) and the weighted average number of ordinary shares outstanding during the year of 27,611,000 (2000 : 27,168,000) calculated as follows :

Weighted average number of ordinary shares

	RM	2000 RM
Issued ordinary shares at beginning of year	27,498	27,000
Effect of shares issued in :		
February	26	—
April	84	—
July	2	97
August	—	45
October	1	17
November	—	7
December	—	2
	113	168
Weighted average number of ordinary shares	27,611	27,168

ii) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM7,906,214 (2000 : RM12,290,516) and the weighted average number of ordinary shares outstanding during the year of 28,042,000 (2000 : 27,485,000) calculated as follows :

Weighted average number of ordinary shares (diluted)

	RM	2000 RM
Issued ordinary shares at beginning of year	27,498	27,000
Effect of share options	544	485
Weighted average number of ordinary shares (diluted)	28,042	27,485

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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16. CAPITAL COMMITMENT - GROUP

	RM'000	2000 RM'000
Property, plant and equipment Contracted but not provided for in the financial statements	12,508	15,054

17. CONTINGENT LIABILITY

GROUP

	RM'000	2000 RM'000
Secured		
Bills discounted	1,094	1,330

The bills discounted are secured by fixed charges over the entire property, plant and equipment of the subsidiary company for which the facility is granted.

COMPANY

Unsecured

- i) The Company has issued corporate guarantees to licensed banks for banking facilities granted to certain subsidiary companies up to a limit of RM78.9 million (2000 : RM67.0 million) of which RM23.2 million (2000 : RM21.4 million) have been utilised as at balance sheet date.
- ii) The Company has issued corporate guarantee to a financial institution for credit facility granted to one of its subsidiary companies up to a limit of RM75,000 (2000 : RM75,000) of which RM53,877 (2000 : RM73,000) has been utilised as at balance sheet date.
- iii) The Company has issued a corporate guarantee amounting to RM9.5 million (2000 : RM9.5 million) to vendors for the purchase of raw materials by certain subsidiary companies. The amount owing by the subsidiary companies to those vendors at balance sheet date amounted to RM9.0 million (2000 : RM5.2 million).

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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18. SEGMENT REPORTING - GROUP

Segment information is presented in respect of the Group's business segment.

Business Segments

The Group comprises the following main business segments :

Manufacturing The manufacturing of plastic,
paper and plastic packaging products

Trading The trading of plastic and paper products,
beverages and machinery

Investment holding Investment in shares

	Revenue RM	Profit/(Loss) Before Tax RM	Assets Employed RM
Analysis by business segment:			
Manufacturing	100,058,420	6,748,721	102,841,745
Trading	40,620,102	2,211,644	28,738,549
Investment holding	–	(234,231)	5,746,601
	<u>140,678,522</u>	<u>8,726,134</u>	<u>137,326,895</u>

2000

Manufacturing	91,572,237	10,952,871	91,805,654
Trading	41,753,864	3,458,531	27,573,549
Investment holding	–	219,895	1,618,037
	<u>133,326,101</u>	<u>14,631,297</u>	<u>120,997,240</u>

No segment information by geographical area has been presented as the Group only operates in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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19. RELATED PARTIES

19.1 Related party relationships

- i) Companies controlled by the Company
- subsidiary companies as disclosed in Note 3
- ii) Companies in which all the directors except Tengku Makram Bin Tengku Ariff, Tuan Haji Mohd Salleh Bin Zakaria and Datuk Ahmad Bin Tokimin are deemed to have substantial financial interests:
- Nice Saga Sdn. Bhd. (“NS”)
 - Tong Yuan Enterprise Co (“TYE”)
 - Thong Guan Plastic Industries (Kelantan) Sdn. Bhd. (“TGPK”)
 - Herh Fuah (Sabah) Sdn. Bhd (“HFS”)
 - T. G. Plastic Pack (Export) Sdn. Bhd. (“TGPPEX”)
 - Kimanis Food Industry Sdn. Bhd. (“KFI”)
 - Komet Makmur Sdn. Bhd. (“KM”)
- iii) Key management personnel, directors and persons connected with directors of the Group :
- Ang Poon Khim
 - Ang Poon Chuan
 - Ang Poon Seong
 - Ang See Ming
 - Ang See Cheong

19.2 Related party transactions

19.2.1 Transactions with related companies :

COMPANY	RM	2000 RM
Sales	-	820,150
Purchases	1,282,353	-
Interest income	411,347	469,685

19.2.2 The Group's transactions with companies in which certain directors have substantial financial interests :

i) Sales to :	RM	2000 RM
KFI	6,269	-
TYE	699,099	357,272
TGPK	-	358,406
NS	31,042	49,209
HFS	29,139	616,591

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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ii) Purchases from :

	RM	2000 RM
KFI	1,612,279	2,909,065
TYE	-	53,482
TGPK	422,705	316,186
NS	17,699	5,943
HFS	-	24,375
KM	188,073	185,652

iii) Rental expense payable to :

	RM	2000 RM
KFI	100,000	80,000
TGPK	116,400	56,400
TGPPEX	539,000	416,500

The directors of the Company are of the opinion that the above transactions were entered in the normal course of business and have been established on a negotiated basis.

iv) There are no individually significant outstanding balances arising from transactions other than normal trade transactions. Details of the balances are disclosed in Notes 5 and 7.

19.3 There were no transactions with key management personnel and directors of the Company other than the following :

- i) Remuneration package paid to them as employees of the Group/Company.
- ii) Share options granted to key management personnel

The option over ordinary shares of the Company granted to key management personnel of the Group during the year are as follows :

	<u>Number of Options over ordinary shares of RM1 each</u>			
	Granted during the year		Unexercised option as at	
	<u>31.12.2001</u>	<u>31.12.2000</u>	<u>31.12.2001</u>	<u>31.12.2000</u>
Ang Poon Khim	-	150,000	150,000	150,000
Ang Poon Chuan	-	190,000	190,000	190,000
Ang Poon Seong	-	150,000	120,000	150,000
Ang See Ming	-	50,000	50,000	50,000

The share options were given to these key management personnel under the same terms and conditions as those offered to other employees of the Group pursuant to the ESOS (Note 9).

iii) Rental of RM38,400 (2000 : RM35,200) payable to Bounty Value Sdn. Bhd., a company in which Mr. Ang See Ming and Mr. Ang See Cheong have substantial financial interests.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2001

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20. SIGNIFICANT EVENT DURING THE YEAR

On 29 January 2001, the Securities Commission ("SC") had approved the following :

- i) Proposed bonus issue of up to 14,850,000 new shares on the basis of one(1) new share for every two(2) existing shares held in the Company;
- ii) Proposed renounceable rights issue of up to 29,700,000 new shares at an issue price of RM1 per share on the basis of one(1) new share for every one(1) existing share held;
- iii) Proposed amendments to the existing ESOS Bye-Laws of the Company to reflect the changes of the relevant statutory and regulatory requirements;
- iv) Proposed transfer of the listing of and quotation for the entire issued and paid-up share capital of the Company from the Second Board to the Main Board of the Kuala Lumpur Stock Exchange ("KLSE"); and
- v) The listing of and quotation for all the new shares issued pursuant to the above proposals on the Main Board of the KLSE.

In order to accommodate the Bonus Shares and Rights Shares, the Board proposed to increase the Company's authorised share capital to RM500,000,000, divided into 500,000,000 shares by the creation of an additional 450,000,000 new shares of RM1 each.

The shareholders had approved the above proposals during the Extraordinary General Meeting held on 9 March 2001.

On 28 September 2001, the Board proposed to abort the Proposed renounceable rights issue and to revise the basis of the Proposed Bonus Issue to up to 37,125,000 new shares on the basis of five (5) new shares for every four(4) existing shares held in the Company in view of the prevailing bearish market sentiment, subject to approvals from the shareholders and relevant authorities.

On 19 February 2002, the approval of the shareholders was obtained during the Extraordinary General Meeting of the Company.

21. POST BALANCE SHEET EVENTS

- a) Subsequent to the balance sheet date, the issued and fully paid-up share capital of the Company was increased from RM27,644,000 to RM28,336,000 by the issue of 692,000 new ordinary shares of RM1 each at RM2.14 per share pursuant to the exercise of options under the Company's ESOS. These new shares were issued for cash as fully paid and rank pari passu in all respects with the existing ordinary shares of the Company in issue.
- b) The Board announced the Group's intention to set up a manufacturing operation in Jiangsu Province, Republic of China. The initial capital investment during the first year is estimated to be approximately RM10 million which will be financed through internally generated resources of the Group.

LIST OF PROPERTIES OWNED BY THE GROUP

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	Description	Approximate Land Area (Sq. Feet)	Age of Building	Tenure	Net Book Value RM million	Date of Revaluation/ Acquisition
Lot No. P.T. 19449 and Lot No. 950, H.S (M) No. 249/92 and SP 4009, Mukim of Sungai Petani, District of Kuala Muda, Kedah CAH/2001 (A)/K/SC/95	Factory with Office building	208,898	5-17 years	Freehold	4.69	28.11.1995
Lot P.T. 18876, H.S. (D) No. 98/92 Sungai Petani Industrial Estate, District of Kuala Muda, Kedah CAH/2001 (E)/K/SC/95	Factory with building	107,288	5 years	60 years leasehold, expiring on 12.4.2052	2.20	28.11.1995
Lot Nos. 646, 647 and 648, Mukim of Sungai Petani, District of Kuala Muda, Kedah CAH/2001 (D)K/95	Agriculture lands planted with oil-palm	1,866,110	-	Freehold	0.69	28.11.1995
Lot P.T. 129301, H.S. (D) KA 27799 Mukim Hulu Kinta, District of Kinta, Ipoh, Perak	Warehouse with office building	5,500	17 years	99 years leasehold, expiring on 18.7.2092	0.20	28.05.1995
Lot No. P.T. 18877, H.S. (D) No. 99 /92, Sungai Petani Industrial Estate, Mukim of Sungai Petani, District of Kuala Muda, Kedah CA/2001 (B)K/SC/95	Factory with office building	82,067	8 years	60 years leasehold, expiring on 12.4.2052	2.97	28.11.1997
Lot P.T. 48288, H.S. (D) No. 12034 / 95, Mukim of Sungai Petani, District of Kuala Muda, Kedah CAH/2001 (C)/K/SC/95	Factory with office building	339,590	19 years	Freehold	3.45	28.11.1995
CL 015276687 House 606 Taman Bay View Off Mile 2 1/2 Jalan Tuaran Kota Kinabalu, Sabah	Double storey intermediate terrace house	2,178	23 years	999 years leasehold, expiring on 16.6.2914	0.13	13.12.1995
CL 015373672 Lorong Rambutan Off Km 11 Jalan Tuaran Kota Kinabalu, Sabah	Industrial land with factory and other buildings	82,764	13 years	60 years leasehold, expiring on 31.12.2035	2.60	13.12.1995
TL 077549707 Lot 13, Hock Seng Industrial Estate Jalan Bomba, Off Km5, Jalan Utara Sandakan,	Double storey semi-detached light industrial building	5,670	10 years	60 years leasehold, expiring on 31.12.2040	0.26	13.12.1995
CL 105390707 Km4, Jalan Apas Tawau, Sabah	Vacant industrial land	37,462	-	999 years leasehold, expiring on 21.5.2930	0.31	13.12.1995

SHAREHOLDING STATISTICS

- as at 7 May 2002

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Authorised share capital	: 500,000,000 ordinary shares of RM1.00 each
Paid up capital	: 63,756,000 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	Total holding	(%) of total holdings
Less than 1,000	10	2,137	0.0034
1,000 to 10,000	1,109	4,550,250	7.1370
10,001 to 100,000	218	5,264,862	8.2578
100,001 to less than 5% of issued shares	16	7,413,251	11.6275
5% and above of issued shares	3	46,525,500	72.9743
Total	1,356	63,756,000	100.0000

THIRTY LARGEST SHAREHOLDERS

Name	No. of shares held	% of issued capital
1. Foremost Equals Sdn Bhd	30,435,750	47.7378
2. Permodalan Nasional Berhad	11,846,250	18.5806
3. HSBC Nominees (Tempatan) Sdn Bhd HSBC (Malaysia) Trustee Berhad For Amanah Saham Kedah	4,243,500	6.6558
4. Arab-Malaysian Nominees (Tempatan) Sdn Bhd Arab-Malaysian Merchant Bank Bhd	1,822,500	2.8586
5. Sensible Matrix Sdn Bhd	1,739,246	2.7280
6. Lee Ah See	1,167,750	1.8316
7. Ang See Ming	675,005	1.0587
8. Lim Joo Hock	257,000	0.4031
9. Ang Poon Chuan	243,000	0.3811
10. Ang Poon Seong	222,750	0.3494
11. Ang Poon Khim	222,750	0.3494
12. Ang Toon Cheng @ Ang Tong Sooi	200,250	0.3141
13. Tasec Nominees (Asing) Sdn Bhd Meespierson Asia Limited For Savern Finance Limited	175,500	0.2753
14. Ooi Boon Chor	135,000	0.2117
15. Kim Piu Sdn Bhd	128,250	0.2012
16. Ang Choon Ho	110,250	0.1729
17. Lai Kok Thye	108,000	0.1694
18. Ong Teong Seng	104,750	0.1643
19. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng Poh Pheng @ Wong Poh Pheng	101,250	0.1588
20. Koh Nai Cheng @ Koh Nai Chin	100,000	0.1568
21. Ang Toon Piah @ Ang Toon Huat	99,000	0.1553
22. Lim Tuang Yeo	96,750	0.1518
23. Tan Kom Kia	90,000	0.1412
24. Goey Neow Kiah & Goey Choo Mooi	81,000	0.1270
25. Goh Mooi Sim	78,000	0.1223
26. Tio Swee In	65,250	0.1023
27. Teh Cheng Ho	63,000	0.0988
28. Tai Keik Hock	60,750	0.0953
29. Kim Piu (Agencies) Sdn Bhd	60,500	0.0949
30. Keng Ah Gaik @ ChokKew	56,250	0.0882
Total	54,789,251	85.9357

SHAREHOLDING STATISTICS

- as at 7 May 2002

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DIRECTORS' SHAREHOLDINGS As at 7 May 2002

Name of Directors	No. of shares held		Deemed Interest	%	Unexercised ESOS Option
	Direct Interest	%			
1. Ang Toon Cheng @ Ang Tong Sooi	200,250	0.31	–	–	–
2. Tengku Makram Bin Tengku Ariff	27,000	0.04	–	–	–
3. Ang Poon Chuan	243,000	0.38	–	–	203,000
4. Ang Toon Piah @ Ang Toon Huat	99,000	0.16	–	–	90,000
5. Ang Poon Seong	222,750	0.35	–	–	135,000
6. Ang Poon Kang	18,000	0.03	–	–	–
7. Ang Poon Khim	222,750	0.35	–	–	135,000
8. Tuan Haji Mohd Salleh Bin Zakaria	6,750	0.01	–	–	–
9. Datuk Ahmad Bin Tokimin	–	–	–	–	–
10. Lee Eng Sheng	–	–	–	–	–

Substantial shareholders as per Register of Substantial Shareholders

	Name of shares held		% of issued Capital
	Name Direct Interest	Deemed Interest	
1. Foremost Equals Sdn Bhd	30,435,750	–	47.74
2. Permodalan Nasional Berhad	11,846,250	–	18.58
3. Yayasan Pelaburan Bumiputra*	–	11,846,250	18.58

* Deemed interested via Permodalan Nasional Berhad

FORM PROXY

I/We, _____
of _____
being a member/members of the above named Company, hereby appoint _____
of _____
or failing him _____
of _____

as my/our proxy, to vote for me/us and on my/our behalf at the SEVENTH ANNUAL GENERAL MEETING of the Company which will be held at Serindit Room (Lower Level 1, Main Wing, Hotel Equatorial, No 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Friday, 28 June 2002 at 12.00 noon or at any adjournment thereof.

	RESOLUTIONS	FOR	AGAINST
1.	Ordinary Resolution 1		
2 (i) (a)	Ordinary Resolution 2		
2 (i) (b)	Ordinary Resolution 3		
2 (ii) (a)	Ordinary Resolution 4		
2 (ii) (b)	Ordinary Resolution 5		
2 (ii) (c)	Ordinary Resolution 6		
2 (iii)	Ordinary Resolution 7		
3.	Ordinary Resolution 8		
4.	Ordinary Resolution 9		
5.	Ordinary Resolution 10		
6.	Ordinary Resolution 11		

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

Signed this ___ day of June 2002

No. of Ordinary Shares Held

Signature of Shareholder

Notes :

1. A member entitled to attend and vote at this meeting may appoint a proxy to attend and, on a poll, to vote on his behalf. Such proxy need not be a member of the Company and need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies under the Companies Act, 1965 in a particular case. A member may appoint more than two proxies to attend at the same meeting. Where a member appoints two proxies to attend at the same meeting, he shall specify the proportion of his shareholdings to be represented by each proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under Common Seal of the company or under the hand of an officer or attorney duly authorised.
3. To be valid, the proxy form must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

Fold Along This Line

**AFFIX
POSTAGE
STAMP**

**The Secretary
Thong Guan Industries Berhad,
Suite 2-1, 2nd Floor,
Menara Penang Garden,
42A Jalan Sultan Ahmad Shah,
10050 Penang.**

Fold Along This Line

