



Thong Guan Industries Bhd. (Co. No. 324203-K)

Annual Report

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| Board of Directors | Ang Toon Cheng @ Ang Tong Sooi (Chairman, Non Independent Executive Director) Tengku Makram Bin Tengku Ariff (Deputy Chairman, Independent Non Executive Director) Ang Poon Chuan (Managing Director) Ang Toon Piah @ Ang Toon Huat (Non Independent Executive Director) Ang Poon Seong (Non Independent Executive Director) Ang Poon Kang (Non Independent Executive Director) Ang Poon Khim (Non Independent Executive Director) Mohd Salleh Bin Zakaria (Independent Non Executive Director) Datuk Ahmad Bin Tokimin (Non Independent Non Executive Director) Lee Eng Sheng (Independent Non Executive Director) |
| Audit Committee | Tengku Makram Bin Tengku Ariff (Chairman, Independent Non Executive Director) Mohd Salleh Bin Zakaria (Independent Non Executive Director) Ang Poon Chuan (Managing Director) Lee Eng Sheng (Independent Non Executive Director) |
| Nomination Committee | Lee Eng Sheng (Chairman) Tengku Makram Bin Tengku Ariff (Member) |
| Remuneration Committee | Lee Eng Sheng (Chairman) Tengku Makram Bin Tengku Ariff (Member) Ang Poon Chuan (Member) |
| 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 | AGRITEUM Share Registration Services Sdn. Bhd. 2nd Floor, Wisma Penang Garden 42 Jalan Sultan Ahmad Shah, 10050 Penang Telephone : 04-2282321 Facsimile : 04-2272391 |
| Auditor | KPMG Chartered Accountants 1st Floor, Wisma Penang Garden 42 Jalan Sultan Ahmad Shah, 10050 Penang |
| Principal Bankers | HSBC Bank Malaysia Berhad Hong Leong Bank Berhad Malayan Banking Berhad United Overseas Bank (Malaysia) Berhad Citibank Berhad |
| Stock Exchange Listing | The Main Board, Kuala Lumpur Stock Exchange |

Group Structure & Principal Activities





On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Accounts of Thong Guan Industries Berhad for the financial year ended 31 December 2002.

Economic Review

The world began 2002 in a hesitant recovery mood from the ordeal of September 11 terrorist attack and the subsequent war in Afghanistan. This depressing position was further compounded by the revelation of major corporate scandals in the United States that led to the shock downfall of some of the biggest corporations in the world.

Despite these uncertainties and gloomy mood at the world economy's end, the Malaysian economy showed resilience to register a higher than forecasted Gross Domestic Product (GDP) growth of 4.2% in 2002 within an environment of low inflation and stronger economic fundamentals. This is largely supported by domestic demand with the increase in private consumption of housing, motor vehicle and government spending. The reliable export sector also chipped in with the rise in palm oil prices and the turnaround in demand for electronic products. The Kuala Lumpur Stock Exchange saw some activities when the Composite Index that started the year at 683 points, peak at 808 points in April 2002. It however closed the year at 646 points.

Industry Trends & Development

The manufacturing sector in Malaysia declined further by 0.4% in 2002 to record a total turnover of RM 308 billion. It however remained the largest contributor to GDP with 31.5% share, accounted for 82.7% of total export and 27.3% of total employment. The total turnover of the Malaysian plastic industry grew by 5% to approximately RM 8.8 billion in 2002 compared to the 1% growth experienced in the previous year. The moderate growth was due largely to the domestic sub-sectors with automotive (10% growth), construction (5% growth) and export (6% growth) being the main contributors. The packaging sub-sector (flexible and rigid) remained the largest contributor to the plastic industry with 35% share or RM 3.1 billion in turnover terms. The total export of plastic bags and films increased by approximately 11% in 2001 from RM 775 million to RM 865 million. However, for the first half of 2002, the total export of plastic bags and films declined by 4% from RM400 million to RM385 million. Keen competition from China and other low cost producing countries was the main reason stated for the decline.

Source: The Malaysian Plastic Manufacturers Association



Group Performance

The Group closed the year with a 25.9% increase in turnover to RM 177.1 million from RM 140.7 million registered in the previous year. Profit after tax rose by 35.9% from RM 7.9 million to RM 10.8 million. The profit growth was mainly attributable to the increase in turnover which in turn increase the economies of scale of the Group's operations. The weakening of the United States Dollar to which the Malaysian Ringgit is pegged during the year, also increased the competitiveness of the Ringgit in the export arena and made the Group's export more competitive against regional competitors. It is also heartening to report that the Group's venture into the manufacturing of plastic packaging products in the People's Republic of China is progressing well and export to Japan, Taiwan, South Korea and Australia has been well received. The Group is planning to expand the operation with the setting up of another factory building adjacent to its present factory in Suzhou, Jiangsu Province which is approximately an hour by car from the city of Shanghai.



Transfer to the Main Board of the Kuala Lumpur Stock Exchange

During the year, the Group successfully transferred its listing status from the Second Board to the Main Board of the Kuala Lumpur Stock Exchange with the completion of its 5 for 4 bonus share issue. The Paid Up Share Capital of the Company was increased from RM 27.644 million to RM 63.81 million with the capitalization of additional an RM 35.42 million from its Retained Profits and Share Premium Accounts.



Prospect

The Malaysian economy is projected to grow at a rate of between 3.5% to 4%, while that of the plastic industry is projected at 5% for 2003. The ASEAN Free Trade Area ("AFTA") came into full affect in the beginning of 2003 and this will augur well for the Group. The Group's China factory is expected to reach its desired level of operation. Bearing unforeseen circumstances, the Group is optimistic that it will be able to improve on its 2002 financial performance.



Acknowledgements

My fellow Directors and I wish to thank the management and staff for their hard work and dedication, which have enabled the Group to achieve the remarkable result during the demanding year just ended. I would like to thank my fellow Directors for their invaluable support and advice and to our shareholders, business associates and customers for their valued loyalty and confidence in the Group.

Ang Toon Cheng
Chairman



Ang Toon Cheng @ Ang Tong Sooi, aged 76, 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 all 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 52, 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 is also a member of the Nomination and Remuneration Committees 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 is also an Executive Director of Kemayan Corporation Bhd. He had no conviction for offences within the past 10 years.



Mr Ang Poon Chuan, aged 59, 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 are 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 business and has developed invaluable business acumen and foresight that has shaped TGI to its present stature. He is a well respected figure in the plastic industry and was the former President of the MPMA (Northern Branch).

He serves as the Chairman of the Employees' Share Option Scheme Committee and a member of the Audit and Remuneration Committees. 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 74, Malaysian, was appointed Non-Independent Executive Director on 18 September 1997. He finished his middle high school and co-founded Thong Guan's initial operation 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 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 49, 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 Directors and is responsible for overseeing the production and sales functions of TGI.

He serves as a member of the Employee's Share Option Scheme Committee. He has attended all 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 47, 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 fo Sabah Manufacturers.

He serves as a member of the Employees' Share Options Scheme Committee. He has attended three 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.



Directors' Profile



Mr Ang Poon Kang, aged 47, 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.



Haji Mohd Salleh Bin Zakaria, aged 55, 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 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 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 59, 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 service 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 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 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 40, 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 the Chairman of both the Nomination and Remuneration Committees as well as a member of the Audit Committee of TGI. He has attended all the four Board meetings held for the financial year since 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.



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

The Board recognizes the importance of good corporate governance and supports the principles of best practices promulgated in the Malaysian Code of Corporate Governance ('the Code') as a fundamental part of discharging its continual responsibilities to the shareholders. Maximize shareholders' value within the Group.

Principle 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 to enhance 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 to achieve 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 or important decisions need to be made. 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.

Board papers, minutes of meetings and agenda are circulated within reasonable time prior to meetings as to give the Directors sufficient time to evaluate and address the issues concerned. During the meetings, the Board is briefed by the Managing Director and where appropriate, board papers that encompass mainly financial information are made available to Directors. This enables the Directors to obtain further explanations where necessary. All proceedings at the Board meetings are minuted and signed by the Chairman of the meeting.

During the tenure of the present Board, the number of meetings held and attended while in office during the financial year ended 31 December 2002 is tabulated below: -

| Director | Attendance |
|--|------------|
| Ang Toon Cheng @ Ang Tong Sooi | 5/5 |
| Tengku Makram Bin Tengku Ariff | 5/5 |
| Ang Poon Chuan | 5/5 |
| Ang Toon Piah @ Ang Toon Huat | 5/5 |
| Ang Poon Seong | 3/5 |
| Ang Poon Kang | 5/5 |
| Ang Poon Khim | 5/5 |
| Mohd Salleh Bin Zakaria | 5/5 |
| Datuk Ahmad Bin Tokimin | 5/5 |
| Lee Eng Sheng (Appointed on 28 March 2002) | 4/4 |

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 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").



Corporate Governance Statement

The 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 15 to 16 of this annual report.

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 areas of its activities. A brief profile of each Director is presented on pages 6 to 8 of this annual report.

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.

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.

All Directors have access to the advice and services of the Company Secretary in carrying out their duties. The Board of Directors, whether as a full board or in their individual capacity, may also take independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Company's expense.

Directors' Training

The Board through the Nomination Committee ensures that it recruits to the Board only individual with sufficient calibre, knowledge and experience to fulfill the duties of a Director. There is no formal training programme for Directors. However, during the financial year all the Directors have attended and successfully completed the Mandatory Accreditation programme (MAP) conducted by the Research Institute Analysis Malaysia (RIAM). The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

Re-Election of Directors

In accordance with the Company's Articles of Association, one-third of the Board, including the Managing Director, are subject to retirement by rotation at each Annual General Meeting ("AGM"). In any case, each Director shall retire from office at least once in every three (3) years. These retiring Directors shall be eligible for re-election. Newly appointed Directors shall hold office until the next Annual General Meeting and shall be eligible for re-election. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. These provide an opportunity for shareholders to renew their mandates. The election of each Director is voted on separately.

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

Directors fees paid to Directors during the financial year would have to be approved by the shareholders at the Annual General Meeting. In addition, Non-Executive Directors 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 Directors' remuneration of the Company for the financial year ended 31 December 2002 are as follow:

| | Fees RM | Salaries RM | Bonuses RM | Other emoluments RM |
|-------------------------|------------|----------------|---------------|---------------------------|
| Executive Directors | 282,000 | 1,007,000 | 269,500 | 127,020 |
| Non-Executive Directors | 100,000 | - | - | - |

The number of Directors of the Company who served during the financial year and whose total remuneration from the Group falling within the respective band are as follows: -

| Range of Remuneration | Number of Directors | |
|------------------------|---------------------|-------------------------|
| | Executive Directors | Non-Executive Directors |
| Below RM50,000 | - | 4 |
| RM50,001 to RM100,000 | - | - |
| RM100,001 to RM150,000 | 1 | - |
| RM150,001 to RM200,000 | 2 | - |
| RM200,001 to RM250,000 | - | - |
| RM250,001 to RM300,000 | 1 | - |
| RM300,001 to RM350,000 | - | - |
| RM350,001 to RM400,000 | - | - |
| RM400,001 to RM450,000 | 1 | - |
| RM450,001 to RM500,000 | - | - |
| RM500,001 to RM550,000 | 1 | - |

C. Shareholders and Investors

The Company recognises the importance of keeping shareholders and investors informed of the Group's business and corporate development. Timely release of quarterly financial results to the KLSE and other information and corporate actions taken by the Group that warrant an announcement to the 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 provide a platform to shareholders to seek more information on the audited financial statements and operational matters.

While the Group endeavours to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory frame work governing the release of material and price sensitive information.

During the financial year, the Directors and Management need regularly with investment analysts, institutional shareholders, investors and members of the press to brief them on the operations of the Group.

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 of the Company as at the end of the financial year-end 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 are responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group. 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 Statement on Internal Control of the Group is set out on pages 13 to 14 of the Annual Report.

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the external auditors are included the revised terms of reference which are set out in the Audit Committee Report on pages 15 to 16 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.

- The Board has established a Nominating Committee ("NC") since 20/11/2002 that is responsible to recommend to the Board on new appointments and also for assessing the suitability of proposed candidates for directorships including Board Committees.
- 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 recognizes 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 has established a Remuneration Committee since 20/11/2002 to review and recommend to the Board emoluments for the Executive Directors. Non-Executive Directors Remuneration is a matter of consideration by the Board as a whole.
- The daily operations of a major subsidiary are guided by the ISO quality management documentation, which provides some assurance on the system of the internal control on operations.

Other Information

Non-Audit Fees

Non-audit fees amounting to Rm43,442.50 for the Group & RM10,815.00 for the Company was paid to the external auditor of the Company for the financial year ended 31 December 2002.

Material Contract

Since the end of the last report, there were no material contracts on the Company and Group involving Directors' and major shareholders interests.



Paragraph 15.27(b) of the Kuala Lumpur Stock Exchange ("KLSE") Listing Requirements requires the Board of Directors of public listed companies to include in its Annual Report a "statement about the state of internal control of the listed issuer as a group". The Board is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the year.

Board responsibility

The Board acknowledges its responsibility for the Group's system of internal control, which includes the establishment of an appropriate control environment and framework, as well as reviewing its adequacy and integrity. In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement, operational failures, fraud or loss. The system of internal control covers, inter-alia, risk management and financial, organizational, operational and compliance controls. In the absence of a structured ongoing process for identifying, evaluating and managing significant risks faced by the Group during the financial year, the Board relied largely on the close involvement of Executive Directors in the day-to-day operations of the Group as well as the periodic review of Group's financial results by the Audit Committee. 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.

Risk management framework

The Board fully supports the content of the publication on "Statement on Internal Control - Guidance for Directors of Public Listed Companies" and has, accordingly, appointed a firm of consultants on 19 September 2002 to carry out an Enterprise Risk Management review on selected pilot companies of the Group. The main objective of this review is to formalize and embed a risk management process across the Group in order to sensitise all employees within the Group more strongly to risk identification, evaluation, control, monitoring and reporting. The review was in progress as at 31 December 2002 and is expected to be completed in May 2003. Since the commencement of the review to the date of this statement, the following initiatives on risk management were taken:

- Holding of risk awareness sessions for all operational managers/officers of the selected pilot companies to inculcate an understanding of risks and controls as they relate to the business of the companies; and
- Workshops and interviews were conducted with Executive Directors and operational managers from the selected pilot companies. A database of all principal business risks and related controls has been created and the information filtered to produce a detailed risk register and individual risk profiles for the selected pilot companies. Key risks to each of the selected pilot companies' objectives aligned with the Group's strategic objectives were identified and scored for likelihood of the risks occurring and the magnitude of impact.

The next steps in the Group's risk management process include, inter-alia, the following:

- Issuance of Risk Management Policy and Procedure Document, which outlines the risk management framework for the Group and offers practical guidance to all employees on risk management issues;
- The Enterprise Risk Management review will be rolled out to the other companies in the Group Management will consider the residual risk treatment options and prepare the relevant action plans, with implementation time scales to address the risk and control issues;
- Establishment of a Group Risk Management Committee, with the responsibility to identify and communicate to the Board of Directors, on an ongoing basis, the critical risks the Group faces, their changes and the management action plans to manage risks;
- Appoint a dedicated Risk Officer, or outsource to consultants, to update the risk profile of the Group at periodic intervals;
- Establish and formalise the risk management reporting framework, including submission of risk management reports to the Group Risk Management Committee; and
- Execute risk-based internal audit and formalise periodic review by the Board on the adequacy and integrity of the system of internal control.



Statement On Internal Control

Internal audit function

During the financial year, the Group established an internal audit function to assist the Audit Committee and Board in the discharge of its duties and responsibilities relating to the adequacy and integrity of internal controls. The internal audit carries out an ongoing evaluation of the key business processes, which are significant to the operations of the Group and ensures that instituted controls are appropriate and effectively applied in addressing areas of concern.

The internal audit functions established will provide a certain level of assurance on the adequacy and integrity of the system of internal control. Recommendations for improvements noted by the internal audit are followed up for implementation by Management. To ensure that internal audit is carried out using a risk-based approach following the enterprise risk management review mentioned in the preceding paragraphs, the Group has appointed a firm of consultants to work alongside the internal audit function.

Internal control process

Apart from the internal audit function, the Board has put in place the following pertinent measures to provide a certain level of assurance as to the operation and validity of the system on internal control as it relates to critical issues faced by the Group:

- The Board and Audit Committee rigorously review the quarterly financial results and reports and evaluate the reasons for unusual variances noted thereof;
- The close involvement of Executive Directors, who are hands-on in the operations of the Group. The Managing Director reports to the Board on significant changes in the business and external environment, which affect the operations of the Group at large;
- An organizational structure with formally defined lines of responsibility and delegation of authority has been put in place. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. The procedures include the establishment of limits of authority and policies on various operational areas. These procedures are relevant across the Group to provide for continuous assurance to be given at increasingly higher levels of management and, finally to the Board;
- Operating policies and procedures of a major subsidiary, which incorporate regulatory and internal requirements, are prescribed in and guided by the ISO quality management documentation, which provide some level of assurance on the system of internal control on operations; and
- Management meetings chaired by the Managing Director are conducted regularly to review the financial performance, business development and deliberate on strategic and operational issues, especially on areas of vulnerability.

Weaknesses in internal controls that result in material losses

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The Board, together with Management, remains vigilant and continues to take pertinent measures to strengthen the control environment of the Group.

This statement is issued in accordance with a resolution of the Directors dated 24 April 2003.



Audit Committee Members

The Audit Committee comprises of the following directors: -

| | | |
|---|---|--|
| Tengku Makram Bin Tengku Ariff | - | Chairman Independent Non-Executive Director |
| Mohd Salleh Bin Zakaria | - | Member Independent Non-Executive Director |
| Ang Poon Chuan | - | Member Managing Director |
| Lee Eng Sheng (Appointed on 28 March 2002) | - | Member Independent Non-Executive Director |

Attendance of Meetings

During the financial year ended 31 December 2002, the Audit Committee held five (5) meetings. Details of attendance of each Audit Committee member are as follows: -

| Date and Time | 19.02.02 12.00pm | 08.04.02 1.15pm | 31.05.02 11.00am | 22.08.02 1.00pm | 20.11.02 11.30am |
|--|---------------------|--------------------|---------------------|--------------------|---------------------|
| Tengku Makram Bin Tengku Ariff | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ang Poon Chuan | ✓ | ✓ | ✓ | ✓ | ✓ |
| Tuan Haji Mohd Salleh Bin Zakaria | ✓ | ✓ | ✓ | ✓ | ✓ |
| Lee Eng Sheng (Appointed to be a member on 28 March 2002) | N/A | ✓ | ✓ | ✓ | ✓ |

Summary of Activities During the Financial Year

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

- Reviewed with the external auditors audit plan before the commencement of the audit.
- Reviewed with the external auditors the results of the audit and the audit report.
- Reported to the Board on its activities and significant findings and results.
- 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.

Internal Audit Function

The primary function of Internal Audit Department is to assist the Audit Committee in discharging its duties and responsibilities. The Board recognizes the importance of the internal audit function and the independent status required for it to carry its job effectively. The Internal Audit Department of the Group was established on 16 September 2002. Its role is to provide the Audit Committee with independent and objective reports on the state of internal controls of the operating units within the Group to the extent of compliance by such units within the Group's established policies and procedures imposed by the regulatory requirements of the relevant authorities.

Terms of Reference

Objectives

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

- assess the Group's processes relating to its risks and control environment;
- oversee the Group's 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.

In the event of any vacancy in the Audit Committee resulting from non compliance with the Listing Requirements, resignation, death or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of the event appoint such number of new members as may required to fill the vacancy.

The Chairman of the Committee shall be an independent non-executive Director. All members of the Committee, including the Chairman, will hold office until otherwise determined by the Board.

Quorum and Committee's Procedures

The Committee shall meet at least four (4) times a year, 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.



Audit Committee Report

The Company Secretary shall be appointed Secretary of the Committee. 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 summarizing the Committee's activities during the year and the related significant results and findings.

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

Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information if requires from any employee. All employees are directed to cooperate with any request made by the Committee.

The Committee is authorised by the Board to obtain independent legal and professional advise and to secure the attendance of outsiders with relevant experience and expertise if it considers this to be necessary.

The Committee Shall be able to convene meetings with the external auditors, without the presence of the executive members of the Committee, whenever deemed necessary.

Responsibilities and Duties

In line with the terms of reference and its primary objectives, the Committee shall undertake and carry out the following responsibilities and duties: -

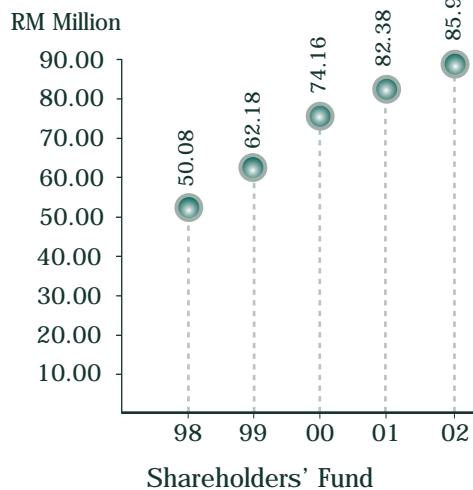
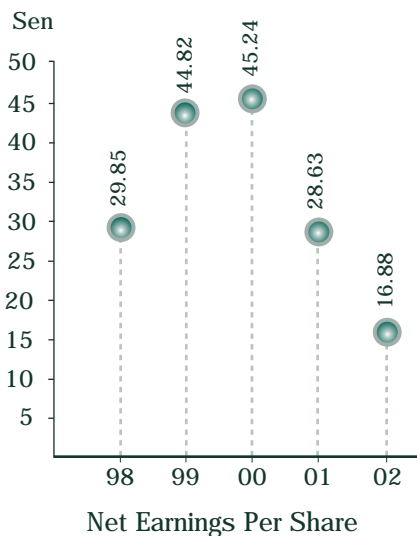
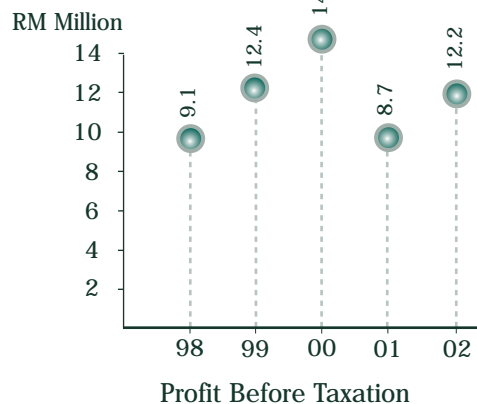
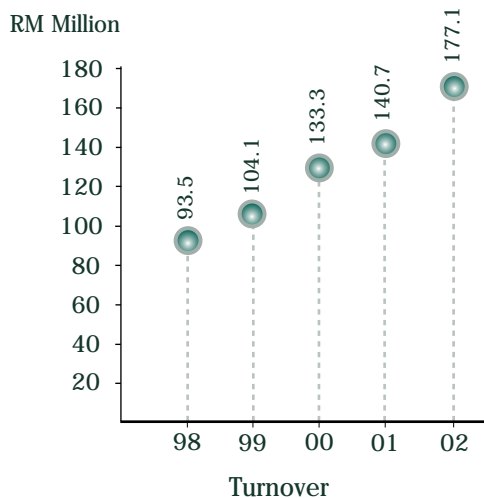
- Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan.
- Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
- Review the external and internal audit reports to ensure that Management takes appropriate and prompt remedial action 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 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, fraud and thefts.
- Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:
 - any changes in or implementation of major accounting policies and practices;
 - going concern assumption;
 - significant or unusual events;
 - compliance with accounting standards and other legal requirements; and
 - significant adjustments arising from the audit.
- 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 a year, to the Board summarizing the work performed in fulfilling the Committee's primary responsibilities.
- Review any appraisal, assessment, any appointment or termination of members of the internal audit function.
- Discuss the Revamped KLSE listing requirements and its Practice Notes, particularly on the Malaysian Code of Corporate Governance and the Statement of Internal Control.
- Review the External Auditors' management letter and management response to assess the adequacy and effectiveness of the system of internal control and accounting control procedures of the Company and the Group.
- Update and advise the Board on the latest changes and pronouncements that may be issued by the accountancy, statutory and regulatory bodies.
- Any other activities, as authorised or instructed by the Board.

Financial Summary

| In RM'000 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------------------------------|--------|---------|---------|---------|---------|
| Turnover | 93,506 | 104,126 | 133,326 | 140,679 | 177,137 |
| Profit Before Taxation | 9,122 | 12,441 | 14,631 | 8,726 | 12,172 |
| Profit Attributable To Shareholders | 8,060 | 12,100 | 12,291 | 7,906 | 10,750 |
| Dividends | 1,350 | - | 1,370 | 3,190 | - |
| Shareholders' Fund | 50,076 | 62,176 | 74,162 | 82,380 | 85,962 |

In Sen

| | | | | | |
|-------------------------------|--------|--------|--------|--------|--------|
| Earnings Per Share | 29.85 | 44.82 | 45.24 | 28.63 | 16.88 |
| Net Tangible Assets Per Share | 185.47 | 230.28 | 269.70 | 298.00 | 134.72 |
| Gross Dividend Per Share | 5 | - | 5 | 5 | - |





Directors' Report

For The Year Ended 31 December 2002

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 2002.

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 subsidiaries 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>10,749,995</u> | <u>2,915,964</u> |

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

DIVIDEND

Since the end of the previous financial year, the Company paid a final tax exempt dividend of 5% per share totaling RM3,189,950 based on the issued and paid-up share capital of 63,799,000 in respect of the year ended 31 December 2001 on 27 September 2002.

The directors do not recommend any final dividend to be paid for 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 | |

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

| <u>The Company</u> | Balance at <u>1.1.2002</u> | Ordinary Shares of RM1 each Direct Interest | | | Balance at <u>31.12.2002</u> |
|-----------------------------------|-------------------------------|--|------------------------|---------------|---------------------------------|
| | | <u>ESOS Exercised</u> | <u>Bonus Issue</u> | <u>(Sold)</u> | |
| Ang Toon Cheng @ Ang Tong Sooi | 29,000 | 60,000 | 111,250 | - | 200,250 |
| Tengku Makram Bin Tengku Ariff | 12,000 | - | 15,000 | - | 27,000 |
| Ang Poon Chuan | 8,000 | 100,000 | 135,000 | - | 243,000 |
| Ang Toon Piah @ Ang Toon Huat | 9,000 | 40,000 | 55,000 | (5,000) | 99,000 |
| Ang Poon Seong | 39,000 | 60,000 | 123,750 | - | 222,750 |
| Ang Poon Kang | 10,000 | - | 10,000 | (4,000) | 16,000 |
| Ang Poon Khim | 9,000 | 90,000 | 123,750 | - | 222,750 |
| Tuan Haji Mohd Salleh Bin Zakaria | 3,000 | - | 3,750 | - | 6,750 |



None of the other directors holding office at 31 December 2002 had any interest in the ordinary shares of the Company during the financial year.

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

| The Company | Number of Options for Ordinary Shares | | | |
|--------------------------------|---------------------------------------|---------------------|----------------------------------|--------------------------|
| | Balance at 1.1.2002 | Option Exercised | Adjustment for Bonus Issue | Balance at 31.12.2002 |
| Ang Toon Cheng @ Ang Tong Sooi | 60,000 | (60,000) | - | - |
| Ang Poon Chuan | 190,000 | (100,000) | 113,000 | 203,000 |
| Ang Toon Piah @ Ang Toon Huat | 80,000 | (40,000) | 50,000 | 90,000 |
| Ang Poon Seong | 150,000 | (60,000) | 75,000 | 165,000 |
| Ang Poon Khim | 150,000 | (90,000) | 75,000 | 135,000 |

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements) by reason of a contract made by the Company or a related 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 ("ESOS").

ISSUE OF SHARES

During the financial year, the issued and fully paid-up share capital of the Company was increased from RM27,644,000 to RM63,810,000 as follows :

- (i) issue of 692,000 new ordinary shares of RM1 each at RM2.14 per share and 54,000 new ordinary shares of RM1 each at RM1.00 per share pursuant to the exercise of share options under the Company's ESOS.
- (ii) bonus issue of 35,420,000 new ordinary shares of RM1 each on the basis of 5 new ordinary shares for every 4 existing ordinary shares held in the Company.

These new shares are to be ranked pari passu in all respects with the existing ordinary shares of the Company in issue.

There were no other changes in the issue and paid-up capital of the Company during the financial year.

The options offered to take up unissued ordinary shares of RM1.00 each and the option prices are as follows :

| Date of offer | Number of Option Over Ordinary Shares of RM1 each | | | | |
|---------------|---|---------------------|---|-----------|--------------------------|
| | Option Price | Balance 1.1.2002 | Adjustment arising from Bonus Issue | Exercised | Balance at 31.12.2002 |
| 25.11.1999 | 1.00 | 1,645,000 | 1,238,000 | 746,000 | 2,137,000 |



ISSUE OF SHARES (Cont'd)

The external auditors have verified the adjustments to the outstanding options arising from the bonus issue during the financial year.

The salient features of the scheme are as follows :

- i) Eligible employees are those full time employees of the Group who have been confirmed with at least 1 year of service before the offer date or are full time Executive Directors of the Company who are specifically approved as eligible to participate in the ESOS by the Company in Annual 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.
- 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 persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

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 ESOS.

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.

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 2002 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:

..... Director
ANG POON CHUAN

..... Director
ANG TOON PIAH @ ANG TOON HUAT

Kedah Darul Aman,

Date : 24 April 2003



Directors' Statement And Statutory Declaration

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the directors, the financial statements set out on pages 24 to 53, 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 2002 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 :

..... Director
ANG POON CHUAN

..... Director
ANG TOON PIAH @ ANG TOON HUAT

Kedah Darul Aman,

Date : 24 April 2003

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) 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 24 to 53, 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 in the State of)
Kedah Darul Aman on 24 April 2003.)

BEFORE ME :

TAN HWA LIAN (K048)
Commissioner for Oaths
Sungai Petani, Kedah Darul Aman

Report Of The Auditors To The Members

We have audited the financial statements set out on pages 24 to 53. 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 2002 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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 3 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the 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 subsidiaries 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 : 24 April 2003



Consolidated Balance Sheet

At 31 December 2002

| | NOTE | RM | 2001 RM (Restated) |
|-------------------------------|------|-------------------|--------------------------|
| PROPERTY, PLANT AND EQUIPMENT | 2 | 79,629,931 | 63,328,013 |
| CURRENT ASSETS | | | |
| Inventories | 4 | 35,799,465 | 31,362,355 |
| Trade and other receivables | 5 | 36,955,266 | 40,502,218 |
| Cash and cash equivalents | 6 | 4,787,915 | 2,134,309 |
| | | <u>77,542,646</u> | <u>73,998,882</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 7 | 36,245,588 | 27,286,089 |
| Borrowings | 8 | 20,946,717 | 15,664,003 |
| Taxation | | 96,025 | 559,082 |
| | | <u>57,288,330</u> | <u>43,509,174</u> |
| NET CURRENT ASSETS | | 20,254,316 | 30,489,708 |
| | | <u>99,884,247</u> | <u>93,817,721</u> |
| Financed by : | | | |
| SHARE CAPITAL | 9 | 63,810,000 | 27,644,000 |
| RESERVES | 10 | 22,152,024 | 49,223,099 |
| SHAREHOLDERS' FUNDS | | <u>85,962,024</u> | <u>76,867,099</u> |
| BANK BORROWINGS | 8 | 7,093,961 | 10,686,358 |
| DEFERRED TAXATION | 12 | 6,828,262 | 6,264,264 |
| | | <u>99,884,247</u> | <u>93,817,721</u> |

The financial statements were approved and authorised for issue by the Board of Directors on 24 April 2003.

The notes set out on pages 33 to 53 form an integral part of, and, should be read in conjunction with, these financial statements.

Consolidated Income Statement

For The Year Ended 31 December 2002



| | NOTE | RM | 2001 RM (Restated) |
|---|------|--------------------------|--------------------------|
| Revenue | 11 | 177,136,611 | 140,678,522 |
| Cost of sales | | (145,637,842) | (113,221,222) |
| Gross profit | | <u>31,498,769</u> | <u>27,457,300</u> |
| Distribution costs | | (7,443,738) | (6,655,296) |
| Administrative expenses | | (12,516,079) | (11,563,084) |
| Other operating income | | 2,279,869 | 801,840 |
| Operating profit | 13 | <u>13,818,821</u> | <u>10,440,760</u> |
| Interest expense | | (1,646,682) | (1,714,626) |
| Profit before tax | | <u>12,172,139</u> | <u>8,726,134</u> |
| Tax expense | 15 | (1,422,144) | (2,625,615) |
| Net profit after tax for the year | | <u><u>10,749,995</u></u> | <u><u>6,100,519</u></u> |
| Basic earnings per ordinary share (sen) | 16 | <u><u>16.88</u></u> | <u><u>9.68</u></u> |
| Diluted earnings per ordinary share (sen) | 16 | <u><u>16.77</u></u> | <u><u>9.61</u></u> |
| Dividend per ordinary share (sen) | | <u><u>-</u></u> | <u><u>5.00</u></u> |

The notes set out on pages 33 to 53 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 2002

| | Share Capital RM | Non-Distributable Share Premium RM | Distributable Retained Profits RM | Total RM |
|---|--------------------------|---|--|--------------------------|
| At 1 January 2001 | | | | |
| As previously reported | 27,498,000 | 5,276,892 | 41,386,817 | 74,161,709 |
| Prior year adjustment (Note 23) | - | - | (3,707,569) | (3,707,569) |
| Restated balance | 27,498,000 | 5,276,892 | 37,679,248 | 70,454,140 |
| 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 (Restated) | - | - | 6,100,519 | 6,100,519 |
| At 31 December 2001 (Restated) | <u>27,644,000</u> | <u>5,443,332</u> | <u>43,779,767</u> | <u>76,867,099</u> |
| Arising from issue of new ordinary shares by virtue of : | | | | |
| - the exercise of option under ESOS at : | | | | |
| RM2.14 per share | 692,000 | 788,880 | - | 1,480,880 |
| RM1.00 per share | 54,000 | - | - | 54,000 |
| - the bonus issue (5 for 4) | 35,420,000 | (6,232,212) | (29,187,788) | - |
| Net profit after tax for the year | - | - | 10,749,995 | 10,749,995 |
| Dividend paid : | | | | |
| Final 5% tax exempt | - | - | (3,189,950) | (3,189,950) |
| At 31 December 2002 | <u><u>63,810,000</u></u> | <u><u>-</u></u> | <u><u>22,152,024</u></u> | <u><u>85,962,024</u></u> |

The notes set out on pages 33 to 53 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 2002



| | RM | 2001 RM |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 12,172,139 | 8,726,134 |
| Adjustments for : | | |
| Depreciation | 7,701,544 | 6,305,258 |
| Gain on disposal of plant and equipment | (309,630) | (232,836) |
| Interest income | (141,687) | (6,727) |
| Interest expense | 1,646,682 | 1,714,626 |
| Property, plant and equipment written off | 96 | - |
| Unrealised (gain)/loss on foreign exchange | (442,672) | 523,790 |
| Operating profit before working capital changes | 20,626,472 | 16,506,455 |
| Increase in Inventories | (4,437,110) | (1,361,385) |
| Decrease/(Increase) in trade and other receivables | 4,022,972 | (9,581,151) |
| Increase in trade and other payables | 8,954,998 | 5,730,984 |
| Cash generated from operating activities | 29,167,332 | 11,294,903 |
| Interest paid | (1,646,682) | (1,714,626) |
| Tax paid | (1,350,050) | (1,424,838) |
| Net cash generated from operating activities | 26,170,600 | 8,155,439 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment (Note B) | (24,007,854) | (12,986,587) |
| Proceeds from disposal of plant and equipment | 672,425 | 270,300 |
| Interest received | 141,687 | 6,727 |
| Net cash used in investing activities | (23,193,742) | (12,709,560) |



Consolidated Cash Flow Statement

For The Year Ended 31 December 2002

CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

| | RM | 2001 RM |
|---|------------------|--------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from exercise of ESOS | 1,534,880 | 312,440 |
| Repayment of revolving credit | (1,216,160) | (1,212,615) |
| Repayment of hire purchase obligation | (188,369) | (197,781) |
| Drawdown of term loan | - | 5,510,505 |
| Repayment of term loans | (3,560,458) | (2,733,405) |
| Dividend paid | (3,189,950) | - |
| Drawdown/(Repayment) of short term bank borrowings, net | 9,435,587 | (1,644,326) |
| Net cash generated from financing activities | 2,815,530 | 34,818 |
| Net increase/(decrease) in cash and cash equivalents | 5,729,388 | (4,519,303) |
| Cash and cash equivalents at beginning of year | (2,548,149) | 1,971,154 |
| Cash and cash equivalents at end of year (Note A) | <u>3,244,239</u> | <u>(2,548,149)</u> |

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

A) Cash and cash equivalents

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

| | RM | 2001 RM |
|--|------------------|--------------------|
| Short term deposits with a licensed bank | 1,050,000 | 1,000,000 |
| Cash and bank balances | 3,737,915 | 1,134,309 |
| Overdrafts | (1,543,676) | (4,682,458) |
| | <u>3,244,239</u> | <u>(2,548,149)</u> |

B) Property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM24,366,353 (2001 : RM12,986,587) of which RM358,499 (2001 : RMNIL) are acquired by means of hire purchase.

The notes set out on pages 33 to 53 form an integral part of, and, should be read in conjunction with, these financial statements.

Balance Sheet

At 31 December 2002



| | NOTE | RM | 2001 RM |
|-----------------------------|------|------------|------------|
| INVESTMENT IN SUBSIDIARIES | 3 | 34,050,002 | 22,050,002 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 5 | 29,812,812 | 40,360,656 |
| Cash and cash equivalents | 6 | 593,304 | 674,308 |
| | | 30,406,116 | 41,034,964 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 7 | 508,306 | 398,048 |
| | | 508,306 | 398,048 |
| NET CURRENT ASSETS | | 29,897,810 | 40,636,916 |
| | | 63,947,812 | 62,686,918 |
| Financed by : | | | |
| SHARE CAPITAL | 9 | 63,810,000 | 27,644,000 |
| RESERVES | 10 | 137,812 | 35,042,918 |
| SHAREHOLDERS' FUNDS | | 63,947,812 | 62,686,918 |

The notes set out on pages 33 to 53 form an integral part of, and, should be read in conjunction with, these financial statements.



Income Statement

For The Year Ended 31 December 2002

| | NOTE | RM | 2001 RM |
|-----------------------------------|------|-------------------------|--------------------------|
| Revenue | 11 | 7,193,252 | 25,605,072 |
| Cost of sales | | (3,857,249) | (1,282,353) |
| Gross profit | | <u>3,336,003</u> | <u>24,322,719</u> |
| Administrative expenses | | (693,232) | (653,219) |
| Other operating income | | 293,877 | 411,347 |
| Operating profit | 12 | <u>2,936,648</u> | <u>24,080,847</u> |
| Interest expense | | (5,745) | (3,476) |
| Profit before tax | | <u>2,930,903</u> | <u>24,077,371</u> |
| Tax expense | 15 | (14,939) | (4,178,862) |
| Net profit after tax for the year | | <u><u>2,915,964</u></u> | <u><u>19,898,509</u></u> |

The notes set out on pages 33 to 53 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 2002



| | Share Capital RM | Non-Distributable Share Premium RM | Distributable Retained Profits RM | Total RM |
|--|--------------------------|---|--|--------------------------|
| At 1 January 2001 | 27,498,000 | 5,276,892 | 9,701,077 | 42,475,969 |
| 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>27,644,000</u> | <u>5,443,332</u> | <u>29,599,586</u> | <u>62,686,918</u> |
| Arising from issue of new ordinary shares by virtue of : | | | | |
| - the exercise of option under ESOS at : | | | | |
| RM2.14 per share | 692,000 | 788,880 | - | 1,480,880 |
| RM1.00 per share | 54,000 | - | - | 54,000 |
| - the bonus issues (5 for 4) | 35,420,000 | (6,232,212) | (29,187,788) | - |
| Net profit after tax for the year | - | - | 2,915,964 | 2,915,964 |
| Dividend paid : | | | | |
| Final 5% tax exempt | - | - | (3,189,950) | (3,189,950) |
| At 31 December 2002 | <u><u>63,810,000</u></u> | <u><u>-</u></u> | <u><u>137,812</u></u> | <u><u>63,947,812</u></u> |

The notes set out on pages 33 to 53 form an integral part of, and, should be read in conjunction with, these financial statements.



Cash Flow Statement

For The Year Ended 31 December 2002

| | RM | 2001 RM |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 2,930,903 | 24,077,371 |
| Adjustments for : | | |
| Interest income | (293,877) | (411,347) |
| Interest expense | 5,745 | 3,476 |
| Dividend income | (3,300,565) | (24,308,552) |
| Operating loss before working capital changes | (657,794) | (639,052) |
| Decrease in trade and other receivables | 10,532,905 | 487,902 |
| Increase in trade and other payables | 110,258 | 135,410 |
| Cash generated from/(used in) | 9,985,369 | (15,740) |
| Interest paid | (5,745) | (3,476) |
| Tax paid | - | (81,533) |
| Net cash generated from/(used in) operating activities | 9,979,624 | (100,749) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 293,877 | 411,347 |
| Dividend received | 3,300,565 | - |
| Investment in newly incorporated subsidiaries | (12,000,000) | (4) |
| Net cash (used in)/generated from investing activities | (8,405,558) | 411,343 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from exercise of ESOS | 1,534,880 | 312,440 |
| Dividend paid | (3,189,950) | - |
| Net cash (used in)/generated from financing activities | (1,655,070) | 312,440 |
| Net (decrease)/increase in cash and cash equivalents | (81,004) | 623,034 |
| Cash and cash equivalents at beginning of year | 674,308 | 51,274 |
| Cash and cash equivalents at end of year (Note 6) | 593,304 | 674,308 |

Note :

Cash and cash equivalents included in the cash flow statement comprise of cash and bank balances as shown in Note 6 to the financial statements.

The notes set out on pages 33 to 53 form an integral part of, and, should be read in conjunction with, these financial statements.



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 following :

- i) adoption of new Malaysian Accounting Standards Board ("MASB") taking effect this financial year :-
 - (a) MASB 20, Provision, Contingent Liabilities and Contingent Assets which is applied retrospectively and MASB 21, Business Combinations which is applied prospectively. Comparative figures have not been restated and no prior year adjustment is shown as they have no material impact on the financial statements;
 - (b) MASB 22, Segment Reporting which is applied prospectively. Comparatives figures have been presented to conform with the changes in presentation as required by the standard;
 - (c) MASB 23, Impairment of Assets which is applied prospectively. The restatement of comparative figures and prior year adjustment are therefore not presented; and
 - (d) MASB 24, Financial Instruments : Disclosure and Presentation which has been adopted prospectively.
- ii) early adoption of MASB 25, Income Taxes whereby :
 - (a) Deferred tax on revaluation surplus is now recognised in the financial statements. Previously, deferred tax on the revaluation has not been recognised in the financial statements as the properties of land and building are held for long term use.
 - (b) Deferred tax asset should be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Where the carrying amount of an asset or liability on initial recognition differs from its initial tax base, such temporary differences are not to be recognised as deferred tax assets or liabilities. In the previous years, deferred tax liability was accounted for after taking into consideration future income tax benefit arising from reinvestment tax allowances, an initial recognition, which is now excluded from the computation.

The effect of this early adoption has reduced the current year's Group profit after tax by RM412,000.

Apart from the inclusion of the new policies and extended disclosures as required by the standards, the adoption of these standards has not had effect on the financial statements except for the early adoption of MASB25, Income Taxes, the effect of which has been disclosed above.

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 including the early adoption of MASB 25, Income Taxes.

1.2 Basis of Consolidation

Subsidiaries 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 subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the merger method of accounting except for certain subsidiaries which are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary 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. Subsidiaries 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 subsidiaries 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 subsidiaries 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 subsidiaries' 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.

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.

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 other than subsidiaries 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.

Long term investments in subsidiaries are stated at cost, less impairment losses where applicable.

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 fixed and variable manufacturing overheads.

1.7 Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.



1.8 Taxation

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous year.

Deferred taxation is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences resulting from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Previously, 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. Deferred tax benefits are only recognised where 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 and pledged deposits.

1.10 Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

1.11 Liabilities

Borrowing and trade and other payables are stated at cost.

1.12 Foreign Currency Transactions

i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated 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 on 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.



Notes To The Financial Statements

- 31 December 2002

ii) Foreign statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

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

| | | | | | | |
|------|---------|-------|---|------|---|----------|
| 1USD | RM3.80 | (2001 | : | 1USD | = | RM3.80) |
| 1AUD | RM1.95 | (2001 | : | 1AUD | = | RM2.10) |
| 1YEN | RM0.029 | (2001 | : | 1YEN | = | RM0.033) |
| 1SGD | RM2.05 | (2001 | : | 1SGD | = | RM2.20) |
| 1RMB | RM0.47 | (2001 | : | NIL) | | |

1.13 Hire Purchase

Assets acquired under hire purchase instalment plans are capitalised as property, plant and equipment and the corresponding obligations are taken up as liabilities.

1.14 Impairment

The carrying amount of the Group's assets, other than inventories (refer note 1.6) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement. Any subsequent increase in recoverable amount is recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a charge in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

1.15 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.

1.16 Finance Costs

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

Notes To The Financial Statements

- 31 December 2002



2. PROPERTY, PLANT AND EQUIPMENT

| GROUP | Land and buildings RM | Plant and machinery RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Capital expenditure-in-progress RM | Total RM |
|---|--------------------------|---------------------------|--|----------------------|---------------------------------------|--------------------|
| Cost/Valuation | | | | | | |
| At 1 January 2002 | 20,240,793 | 61,219,512 | 3,018,614 | 6,906,904 | 1,821,170 | 93,206,993 |
| Additions | 3,262,982 | 18,659,458 | 626,138 | 1,054,020 | 763,755 | 24,366,353 |
| Disposals | - | (405,075) | (3,690) | (529,620) | - | (938,385) |
| Write-off | (63,779) | - | (42,755) | - | - | (106,534) |
| Transfer | 1,495,491 | 313,733 | - | - | (1,809,224) | - |
| At 31 December 2002 | <u>24,935,487</u> | <u>79,787,628</u> | <u>3,598,307</u> | <u>7,431,304</u> | <u>775,701</u> | <u>116,528,427</u> |
| Accumulated Depreciation | | | | | | |
| At 1 January 2002 | 2,631,241 | 20,458,212 | 1,690,154 | 5,099,373 | - | 29,878,980 |
| Charge for the year | 587,078 | 5,971,359 | 329,132 | 813,975 | - | 7,701,544 |
| Disposals | - | (42,283) | (3,690) | (529,617) | - | (575,590) |
| Write-off | (63,778) | - | (42,660) | - | - | (106,438) |
| At 31 December 2002 | <u>3,154,541</u> | <u>26,387,288</u> | <u>1,972,936</u> | <u>5,383,731</u> | <u>-</u> | <u>36,898,496</u> |
| Net Book Value | | | | | | |
| At 31 December 2002 | <u>21,780,946</u> | <u>53,400,340</u> | <u>1,625,371</u> | <u>2,047,573</u> | <u>775,701</u> | <u>79,629,931</u> |
| At 31 December 2001 | <u>17,609,552</u> | <u>40,761,300</u> | <u>1,328,460</u> | <u>1,807,531</u> | <u>1,821,170</u> | <u>63,328,013</u> |
| Depreciation Charge For The Year Ended 31 December 2001 | <u>535,274</u> | <u>4,701,628</u> | <u>263,592</u> | <u>804,764</u> | <u>-</u> | <u>6,305,258</u> |

Land and buildings comprise :

| | Cost/Valuation | | Net Book Value | |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | RM | 2001 RM | RM | 2001 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 | 1,529,307 | 1,555,062 |
| Short term leasehold land | 2,096,370 | 2,096,370 | 1,741,249 | 1,783,576 |
| Factory buildings | 5,783,630 | 5,783,630 | 4,221,425 | 4,440,915 |
| At cost | | | | |
| Long term leasehold land | 959,212 | 55,000 | 934,141 | 49,867 |
| Factory buildings | 8,567,275 | 4,776,793 | 7,515,824 | 3,941,132 |
| | <u>24,935,487</u> | <u>20,240,793</u> | <u>21,780,946</u> | <u>17,609,552</u> |

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



Notes To The Financial Statements

- 31 December 2002

| | Cost RM | Accumulated Depreciation RM | Net Book Value RM |
|---------------------------|------------------|-----------------------------------|-------------------------|
| Freehold land | 1,143,129 | - | 1,143,129 |
| Long term leasehold land | 934,165 | 102,592 | 831,753 |
| Short term leasehold land | 858,181 | 199,758 | 658,423 |
| Factory buildings | 3,229,681 | 1,160,172 | 2,069,509 |
| | <u>6,165,156</u> | <u>1,462,522</u> | <u>4,702,634</u> |
| 2001 | | | |
| 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> |

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

| | RM | 2001 RM |
|---------------------|----------------|------------|
| Plant and machinery | 168,626 | 202,893 |
| Motor vehicles | <u>572,776</u> | <u>-</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 (2001 : RM12,820,000).

3. INVESTMENT IN SUBSIDIARIES - COMPANY

| | RM | 2001 RM |
|--------------------------|-------------------|-------------------|
| Unquoted shares, at cost | <u>34,050,002</u> | <u>22,050,002</u> |

Details of subsidiaries are as follows :

| Name of Company | Percentage of Equity Held 2001 | | Principal Activities | Country |
|---|--------------------------------------|-----|---|----------------------------|
| Syarikat Thong Guan Trading Sdn Bhd | 100 | 100 | Trading of plastic and paper products, beverages (such as tea and coffee) and machinery | Malaysia |
| Thong Guan Plastic & Paper Industries Sdn Bhd | 100 | 100 | Manufacture and trading of plastic and paper products | Malaysia |
| Uniang Plastic Industries (Sabah) Sdn Bhd | 100 | 100 | Manufacture and trading of plastic products | Malaysia |
| Jaya Uni'ang (Sabah) Sdn Bhd | 100 | 100 | Trading of plastic products and consumable products | Malaysia |
| Ebontech Sdn. Bhd | 100 | 100 | Manufacture and trading of plastic packaging products | Malaysia |
| Magna Reliance Sdn Bhd # | 100 | 100 | Dormant | Malaysia |
| Thong Guan Plastic Industries (Suzhou) Co., Ltd # | 100 | - | Manufacture and trading of plastic products | People's Republic of China |

- Not audited by KPMG

During the year, the Group has incorporated a new subsidiary, Thong Guan Plastic Industries (Suzhou) Co., Ltd ("TGPIIS"). At present, the group has accounted for the results of TGPIIS based on 100% equity participation by the Group. However the equity interest in TGPIIS may change as the management is still in the process of finalising the Group's equity participation in TGPIIS.

Notes To The Financial Statements

- 31 December 2002



4. INVENTORIES - GROUP

| | RM | 2001 RM |
|--------------------------|-------------------|-------------------|
| Raw materials | 25,898,730 | 20,410,307 |
| Work-in-progress | 728,954 | 900,532 |
| Manufactured inventories | 3,792,697 | 4,388,093 |
| Trading inventories | 5,379,084 | 5,663,423 |
| | <u>35,799,465</u> | <u>31,362,355</u> |

5. TRADE AND OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|--|-------------------|-------------------|-------------------|-------------------|
| | RM | 2001 RM | RM | 2001 RM |
| Trade receivables | 32,725,523 | 29,067,906 | 835,294 | 422,158 |
| Other receivables deposits and prepayments | 4,039,067 | 11,272,483 | 19,321 | 4,497,484 |
| Tax refundable | 190,676 | 161,829 | 146,890 | 161,829 |
| Amount due from subsidiaries | - | - | 12,981,801 | 6,219,860 |
| Dividends receivable from subsidiaries | - | - | 15,829,506 | 29,059,325 |
| | <u>36,955,266</u> | <u>40,502,218</u> | <u>29,812,812</u> | <u>40,360,656</u> |

Included in trade receivables and other receivables of the Group are amounts of RM649,315 (2001 : RM703,759) and RM380,679 (2001 : RM295,885) respectively due from companies in which certain directors have substantial financial interests.

6. CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|--|------------------|------------------|----------------|----------------|
| | RM | 2001 RM | RM | 2001 RM |
| Cash and bank balances | 3,737,915 | 1,134,309 | 593,304 | 674,308 |
| Short term deposits with a licensed bank | 1,050,000 | 1,000,000 | - | - |
| | <u>4,787,915</u> | <u>2,134,309</u> | <u>593,304</u> | <u>674,308</u> |

7. TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|-------------------------------------|-------------------|-------------------|----------------|----------------|
| | RM | 2001 RM | RM | 2001 RM |
| Trade payables | 27,624,163 | 23,193,546 | - | - |
| Other payables and accrued expenses | 8,451,425 | 4,072,543 | 358,306 | 398,048 |
| Amount owing to directors | 170,000 | 20,000 | 150,000 | - |
| | <u>36,245,588</u> | <u>27,286,089</u> | <u>508,306</u> | <u>398,048</u> |

Included in trade and other payables of the Group are amounts of RM309,450 (2001 : RMNIL) and RM95,163 (2001 : RMNIL) respectively due to companies 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
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8. BORROWINGS - GROUP

| | RM | 2001 RM |
|---------------------------------------|-------------------|-------------------|
| Current : | | |
| Secured | | |
| - Term loans | 2,094,054 | 2,632,148 |
| - Overdrafts | 1,457,650 | 4,660,359 |
| - Bankers' acceptances | 5,837,299 | 1,326,000 |
| - Bills payable | 393,240 | 459,693 |
| - Export credit refinancing | 654,000 | 456,000 |
| | <u>10,436,243</u> | <u>9,534,200</u> |
| Unsecured | | |
| - Term loans | 1,217,266 | 1,136,215 |
| - Overdrafts | 86,026 | 22,099 |
| - Bankers' acceptances | 1,259,000 | 2,615,000 |
| - Revolving credit | 574,673 | 1,216,000 |
| - Bills payable | - | 1,039,311 |
| - On shore foreign currency time loan | 7,188,052 | - |
| | <u>10,325,017</u> | <u>6,028,625</u> |
| Hire purchase obligations | 185,457 | 101,178 |
| | <u>20,946,717</u> | <u>15,664,003</u> |
| Non-current : | | |
| Secured | | |
| - Term loans | 4,329,532 | 6,362,552 |
| Unsecured | | |
| - Term loans | 2,657,741 | 3,728,136 |
| - Revolving credit | - | 574,833 |
| | <u>2,657,741</u> | <u>4,302,969</u> |
| Hire purchase obligations | 106,688 | 20,837 |
| | <u>7,093,961</u> | <u>10,686,358</u> |

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 2002 | <u>10,298,593</u> | <u>3,311,320</u> | <u>3,315,342</u> | <u>3,671,931</u> |
| As at 31 December 2001 | <u>13,859,051</u> | <u>3,768,363</u> | <u>3,325,159</u> | <u>6,765,529</u> |

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 2002 | <u>574,673</u> | <u>574,673</u> | - | - |
| As at 31 December 2001 | <u>1,790,833</u> | <u>1,216,000</u> | <u>574,833</u> | - |

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8.1.3 Hire purchase obligations are payable as follows :

| | ← 2002 → | | | ← 2001 → | | |
|--------------------------|----------------|----------------|-----------------|----------------|----------------|-----------------|
| | Payments RM | Interest RM | Principal RM | Payments RM | Interest RM | Principal RM |
| Within 1 year | 203,590 | 18,133 | 185,457 | 120,077 | 18,899 | 101,178 |
| Between 1 and 5 years | 118,554 | 11,866 | 106,688 | 24,489 | 3,652 | 20,837 |
| | <u>322,144</u> | <u>29,999</u> | <u>292,145</u> | <u>144,566</u> | <u>22,551</u> | <u>122,015</u> |

The above bank borrowings of the Group and Company are subject to interest at rates ranging from 7.40% to 7.65% (2001 : 7.65% to 7.90%) 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 3.90% (2001 : 3.90%) per annum.

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

9. SHARE CAPITAL

| | RM | 2001 RM |
|---|--------------------|--------------------|
| Ordinary shares of RM1 each | | |
| Authorised : | | |
| Balance at 1 January | 500,000,000 | 50,000,000 |
| Increased during the year | - | 450,000,000 |
| Balance at 31 December | <u>500,000,000</u> | <u>500,000,000</u> |
| Issued and fully paid : | | |
| Balance at 1 January | 27,644,000 | 27,498,000 |
| Exercise of ESOS at RM2.14 per share for cash | 746,000 | 146,000 |
| Bonus issues (5 for 4) | 35,420,000 | - |
| Balance at 31 December | <u>63,810,000</u> | <u>27,644,000</u> |

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

| | RM | 2001 RM |
|----------------------------|------------------|------------------|
| At 1 January | 1,645,000 | 1,791,000 |
| Exercised | (746,000) | (146,000) |
| Adjustment for bonus issue | 1,238,000 | - |
| At 31 December | <u>2,137,000</u> | <u>1,645,000</u> |

At 31 December 2002, there were 2,137,000 unissued ordinary shares under option at an exercise price of RM1.00 per share.



Notes To The Financial Statements

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10. RESERVES

| | GROUP | | COMPANY | |
|-------------------|-------------------|--------------------------|----------------|-------------------|
| | RM | 2001 RM (Restated) | RM | 2001 RM |
| Non-distributable | | | | |
| Share premium | - | 5,443,332 | - | 5,443,332 |
| Distributable | | | | |
| Retained profits | 22,152,024 | 43,779,767 | 137,812 | 29,599,586 |
| | <u>22,152,024</u> | <u>49,223,099</u> | <u>137,812</u> | <u>35,042,918</u> |

11. REVENUE

| | GROUP | | COMPANY | |
|---|--------------------|--------------------|------------------|-------------------|
| | RM | 2001 RM | RM | 2001 RM |
| Invoiced value of goods sold less discounts and returns | 177,136,611 | 140,678,522 | 3,892,687 | 1,296,520 |
| Dividend income from subsidiaries | - | - | 3,300,565 | 24,308,552 |
| | <u>177,136,611</u> | <u>140,678,522</u> | <u>7,193,252</u> | <u>25,605,072</u> |

12. DEFERRED TAXATION - GROUP

12.1 Pursuant to the early adoption of MASB 25, Income Taxes, the brought forward deferred taxation balance has been adjusted to account for the deferred taxation liability on the taxable temporary differences arising from the revaluation of properties in previous years and excluding future income tax benefit arising from reinvestment tax allowances. These have been adjusted as a prior year adjustment against revaluation reserve and retained profits respectively. The changes in comparative figures are further disclosed in Note 23.

| | RM | 2001 (Restated) RM |
|---|------------------|--------------------------|
| Balance at 1 January (as previously stated) | 1,213,796 | 751,000 |
| Change in accounting policy with respect to deferred tax liability from : | | |
| Revaluation of properties | 1,273,468 | 1,621,569 |
| Excluding of future income tax benefit arising from reinvestment tax allowances | 3,777,000 | 2,086,000 |
| Balance at 1 January (as restated) | <u>6,264,264</u> | <u>4,458,569</u> |
| Transfer from income statement (Note 15) | 563,998 | 1,805,695 |
| Balance at 31 December | <u>6,828,262</u> | <u>6,264,264</u> |

12.2 The balance in deferred taxation is made up of tax effects of the temporary differences arising from the following taxable temporary difference :

| | RM | 2001 (Restated) RM |
|--|------------------|--------------------------|
| Property, plant and equipment | | |
| - Capital allowances in excess of depreciation | 5,435,546 | 4,701,125 |
| - Revaluation, net of related depreciation | 1,392,716 | 1,563,139 |
| Balance at 31 December | <u>6,828,262</u> | <u>6,264,264</u> |

Notes To The Financial Statements

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13. OPERATING PROFIT

Operating profit is arrived at :

| | GROUP | | COMPANY | |
|--|--------------|--------------|-----------|------------|
| | RM | 2001 RM | RM | 2001 RM |
| After charging : | | | | |
| Auditors' remuneration | | | | |
| - current year | 57,838 | 44,650 | 7,000 | 5,000 |
| - prior year | 4,000 | 3,000 | 2,000 | - |
| Bad debts written off | 59,601 | 68,840 | - | - |
| Depreciation (Note 2) | 7,701,544 | 6,305,258 | - | - |
| Directors' emoluments | | | | |
| Directors of the Company | | | | |
| - fees | 382,000 | 437,500 | 250,000 | 225,000 |
| - others | 1,403,520 | 1,151,476 | - | - |
| Other Directors | | | | |
| - fees | 32,000 | 32,425 | - | - |
| - others | 156,434 | 173,646 | - | - |
| Loss on foreign exchange | | | | |
| - realised | - | 1,914,342 | - | - |
| - unrealised | - | 523,790 | - | - |
| Rental expense | 1,013,605 | 894,470 | - | - |
| Preliminary expenses written off | - | 5,125 | - | - |
| Allowance for doubtful debts | 67,779 | - | - | - |
| Property, plant and equipment written-off | 96 | - | - | - |
| and crediting : | | | | |
| Interest income | | | | |
| - related company | 141,687 | 6,727 | 293,877 | 411,347 |
| Dividend income (gross) receivable from subsidiaries | - | - | 3,300,565 | 24,308,552 |
| Gain on disposal of plant and equipment | 309,630 | 232,836 | - | - |
| Gain on foreign exchange | | | | |
| - realised | 251,929 | - | - | - |
| - unrealised | 442,672 | - | - | - |
| Rental income | <u>3,840</u> | <u>1,650</u> | <u>-</u> | <u>-</u> |

14. EMPLOYEES' INFORMATION

| | GROUP | | COMPANY | |
|------------|-------------------|-------------------|----------------|---------------|
| | RM | 2001 RM | RM | 2001 RM |
| Staff cost | <u>13,926,310</u> | <u>12,168,823</u> | <u>112,797</u> | <u>85,927</u> |

The number of employees of the Group and of the Company (including directors) at the end of the year was 934 (2001 : 765) and 4 (2001 : 4) respectively.



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15. TAX EXPENSE

15.1 Component of tax expenses :

| | GROUP | | COMPANY | |
|---|------------------|--------------------------|---------------|------------------|
| | RM | 2001 RM (Restated) | RM | 2001 RM |
| Current tax expense | | | | |
| - Based on results for the year | 1,204,000 | 837,614 | - | 4,178,862 |
| - (Over)/Under provision in prior years | (345,854) | (17,694) | 14,939 | - |
| | 858,146 | 819,920 | 14,939 | 4,178,862 |
| Deferred tax expense | | | | |
| - current year | 525,000 | 1,805,695 | - | - |
| - prior years | 38,998 | - | - | - |
| | 563,998 | 1,805,695 | - | - |
| | <u>1,422,144</u> | <u>2,625,615</u> | <u>14,939</u> | <u>4,178,862</u> |

15.2 Reconciliation of effective tax rate

| GROUP | % | RM | % | 2001 RM |
|--|--------------|------------------|--------------|------------------|
| Profit before tax | | 12,172,139 | | 8,736,134 |
| Income tax using Malaysian Tax rate | 28.00 | 3,408,199 | 28.00 | 2,443,318 |
| (Income not subject to tax)/ Expenses deductible for tax : | | | | |
| - Depreciation of non-qualifying property, plant and equipment | 0.80 | 97,122 | 1.10 | 96,078 |
| - Unrealised (gain)/loss on foreign exchange | (1.03) | (123,948) | 1.68 | 146,661 |
| - Others | 1.14 | 139,085 | 1.43 | 128,132 |
| Deferred tax benefits (recognised)/not recognised | (0.29) | (37,520) | 2.78 | 242,500 |
| Over provision in prior years | (2.53) | (306,856) | (0.21) | (17,694) |
| Effect of tax incentive | (14.41) | (1,753,938) | (4.73) | (413,380) |
| | <u>11.68</u> | <u>1,422,144</u> | <u>30.05</u> | <u>2,625,615</u> |
| COMPANY | | | | |
| Profit before tax | | 2,930,905 | | 24,077,371 |
| Income tax using Malaysian Tax rate | 28.00 | 820,653 | 28.00 | 6,741,664 |
| Income not subject to tax | | | | |
| - Tax exempt dividend | (31.53) | (924,158) | (10.94) | (2,635,147) |
| - Others | 3.53 | 103,505 | 0.3 | 72,345 |
| Under provision in prior years | 0.51 | 14,939 | - | - |
| | <u>0.51</u> | <u>14,939</u> | <u>17.36</u> | <u>4,178,862</u> |



15. TAX EXPENSE (Cont'd)

15.2 Reconciliation of tax charge

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 RM127,000 (2001 : RM162,000) in respect of the following items:-

| | RM | 2001 RM |
|---|------------------|------------------|
| Timing differences between accounting depreciation and related capital allowances | 1,499,000 | 708,000 |
| Unabsorbed capital allowances | (977,000) | (343,000) |
| Unutilised tax losses | (974,000) | (951,000) |
| | <u>(452,000)</u> | <u>(586,000)</u> |

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.

EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM10,749,995 (2001 : RM6,100,519) and the weighted average number of ordinary shares outstanding during the year of 63,690,000 (2001 : 63,031,000) calculated as follows :

Weighted average number of ordinary shares

| | '000 | 2001 '000 (Restated) |
|---|---------------|----------------------------|
| Issued ordinary shares at beginning of year | 27,644 | 27,498 |
| Bonus issue | 35,420 | 35,420 |
| Effect of shares issued in : | | |
| January | 64 | - |
| February | 135 | 26 |
| March | 401 | - |
| April | - | 84 |
| July | 22 | 2 |
| September | 4 | - |
| October | - | 1 |
| | <u>626</u> | <u>113</u> |
| Weighted average number of ordinary shares | <u>63,690</u> | <u>63,031</u> |

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 RM10,749,995 (2001 : RM6,100,519) and the weighted average number of ordinary shares outstanding during the year of 64,108,000 (2001 : 63,462,000) calculated as follows :

Weighted average number of ordinary shares (diluted)

| | '000 | 2001 '000 (Restated) |
|--|---------------|----------------------------|
| Issued ordinary shares at beginning of year | 27,644 | 27,498 |
| Bonus issue | 35,420 | 35,420 |
| Effect of share options | 1,044 | 544 |
| | <u>64,108</u> | <u>63,462</u> |
| Weighted average number of ordinary shares (diluted) | <u>64,108</u> | <u>63,462</u> |



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17. CAPITAL COMMITMENT - GROUP

| | RM'000 | 2001 RM'000 |
|--|------------|----------------|
| Property, plant and equipment Contracted but not provided for in the financial statements | <u>906</u> | <u>12,508</u> |

18. CONTINGENT LIABILITY

GROUP

| | RM'000 | 2001 RM'000 |
|------------------|------------|----------------|
| Secured | | |
| Bills discounted | <u>684</u> | <u>1,094</u> |

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 subsidiaries up to a limit of RM88.9 million (2001 : RM78.9 million) of which RM27.2 million (2001 : RM23.2 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 subsidiaries companies up to a limit of RM75,000 (2001 : RM75,000) of which RM24,489 (2001 : RM53,877) has been utilised as at balance sheet date.
- iii) The Company has issued a corporate guarantee amounting to RM25.7 million (2001 : RM9.5 million) to vendors for the purchase of raw materials by certain subsidiaries. The amount owing by the subsidiaries to those vendors as at balance sheet date amounted to RM13.3 million (2001 : RM9.0 million).

19. SEGMENT INFORMATION - GROUP

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

The primary format business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined base on negotiated terms.

Segmental results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest bearing loans, borrowings and expenses and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business Segments

The Group comprises the following main business segments :

| | |
|----------------------------|--|
| Packaging | The manufacturing of plastic, paper and plastic packaging products |
| Marketing and Distribution | The trading of plastic and paper products, beverages and machinery |
| Investment holding | Investment in shares |

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SEGMENT INFORMATION - GROUP

| | Investment | | Marketing and Distribution | | Packaging | | Total | | Elimination | | Consolidated | |
|---------------------------------|------------|-----------|----------------------------|------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|-------------|
| | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 |
| Business segments | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| Revenue | | | | | | | | | | | | |
| Revenue from external customers | - | - | 45,565,009 | 40,620,101 | 131,571,602 | 100,058,421 | 177,136,611 | 140,678,522 | - | - | 177,136,611 | 140,678,522 |
| Inter-segment revenue | - | - | 1,054,965 | 958,719 | 23,610,394 | 20,132,787 | 24,665,359 | 21,091,506 | (24,665,359) | (21,091,506) | - | - |
| Total revenue | - | - | 46,619,974 | 41,578,820 | 155,181,996 | 120,191,208 | 201,801,970 | 161,770,028 | (24,665,359) | (21,091,506) | 177,136,611 | 140,678,522 |
| Profit After Tax | | | | | | | | | | | | |
| Segment result | - | - | 1,631,503 | 5,877,371 | 12,045,631 | 8,727,910 | 13,677,134 | 14,605,281 | - | (4,171,248) | 13,677,134 | 10,434,033 |
| Unallocated expenses | | | | | | | | | | | | |
| Operating profit | | | | | | | | | | | | |
| Interest expense | | | | | | | | | | | | |
| Interest income | | | | | | | | | | | | |
| Profit before tax | | | | | | | | | | | | |
| Tax expense | | | | | | | | | | | | |
| Net profit for the year | | | | | | | | | | | | |
| Segment Assets | | | | | | | | | | | | |
| Segment assets | 1,447,919 | 5,584,770 | 28,159,927 | 28,738,549 | 127,374,055 | 102,841,747 | 156,981,901 | 137,165,066 | - | - | 156,981,901 | 137,165,066 |
| Segment Liabilities | | | | | | | | | | | | |
| Segment liabilities | 508,306 | 398,048 | 3,919,781 | 5,564,966 | 59,954,204 | 48,232,518 | 64,382,291 | 54,195,532 | - | - | 64,382,291 | 54,195,532 |
| Depreciation | - | - | 865,309 | 891,554 | 6,836,235 | 5,413,704 | 7,701,544 | 6,305,258 | - | - | 7,701,544 | 6,305,258 |
| Capital expenditure | - | - | 1,220,449 | 592,680 | 23,145,904 | 12,393,907 | 24,366,353 | 12,986,587 | - | - | 24,366,353 | 12,986,587 |



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Geographical segments

The manufacturing and trading segments are operated in other principal geographical areas apart from Malaysia and China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on geographical location of assets.

Geographical segments

| Revenue | Malaysia RM | Other ASEAN countries RM | Japan RM | Others RM | Total RM | Elimination RM | Consolidated RM |
|---------------------------------|----------------|--------------------------------|-------------|--------------|-------------|-------------------|--------------------|
| Revenue from external customers | 76,954,951 | 19,597,270 | 49,726,671 | 30,857,719 | 177,136,611 | - | 177,136,611 |

| 2001 | | | | | | | |
|---------------------------------|----------------|--------------------------------|-------------|--------------|-------------|-------------------|--------------------|
| Revenue | Malaysia RM | Other ASEAN countries RM | Japan RM | Others RM | Total RM | Elimination RM | Consolidated RM |
| Revenue from external customers | 68,858,707 | 20,171,919 | 33,272,419 | 18,375,477 | 140,678,522 | - | 140,678,522 |
| Inter-segment revenue | 45,400,057 | - | - | - | 45,400,057 | (45,400,057) | - |
| Total revenue | 114,258,764 | 20,171,919 | 33,272,419 | 18,375,477 | 186,078,579 | - | 140,678,522 |

| | Malaysia | | China | | Elimination | | Consolidated | |
|---|-------------|-------------|------------|---|-------------|---|--------------|-------------|
| | 2001 RM | | 2001 RM | | 2001 RM | | 2001 RM | |
| Segment assets by location of assets | 131,623,843 | 137,165,066 | 25,358,058 | - | - | - | 156,981,901 | 137,165,066 |
| Capital expenditure by location of assets | 5,629,716 | 12,986,587 | 18,736,637 | - | - | - | 24,366,353 | 12,986,587 |



20. RELATED PARTIES - GROUP/COMPANY

20.1 Related party relationships

i) Companies controlled by the Company

- subsidiaries as disclosed in Note 3

ii) Companies in which all the directors except Tengku Makram Bin Tengku Ariff, Tuan Haji Mohd Salleh Bin Zakaria, Datuk Ahmad Bin Tokimin and Lee Eng Sheng are deemed to have substantial financial interests :

| | |
|--|------------|
| - Nice Saga Sdn. Bhd. | ("NS") |
| - Tong Yuan Enterprise Co. | ("TYE") |
| - Thong Guan Plastic Industries (Kelantan) Sdn. Bhd. | ("TGPK") |
| - Herh Fuah (Sabah) Sdn. Bhd. | ("HFS") |
| - 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

iv) Bounty Value Sdn Bhd

- Ang See Ming
- Ang See Cheong

20.2 Related party transactions

20.2.1 Transactions with related companies :

COMPANY

| | RM | 2001 RM |
|-----------------|----------------|----------------|
| Purchases | 3,857,249 | 1,282,353 |
| Interest income | <u>262,930</u> | <u>411,347</u> |



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

i) Sales to :

| | RM | 2001 RM |
|-----|----------------|----------------|
| KFI | 39,811 | 6,269 |
| TYE | - | 699,099 |
| NS | 21,286 | 31,042 |
| HFS | 797,419 | 29,139 |
| | <u>797,419</u> | <u>766,549</u> |

ii) Purchases from :

| | RM | 2001 RM |
|------|----------------|------------------|
| KFI | 1,359 | 1,612,279 |
| TGPK | - | 422,705 |
| NS | 11,794 | 17,699 |
| KM | 138,070 | 188,073 |
| | <u>151,223</u> | <u>2,240,756</u> |

iii) Rental expense payable to :

| | RM | 2001 RM |
|--------|----------------|----------------|
| KFI | 78,400 | 100,000 |
| TGPK | 116,400 | 116,400 |
| TGPPEX | 588,000 | 539,000 |
| | <u>782,800</u> | <u>755,400</u> |

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.

20.3 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

No option over ordinary shares of the Company was granted to key management personnel of the Group other than the adjustments to outstanding options arising from bonus issue during the year as follows :

| | Number of Options over ordinary shares of RM1 each | | |
|----------------|--|--|------------|
| | Adjustment arising from Bonus Issue | Unexercised option as at 31.12.2002 | 31.12.2001 |
| Ang Poon Khim | 75,000 | 135,000 | 150,000 |
| Ang Poon Chuan | 113,000 | 203,000 | 190,000 |
| Ang Poon Seong | 75,000 | 165,000 | 150,000 |
| Ang See Ming | 23,000 | 41,000 | 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 (2001 : 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.



21. SIGNIFICANT EVENTS DURING THE YEAR

- (i) On 29 April 2002, the Company issued 35,420,000 new ordinary shares of RM1 each on the basis of 5 new ordinary shares for every 4 existing shares held in the Company in relation to its bonus issue exercise.
- (ii) As announced on 27 February 2003, the Group had on 31 December 2002 incorporated a new subsidiary, Thong Guan Plastic Industries (Suzhou) Co., Ltd ("TGPIS"). At present, the Group has accounted for the TGPIS operation based on 100% equity participation by the Group. However the equity interest in GGPIS may change and we are still in the process of finalising the Group equity participation in TGPIS.

22. FINANCIAL INSTRUMENTS

Financial risk management objective and policies

Exposure to credit, interest rate and currency risk arises in the normal course of the Group and Company's business. The Group and the Company have no formal financial risk management policies and guidelines which set out its overall business strategies, their tolerance to risk and their general risk management philosophy and have established processes to monitor and control the hedging of transactions in a timely and accurate manner.

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

Credit risk

Management has credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group and the Company does not require collateral in respect of financial assets.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial assets.

Interest rate risk

The Group and the Company have no formal policy on interest rate risk. However, at least 60 percent of their exposure to changes in interest rates on bank loans is on a fixed rate basis.

Foreign currency risk

The Group and the Company incur foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Australian Dollars, Singaporean Dollars and Japanese Yen.

The Group and Company hedge at least 80 percent of all trade receivables denominated in foreign currency. The amounts of any unrecognised loss associated with anticipated future transactions for the Group are RM94,491 (2001 : RM22,000) and the expected timing of recognition as expense is over the next six months. Where necessary, the forward exchange contracts are rolled over at maturity at market rates.

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

Notes To The Financial Statements

- 31 December 2002

22. FINANCIAL INSTRUMENTS (Cont'd)

Effective interest rates and repricing analysis.

In respect of interest earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rate at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

| Group | 2002 | | | | 2001 | | | | | |
|------------------------------------|---------------------------|--------------|----------------------|------------------|----------------------|---------------------------|--------------|----------------------|------------------|----------------------|
| | Effective interest rate % | Total RM'000 | Within 1 year RM'000 | 1-5 years RM'000 | After 5 years RM'000 | Effective interest rate % | Total RM'000 | Within 1 year RM'000 | 1-5 years RM'000 | After 5 years RM'000 |
| Financial assets | | | | | | | | | | |
| Short term deposits | 2.30 | 1,050 | 1,050 | - | - | 3.60 | 1,000 | 1,000 | - | - |
| Financial liabilities | | | | | | | | | | |
| Secured term loans | 7.65 | 6,424 | 6,424 | - | - | 7.65 | 8,995 | 8,995 | - | - |
| Unsecured term loans | 7.90 | 3,875 | 3,875 | - | - | 7.90 | 4,864 | 4,864 | - | - |
| Secured overdrafts | 7.65 | 1,458 | 1,458 | - | - | 7.65 | 4,660 | 4,660 | - | - |
| Unsecured overdrafts | 7.65 | 86 | 86 | - | - | 7.65 | 22 | 22 | - | - |
| Onshore foreign currency time loan | 2.95 | 7,188 | 7,188 | - | - | - | - | - | - | - |
| Bills payable | 1.75 | 393 | 393 | - | - | 1.75 | 1,499 | 1,499 | - | - |
| Bankers' acceptances | 3.38 | 7,096 | 7,096 | - | - | 3.38 | 3,941 | - | - | - |
| Revolving credit | 2.52 | 575 | - | - | - | 2.52 | 1,791 | - | - | - |
| Export credit refinancing | 3.25 | 654 | - | - | - | 3.25 | 456 | 456 | - | - |

Notes To The Financial Statements

- 31 December 2002



22. FINANCIAL INSTRUMENTS (Cont'd)

Fair values

Recognised financial instruments

The carrying amounts approximate fair value due to the relatively short-term nature of these financial instruments in respect of cash and bank balances, trade and other receivables, trade and other payables and borrowings.

Unrecognised financial statements :

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 31 December are :

| | 2002 Contracted amount RM | 2002 Fair value RM | 2001 Contracted amount RM | 2001 Fair value RM |
|------------------------------------|------------------------------------|--------------------------|------------------------------------|-----------------------------|
| Forward foreign exchange contracts | 11,505 | 11,600 | 5,250 | 5,228 |

23. PRIOR YEAR ADJUSTMENT - GROUP

Prior year adjustment relates to the effect of the early adoption of MASB 25, Income Taxes as explain in Note 1(ii) (a) & (b).

The change in accounting policy applied retrospectively, has the following impact on profit for the year.

| | As previously reported 2001 RM | Effect of change in policy RM | As restated RM |
|---------------------------------------|---|-------------------------------------|-------------------|
| Statement of changes in equity | | | |
| Retained profits at 1 January 2001 | 41,386,817 | (3,707,569) | 37,679,248 |
| Retained profits at 1 January 2002 | 49,293,031 | (5,513,264) | 43,779,767 |
| Balance sheet | | | |
| Deferred taxation | 751,000 | 5,513,264 | 6,264,264 |
| Reserves | 54,736,363 | (5,513,264) | 49,223,099 |
| Income statement | | | |
| Tax expense | 819,920 | 1,805,695 | 2,625,615 |
| Net profit after tax for the year | 7,906,214 | (1,805,695) | 6,100,519 |

24. COMPARATIVE FIGURES

Following the adoption of MASB Standards in the preparation of this set of financial statements, the preparation and valuation of certain items in the financial statements have been amended. Accordingly, comparative amounts for those item have been reclassified and/or expanded to ensure comparability with the current financial statements as shown in Note 23.



List Of Properties Owned By The Group

| Description | Approximate Land Area (sq. ft.) | Age of Building | Tenure | Net Book Value RM million | Date of Valuation/ 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 | 208,898 | 6-18 years | Freehold | 4.65 | 28.11.1995 |
| Lot P.T. 18876, H.S. (D) No. 98/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah CAH/2001 (E)/K/SC/95 | 107,288 | 6 years | 60 years leasehold, expiring on 12.4.2052 | 2.10 | 28.11.1995 |
| Lot Nos. 646, 647, and 648 Mukim of Sungai Petani District of Kuala Muda, Kedah CAH/2001 (D)K/95 | 1,866,110 | - | Freehold | 0.69 | 28.11.1995 |
| Lot P.T. 129301 H.S. (D) KA27799 Mukim Hulu Kinta District of Kinta, Ipoh, Perak | 5,500 | 18 years | 99 years leasehold, expiring on 18.7.2092 | 0.20 | 28.05.1997 |
| Lot No. P.T. 18877 H.S. (D) No. 99/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah CAH/2001 (B)K/SC/95 | 82,067 | 9 years | 60 years leasehold, expiring on 12.4.2052 | 2.79 | 28.11.1995 |
| 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 | 339,590 | 20 years | Freehold | 4.89 | 28.11.1995 |
| CL 015276687 House 606 Taman Bay View Off Mile 21/2 Jalan Tuaran Kota Kinabalu, Sabah | 2,178 | 24 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 | 82,764 | 14 years | 60 years leasehold, expiring on 31.12.2035 | 1.48 | 13.12.1995 |
| TL 077549707 Lot 13, Hock Seng Industrial Estate Jalan Bomba, Off Km5 Jalan Utara Sandakan | 5,670 | 11 years | 60 years leasehold, expiring on 31.12.2040 | 0.26 | 13.12.1995 |
| CL 105390707 Km4, Jalan Apas Tawau, Sabah | 37,462 | - | 999 years leasehold, expiring on 21.5.2930 | 0.31 | 13.12.1995 |

Shareholdings Statistics

As At 22 April 2003



| | | |
|--------------------------|---|--|
| Authorised share capital | - | 500,000,000 ordinary shares of RM1.00 each |
| Paid up capital | - | 63,814,000 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 Shareholdings | No Of Shareholders | Total Holdings | % Of Total Holdings |
|------------------------|--------------------|-------------------|---------------------|
| 1 - 99 | 5 | 48 | 0.0001 |
| 100 - 1,000 | 124 | 103,089 | 0.1615 |
| 1,001 - 10,000 | 1036 | 4,297,250 | 6.7340 |
| 10,001 - 100,000 | 214 | 5,060,612 | 7.9302 |
| 100,001 - 3,190,699 | 17 | 7,827,501 | 12.2661 |
| 3,190,700 - 63,814,000 | 3 | 46,525,500 | 72.9080 |
| Total | 1399 | 63,814,000 | 100.0000 |

THIRTY LARGEST SHAREHOLDERS

| Name | No. Of Shares Held | % Of Issued Capital |
|--|--------------------|---------------------|
| 1. Foremost Equals Sdn Bhd | 30,435,750 | 47.6945 |
| 2. Permodalan Nasional Berhad | 11,846,250 | 18.5637 |
| 3. HSBC Nominees (Tempatan) Sdn Bhd HSBC (Malaysia) Trustee Berhad For Amanah Saham Kedah | 4,243,500 | 6.6498 |
| 4. AMMB Nominees (Tempatan) Sdn Bhd AmMerchant Bank Bhd (6/248-8) | 1,822,500 | 2.8560 |
| 5. Sensible Matrix Sdn Bhd | 1,739,246 | 2.7255 |
| 6. Lee Ah See | 1,167,750 | 1.8299 |
| 7. Ang See Ming | 684,005 | 1.0719 |
| 8. Lim Joo Hock | 322,000 | 0.5046 |
| 9. Chew Seng Tooi | 315,000 | 0.4936 |
| 10. Ang Poon Chuan | 243,000 | 0.3808 |
| 11. Ang Poon Seong | 222,750 | 0.3491 |
| 12. Ang Poon Khim | 222,750 | 0.3491 |
| 13. Ang Toon Cheng @ Ang Tong Sooi | 200,250 | 0.3138 |
| 14. Tasec Nominees (Asing) Sdn Bhd Meespierson Asia Limited For Savern Finance Limited | 175,500 | 0.2750 |
| 15. Allianz General Insurance Malaysia Berhad | 135,000 | 0.2116 |
| 16. Ooi Boon Chor | 130,000 | 0.2037 |
| 17. Kim Piu Sdn Bhd | 128,250 | 0.2010 |
| 18. Ang Choon Ho | 110,250 | 0.1728 |
| 19. Lai Kok Thye | 108,000 | 0.1692 |
| 20. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng Poh Pheng @ Wong Poh Pheng | 101,250 | 0.1587 |
| 21. Koh Nai Cheng @ Koh Nai Chin | 100,000 | 0.1567 |
| 22. Ang Toon Piah @ Ang Toon Huat | 99,000 | 0.1551 |
| 23. Lim Tuang Yeo | 96,750 | 0.1516 |
| 24. Tan Kom Kia | 90,000 | 0.1410 |
| 25. Kim Piu (Agencies) Sdn Bhd | 81,000 | 0.1269 |
| 26. Goey Neow Kiah @ Goey Choo Mai | 81,000 | 0.1269 |
| 27. Goh Mooi Sim | 77,000 | 0.1207 |
| 28. Tio Swee In | 65,250 | 0.1022 |
| 29. Teh Cheng Ho | 63,000 | 0.0987 |
| 30. Tai Keik Hock | 60,750 | 0.0952 |
| Total: | 55,166,751 | 86.4493 |



Shareholdings Statistics

As At 22 April 2003

DIRECTORS' SHAREHOLDINGS AS AT 22 APRIL 2003

| Name of Director | No. of Shares held | | | | Unexercised ESOS Option |
|-----------------------------------|--------------------|------|-----------------|---|-------------------------|
| | Direct Interest | % | Deemed Interest | % | |
| Ang Toon Cheng @ Ang Tong Sooi | 200,250 | 0.31 | - | - | - |
| Tengku Makram Bin Tengku Ariff | 27,000 | 0.04 | - | - | - |
| Ang Poon Chuan | 243,000 | 0.38 | - | - | 203,000 |
| Ang Toon Piah @ Ang Toon Huat | 99,000 | 0.16 | - | - | 90,000 |
| Ang Poon Seong | 222,750 | 0.35 | - | - | 165,000 |
| Ang Poon Kang | 14,000 | 0.02 | - | - | - |
| Ang Poon Khim | 222,750 | 0.35 | - | - | 135,000 |
| Tuan Haji Mohd Salleh Bin Zakaria | 6,750 | 0.01 | - | - | - |
| Datuk Ahmad Bin Tokimin | - | - | - | - | - |
| Lee Eng Sheng | - | - | - | - | - |

SUBSTANTIAL SHAREHOLDERS AS AT 22 APRIL 2003

| Name | No. of shares held | | % of issued capital |
|--------------------------------|--------------------|-----------------|---------------------|
| | Direct Interest | Deemed Interest | |
| 1. Foremost Equals Sdn Bhd | 30,435,750 | - | 47.69 |
| 2. Permodalan Nasional Berhad | 11,846,250 | - | 18.56 |
| 3. Yayasan Pelaburan Bumiputra | - | * 11,846,250 | 18.56 |

* Deemed interested via Permodalan Nasional Berhad

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighth 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 Saturday, 31 May 2003 at 10.00am to transact the following business :

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2002 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 65 of the Company's Articles of Association :-
 - (a) Ang Poon Kang Ordinary Resolution 4

 - (b) Ang Poon Khim Ordinary Resolution 5

 - (c) Tuan Haji Mohd Salleh Bin Zakaria Ordinary Resolution 6

3. To approve Directors' Fees of RM250,000/- for the year ended 31 December 2002 Ordinary Resolution 7

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

5. AS SPECIAL BUSINESS
To consider and if thought fit, to pass the following as an Ordinary Resolution :-

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 9

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

By Order of the Board

Lam Voon Kean
Company Secretary
(MIA 4793)

Penang, 9 May 2003.



Notice of Annual General Meeting

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 9, 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.



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 EIGHTH 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 Saturday, 31 May 2003 at 10.00am 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 | | |
| 3. | Ordinary Resolution 7 | | |
| 4. | Ordinary Resolution 8 | | |
| 5. | Ordinary Resolution 9 | | |

(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 May 2003

| |
|-----------------------------|
| No. of Ordinary Shares Held |
| |

Signature of Shareholder

Notes :

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

Please fold across the lines and close

stamp

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

Please fold across the lines and close
