

**THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.** If you have sold or transferred all your ordinary shares of RM1.00 each in Thong Guan Industries Berhad (Company No.: 324203-K) ("TGIB" or the "Company"), you should at once hand this Abridged Prospectus ("AP") together with the Notice of Provisional Allotment ("NPA") and Rights Subscription Form ("RSF") to the agent/broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue of ICULS with Warrants (as defined herein), which is the subject of this AP should be addressed to our Share Registrar, AGRITEUM Share Registration Services Sdn Bhd, 2nd Floor, Wisma Penang Garden, 42 Jalan Sultan Ahmad Shah, 10050 Penang.

A copy of this AP has been registered with the Securities Commission Malaysia ("SC"). The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue of ICULS with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the Rights Issue of ICULS with Warrants. A copy of this AP, together with the NPA and RSF has also been lodged with the Registrar of Companies, who takes no responsibility for the contents of these documents. Investors are advised to note that recourse for false or misleading statements or acts made in connection with this AP are directly available through Sections 248, 249 and 357 of the Capital Markets and Services Act, 2007.

Approval for the Rights Issue of ICULS with Warrants has been obtained from our shareholders at the Extraordinary General Meeting held on 28 May 2014. Approval has also been obtained from Bursa Malaysia Securities Berhad (Company No.: 635998-W) ("Bursa Securities") vide its letter dated 21 April 2014 for the admission of the ICULS and Warrants (as defined herein, respectively) to the Official List of Bursa Securities and the listing of and quotation for all the new securities arising from the Rights Issue of ICULS with Warrants on Bursa Securities. Approval has been obtained from the SC, vide its letter dated 12 June 2014, for the issue of the ICULS together with the Warrants to the shareholders of TGIB. The official quotation for all the new securities will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd (Company No.: 165570-W) that all the Central Depository System accounts of the Entitled Shareholders (as defined herein) and/or their renounees (if applicable) have been duly credited and notices of allotment have been despatched to them.

Neither the SC nor Bursa Securities takes any responsibility for the correctness of statements made or opinions expressed herein. Admission to the Official List of Bursa Securities and the listing of and quotation for the said new securities on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue of ICULS with Warrants.

The Board of Directors of TGIB has seen and approved all the documentation relating to the Rights Issue of ICULS with Warrants including this AP, together with the NPA and RSF. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these documents false or misleading.

This AP, together with the NPA and RSF are only despatched to our shareholders who have provided our Share Registrar with a registered address in Malaysia and whose names appear on our Record of Depositors not later than 5.00 p.m. on 17 September 2014. This AP together with the NPA and RSF, are not intended to be issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue of ICULS with Warrants complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders (as defined herein) and their renounee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of all or any part of their entitlements to the Rights Issue of ICULS with Warrants would result in the contravention of any laws of such countries or jurisdictions. Neither TGIB nor RHB Investment Bank Berhad (Company No.: 19663-P) ("RHBIB") shall accept any responsibility or liability in the event that any acceptance or renunciation made by the Entitled Shareholders or their renounee(s) (if applicable) are or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

RHBIB, being the Principal Adviser for the Rights Issue of ICULS with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of ICULS with Warrants.

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED, SEE "RISK FACTORS" AS SET OUT IN SECTION 6 HEREIN.**



**THONG GUAN INDUSTRIES BERHAD**

(Company No. 324203-K)

(Incorporated in Malaysia under the Companies Act, 1965)

**RENOUNCEABLE RIGHTS ISSUE OF UP TO RM52,602,250 NOMINAL VALUE OF 5-YEAR 5.00% IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCK AT 100% OF ITS NOMINAL VALUE OF RM1.00 EACH ("ICULS") ON THE BASIS OF ONE (1) RM1.00 NOMINAL VALUE OF ICULS FOR EVERY TWO (2) ORDINARY SHARES OF RM1.00 EACH ("RIGHTS ICULS") IN THONG GUAN INDUSTRIES BERHAD ("TGIB") ("TGIB SHARE(S)") HELD AT 5.00 P.M. ON 17 SEPTEMBER 2014, TOGETHER WITH UP TO 26,301,125 FREE NEW WARRANTS ("WARRANT(S)") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) ICULS SUBSCRIBED FOR PAYABLE IN FULL UPON ACCEPTANCE BASED ON A MINIMUM SUBSCRIPTION OF 27,031,787 RIGHTS ICULS ("RIGHTS ISSUE OF ICULS WITH WARRANTS")**

*Principal Adviser*



**RHB Investment Bank Berhad**

(Company No. 19663-P)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

*Trustee*



(Company No. 317001-A)

**IMPORTANT RELEVANT DATES AND TIMES**

Entitlement date .....	: Wednesday, 17 September 2014 at 5.00 p.m.
Commencement date and time for sale of provisional allotment of rights.....	: Thursday, 18 September 2014 at 9.00 a.m.
Last date and time for sale of provisional allotment of rights.....	: Wednesday, 24 September 2014 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights.....	: Monday, 29 September 2014 at 4.00 p.m.*
Last date and time for acceptance and payment.....	: Thursday, 2 October 2014 at 5.00 p.m.*
Last date and time for excess application and payment.....	: Thursday, 2 October 2014 at 5.00 p.m.*

\* or such later date and time as our Board of Directors may decide and announce not less than two (2) Market Days before the stipulated date and time.

This Abridged Prospectus is dated 17 September 2014

**THIS ABRIDGED PROSPECTUS (“AP”) HAS BEEN REGISTERED WITH THE SC. THE REGISTRATION OF THIS AP SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE RIGHTS ISSUE OF ICULS WITH WARRANTS.**

**BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE ICULS AND WARRANTS TO THE OFFICIAL LIST OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR THE ICULS, WARRANTS AND THE NEW TGIB SHARES TO BE ISSUED PURSUANT TO THE CONVERSION OF THE ICULS AND THE EXERCISE OF THE WARRANTS ON THE MAIN MARKET OF BURSA SECURITIES AND THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE OF ICULS WITH WARRANTS.**

**THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP. YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

**YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THE AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 (“CMSA”).**

**SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE OF ICULS WITH WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.**

**WE AND OUR ADVISERS FOR THE RIGHTS ISSUE OF ICULS WITH WARRANTS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE AP, NPA AND RSF.**

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**DEFINITIONS**


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The following definitions shall apply throughout this Abridged Prospectus unless the context requires otherwise:

“Act”	: Companies Act, 1965
“AP”	: This Abridged Prospectus dated 17 September 2014
“BNM”	: Bank Negara Malaysia
“Board”	: Board of Directors of TGIB
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd (165570-W)
“Bursa Securities”	: Bursa Malaysia Securities Berhad (635998-W)
“CDS”	: Central Depository System
“CDS Account”	: A securities account established by Bursa Depository for a depositor to record the deposits or withdrawals of securities or for dealings in such securities by the depositor
“Code”	: Malaysian Code on Take-Overs and Mergers, 2010
“Deed Poll”	: The deed poll executed by our Company on 25 August 2014 constituting the Warrants
“EBITDA”	: Earnings before interest expense, taxes, depreciation and amortisation
“EGM”	: Extraordinary General Meeting
“Entitled Shareholder(s)”	: The shareholder(s) of TGIB whose names appear in the Record of Depositors of TGIB on the Entitlement Date for the Rights Issue of ICULS with Warrants
“Entitlement Date”	: 17 September 2014 at 5.00 p.m., being the date and time on which the Entitled Shareholders must appear on TGIB’s Record of Depositors with Bursa Depository in order to be entitled to participate in the Rights Issue of ICULS with Warrants
“EPS”	: Earnings per share
“Excess Rights ICULS with Warrants”	: ICULS with Warrants which are not taken up or not validly taken up by the Entitled Shareholders and/or their renounee(s) (if applicable) prior to excess application pursuant to the Rights Issue of ICULS with Warrants
“Foremost Equals”	: Foremost Equals Sdn Bhd (342434-P)
“FPE”	: Financial period ended/ ending
“FYE”	: Financial year ended/ ending
“GDP”	: Gross domestic product
“ICULS”	: Irredeemable convertible unsecured loan stock at 100% of its nominal value of RM1.00 each

**DEFINITIONS (cont'd)**

“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“LPD”	:	18 August 2014, being the latest practicable date prior to the issuance of this AP
“Market Days”	:	Any day between Monday and Friday (both days inclusive) which is not a public holiday and when Bursa Securities is open for trading of securities
“Maximum Scenario”	:	Assuming all the existing shareholders of TGIB subscribe for their entitlements pursuant to the Rights Issue of ICULS with Warrants
“Minimum Scenario”	:	Assuming only the Undertaking Shareholders subscribe for their entitlements pursuant to the Rights Issue of ICULS with Warrants and Foremost Equals subscribes for an additional of RM5,000,000 nominal value of Rights ICULS which are not subscribed by other Entitled Shareholders
“NA”	:	Net assets
“NPA”	:	Notice of Provisional Allotment dated 17 September 2014 issued by TGIB, notifying the Entitled Shareholders that his/her provisional allotment of Rights ICULS has been credited into his or her CDS Account
“PAC(s)”	:	Parties acting in concert pursuant to Sections 216(2) and 216(3) of the Capital Markets and Services Act 2007
“PAT”	:	Profit after taxation
“PBT”	:	Profit before taxation
“Principal Adviser” or “RHBIB”	:	RHB Investment Bank Berhad (19663-P)
“Provisional Allotment”	:	Rights ICULS with Warrants provisionally allotted to the Entitled Shareholders and/ or their renounee(s) (if applicable) pursuant to the Rights Issue of ICULS with Warrants
“Record of Depositors”	:	A record of depositors established by Bursa Depository under the Rules of Bursa Depository
“RHB”	:	RHB Bank Berhad (6171-M)
“Rights ICULS”	:	ICULS to be issued pursuant to the Rights Issue of ICULS with Warrants
“Rights Issue of ICULS with Warrants”	:	Renounceable rights issue of up to RM52,602,250 nominal value of 5-year 5.00% ICULS on the basis of one (1) RM1.00 nominal value of ICULS for every two (2) TGIB Shares held on Entitlement Date, together with up to 26,301,125 Warrants on the basis of one (1) Warrant for every two (2) ICULS subscribed
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“RSF”	:	Rights Subscription Form issued by TGIB, which is to be used by the Entitled Shareholders, renounee(s) and other permitted investors to subscribe or accept the Provisional Allotment
“Rules of Bursa Depository”	:	Rules of a central depository as defined in the Securities Industry (Central Depository) Act, 1991
“SC”	:	Securities Commission Malaysia

**DEFINITIONS (cont'd)**

“Shareholders’ Undertakings”	:	Irrevocable written undertakings from the Undertaking Shareholders to fully subscribe for their respective entitlements under the Rights Issue of ICULS with Warrants
“TGIB” or the “Company”	:	Thong Guan Industries Berhad (324203-K)
“TGIB Group” or the “Group”	:	TGIB and its subsidiaries, collectively
“TGIB Share(s)” or “Share(s)”	:	Ordinary share(s) of RM1.00 each in TGIB
“Trustee”	:	Pacific Trustees Berhad (317001-A)
“Trust Deed”	:	The trust deed executed between our Company and the Trustee on 25 August 2014 constituting the ICULS
“Undertaking Shareholders”	:	The major shareholders of TGIB, namely Foremost Equals, Dato’ Ang Poon Chuan and Datuk Ang Poon Seong, as well as a director of TGIB, namely Dato’ Ang Poon Khim who have undertaken to subscribe in full for their entitlements on the ICULS with Warrants arising from the Rights Issue of ICULS with Warrants
“USD”	:	United States Dollar
“VWAMP”	:	Volume weighted average market price
“Warrant(s)”	:	New free detachable warrant(s) to be issued pursuant to the Rights Issue of ICULS with Warrants

Any reference to “our Company” and “TGIB” in this AP are to Thong Guan Industries Berhad, references to “our Group” is to our Company and our subsidiaries and references to “we”, “us”, “our” and “ourselves” in this AP are to our Company and, save where the context requires otherwise, our subsidiaries. All references to “you” in this AP are to our Entitled Shareholders.

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this AP to any statute is a reference to that statute as for the time being amended or re-enacted.

Any reference to a time of day in this AP shall be a reference to Malaysian time, unless otherwise specified.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancy between the figures shown herein and figures published by our Company such as quarterly results and annual reports, are due to rounding.

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**CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>	<b>Occupation</b>
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah <i>(Chairman, Independent Non-Executive Director)</i>	No. 1055 B Jalan Tunku Abdul Halim 05100 Alor Setar Kedah Darul Aman	Malaysian	Company Director
Dato' Ang Poon Chuan <i>(Managing Director)</i>	Lot 52, Jalan PKNK 1/6 Kawasan Perusahaan Sungai Petani 08000 Sungai Petani Kedah Darul Aman	Malaysian	Company Director
Dato' Ang Poon Khim <i>(Executive Director)</i>	Lot 52, Jalan PKNK 1/6 Kawasan Perusahaan Sungai Petani 08000 Sungai Petani Kedah Darul Aman	Malaysian	Company Director
Datuk Ang Poon Seong <i>(Executive Director)</i>	11.2 km, Jalan Tuaran 89350 Inanam, Kota Kinabalu P.O. Box 13624 88841 Kota Kinabalu Sabah	Malaysian	Company Director
Ang See Ming <i>(Executive Director)</i>	Lot 52, Jalan PKNK 1/6 Kawasan Perusahaan Sungai Petani 08000 Sungai Petani Kedah Darul Aman	Malaysian	Company Director
Kang Pang Kiang <i>(Independent Non-Executive Director)</i>	90, Jalan Besi Island Park 11600 Georgetown Pulau Pinang	Malaysian	Company Director
Chow Hon Piew <i>(Independent Non-Executive Director)</i>	11A, Cangkat Minden Jalan 12 11700 Gelugor Pulau Pinang	Malaysian	Company Director

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Chow Hon Piew	Chairman	Independent Non-Executive Director
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	Member	Chairman, Independent Non-Executive Director
Kang Pang Kiang	Member	Independent Non-Executive Director



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**CORPORATE DIRECTORY (cont'd)**

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- HEAD / MANAGEMENT OFFICE** : Lot 52, Jalan PKNK 1/6  
Kawasan Perusahaan Sungai Petani  
08000 Sungai Petani, Kedah Darul Aman
- Tel: (604) 441 7888  
Fax: (604) 441 9888
- Website: [www.thongguan.com](http://www.thongguan.com)
- REGISTERED OFFICE** : Suite 16-1 (Penthouse Upper)  
Menara Penang Garden  
42A, Jalan Sultan Ahmad Shah  
10050 Penang
- Tel : (604) 229 4390  
Fax : (604) 226 5860
- COMPANY SECRETARIES** : Ong Tze-En (MAICSA 7026537)  
Lau Yoke Leng (MAICSA 7034778)  
Boardroom Corporate Services (Penang) Sdn Bhd  
Suite 16-1 (Penthouse Upper)  
Menara Penang Garden  
42A, Jalan Sultan Ahmad Shah  
10050 Penang
- Tel : (604) 229 4390  
Fax : (604) 226 5860
- SHARE REGISTRAR AND PAYING AGENT** : AGRITEUM Share Registration Services Sdn Bhd  
2<sup>nd</sup> Floor, Wisma Penang Garden,  
42, Jalan Sultan Ahmad Shah  
10050 Penang
- Tel : (604) 228 2321  
Fax : (604) 227 2391
- AUDITORS AND REPORTING ACCOUNTANTS** : KPMG  
Chartered Accountants  
Level 18, Hunza Tower  
163E, Jalan Kelawei  
10250 Penang
- Tel : (604) 238 2288  
Fax : (604) 238 2222
- DUE DILIGENCE SOLICITORS** : Salina, Lim Kim Chuan & Co  
Advocates & Solicitors  
51-15-C2, Menara BHL  
Jalan Sultan Ahmad Shah  
10050 Penang
- Tel : (604) 228 2785  
Fax : (604) 228 3161

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**CORPORATE DIRECTORY (cont'd)**

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**TRUSTEE** : Pacific Trustees Berhad  
Unit A-9-8, 9<sup>th</sup> Floor, Megan Avenue 1  
No 189, Jalan Tun Razak  
Off Persiaran Hampshire  
50400 Kuala Lumpur

Tel : (603) 2166 8830  
Fax : (603) 2166 3830

**PRINCIPAL BANKERS** : HSBC Bank Malaysia Berhad  
69, Jalan Ibrahim  
08000 Sungai Petani  
Kedah

Tel: (604) 429 9300  
Fax: (604) 422 7186

Hong Leong Bank Berhad  
1<sup>st</sup> Floor, No. 7 & 9, Tingkat Kikik 7  
Taman Inderawasih  
13600 Prai  
Pulau Pinang

Tel: (604) 399 6188  
Fax: (604) 390 6913

Malayan Banking Berhad  
Suite 9-03, 9<sup>th</sup> Floor, Plaza MWE  
8, Lebuhr Farquhar  
10200 Penang

Tel: (604) 261 1663  
Fax: (604) 261 1644

**PRINCIPAL ADVISER** : RHB Investment Bank Berhad  
Level 10, Tower One, RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur

Tel: (603) 9287 3888  
Fax: (603) 9287 2233/ 3355

**STOCK EXCHANGE LISTING** : Main Market of Bursa Securities



**THONG GUAN INDUSTRIES BERHAD**  
(Company No. 324203-K)  
(Incorporated in Malaysia under the Companies Act, 1965)

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

17 September 2014

**Board of Directors**

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

**To: The Entitled Shareholders of Thong Guan Industries Berhad**

Dear Sir/Madam,

**RIGHTS ISSUE OF ICULS WITH WARRANTS**

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**1. INTRODUCTION**

Our Board is pleased to inform you that, at the EGM held on 28 May 2014, our shareholders had approved the Rights Issue of ICULS with Warrants.

A certified true extract of the ordinary resolution pertaining to the Rights Issue of ICULS with Warrants which was passed at the said EGM, is set out in Appendix I of this AP.

On 22 April 2014, RHBIB on behalf of our Board, announced that Bursa Securities had vide its letter dated 21 April 2014, approved the following:

- (i) admission of up to RM52,602,250 nominal value of 5-year 5.00% ICULS and up to 26,301,125 Warrants to be issued pursuant to the Rights Issue of ICULS with Warrants on the Main Market of Bursa Securities;
- (ii) listing of and quotation for up to RM52,602,250 nominal value of 5-year 5.00% ICULS and up to 26,301,125 Warrants to be issued pursuant to the Rights Issue of ICULS with Warrants on the Main Market of Bursa Securities; and
- (iii) listing of and quotation for up to 52,602,250 new TGIB Shares to be issued pursuant to the conversion of the ICULS and up to 26,301,125 new TGIB Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities.

The approval granted by Bursa Securities for the Rights Issue of ICULS with Warrants is subject to the following conditions:

Conditions	Status of compliance
(i) TGIB and RHBIB must fully comply with the relevant provisions under the Listing Requirements of Bursa Securities pertaining to the implementation of the Proposed Rights Issue of ICULS with Warrants;	Noted.
(ii) TGIB and RHBIB to inform Bursa Securities upon the completion of the Proposed Rights Issue of ICULS with Warrants;	To be complied.
(iii) TGIB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue of ICULS with Warrants is completed;	To be complied.
(iv) TGIB to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at an EGM for the Proposed Rights Issue of ICULS with Warrants;	Complied.
(v) Payment of additional listing fees. In this respect, TGIB is required to furnish Bursa Securities on a quarterly basis of a summary of the total number of Shares listed pursuant to the exercise of the ICULS and Warrants respectively as at the end of each quarter together with a detailed computation of listing fees payable; and	To be complied.
(vi) TGIB to furnish Bursa Securities with a copy of the approval letter from the Private Debt Securities Department of the SC for the issuance of the ICULS.	Complied.

On 13 June 2014, RHBIB on behalf of our Board, announced that SC under the Guidelines on Private Debt Securities had vide its letter dated 12 June 2014, approved under subsection 214(1) of the CMSA the application which was submitted to the Private Debt Securities Department of the SC on 8 May 2014. Prior to the issuance of the ICULS, RHBIB is required to submit a checklist of compliance with the standard conditions and continuing obligations as stipulated in the Guidelines on Private Debt Securities and any other condition imposed in any other letter issued in connection with the Rights Issue of ICULS and Warrants.

On 2 September 2014, RHBIB had on behalf of our Board announced the Entitlement Date and the important relevant dates pertaining to the Rights Issue of ICULS with Warrants.

The official listing of and quotation for the ICULS and Warrants to be issued pursuant to the Rights Issue of ICULS with Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/or their renounees have been duly credited and notices of allotment have been despatched to them.

While our Board invites your participation in the Rights Issue of ICULS with Warrants, you are advised to refer to the Risk Factors as disclosed in Section 6 of this AP in making your investment decision.

No person is authorised to give any information or make any representation not contained herein in connection with the Rights Issue of ICULS with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us or RHBIB.

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

## 2. DETAILS OF THE RIGHTS ISSUE OF ICULS WITH WARRANTS

### 2.1 Particulars of the Rights Issue of ICULS with Warrants

The Rights Issue of ICULS with Warrants entails an issuance of up to RM52,602,250 nominal value of 5-year 5.00% ICULS on the basis of one (1) RM1.00 nominal value of ICULS for every two (2) TGIB Shares held on the Entitlement Date together with up to 26,301,125 Warrants on the basis of one (1) Warrant for every two (2) ICULS subscribed by the Entitled Shareholders and/or their renounee(s).

The Rights Issue of ICULS with Warrants will be implemented based on a minimum subscription basis. As such, TGIB will not procure any underwriting arrangement. The minimum subscription basis was determined based on, amongst others, the funding requirements of our Group after taking into consideration the funding requirements that will be channelled towards the proposed utilisation as set out in Section 5 of this AP.

The Rights ICULS will be provisionally allotted to the shareholders of TGIB whose names appear in the Record of Depositors of the Company on the Entitlement Date.

**The Entitled Shareholders of TGIB can either fully or partially renounce their entitlements for the Rights ICULS. The Warrants will be issued free to the Entitled Shareholders of TGIB who subscribe for their Rights ICULS entitlements on the basis of one (1) Warrant for every two (2) Rights ICULS subscribed. Should the Entitled Shareholders renounce all of the entitlements for the Rights ICULS under the Rights Issue of ICULS with Warrants, the shareholders shall not be entitled to any of the Warrants. Entitled Shareholders who are accepting only part of their entitlements for the Rights ICULS shall be entitled to the Warrants in the proportion of their acceptance of the entitlement Rights ICULS on the basis of one (1) Warrant for every two (2) Rights ICULS subscribed. Any Rights ICULS together with the attached Warrants which are unsubscribed or not validly taken up shall be offered to other Entitled Shareholders and/or rights holders under the Excess Rights ICULS with Warrants application in the manner set out in Section 3.8 of this AP. It is the intention of your Board to allocate the Excess Rights ICULS with Warrants, if any, in a fair and equitable manner, and on such basis as it may deem fit or expedient or in the best interest of our Company.**

The Warrants will be immediately detached from the Rights ICULS upon issuance and will be separately traded. The ICULS will be issued in registered form and constituted by a Trust Deed and the Warrants will be issued in registered form and constituted by a Deed Poll.

The renunciation of the Rights ICULS by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights ICULS pursuant to the Rights Issue of ICULS with Warrants. However, if the Entitled Shareholders decide to subscribe only part of their Rights ICULS entitlements, they shall be entitled to the Warrants in the proportion of their subscription of their Rights ICULS.

Any fractional entitlements of the Rights ICULS and Warrants under the Rights Issue of ICULS with Warrants will be disregarded and shall be dealt with in such manner as our Board shall in their absolute discretion deem expedient or to be in the best interests of our Company.

As you are an Entitled Shareholder and the TGIB Shares are prescribed securities, your CDS Account will be duly credited with the number of provisionally allotted Rights ICULS together with the Warrants which you are entitled to subscribe in full or in part under the terms of the Rights Issue of ICULS with Warrants. You will find enclosed in this AP, a NPA notifying you of the crediting of such securities into your CDS Account and a RSF to enable you to subscribe for the Rights ICULS with Warrants provisionally allotted to you, as well as to apply for Excess Rights ICULS with Warrants if you so choose to.

Any dealing in our securities will be subject to, *inter-alia*, the provisions of the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Amendment) Act, 1998, the Rules of Bursa Depository and any other relevant legislation. Accordingly, upon subscription, the Rights ICULS with Warrants will be credited directly into the respective CDS Accounts of the successful applicants. No physical loan stock or warrant certificates will be issued but notices will be despatched to the successful applicants.

We will allot and issue ICULS with Warrants, despatch notices of allotment to the allottees and make an application for the quotation of the Rights ICULS and Warrants within eight (8) Market Days from the last date for acceptance and payment for the Rights ICULS with Warrants or such period as may be prescribed by Bursa Securities. The Rights ICULS and Warrants will then be quoted on the Main Market of Bursa Securities from two (2) Market Days after the application for quotation is made to Bursa Securities.

## **2.2 Basis of determining and justification for the issue price of the Rights ICULS and the conversion price of the ICULS**

The ICULS shall be issued at 100% of the nominal value of RM1.00 per ICULS. Our Board has fixed the conversion price of the ICULS at RM1.00 per new TGIB Share. The issue price and conversion price of RM1.00 has been arrived at after taking into consideration the following:

- (i) the five (5)-day VWAMP of TGIB Shares up to and including 21 January 2014 of RM2.18, which is the latest practicable date prior to the announcement of the Rights Issue of ICULS with Warrants on 6 February 2014. The conversion price and discount were arrived at based on:
  - (a) the minimum funding requirements of TGIB; and
  - (b) a conversion price that is deemed attractive to shareholders of TGIB to subscribe for the Rights ICULS;
- (ii) the conversion price of the ICULS shall not be lower than RM1.00, being the par value of TGIB Shares; and
- (iii) the funding requirements of our Group as disclosed in Section 5 of this AP.

The conversion price of RM1.00 per ICULS represents a discount of approximately RM1.75 or 63.64% from the five (5)-day VWAMP of TGIB Shares up to and including the LPD of RM2.75.

### 2.3 Basis of determining and justification of the exercise price of the Warrants

Our Board has fixed the exercise price at RM1.50 per Warrant. The exercise price of RM1.50 per Warrant represents a discount of approximately RM0.54 or 26.47% to the theoretical ex-rights price of RM2.04 which has been arrived at after taking into consideration the five (5)-day VWAMP of TGIB Shares up to and including 21 January 2014 of RM2.18, which is the latest practicable date prior to the announcement of the Rights Issue of ICULS with Warrants on 6 February 2014. Our Board is of the view that the attractive discount will provide further incentive for the shareholders to subscribe for the Rights ICULS as they may benefit from any potential capital appreciation of Warrants and to provide shareholders the opportunity to increase their equity participation in the Company at a pre-determined price over the tenure of the Warrants.

The exercise price of RM1.50 per Warrant represents a discount of approximately RM1.25 or 45.45% to the five (5)-day VWAMP of TGIB Shares up to and including the LPD of RM2.75.

### 2.4 Ranking of the new TGIB Shares arising from the conversion of the ICULS and the exercise of the Warrants

The new TGIB Shares to be issued arising from the conversion of the ICULS and the exercise of the Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the existing TGIB Shares, save and except that they will not be entitled to any dividend, rights, allotment and/or any other distribution that may be declared, made or paid prior to the relevant allotment date of the said new TGIB Shares.

### 2.5 Shareholders' undertaking and underwriting agreement

The Rights Issue of ICULS with Warrants will be undertaken on a minimum subscription level basis. The minimum subscription level is RM27,031,787 nominal value of ICULS ("**Minimum Subscription Level**"). The Minimum Subscription Level was determined based on the minimum expected level of funds to be raised from the Rights Issue of ICULS with Warrants for the proposed utilisation as set out in Section 5 of this AP.

In the event that the Minimum Subscription Level is not achieved, TGIB will not proceed with the implementation of the Rights Issue of ICULS with Warrants. All subscription monies received will be immediately returned without interest to the shareholders of TGIB who have subscribed for the Rights ICULS. As at the LPD, TGIB does not have any other alternative plan in the event the Minimum Subscription Level is not achieved. Notwithstanding the above and in order to meet the Minimum Subscription Level, TGIB had on 2 May 2014 procure an irrevocable undertaking from the Undertaking Shareholders to subscribe full for their entitlements on the Rights ICULS with Warrants arising from the Proposed Rights Issue of ICULS with Warrants based on their shareholdings as at the LPD ("**Entitlement Undertakings**").

Further, TGIB had on 2 May 2014 procure an additional irrevocable undertaking from Foremost Equals to make excess application and subscribe for an additional of RM5,000,000 nominal value of ICULS which are not subscribed by the other Entitled Shareholders of TGIB pursuant to the Minimum Subscription Level ("**Additional Undertaking**").

The Undertaking Shareholders had on 2 May 2014 provided their respective confirmations that they have sufficient financial resources to take up their respective entitlements inclusive of the Additional Undertaking as stated above. The said confirmations have been respectively verified by RHBIB, the Principal Adviser for the Rights Issue of ICULS with Warrants.

As the Rights Issue of ICULS with Warrants will be undertaken on the Minimum Subscription Level, TGIB will not be procuring any underwriting agreement for the remaining portion of up to 25,570,463 Rights ICULS, representing 48.61% of the total nominal value of ICULS available for subscription under the Maximum Scenario pursuant to the Rights Issue of ICULS with Warrants.

The details of the Entitlement Undertakings and Additional Undertaking are set out below:

Undertaking Shareholders	Direct shareholdings as at the LPD		Entitlement Undertakings	Additional Undertaking	Total no. of Rights ICULS undertaken	No. of Warrants entitled
	No. of TGIB Shares	%				
Foremost Equals	41,903,625	39.83	20,951,813	5,000,000	25,951,813	12,975,906
Dato' Ang Poon Chuan	928,500	0.88	464,250	-	464,250	232,125
Datuk Ang Poon Seong	589,125	0.56	294,562	-	294,562	147,281
Dato' Ang Poon Khim	642,325	0.61	321,162	-	321,162	160,581
<b>Total</b>	<b>44,063,575</b>	<b>41.88</b>	<b>22,031,787</b>	<b>5,000,000</b>	<b>27,031,787</b>	<b>13,515,893</b>

There will be no underwriting arrangement for the balance nominal value of ICULS not subscribed by the other Entitled Shareholders.

Upon the completion of the Rights Issue of ICULS with Warrants, assuming that the Undertaking Shareholders convert their ICULS and exercise their Warrants into new TGIB Shares, they will hold between:

Undertaking Shareholders	Minimum Scenario <sup>(1)</sup> (%)	Maximum Scenario <sup>(2)</sup> (%)
Foremost Equals	55.46	39.83
Dato' Ang Poon Chuan	1.11	0.88
Datuk Ang Poon Seong	0.71	0.56
Dato' Ang Poon Khim	0.77	0.61
<b>Total</b>	<b>58.05</b>	<b>41.88</b>

**Notes:**

- (1) Assuming that the Rights Issue of ICULS with Warrants will be implemented based on the Minimum Subscription Level whereby only the Undertaking Shareholders will subscribe to the Rights ICULS based on the Entitlement Undertakings and Additional Undertaking and the Undertaking Shareholders also convert their ICULS and exercise their Warrants.
- (2) Assuming all the existing shareholders of TGIB subscribe to the Rights Issue of ICULS with Warrants and also convert their ICULS and exercise their Warrants.

## 2.6 Take-over implications

Pursuant to the Code, a person and/or the PAC will be obliged under Part II of the Code to make a mandatory general offer for the remaining shares of the Company not already owned by the person/ them ("**Potential MGO**") if:

- (i) the person and/or the PACs hold less than thirty-three percent (33%) of the voting shares of the Company and has inadvertently increased his/ their shareholdings beyond thirty-three percent (33%); or
- (ii) the person and/or the PACs hold more than thirty-three percent (33%) but less than fifty percent (50%) of the voting shares of the Company and have inadvertently increased his/their shareholdings by two percent (2%) or more in any six (6) months period.



As at the LPD, Foremost Equals holds approximately 39.83% equity interest in TGIB, comprising 41,903,625 TGIB Shares and Foremost Equals and its PACs, collectively, hold approximately 45.98% equity interest in TGIB, comprising 48,377,852 TGIB Shares.

In the event that Foremost Equals and/or its PACs convert their ICULS and/or exercise their Warrants into new TGIB Shares, the effect on their equity interest in TGIB is disclosed in Section 8.4 of this AP and Section 4 of Appendix II of this AP.

The PACs with Foremost Equals and their respective shareholding as at the LPD are as follows:

PACs	< ----- Direct ----- >		< ----- Indirect ----- >	
	No. of TGIB Shares held	%	No. of TGIB Shares held	%
<b><u>Directors</u></b>				
Dato' Ang Poon Chuan	928,500	0.88	44,524,002 <sup>(1)</sup>	42.32
Dato' Ang Poon Khim	642,325	0.61	166,700 <sup>(2)</sup>	0.16
Datuk Ang Poon Seong	589,125	0.56	43,012,494 <sup>(3)</sup>	40.88
Ang See Ming	1,192,508	1.13	-	-
<b><u>Others</u></b>				
Ang Eng Choo	325,000	0.31	33,000 <sup>(2)</sup>	0.03
Ang Poon Shen	115,000	0.11	30,000 <sup>(2)</sup>	0.03
Ang See Cheong	21,000	0.02	-	-
Ang Eng Joo	182,000	0.17	-	-
Ang Eng Yean	124,625	0.12	-	-
Datin Goey Neow Kiah @ Goey Choo Mai	222,000	0.21	2,218,008 <sup>(2)</sup>	2.11
Teh Boon Yen	165,500	0.16	-	-
Tia Tian Lim	3,000	*-	355,000 <sup>(2)</sup>	0.34
Chang Chooi Ooi	106,800	0.10	702,225 <sup>(2)</sup>	0.67
Ang See Hwan	59,900	0.06	-	-
Lim Phek Im	30,000	0.03	115,000 <sup>(2)</sup>	0.11
Sensible Matrix Sdn Bhd	1,108,869	1.05	-	-
Cheah Kheng Keow	228,475	0.22	2,683,575 <sup>(2)</sup>	2.55
Ang See Ngee	76,000	0.07	136,600 <sup>(2)</sup>	0.13
Ang Eng Chin	102,500	0.10	-	-
Ang Eng Nee	114,500	0.11	-	-
Oki Purwanto	136,600	0.13	76,000	0.07
<b>Total</b>	<b>6,474,227</b>	<b>6.15</b>		

**Notes:**

\* Being an amount less than 0.01%.

(1) Deemed interested by virtue of his interest in Foremost Equals, Sensible Matrix Sdn Bhd, his spouse's and children's interest, pursuant to Sections 6A and 134 of the Act.

(2) Deemed interested by virtue of his/ her spouse's and children's interest, pursuant to Section 134 of the Act.

(3) Deemed interested by virtue of his interest in Foremost Equals and Sensible Matrix Sdn Bhd, pursuant to Section 6A of the Act.

Based on the assumption that the Rights Issue of ICULS with Warrants is undertaken on a Minimum Subscription Level with Additional Undertaking by Foremost Equals, and no other Entitled Shareholders subscribe for the Rights ICULS, Foremost Equals and its PACs will be issued RM27,031,787 nominal value of ICULS and 13,515,893 Warrants. Under such scenario arising from the Minimum Subscription Level and Additional Undertaking and in the event that Foremost Equals and its PACs convert all their ICULS and exercise all their Warrants into new TGIB Shares, the shareholdings of Foremost Equals and its PACs could potentially increase from 45.98% to 61.01%.

However, the actual shareholdings of Foremost Equals and its PACs would depend on, amongst others, the timing and actual number of ICULS converted/ Warrants exercised into new TGIB Shares (on the assumption that Foremost Equals and its PACs does not dispose any of their existing or acquire any new TGIB Shares, ICULS and/or Warrants).

In relation to the above, Foremost Equals and its PACs may make an application to the SC to seek an exemption for Foremost Equals and its PACs under Paragraph 16.1 of Practice Note 9 of the Code from the obligation to extend a mandatory take-over offer for the remaining TGIB Shares and convertible securities not already owned by them prior to converting the ICULS and/or exercising the Warrants for new TGIB Shares which could trigger the obligation to undertake the mandatory take-over offer.

Foremost Equals and its PACs have confirmed that, to the extent applicable, they will at all times observe and ensure compliance with the Code. Save as disclosed above, as at the LPD, there are no other parties acting in concert with Foremost Equals and its PACs in the event the Potential MGO is triggered.

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## 2.7 Principal terms of the ICULS

The principal terms of the ICULS to be issued pursuant to the Rights Issue of ICULS with Warrants are as set out as follows:

Issuer	:	TGIB
Issue size	:	Up to RM52,602,250 nominal value of ICULS of RM1.00 each
Issue price	:	100% of the nominal value of the ICULS
Form and Denomination	:	The ICULS will be issued in registered form in denomination of RM1.00 and multiples thereof, and constituted by the Trust Deed
Tenure	:	Five (5) years from and inclusive of the date of issuance of the ICULS
Basis of Allotment	:	One (1) RM1.00 nominal value of ICULS for every two (2) existing TGIB Shares held at the Entitlement Date
Maturity Date	:	The date falling on the fifth (5th) anniversary of the date of issuance of the ICULS, provided that where such date falls on a date that is not a Market Day, it shall be deemed to fall on the Market Day immediately preceding such date
Coupon Rate	:	Fixed rate of 5.00% per annum calculated on the nominal value of the ICULS payable semi-annually in arrears from the date of issuance of the ICULS except that the last coupon payment shall be made on the Maturity Date
Conversion Rights	:	Each registered holder of the ICULS shall have the right at any time during the Conversion Period to convert such nominal value of ICULS held into fully paid new TGIB Shares at the Conversion Price  Unless previously converted during the conversion period, all outstanding ICULS will be mandatorily converted by the Company into new TGIB Shares at the Conversion Price on the Maturity Date
Conversion Period	:	The ICULS may be converted into new TGIB Shares on any Market Day within a period from the second (2 <sup>nd</sup> ) anniversary of the date of issue of the ICULS up to and including the Maturity Date and where if there is any outstanding ICULS on the Maturity Date, the same shall be automatically converted into new TGIB Shares at the Conversion Price
Conversion Price	:	The conversion price for the ICULS is RM1.00 for every one (1) new TGIB Share
Conversion Mode	:	By surrendering for cancellation the ICULS with an aggregate nominal value equivalent to the Conversion Price. Any fractional TGIB Shares arising from the conversion of the ICULS shall be disregarded
Status	:	The ICULS shall constitute direct, unsecured and unconditional obligations of TGIB ranking <i>pari passu</i> among themselves and with all other subordinated and unsecured obligations of TGIB, subject only to those preferred by mandatory provisions of law
Redemption	:	There will not be any redemption of the ICULS. All ICULS remaining on the Maturity Date shall be mandatorily converted into new TGIB Shares at the Conversion Price

- Status of new TGIB Shares arising from the conversion of the ICULS : The new TGIB Shares to be issued upon conversion of the ICULS shall, upon allotment and issue, rank *pari passu* in all respects with the then existing TGIB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date which is prior to the allotment date of the new TGIB Shares to be issued pursuant to the conversion of the ICULS
- Adjustment in the Conversion Price and/or nominal value of ICULS in the event of alteration to the share capital : The Company shall make the necessary adjustment to the Conversion Price in the event of any alteration in the share capital of TGIB on or before the Maturity Date, whether by way of rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital howsoever being effected, in accordance with the provisions of the Trust Deed
- ICULS holders' rights to participate in any distribution and/or offer of further securities in the Company : The ICULS holders are not entitled to participate in any distribution and/or offer of securities in the Company until and unless such ICULS holders shall actually convert their ICULS into TGIB Shares during the Conversion Period and in accordance with their exercise of their Conversion Rights
- Amendment to the ICULS holders' rights : Save as otherwise provided in the Trust Deed, a special resolution of the holders of the ICULS (by a majority consisting of not less than three-fourths (3/4) of the persons voting at the meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-fourths (3/4) of the votes given on such poll) is required to sanction any modification, variation, abrogation or compromise of or arrangement in respect of the rights of the holders of the ICULS against the Company
- Rights in the event of winding up, liquidation or an event of default : In the event of a declaration of event of default by the Trustee in accordance with the Trust Deed or winding up or liquidation of the Company, the amount which is immediately due and payable by the Company to the holders of the ICULS or which the holders of the ICULS may prove for in the liquidation of the Company shall be the nominal value of the outstanding ICULS together with all accrued interest
- Events of default : The Trustee at its discretion may, or if so directed by a special resolution of the ICULS holders shall, subject to the Trustee being fully and completely indemnified to its satisfaction in accordance with the Trust Deed and by written notice to the Company declare the ICULS to be, and upon such declaration the ICULS shall become, immediately due and repayable at one hundred per cent (100%) of their nominal amount together with accrued interest (if any) up to the date of repayment to but excluding the date of repayment or to the order of the Trustee upon the happening of any of the following events of default:
- (a) default being made by the Company in the payment of the interest or any monies due in respect of any of the ICULS as and when the same ought to be paid in accordance with the terms and conditions of the Trust Deed and the Company fails to remedy the default within seven (7) Business Days after receipt of a written notice by the Trustee giving particulars of the default in payment and requiring it to be remedied;

- (b) the Company breaching or failing to perform or observe any of the terms, conditions or its other obligations under the ICULS, the Trust Deed or any other documents in relation to the issue, offer or invitation in respect of the ICULS (other than a breach referred to in paragraph (a) above) and (except where such default is in the Trustee's opinion incapable of remedy, in which case no such written notice shall be required) the Company fails to remedy such breach within a period of ninety (90) days (or such longer period as the Trustee may in its discretion permit) after receipt by the Company of a written notice by the Trustee of such failure and requiring the same to be remedied;
- (c) an order being made or a resolution being passed to wind up the Company or similar proceedings which are in the reasonable opinion of the Trustee analogous in effect being instituted otherwise than for the purposes of an amalgamation, consolidation, merger, reorganisation or reconstruction not involving insolvency, the terms of which have been approved by the Trustee, such approval not to be unreasonably withheld;
- (d)
  - i. any other indebtedness of the Company or any of its subsidiaries, for borrowed monies being accelerated or due and payable prior to its stated maturity; or
  - ii. any security therefor being enforced; or
  - iii. any indebtedness of the Company or any of its subsidiaries not being paid at its stated maturity (or by expiry of any applicable grace period as originally provided);
- (e) any default by the Company in making any payment due under any guarantee or any indemnity given by the Company in respect of any other obligation or indebtedness for borrowed monies of the Company or any of its subsidiaries;
- (f) the Company becoming insolvent or unable to pay its debts or ceasing or threatening to cease to carry on its business (other than for the purposes of an amalgamation, consolidation, merger, reorganisation or reconstruction not involving insolvency, the terms of which have been approved by the Trustee, such approval not to be unreasonably withheld);
- (g) any resolution being passed by the Company to apply for judicial composition proceedings with its creditors, any order being made by any competent court for such proceedings, a receiver, judicial manager, administrator or other similar official being appointed in relation to the Company or over the whole or a substantial part of the assets of the Company and its subsidiaries;
- (h) a distress or execution or other process being levied or enforced upon or sued out against a substantial part of the assets of the Company and/or its subsidiaries save where the Company has initiated action to defend, contest, challenge or other alternative actions within ninety (90) days of the levy, enforcement upon or service of suit or save where such distress, execution or process is frivolous or vexatious;
- (i) the Company entering into any scheme of arrangement, including a scheme of arrangement instituted against the Company and/or any of its subsidiaries under Section 176 of the Act; and

- (j) any consent, permit, authorisation, licence, approval, or registration with or declaration to governmental or public bodies or authorities or courts (if any) required by the Company to authorise or required by the Company in connection with the execution, issue, sale, delivery, validity, enforceability or admissibility in evidence of this Trust Deed or the ICULS or any other document relating to the issue, offer or invitation in respect of the ICULS or the performance by the Company of its obligations under this Trust Deed or the ICULS, as the case may be is modified or, is not granted or is revoked or expired or not renewed or withheld or otherwise ceases to be in full force and effect unless such event is not materially prejudicial to the interest of the ICULS holders or unless it will not impair or prejudice the Company's ability to comply with the terms and conditions of the Trust Deed or the ICULS or any other document relation to the issue, offer or invitation in respect of the ICULS.

Listing status	:	Bursa Securities has granted its approval for the listing of and quotation for the ICULS and new TGIB Shares to be issued pursuant to the conversion of the ICULS on the Main Market of Bursa Securities
Board lot	:	The ICULS shall be tradeable upon listing in board lots of 100 units of ICULS, or such denomination as may be determined by Bursa Securities
Trust Deed	:	The ICULS shall be constituted by a trust deed to be executed by TGIB and an authorised trustee acting for the benefit of the holders of ICULS
Rating	:	The ICULS will not be rated
Governing law	:	Law and regulations of Malaysia
Transferability	:	The ICULS shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act 1991 of Malaysia and the rules of Bursa Depository

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## 2.8 Principal terms of the Warrants

The principal terms of the Warrants to be issued pursuant to the Rights Issue of ICULS with Warrants are set out as follows:

- |   |   |  |
|---|---|--|
| Issue size  | : | Up to 26,301,125 new Warrants to be issued in conjunction with the Proposed Rights Issue of ICULS with Warrants to the Entitled Shareholders on the basis of one (1) free Warrant for every two (2) Rights ICULS successfully subscribed   |
| Form and Denomination   | : | The Warrants which are issued with the Rights ICULS are immediately detached upon issuance and will be separately traded. The Warrants will be issued in registered form and constituted by the Deed Poll  |
| Exercise Rights   | : | Each Warrant entitles the registered holder, at any time during the Exercise Period, to subscribe for one (1) new TGIB Share at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll  |
| Exercise Period   | : | The Warrants may be exercised at any time within five (5) years commencing from and including the date of issue of the Warrants and ending at 5.00 pm on the Expiry Date   |
| Exercise Price  | : | The exercise price of the Warrants has been fixed at RM1.50, subject to further adjustments (where applicable) in accordance with the provisions of the Deed Poll  |
| Expiry Date   | : | The day falling immediately before the fifth (5 <sup>th</sup> ) anniversary of the date of issuance of the Warrants and if such date is not a Market Day, then on the preceding Market Day. Any of the Warrants which have not been exercised and delivered to the Company's registrars will lapse and cease thereafter to be valid for any purpose  |
| Mode of exercise  | : | The registered holder of a Warrant is required to lodge an exercise form, as set out in the Deed Poll, with the Company's registrar, duly completed, signed and stamped together with payment of the Exercise Price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia  |
| Board lot   | : | For the purpose of trading on Bursa Securities, a board lot of Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 new TGIB Shares at any time during the Exercise Period, or such denomination as determined by Bursa Securities   |
| Listing status  | : | Bursa Securities has granted its approval for the admission of the Warrants to the Official List of Bursa Securities, and for the listing of and quotation for the Warrants and new TGIB Shares arising from the exercise of Warrants  |
| Ranking of new TGIB Shares arising from the exercise of the Warrants                                | : | The new TGIB Shares to be issued pursuant to the exercise of the Warrants, shall upon allotment and issue, rank <i>pari passu</i> in all respects with the existing TGIB Shares, save and except that they will not be entitled to any dividend, right, allotment, and/or other distributions that may be declared, made or paid, the entitlement date of which is prior to the relevant allotment and issuance date of the said new TGIB Shares |
| Rights of Warrant holder(s) to participate in any distributions and/or offers of further securities | : | The Warrant holder is not entitled to vote in any general meeting of Company or to participate in any distribution and/or offer of further securities in the Company unless and until the Warrant holder becomes a shareholder by exercising his/her Warrants into new TGIB Shares   |

- Rights in the event of winding up, liquidation, compromise and/ or arrangement : If a resolution is passed for a members' voluntary winding up of the Company, or where there is a compromise or arrangement, then:
- (i) whether or not is for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies pursuant to a scheme of arrangement to which the warrant holders, or some person designated by them for such purpose by special resolution, is a party, the terms of such scheme of arrangement shall be binding on all the warrant holders; and
  - (ii) in any other case every warrant holder shall be entitled (subject to provisions of the Deed Poll) at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding up of the Company or six (6) weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his Warrants to the Company, by the exercise notice(s) duly completed, together with payment of the relevant exercise price, to elect to be treated as if he had immediately prior to the commencement of such winding up, compromise or arrangement exercised the exercise rights represented by his Warrants to the extent specified in the exercise notice(s) and had on such date been the holder of the TGIB Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. The Company shall give notice to the warrant holders in accordance with the relevant provision of the Deed Poll
- Subject to the above, if the Company is wound up, all exercise rights which have not been exercised within six (6) weeks of the passing of such resolution shall lapse and the Warrants will cease to be valid for any purpose
- Modifications to the terms of the Warrants : Save as expressly provided in the Deed Poll, no amendment or addition may be made to the provisions of the Deed Poll without the sanction of a special resolution unless the amendments or additions are required to correct any typographical errors or are relating purely to administrative matters or are required to comply with any provisions of the prevailing laws or regulations of Malaysia or in the opinion of our Company, will not be materially prejudicial to the interests of the Warrant holders.
- Adjustments in the Exercise Price and/ or number of Warrants : The Exercise Price and/ or number of unexercised Warrants may be adjusted by the Board, in consultation with its professional advisers, in the event of alteration to the share capital of the Company, capital distribution or issue of shares or any other events in accordance with the provisions of the Deed Poll
- Deed Poll : The Warrants will be constituted by a Deed Poll to be executed by the Company
- Governing law : Laws and regulations of Malaysia
- Transferability : The Warrants shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act 1991 of Malaysia and the Rules of Bursa Depository



**3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT AND EXCESS APPLICATION FOR THE RIGHTS ISSUE OF ICULS WITH WARRANTS**

Full instruction for the acceptance of and payment for the provisional Rights ICULS with Warrants as well as Excess Rights ICULS with Warrants application and the procedures to be followed should you and/or your transferee(s) and/or your renouncee(s) (if applicable) wish to sell or transfer all or any part of your/his rights entitlements are set out in this AP and the RSF. You and/or your transferee(s) and/or your renouncee(s) (if applicable) are advised to read this AP, the RSF and the notes and instructions printed therein carefully. In accordance with the CMSA, the RSF must not be circulated unless accompanied by this AP.

Acceptance and/or payment for the provisional Rights ICULS with Warrants which do not conform strictly to the terms of this AP, the RSF and the notes and instructions printed therein or which are illegible may be rejected at the absolute discretion of our Board.

**3.1 General**

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotment, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue of ICULS with Warrants. You will find enclosed with this AP, the NPA notifying you of the crediting of such Provisional Allotment into your CDS Account and the RSF to enable you to subscribe for the Rights ICULS with Warrants provisionally allotted to you, as well as to apply for Excess Rights ICULS and Warrants if you choose to do so.

**3.2 NPA**

The Provisional Allotment are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depository) Act, 1991 and therefore, all dealings in the Provisional Allotment will be by book entries through CDS Accounts and will be governed by the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository. You and/or your renouncee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

**3.3 Last date and time for acceptance and payment**

The last date and time for acceptance and payment for the Provisional Allotment is at **5.00 p.m.** on 2 October 2014, or such extended date and time as our Board may decide at their absolute discretion. Where the closing date of the acceptance is extended from the original closing date, the announcement of such extension will be made not less than two (2) Market Days before the original closing date.

**3.4 Procedure for full acceptance and payment**

Acceptance and payment for the Provisional Allotment must be made on the RSF enclosed with this AP and must be completed in accordance with the notes and instructions contained in these documents. Acceptances which do not conform to the terms of this AP, NPA or RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

**FULL INSTRUCTIONS FOR THE ACCEPTANCE AND PAYMENT FOR THE PROVISIONAL ALLOTMENT, EXCESS APPLICATION FOR THE RIGHTS ICULS WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL/ TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF.**

**YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.**

If you or your renounee(s) (if applicable) wish to accept your entitlement, please complete Part I and III of the RSF in accordance with the notes and instructions provided therein. Each completed RSF together with the relevant payment must be despatched by **ORDINARY POST, COURIER or DELIVERED BY HAND** using the envelope provided (at your own risk) to our Share Registrar at the following address:

**AGRITEUM Share Registration Services Sdn Bhd**

2<sup>nd</sup> Floor, Wisma Penang Garden,  
42 Jalan Sultan Ahmad Shah, 10050 Penang  
Tel: (604) 228 2321  
Fax: (604) 227 2391

so as to arrive not later than **5.00 p.m.** on 2 October 2014, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board. A reply envelope is enclosed in this AP. In order to facilitate the processing of the RSF by the Share Registrar for the Rights ICULS with Warrants, you are advised to use one (1) reply envelope for each completed RSF.

One (1) RSF can only be used for acceptance of the Provisional Allotment standing to the credit of one (1) CDS Account. Separate RSF must be used for the acceptance of the Provisional Allotment standing to the credit of more than one (1) CDS Account. If successful, Rights ICULS with Warrants subscribed by you or your renounee(s) (if applicable) will be credited into the respective CDS Accounts where the Provisional Allotment is standing to the credit.

You and/or your renounee(s) (if applicable) should take note that a trading board lot for the Rights ICULS with Warrants will comprise of one hundred (100) Rights ICULS and one hundred (100) Warrants each respectively. Successful applicants of the Rights ICULS will be given free attached Warrants on the basis of one (1) Warrant for every two (2) Rights ICULS successfully subscribed for. The minimum number of Rights ICULS that can be subscribed for or accepted is one (1) Rights ICULS, which will be accompanied with 0.5 Warrant. The minimum number of Warrants that can be issued and allotted with the accepted Rights ICULS is one (1) Warrant. Fractions of a Rights ICULS with Warrants which may arise from the Rights Issue of ICULS with Warrants will be disregarded and shall be dealt in such manner as our Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company.

If acceptance and payment for the Provisional Allotment is not received by our Share Registrar by **5.00 p.m.** on 2 October 2014, being the last date and time for acceptance and payment, or any other extended date and time as may be determined and announced by our Board not less than two (2) Market Days before the stipulated date and time at their discretion, you and/or your renounee(s) (if applicable) will be deemed to have declined the provisional allotment made to you and/or your renounee(s) and it will be cancelled. In the event that the Rights ICULS with Warrants are not fully taken up by such applicants, our Board will then have the right to allot such Rights ICULS with Warrants to the applicants who have applied for Excess Rights ICULS with Warrants in the manner as set out in Section 3.8 of this AP. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar. Our Board reserves the right not to accept or to accept in part only any application without providing any reasons.

If you or your renounee(s) (if applicable) who lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website (<http://www.bursamalaysia.com>), our Share Registrar at the address stated above or our Registered Office.

**EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RINGGIT MALAYSIA FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S)/ CASHIER'S ORDER(S)/ MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "TGIB RIGHTS ICULS ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME, ADDRESS AND CDS ACCOUNT OF THE APPLICANT IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR.**

**APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE FIELDS PROVIDED IN THE RSF.**

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ICULS WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS ICULS WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THEM OR THEIR RENOUNCEE(S) (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE OF ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF ICULS WITH WARRANTS.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON.**

**APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.**

**WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF ICULS WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.**

### **3.5 Procedure for part acceptance by the Entitled Shareholders**

You are entitled to accept part of your Provisional Allotment. The minimum number of Rights ICULS that can be subscribed for or accepted is one (1) Rights ICULS which will be accompanied with 0.5 Warrant. Should you wish to secure one (1) Warrant from the subscription of your entitlement, the minimum number of Rights ICULS with Warrants to be subscribed is two (2) Rights ICULS with one (1) Warrant.

You must complete both Parts I and III of the RSF by specifying the number of Rights ICULS with Warrants which you are accepting and deliver the completed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 3.4 of this AP.

**YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAIN THEREIN.**

The portion of the Provisional Allotment that have not been accepted shall be allotted to any other persons allowed under the laws, regulations or rules to accept the transfer of the Provisional Allotment.

### **3.6 Procedure for sale/ transfer of the Provisional Allotment**

As the Provisional Allotment are prescribed securities, you may sell/ transfer all or part of your entitlement to the Rights ICULS with Warrants to one (1) or more person(s) through your stockbrokers without first having to request for a split of the Provisional Allotment standing to the credit of your CDS Account. To dispose of all or part of your entitlement to the Provisional Allotment, you may sell such entitlement in the open market or transfer to such persons as may be allowed pursuant to the Rules of Bursa Depository. If you have sold or transferred only part of the Provisional Allotment, you may still accept the balance of the Provisional Allotment by completing the RSF. Please refer to Section 3.4 of this AP for the acceptance and payment.

In selling/ transferring all or part of your Provisional Allotment, you and/or your renounee(s) (if applicable) need not deliver any document including the RSF, to any stockbroker. However you and/or your renounee(s) (if applicable) must ensure that there is sufficient Provisional Allotment standing to the credit of your CDS Account that are available for settlement of the sale or transfer.

Purchaser(s) or transferee(s) of the Provisional Allotment may obtain a copy of this AP and the RSF from their stockbrokers, our Share Registrar, or at our Registered Office as stated above. This AP and RSF are also available on Bursa Securities' website at <http://www.bursamalaysia.com>.

If you have sold or transferred only part of your entitlements to the Rights ICULS with Warrants, you may still accept the balance of your entitlements to the Rights ICULS with Warrants by completing and forwarding the RSF and the full amount payable, to our Share Registrar.

**ENTITLED SHAREHOLDERS WHO SELL OR TRANSFER THEIR PROVISIONAL ALLOTMENT WILL AUTOMATICALLY BE SELLING OR TRANSFERRING THEIR ENTITLEMENTS TO THE RIGHTS ICULS AND THE ATTACHED FREE WARRANTS IN THE PROPORTION OF ONE (1) RIGHTS ICULS WITH 0.5 ATTACHED WARRANT. THEY CANNOT RETAIN THE PROVISIONAL ALLOTMENT WHILE SELLING OR TRANSFERRING THE RIGHTS ICULS, THE ATTACHED WARRANTS, OR VICE VERSA, NOR CAN THEY SELL OR TRANSFER THEIR ENTITLEMENTS IN ANY PROPORTION OTHER THAN THAT STATED ABOVE.**

### **3.7 Procedure for acceptance by renounees**

Renounees who wish to accept the Provisional Allotment must obtain a copy of the RSF from their stockbrokers, our Share Registrar, or at our Registered Office or from the Bursa Securities' website at <http://www.bursamalaysia.com> and complete the RSF and submit the same together with the remittance in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders are set out in Section 3.4 of this AP also applies to renounees who wish to accept the Provisional Allotment.

**RENOUNNEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND RSF CAREFULLY.**

### 3.8 Procedure for application of Excess Rights ICULS with Warrants

As an Entitled Shareholder, you and/or your renounee(s) (if applicable) may apply for Excess Rights ICULS and Warrants in addition to the Provisional Allotment by completing Part II of the RSF (in addition to Part I and III) and forward it (together with a **separate remittance made in RM** for the full amount payable in respect of the Excess Rights ICULS with Warrants applied for) to our Share Registrar at the address set out in Section 3.4 of this AP, so as to arrive **not later than 5.00 p.m.** on 2 October 2014, being the last time and date for acceptance and payment, or such extended time and date as may be determined by our Board.

**PAYMENT FOR THE EXCESS RIGHTS ICULS WITH WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 3.4 OF THIS AP, AND IN THE FORM OF BANKER'S DRAFT(S)/ CASHIER'S ORDER(S)/ MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "TGIB EXCESS RIGHTS ICULS ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME, ADDRESS AND CDS ACCOUNT OF THE APPLICANT IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR.**

Our Board reserves the right to allot any Excess Rights ICULS with Warrants applied for under Part II of the RSF and on a fair and equitable basis and in such manner as it deems fit or expedient in the best interest of our Company. As such, it is the intention of our Board to allot the Excess Rights ICULS with Warrants in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to Entitled Shareholders who have applied for the Excess Rights ICULS with Warrants on a pro-rata basis and in board lot, calculated based on their respective shareholdings as at the Entitlement Date;
- (iii) thirdly, for allocation to Entitled Shareholders who have applied for the Excess Rights ICULS with Warrants, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights ICULS with Warrants applied for; and
- (iv) finally, for allocation to the renounees who have applied for the Excess Rights ICULS with Warrants, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights ICULS with Warrants applied for.

Subject always to (i), (ii), (iii) and (iv) above are achieved, our Board also reserves the right not to accept or to accept any application for Excess Rights ICULS with Warrants in part only, without assigning any reason.

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS ICULS WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS ICULS WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND FORWARDED BY ORDINARY POST TO THE APPLICANTS AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS ICULS WITH WARRANTS.**

**EXCESS RIGHTS ICULS WITH WARRANTS APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHTS NOT TO ACCEPT ANY SUCH APPLICATION OR TO ACCEPT ANY SUCH APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON.**

**IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS ICULS WITH WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS ICULS WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.**

### **3.9 Form of issuance**

Bursa Securities has already prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights ICULS and Warrants are prescribed securities and as such, the Securities Industry (Central Depositories) Act, 1991, Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository shall apply in respect of the dealings in the Rights ICULS and Warrants.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected.

No physical ICULS or warrant certificate shall be issued to you under the Rights Issue of ICULS with Warrants. Instead, the Rights ICULS and Warrants will be credited directly into your CDS Account.

The notices of allotment will be issued and forwarded to you by ordinary post at your own risk to the address shown in the Record of Depositors provided by Bursa Depository within eight (8) Market Days from the last time and date for acceptance and payment of the Rights Issue of ICULS with Warrants.

Any person who intends to subscribe for the Rights ICULS with Warrants as a renounee by purchasing the provisional allotment of Rights ICULS and Warrants from an Entitled Shareholder will have his Rights ICULS and Warrants credited directly as prescribed securities into his CDS Account.

#### **Subscription of Rights ICULS with Warrants by the Entitled Shareholders**

Where the Rights ICULS with Warrants are provisionally allotted to you as an Entitled Shareholder in respect of your existing TGIB Shares standing credit to your CDS Account on the Entitlement Date, the acceptance by you of the provisional allotment of the Rights ICULS and Warrants shall mean that you consent to receive such Rights ICULS and Warrants as prescribed or deposited securities credited directly into your CDS Account. Hence, the Rights ICULS and Warrants will be credited directly into your CDS Account upon allotment and issuance.

#### **Subscription of Rights ICULS with Warrants by a renounee**

Any person who has purchased the provisional allotment of Rights ICULS with Warrants or to whom the provisional allotment of Rights ICULS with Warrants has been transferred and intends to subscribe for the Rights ICULS with Warrants must state his/ her CDS Account number in the space provided in the RSF. The Rights ICULS and Warrants will be credited directly as prescribed or deposited securities into his/ her CDS Account upon allotment and issuance.

**Application for Excess Rights ICULS with Warrants by an Entitled Shareholder and/or his renounee(s) (if applicable)**

The Excess Rights ICULS with Warrants, if allotted to the successful applicant who applies for Excess Rights ICULS with Warrants, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the Excess Rights ICULS with Warrants will be made on a fair and equitable basis.

**3.10 Laws of foreign jurisdictions**

This AP, and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Issue of ICULS with Warrants will not be made or offered in any foreign jurisdiction.

Foreign Entitled Shareholders or their renounee(s) (if applicable) may accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue of ICULS with Warrants only to the extent that it would be lawful to do so.

RHBIB, other experts, our Company and our Directors and officers would not, in connection with the Rights Issue of ICULS with Warrants, be in breach of the laws of any jurisdiction to which the foreign Entitled Shareholders or their renounees (if applicable) are or may be subject to. Foreign Entitled Shareholders or their renounees (if applicable) shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. RHBIB, other experts, our Company and our Directors and officers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders or renounees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

Accordingly, this AP together with the accompanying documents will not be sent to the foreign Entitled Shareholders or their renounees (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders or the renounees (if applicable) may collect the AP including the accompanying documents from our Share Registrar, in which event the Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the aforesaid documents.

The foreign Entitled Shareholders or their renounees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders or their renounee(s) (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against us or RHBIB in respect of their rights and entitlements under the Rights Issue of ICULS with Warrants. Such foreign Entitled Shareholders or their renounee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue of ICULS with Warrants.

By signing any of the forms accompanying this AP, the NPA and the RSF, the foreign Entitled Shareholders or their renounee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) RHBIB, other experts, our Company and our Directors and officers that:

- (i) we would not, by acting on the acceptance or renunciation in connection with the Rights Issue of ICULS with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or renounees (if applicable) are or may be subject to;
- (ii) they have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;
- (iii) they are not nominees or agents of a person in respect of whom we would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subject to;
- (iv) they are aware that the Rights ICULS and Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) they have respectively received a copy of this AP and have had access to such financial and other information and have been afforded the opportunity to pose such questions to the representatives of our Company and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights ICULS and Warrants; and
- (vi) they have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights ICULS and Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights ICULS and Warrants.

Persons receiving this AP, NPA and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this AP, NPA and RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this AP, NPA and RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of Rights ICULS and Warrants from any such application by foreign Entitled Shareholders or their renounees (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in our absolute discretion, to treat any acceptance of the Rights ICULS and Warrants as invalid if we believe that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

**NOTWITHSTANDING ANYTHING HEREIN, THE FOREIGN ENTITLED SHAREHOLDERS OR ANY OTHER PERSON HAVING POSSESSION OF THIS AP AND/OR ITS ACCOMPANYING DOCUMENTS ARE ADVISED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL REQUIREMENTS APPLICABLE THERETO. NO PERSON IN ANY TERRITORY OUTSIDE OF MALAYSIA RECEIVING THIS AP AND/OR ITS ACCOMPANYING DOCUMENTS MAY TREAT THE SAME AS AN OFFER, INVITATION OR SOLICITATION TO SUBSCRIBE FOR OR ACQUIRE ANY RIGHTS ICULS AND WARRANTS UNLESS SUCH OFFER, INVITATION OR SOLICITATION COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER REGULATORY OR LEGAL REQUIREMENTS ON SUCH TERRITORY.**



#### 4. RATIONALE FOR THE RIGHTS ISSUE OF ICULS WITH WARRANTS

The Rights Issue of ICULS with Warrants is undertaken to raise funds for the purposes as set out in Section 5 of this AP. After due consideration of the various funding options available to the Company, our Board is of the opinion that the Rights Issue of ICULS with Warrants is the most appropriate avenue of fund raising for TGIB after taking into consideration of the following:

- (i) the Rights Issue of ICULS with Warrants will enable the Company to immediately raise the requisite funds for our Group for purposes of the proposed utilisation as set out in Section 5 of this AP;
- (ii) the issuance of ICULS together with Warrants minimises the immediate dilution effect on the earnings of TGIB Share, which would otherwise arise from a full equity issue; and
- (iii) the free Warrants to be issued pursuant to the Rights Issue of ICULS with Warrants will provide the shareholders of TGIB with an incentive to subscribe for the Rights ICULS. The Entitled Shareholders may also benefit from the potential capital appreciation of the Warrants. The Warrants will allow the Entitled Shareholders to increase their equity participation in the Company at a predetermined price over the tenure of the Warrants. In addition, the Company would also be able to raise further proceeds as and when any of the Warrants are exercised.

#### 5. UTILISATION OF PROCEEDS

Based on the issue price of the Rights ICULS at 100% of the nominal value of RM1.00 per ICULS, the Rights Issue of ICULS with Warrants is expected to raise gross proceeds of approximately at least RM27.03 million and up to RM52.60 million. The proceeds are expected to be utilised in the following manner:

	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Expected timeframe for the utilisation of proceeds
Purchase of machineries and other ancillary facilities <sup>(1)</sup>	21,000	33,000	Within twelve (12) months from the date of receipt of the Rights ICULS proceeds
Working capital <sup>(2)</sup>	4,432	18,002	Within twelve (12) months from the date of receipt of the Rights ICULS proceeds
Renovation and refurbishment of existing factory building <sup>(3)</sup>	800	800	Within twelve (12) months from the date of receipt of the Rights ICULS proceeds
Estimated expenses in relation to the Rights Issue of ICULS with Warrants <sup>(4)</sup>	800	800	Within six (6) months from the date of receipts of the Rights ICULS proceeds
<b>TOTAL</b>	<b>27,032</b>	<b>52,602</b>	

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**Notes:**

- (1) Our Group intends to use part of the funds raised in the following manner:

	<b>Minimum Scenario (RM'000)</b>	<b>Maximum Scenario (RM'000)</b>
To purchase machineries to expand its production of polyvinyl chloride ("PVC") food wrap, stretch film and blown industrial films. Such machineries include, amongst others, cast machines, blown film machines and mixing equipment	19,000	31,000
To purchase other ancillary facilities such as silo storage	2,000	2,000
<b>Total</b>	<b>21,000</b>	<b>33,000</b>

The actual utilisation for each component as stated above may differ at the time of utilisation. Any shortfall in funds allocated for the purchase of machineries and other ancillary facilities will be funded from internally generated funds and/or from bank borrowings. Any excess in funds allocated for the purchase of machineries and other ancillary facilities will be used for the working capital of TGIB.

- (2) The proceeds for working capital will be utilised to finance the day-to-day operations of our Group and is estimated to be utilised in the following manner:

	<b>Minimum Scenario (RM'000)</b>	<b>Maximum Scenario (RM'000)</b>
Payment to the suppliers for the supply of goods	2,200	8,600
Purchase of raw materials such as plastic resin, masterbatch and printing ink	1,300	5,200
Labour cost and factory overhead	932	4,202
<b>Total</b>	<b>4,432</b>	<b>18,002</b>

The actual utilisation for each component of working capital may differ at the time of utilisation.

- (3) The renovation and refurbishment of an existing factory building located in Sungai Lalang, Bedong, Kedah, with a total built-up area of approximately 28,000 square feet to house certain of the machineries and other ancillary facilities for the production of PVC food wrap. The renovation and refurbishment of its existing factory building will include, amongst others, re-roofing and re-flooring of the aforesaid factory building. Presently, our Group is operating with four (4) production lines. With the planned additional two (2) production lines which will be located in the said rebuilt factory, our Group is expecting to increase its production capacity from 500 metric tons per month to 750 metric tons per month of PVC food wrap.

The estimated cost of renovation and refurbishment of its existing factory building of approximately RM800,000 is based on the estimations from the management of TGIB. Any shortfall in funds allocated for the renovation and refurbishment of an existing factory building will be funded from the internally generated funds and/or bank borrowings. Any excess in funds allocated for the renovation and refurbishment of an existing factory building will be used for the working capital of TGIB.

- (4) The expenses relating to the Rights Issue of ICULS with Warrants comprising professional fees, fees payable to the relevant authorities and other related expenses are estimated to be at RM800,000. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for the working capital of TGIB.

Pending utilisation of the proceeds from the Rights Issue of ICULS with Warrants for the above purposes, the proceeds will be placed in interest-bearing deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of our Group.

Any proceeds arising from the future exercise of the Warrants will be utilised for our Group's working capital requirements. Based on the issuance of up to 26,301,125 Warrants and the exercise price of RM1.50 per new TGIB Share, our Company is expected to raise approximately RM39.45 million from full exercise of the Warrants.

## 6. RISK FACTORS

You and/or your renounee(s) (if applicable) should carefully consider the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group, in addition to other information contained elsewhere in this AP, before subscribing for or investing in the Rights Issue of ICULS with Warrants.

### 6.1 Risks relating to our Group

#### (i) Competition

Our Group faces competition from various competitors, both domestically and abroad, which include private and public listed companies. Should our Group fail to overcome the competition, it will cause loss of market share and subsequently loss of revenue. This will affect the financial position of our Group. Nevertheless, our Group has successfully established a strong relationship with its customers and is confident that it will maintain its competitive advantage by ensuring prompt delivery, price competitiveness of its products and consistent quality. Our Group is constantly looking at improving its manufacturing processes and to increase manufacturing efficiency, standards and quality of its products through Research and Development ("R&D") and extend its product ranges to remain competitive. However, there can be no assurance that our Group will be able to maintain its existing market position in the future.

#### (ii) Business Risks

The principal business activities of our Group are in the manufacturing and marketing of plastic packaging products, beverages (i.e. tea and coffee) and other consumable products. The range of plastic packaging products manufactured include, amongst others, stretch films, garbage bags, industrial bags, films and sheets and PVC food wrap. Our Group is therefore subject to certain risks inherent in the related industries. These risks include constraints in labour supply, changes in economic and business conditions, foreign exchange rate fluctuations, increase in the prices of the imported and local components, unfavourable changes in Government policies, the introduction of new and superior technology or products and services by competitors and entry by new players. Any of these may be a threat to the operations and/or financial performance of our Group.

Although our Group seeks to limit these risks through, *inter-alia*, increasing the efficiency of operations, diversifying the pool of suppliers, expanding the business through increasing its range of customers, products and services, for both the local and overseas markets, and improving its technological competence in R&D and advanced technologies, no assurance can be given that any changes to these factors will not have a material adverse effect on our Group's business.

#### (iii) Supply and prices of inventories and raw materials

Our Group sources its inventories and raw materials from different suppliers. It is not dependent on any single supplier for sourcing its inventories and raw materials. Our Group has built long-term relationships with its existing inventories and raw materials suppliers. Our Group is also exposed to the risk of fluctuations in prices of inventories and raw materials. Notwithstanding this risk, our Group may still be able to maintain reasonable profits if it can pass the increase in cost to its customers. The management of our Group does not foresee any difficulties in procuring the inventories and raw materials from local and overseas suppliers and is able to identify additional suppliers should the need arise.

In addition, the management of our Group is also well versed with the market trends of the inventories and raw material prices and availability therefore limiting our Group's exposure to the risk of price fluctuation of inventories and raw material. However, there can be no assurance that any significant change to the supply and the fluctuations in inventories and raw materials prices will not affect the future profitability of our Group.

**(iv) Risks arising from our overseas business ventures**

For FYE 31 December 2013, 74.43% of our revenue was generated by our overseas business, while the remaining revenue was generated by our local business. We are exposed to risks arising from our overseas business ventures given the different business operating conditions and regulatory environments in other countries such as Japan, China and Australia which includes amongst others, the general economy, political stability, legal and tax legislation, credit environment and foreign exchange rules of such foreign countries. We must fully understand the local environment of our foreign ventures in order for us to make strategic business decisions. However, from our past experiences, we have not encountered major difficulty in which our Group were unable to overcome that would have negative material impact on the operations and financial performance of our Group.

**(v) Foreign exchange risk**

TGIB is subject to foreign exchange risk through the import of raw materials and export of finished goods. As such, any fluctuation in foreign exchange rates would have implication on our Group's profitability.

The risk of foreign currency exchange fluctuation is, to a certain extent, mitigated by the managed float mechanism adopted by the BNM on the RM versus the USD conversion rate since the de-pegging of the RM. This may prevent any extreme fluctuations of the RM vis-à-vis USD. Currently, our Group uses forward contracts or other derivative instruments to mitigate its foreign exchange risk. However, there can be no assurance that future foreign exchange fluctuations or changes will not adversely impact our Group.

**(vi) Political, economic and regulatory considerations**

Any adverse developments in political, economic and regulatory conditions in Malaysia and the countries such as Japan, China and Australia where our Group has business dealings may materially and adversely affect the financial prospects of our Group and the industry in which it operates. Amongst the political, economic and regulatory uncertainties are the changes in political leadership, expropriation, nationalism, renegotiation or nullification of existing sales orders and contracts, changes in interest rates and methods of taxation and currency exchange rules and contracts. Whilst our Group will continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors will not materially affect our Group's operations, financial performance and future prospects.

**(vii) Sensitivity to economic downturn**

Our Group is facing present world economic outlook which is uncertain. Any slowdown in the growth of the manufacturing and trading industry and other general world-wide economic activities could materially and adversely affect our Group's operating result and financial condition. Nevertheless, our Group has established and continues to expand its customer base (domestic and foreign) as well as its range of products as a means to diversify or spread the risks associated with adverse effects related to economic downturns such as default in payments by customers and a decrease in demand for a particular product or service.

Despite the measures taken by our Group to mitigate risks relating to economic slowdowns, there is no assurance that any economic downturn will not have a material adverse effect on our Group's operations and financial performance.

**(viii) Labour risks**

Certain areas of the manufacturing process of our Group such as quality control and packaging are reliant on manual labour. As such, our Group is subject to risks of labour shortages or increase in labour costs. Any shortage of labour will affect our Group's ability to meet production schedules, while any increase in labour cost to retain or recruit labours will affect the costs of production.

In this respect, our Group is constantly reviewing its processes to reduce dependency on manual labour as well as improve the quality of products by automating and improving our manufacturing processes where possible. In the event our Group is unable to reduce its dependency on manual labour, any increase in the costs of production would inevitably affect our Group's profit margin, which may in turn affect our Group's financial performance.

**6.2 Risks relating to the Rights Issue of ICULS with Warrants**

**(i) Unsecured obligations**

The ICULS bear a coupon rate of 5.00% per annum on the nominal value, payable semi-annually in arrears. The ICULS shall constitute, direct, unsecured and unconditional obligation of our Company ranking *pari passu* amongst themselves and with all other subordinated and unsecured obligations of our Company, subject only to those preferred by mandatory provisions of law. Moving forward, there is no assurance that our Group would remain profitable to sustain the financial condition of our Group to support the value of the ICULS.

Our Company will endeavour to ensure that we will maintain prudent cash flow management and monitoring our cash flow position regularly to minimise the event of default. However, there is no assurance that our Company will generate sufficient cash flow to mitigate the credit risk of the ICULS.

**(ii) Credit risk of the ICULS**

The tenure of the ICULS is for a period of up to five (5) years and may be subject to higher credit risks such as risk of default as compared to investors depositing their funds in fixed deposit with a licensed financial institution.

Pursuant to the terms of the ICULS, our Company will be required to make semi-annual coupon payments to the holders of the ICULS. The ability to service the coupon payments is dependent on our Company's generation of sufficient revenue and cash flow. Our Company will endeavour to fulfil the obligation to service the coupon payments.

**(iii) Market price of the ICULS and Warrants and its volatility**

The issue price of the ICULS and the exercise price of the Warrants have been determined, after taking into consideration, amongst others, the theoretical ex-all price of our Shares, the par value of TGIB Shares, the past financial performance of TGIB, prospects of TGIB, the upward share price trend of TGIB for the past twelve (12) months and the funding requirements of our Group as disclosed in Section 5 of this AP.

The market price of our Shares is influenced by, amongst others, prevailing market sentiments, volatility of equity markets, our Company's industry outlook and our financial performance. In view of this, there can be no assurance that the ICULS will trade above the issue price or the theoretical ex-all price of our Shares upon or subsequent to the listing of and quotation for the ICULS on the Main Market of Bursa Securities.

There can be no assurance that the ICULS and Warrants will be 'in-the-money' upon listing of the ICULS and Warrants on the Main Market of Bursa Securities i.e. the market price of TGIB Shares trading above the conversion price of the ICULS of RM1.00 and the exercise price of the Warrants of RM1.50. The future market price of TGIB Shares may trade either above or below the conversion price of the ICULS of RM1.00 and the exercise price of the Warrants of RM1.50.

The market price of the ICULS and the Warrants will be dependent on, amongst others, the market price of TGIB Shares and the remaining conversion period of the ICULS and the exercise period of the Warrants.

**(iv) No prior market for ICULS and Warrants**

Prior to the Rights Issue of ICULS with Warrants, there has been no established trading market for our ICULS and Warrants, respectively. The market price of our ICULS and Warrants on Bursa Securities will depend on, amongst others, the prevailing stock market sentiments, the volatility of the stock market, interest rate movements, future profitability of our Group, as well as the future prospects of the industry in which our Group operates. No assurance can be given that an active market will develop upon listing of our ICULS and Warrants on Bursa Securities, or if developed, that such market will sustain. There can also be no assurance that the market price of our ICULS and Warrants will be maintained at any particular level subsequent to their issue.

**(v) Delay in or abortion of the Rights Issue of ICULS with Warrants**

There is a risk that the Rights Issue of ICULS with Warrants may be aborted or delayed on the occurrence of any one or more of the following events:

- (i) material adverse change of events/circumstances, which are beyond the control of our Company and RHBIB, arising during the implementation of the Rights Issue of ICULS with Warrants; and
- (ii) as set out in Section 2.5 of this AP, the Undertaking Shareholders who have provided their irrevocable undertakings to subscribe for 27,031,787 Rights ICULS under the Rights Issue of ICULS with Warrants for whatever reason do not fulfil, or be unable to fulfil their obligations pursuant to their irrevocable undertakings.

In this respect, our Company will exercise our best endeavours to ensure the successful implementation of the Rights Issue of ICULS with Warrants. However, there can be no assurance that the abovementioned factors/ events will not cause a delay in or the abortion of the Rights Issue of ICULS with Warrants. Pursuant to Section 243 of the Capital Markets and Services Act, 2007, in the event that the Rights Issue of ICULS with Warrants is aborted, our Company will repay without interest all monies received from the applicants in pursuance to the AP, and if any such monies not repaid within fourteen (14) days after it becomes liable, our officers shall be jointly and severally liable to repay such money with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period.

**(vi) Potential dilution**

Entitled shareholders who do not or are not able to accept the provisional Rights ICULS with Warrants will have their proportionate percentage of shareholdings and voting interests in our Company reduced in the enlarged issued and paid-up share capital of our Company as and when the ICULS are converted and the Warrants are exercised into new TGIB Shares respectively.

**6.3 Forward-looking statements**

Certain statements in this AP are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on forecasts and assumptions made by our Group and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may affect the actual results, performance or achievements implied in such forward-looking statements. Such factors include, *inter alia*, the risk factors as set out in this section. In light of these and other uncertainties, the inclusion of forward-looking statements in this AP should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

Further, and save as required by law or relevant regulations, none of our Directors and/or any advisers are under any obligation to update any forward-looking statements included in this AP, or to publicly announce any revision to those forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

Certain information in this AP are extracted or derived from available government publications or other publicly available sources. Neither we nor any adviser has independently verified such information.

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## 7. INDUSTRY OVERVIEW AND OUTLOOK

### 7.1 Overview and outlook of the Global economy

In the first half of 2013, the global economy recorded a moderate growth of 2.5%. Emerging economies grew moderately but still contributed significantly to global growth, while advanced economies strengthened gradually.

In the United States, private demand, which was supported by accommodative monetary policy contributed to growth while the fiscal consolidation measures had negative effect on growth. On the other hand, the euro area growth remained subdued due to high unemployment, large public and private debts which restrain borrowing.

Global economic activity is projected to strengthen moderately in 2014. The global GDP is forecasted to grow 3.6% in 2014.

*(Source: Economic Report 2013/2014, Ministry of Finance Malaysia)*

### 7.2 Overview and outlook of the Malaysian economy

The Malaysian economy registered a strong growth of 6.4% in the second quarter of 2014 (1Q 2014: 6.2%), underpinned by higher exports and continued strength in private domestic demand. On the supply side, growth in the major economic sectors remained firm, supported by trade and domestic activity. On a quarter-on-quarter seasonally adjusted basis, the economy grew by 1.8% (1Q 2014: 0.8%). Exports and private sector activity remained the key drivers of growth during the quarter.

Private investment continued to register double-digit growth, expanding by 12.1% (1Q 2014: 14.1%), reflecting investments in the services and manufacturing sectors. Private consumption increased by 6.5% (1Q 2014: 7.1%), supported by stable employment conditions and continued wage growth. Public consumption declined marginally by 1.3% (1Q 2014: 11.2%), reflecting lower Government spending on emoluments, and supplies and services.

In terms of total investment, gross fixed capital formation expanded by 7.2% (1Q 2014: 6.3%). By type of assets, this was driven by spending on machinery and equipment (9.1%; 1Q 2014: -1.8%), amidst a moderation of investment in structures (6.7%; 1Q 2014: 14.7%).

On the supply side, growth in the major economic sectors remained strong. The manufacturing sector expanded at a faster pace, underpinned by the electronics and electrical cluster, particularly semiconductors.

Going forward, the global economy is expected to continue on a moderate growth path. Recent improvements in economic activity suggest that a cyclical recovery remains underway in some advanced economies. This will continue to benefit international trade activity. In Asia, domestic demand is expected to remain supportive of growth. Nevertheless, country specific developments may affect the overall pace of growth in these economies. The overall balance of risks for the global economy thus remains biased towards the downside due to uncertainty over policy adjustments in the key economies as well as geopolitical developments. Persistent geopolitical tensions in Eastern Europe and the Middle East could heighten financial market volatility and weigh down on the ongoing global economic recovery.

For the Malaysian economy, growth of exports is expected to moderate slightly in the second half of the year, partly reflecting the significant base effect in the corresponding period in 2013. Nevertheless, leading indicators suggest that private sector activity will remain as the key driver of growth. Exports will continue to benefit from the recovery in the advanced economies and from regional demand. Going forward, the Malaysian economy is expected to remain on a steady growth path.

*(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2014, BNM)*



### 7.3 Overview and outlook of the Japan economy

Japan's GDP growth expanded 0.6% in the first half of 2013 (January – June 2012: 3.6%). The moderation was largely due to lower private investment, which contracted 4.9% (January – June 2012: 7.2%) as business confidence was affected by weak external demand. In contrast, public investment expanded 12.1% (January – June 2012: 7.5%) due to increase in stimulus and reconstruction spending. On the supply side, manufacturing sector declined 5.4% (January – June 2012: 7%) as companies reduced production due to weak demand. In April 2013, The Bank of Japan introduced monetary easing policies to achieve an inflation target of 2% and stimulate growth. Japan's GDP is projected to remain stable at 2% in 2013 (2012: 2%).

*(Source: Economic Report 2013/2014, Ministry of Finance Malaysia)*

### 7.4 Overview and outlook of the China economy

China achieved a GDP growth of 7.6% (January – June 2012: 7.8%) amid restructuring and transformation of its economy since 2008 towards a more balanced and sustainable growth path. Industrial production moderated to 9.4% (January – June 2012: 10.3%), driven mainly by a slowdown in the manufacturing sector. China's GDP is projected to register a growth of 7.6% in 2013 (2012: 7.7%).

*(Source: Economic Report 2013/2014, Ministry of Finance Malaysia)*

### 7.5 Overview and outlook of the Australia economy

Australia registered a moderate growth of 2.6% in the first half of 2013 (2012: 4%) due to a slowdown in domestic demand, specifically weaker investment in the mining sector. Private consumption grew at slower pace due to weaker consumer sentiment. Therefore, household savings rate rose 10.7% in the first half of 2013. Besides, inflation increased to 2.4% in the first half of 2013 (January – June 2012: 1.4%) and is projected to remain well between the target band of 2% and 3% set by the Reserve Bank of Australia (RBA). For 2013, Australia's GDP is expected to decelerate to 2.5% (2012: 3.7%), weighed down by the declining performance of the mining sector.

*(Source: Economic Report 2013/2014, Ministry of Finance Malaysia)*

### 7.6 Overview and prospects of the manufacturing sector

The manufacturing sector recorded a strong growth of 7.3% in the second quarter (1Q 2014: 6.8%), driven by the strong performance of the electronics and electrical cluster, particularly semiconductors. This was also supported by better performance of the domestic-oriented cluster, particularly the manufactures of transport equipment, and food, beverage and tobacco.

Overall capacity utilisation rate in the manufacturing sector was sustained at 78% (1Q 2014: 78%). Export-oriented industries were operating at 79% (1Q 2014: 79%), while capacity utilisation in the domestic-oriented industries rose to 77% (1Q 2014: 75%).

*(Source: Economic and Financial Developments in Malaysia in the Second Quarter 2014, BNM)*

The manufacturing sector is projected to grow 3.8% in 2014 (2013: 3.2%). Prospects for the manufacturing sector are expected to improve in 2014, given the continued recovery in manufacturing activity. Domestic-oriented industries such as food subsectors are expected to remain resilient. On the other hand, in line with the gradual pickup in the global economy and improving intra-regional trade, export-oriented industries such as chemicals and chemical products are likely to provide support to growth.

*(Source: Economic Report 2013/2014, Ministry of Finance Malaysia)*

## 7.7 Overview and prospects of plastic products and packaging industry

The plastics and plastic products industry is one of the most dynamic and vibrant growth sectors within the Malaysian manufacturing sector. The Malaysian plastics industry has developed into a highly diversified sector producing an array of products including automotive components, electrical and electronic parts as well as components for the telecommunications industry, construction materials, household goods, acrylic sheets, bags, bathroom accessories, battery casings, bottles, containers, toys, games and packaging materials.

Malaysia is one of the largest plastics producers in Asia, with over 1,550 manufacturers, employing some 99,100 people. The country's plastic products are exported worldwide including the European Union (EU), China, Hong Kong, Singapore, Japan and Thailand. According to the Malaysian Investment Development Authority (MIDA), the growth of domestic downstream plastic processing activities can be attributed to the existence of a developed petrochemical sector in Malaysia. The largest sub-sector for the plastic industry remains plastic packaging involving both flexible and rigid (including bags, films, bottles and containers). In fact, Malaysia is one of the world's leading suppliers of plastic bags.

Prospects for future developments are still bright as plastics will continue to be the materials for the future in many industrial and consumer applications. According to the Malaysian Plastic Manufacturers Association (2011), there are benefits for the industry in various ways. The three most important benefits are arising from the export sector and the local demand. First of all, an increase in the exports for plastic packaging is expected since for example the food sector will need more packaging material. Moreover, the local demand will increase as well since the automotive sector in Malaysia itself needs plastic due to improving consumer spending. Finally, the increase in indirect export for electrical and electronics appliances will lead to bigger production in the plastic sector which can be lead back to a stronger purchasing power.

The globalisation nowadays will increase trade opportunities for the resins and plastic industry, however at the same time it will also expose Malaysian manufacturers to competition. Thereby, the major problems that come with globalisation are higher production costs and environment concerns. Thus, it is crucial for the Malaysian plastics industry to strengthen its competitiveness through the continued acquisition of the appropriate technologies as well as enhance skills training and marketing capabilities. If they do so, Malaysia can continue to penetrate new markets in developed and developing economies successfully.

*(Source: Market Watch 2012, The Malaysian Plastic Industry, Malaysian-German Chamber of Commerce and Industry)*

## 7.8 Overview and prospects of TGIB

Our Group has an annual combined production output in excess of 120,000 metric tons of plastic products. Our Group is currently operating at a utilisation rate of approximately 89%. Our Group's core manufacturing operations are located in Sungai Petani that covers an area of over 30 acres. We also have manufacturing operations in Kota Kinabalu, Suzhou and Bangkok. Besides, our Group also engages in the manufacturing of food, beverages, and other consumable products. Currently, our Group's revenue is mainly derived from plastic products which contribute approximately 94.51% of our Group's revenue based on the audited financial statements for the FYE 31 December 2013.

For the FYE 31 December 2013, our Group registered a 14.11% increase in revenue from RM631.19 million in 2012 to RM720.28 million in 2013 and a 8.67% increase in PBT from RM29.30 million in 2012 to RM31.84 million in 2013. The increase in revenue was mainly due to higher sales of plastic products domestically and abroad.

To support our Group's prospects, the management intends to implement the following growth strategies:

- (i) maximising on the existing capacity utilisation and adding on capacity to areas where orders have consistently exceeded production capacity and areas that offer higher profit margins; and
- (ii) expanding its focus on environmentally sustainable products such as thinner films produced from technologically advanced materials and machinery whereby usage of plastic materials can be reduced without compromising on film properties.

In view of the above, our Board believes that the prospects of our Group is favourable after having considered all relevant aspects including the outlook of the industry and global economic prospects.

*(Source: TGIB's audited Financial Statements for the FYE 31 December 2013 and TGIB's website)*

## 8. EFFECTS OF THE RIGHTS ISSUE OF ICULS WITH WARRANTS

### 8.1 Issued and paid-up share capital

The proforma effects of the Rights Issue of ICULS with Warrants on the issued and paid-up share capital of TGIB are set out below:

	<--- Minimum Scenario --->		<--- Maximum Scenario--->	
	No. of TGIB Shares	RM	No. of TGIB Shares	RM
Existing issued and paid-up share capital as at the LPD	105,204,500	105,204,500	105,204,500	105,204,500
To be issued pursuant to the full conversion of ICULS pursuant to the Rights Issue of ICULS with Warrants	27,031,787	27,031,787	52,602,250	52,602,250
After the full conversion of ICULS	132,236,287	132,236,287	157,806,750	157,806,750
To be issued upon the full exercise of Warrants pursuant to the Rights Issue of ICULS with Warrants	13,515,893	13,515,893	26,301,125	26,301,125
<b>Enlarged issued and paid-up share capital</b>	<b>145,752,180</b>	<b>145,752,180</b>	<b>184,107,875</b>	<b>184,107,875</b>

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## 8.2 NA per share and gearing

Based on the audited consolidated financial statements of TGIB for the FYE 31 December 2013 and on the assumption that the Rights Issue of ICULS with Warrants had been effected on that date, the proforma effects of the Rights Issue of ICULS with Warrants on the NA per Share and gearing are set out below:

### Minimum Scenario

	Audited as at 31 December 2013	Proforma I After taking into account subsequent events after 31 December 2013	Proforma II After Proforma I and the Rights Issue of ICULS with Warrants	Proforma III After Proforma II and the full conversion of ICULS	Proforma IV After Proforma III and the full exercise of Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	105,205	105,205	105,205	132,237	145,753
Share premium	3,938	3,938	3,938	3,938	21,375 <sup>(7)</sup>
Translation reserve	9,212	9,212	9,212	9,212	9,212
Statutory reserve	4,141	4,141	4,141	4,141	4,141
ICULS-equity portion	-	-	11,807 <sup>(2)</sup>	-	-
Warrant reserves	-	-	10,679 <sup>(3)</sup>	10,679	-
Retained earnings	167,027	155,455 <sup>(1)</sup>	154,655 <sup>(4)</sup>	143,976 <sup>(6)</sup>	143,976
Shareholders fund/ NA	289,523	277,951	299,637	304,183	324,457
Non-controlling interests	3,598	3,598	3,598	3,598	3,598
Total equity	293,121	281,549	303,235	307,781	328,055
Number of Shares in issue	105,204,500	105,204,500	105,204,500	132,236,287	145,752,180
NA per share (RM)	2.75	2.64	2.85	2.30	2.23
Total borrowings (RM'000)	49,657	49,657	55,718 <sup>(5)</sup>	49,657	49,657
Gearing (times) <sup>(8)</sup>	0.17	0.18	0.19	0.16	0.15

#### Notes:

- (1) Taking into account the payment of a first and final tax exempt dividend of RM0.08 per TGIB Share in respect of the FYE 31 December 2013 which has been paid to entitled shareholders on 8 August 2014 and the interim tax exempt dividend of RM0.03 per TGIB Share in respect of the FYE 31 December 2014 to be paid to entitled shareholders on 18 November 2014.
- (2) Including deferred tax assets of RM1.52 million.
- (3) Computed based on the theoretical fair value of Warrant, which has been arrived at using the 'binomial option pricing model'.
- (4) After taking into consideration the estimated expenses in relation to the Rights Issue of ICULS with Warrants of RM0.80 million.
- (5) Including the liability portion of the ICULS amounting to RM6.06 million.
- (6) An amount of RM10.68 million to be debited from the retained earnings account upon the full conversion of ICULS in accordance with applicable approved accounting standards.
- (7) An amount of RM10.68 million to be credited to the share premium account upon the full exercise of the Warrants in accordance with applicable approved accounting standards.
- (8) The gearing ratio was derived by dividing the total borrowings with the shareholders' funds/ NA.

**Maximum Scenario**

	Audited as at 31 December 2013	Proforma I After taking into account subsequent events after 31 December 2013	Proforma II After Proforma I and the Rights Issue of ICULS with Warrants	Proforma III After Proforma II and the full conversion of ICULS	Proforma IV After Proforma III and the full exercise of Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	105,205	105,205	105,205	157,807	184,108
Share premium	3,938	3,938	3,938	3,938	37,869 <sup>(7)</sup>
Translation reserve	9,212	9,212	9,212	9,212	9,212
Statutory reserve	4,141	4,141	4,141	4,141	4,141
ICULS-equity portion	-	-	22,975 <sup>(2)</sup>	-	-
Warrant reserves	-	-	20,781 <sup>(3)</sup>	20,781	-
Retained earnings	167,027	155,455 <sup>(1)</sup>	154,655 <sup>(4)</sup>	133,874 <sup>(6)</sup>	133,874
Shareholders fund/ NA	289,523	277,951	320,907	329,753	369,204
Non-controlling interests	3,598	3,598	3,598	3,598	3,598
Total equity	293,121	281,549	324,505	333,351	372,802
Number of Shares in issue	105,204,500	105,204,500	105,204,500	157,806,750	184,107,875
NA per share (RM)	2.75	2.64	3.05	2.09	2.01
Total borrowings (RM'000)	49,657	49,657	61,452 <sup>(5)</sup>	49,657	49,657
Gearing (times) <sup>(8)</sup>	0.17	0.18	0.19	0.15	0.13

**Notes:**

- (1) Taking into account the payment of a first and final tax exempt dividend of RM0.08 per TGIB Share in respect of the FYE 31 December 2013 which has been paid to entitled shareholders on 8 August 2014 and the interim tax exempt dividend of RM0.03 per TGIB Share in respect of the FYE 31 December 2014 to be paid to entitled shareholders on 18 November 2014.
- (2) Including deferred tax assets of RM2.95 million
- (3) Computed based on the theoretical fair value of Warrant, which has been arrived at using the 'binomial option pricing model'.
- (4) After taking into consideration the estimated expenses in relation to the Rights Issue of ICULS with Warrants of RM0.80 million.
- (5) Including the liability portion of the ICULS amounting to RM11.80 million.
- (6) An amount of RM20.78 million be debited from the retained earnings account upon the full conversion of ICULS in accordance with applicable approved accounting standards.
- (7) An amount of RM20.78 million to be credited to the share premium account upon the full exercise of the Warrants in accordance with applicable approved accounting standards.
- (8) The gearing ratio was derived by dividing the total borrowings with the shareholders' funds/ NA.

### 8.3 Earnings and EPS

Save for the effect of the estimated expenses incurred pursuant to the Rights Issue of ICULS with Warrants, the Rights Issue of ICULS with Warrants is not expected to have any material effect on the earnings of TGIB Group for the FYE 31 December 2014.

However, the Rights Issue of ICULS with Warrants will result in a corresponding reduction in the EPS of TGIB as a result of the increase in the number of TGIB Shares in issue when the ICULS are converted and the Warrants are exercised into new TGIB Shares respectively. Nevertheless, the Rights Issue of ICULS with Warrants is expected to contribute positively to the future earnings of TGIB when the benefits of the utilisation of proceeds are realised.

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#### 8.4 Substantial shareholders' shareholding

The proforma effects of the Rights Issue of ICULS with Warrants on the substantial shareholders' shareholding of TGIB based on the Record of Depositors as at the LPD are set out below:

##### Minimum Scenario

	Shareholdings as at the LPD		Proforma I		After the Rights Issue of ICULS with Warrants	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
	No. of TGIB Shares held	No. of TGIB Shares held	No. of TGIB Shares held	No. of TGIB Shares held	No. of TGIB Shares held	No. of TGIB Shares held
<b>Substantial shareholders</b>						
Foremost Equals	41,903,625	-	41,903,625	-	41,903,625	-
Dato' Ang Poon Chuan <sup>(2)</sup>	928,500	41,903,625 <sup>(1)</sup>	928,500	41,903,625 <sup>(1)</sup>	928,500	41,903,625 <sup>(1)</sup>
Datuk Ang Poon Seong <sup>(2)</sup>	589,125	41,903,625 <sup>(1)</sup>	589,125	41,903,625 <sup>(1)</sup>	589,125	41,903,625 <sup>(1)</sup>
<b>Other undertaking shareholder</b>						
Dato' Ang Poon Khim <sup>(2)</sup>	642,325	166,700 <sup>(3)</sup>	642,325	166,700 <sup>(3)</sup>	642,325	166,700 <sup>(3)</sup>
<b>Substantial shareholders</b>						
Foremost Equals	67,855,438	-	80,831,344	-	80,831,344	-
Dato' Ang Poon Chuan <sup>(2)</sup>	1,392,750	67,855,438 <sup>(1)</sup>	1,624,875	67,855,438 <sup>(1)</sup>	1,624,875	80,831,344 <sup>(1)</sup>
Datuk Ang Poon Seong <sup>(2)</sup>	883,687	67,855,438 <sup>(1)</sup>	1,030,968	67,855,438 <sup>(1)</sup>	1,030,968	80,831,344 <sup>(1)</sup>
<b>Other undertaking shareholder</b>						
Dato' Ang Poon Khim <sup>(2)</sup>	963,487	166,700 <sup>(3)</sup>	1,124,068	166,700 <sup>(3)</sup>	1,124,068	166,700 <sup>(3)</sup>

##### Notes:

(1) Deemed interested via Foremost Equals pursuant to Section 6A of the Act.

(2) The PACs with Foremost Equals as disclosed in Section 2.6 of this AP.

(3) Shares held by spouse and children pursuant to Section 134(12)(c) of the Act.

**Maximum Scenario**

	Shareholdings as at the LPD		Proforma I		After the Rights Issue of ICULS with Warrants	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
	No. of TGIB Shares held	%	No. of TGIB Shares held	%	No. of TGIB Shares held	%
<b>Substantial shareholders</b>						
Foremost Equals	41,903,625	39.83	-	-	41,903,625	39.83
Dato' Ang Poon Chuan <sup>(2)</sup>	928,500	0.88	41,903,625 <sup>(1)</sup>	39.83	928,500	0.88
Datuk Ang Poon Seong <sup>(2)</sup>	589,125	0.56	41,903,625 <sup>(1)</sup>	39.83	589,125	0.56
<b>Other undertaking shareholder</b>						
Dato' Ang Poon Khim <sup>(2)</sup>	642,325	0.61	166,700 <sup>(3)</sup>	0.16	642,325	0.61

	After (I) and the full conversion of ICULS		Proforma II		After (II) and the full exercise of Warrants	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
	No. of TGIB Shares held	%	No. of TGIB Shares held	%	No. of TGIB Shares held	%
<b>Substantial shareholders</b>						
Foremost Equals	62,855,438	39.83	-	-	73,331,344	39.83
Dato' Ang Poon Chuan <sup>(2)</sup>	1,392,750	0.88	62,855,438 <sup>(1)</sup>	39.83	1,624,875	0.88
Datuk Ang Poon Seong <sup>(2)</sup>	883,687	0.56	62,855,438 <sup>(1)</sup>	39.83	1,030,968	0.56
<b>Other undertaking shareholder</b>						
Dato' Ang Poon Khim <sup>(2)</sup>	963,487	0.61	250,050 <sup>(3)</sup>	0.16	1,124,068	0.61

**Notes:**

(1) Deemed interested via Foremost Equals pursuant to Section 6A of the Act.

(2) The PACs with Foremost Equals as disclosed in Section 2.6 of this AP.

(3) Shares held by spouse and children pursuant to Section 134(12)(c) of the Act.



## 8.5 Convertible securities

As at the LPD, the Company does not have any convertible securities.

## 9. DETAILS OF OTHER CORPORATE EXERCISES

Save for the Rights Issue of ICULS with Warrants, our Board confirms that there is no other outstanding corporate proposals announced by the Company, but not yet completed as at the LPD.

## 10. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

### 10.1 Working capital

Our Board is of the opinion that after taking into consideration the proceeds from the Rights Issue of ICULS with Warrants, cash in hand and banking facilities available, our Group will have adequate working capital to meet our current core business requirements within a period of twelve (12) months from the date of this AP.

### 10.2 Borrowings

As at the LPD, TGIB Group has total outstanding borrowings of approximately RM48.23 million, all of which are interest-bearing from local and foreign institutions. The details of the total outstanding borrowings (which have not been audited) are as follows:

	USD'000	RM'000 <sup>(1)</sup>	Total RM'000
<b>Short term borrowings:</b>			
<b>Secured:</b>			
Term loans	-	939	939
Bank overdrafts	-	1,299	1,299
Bankers acceptances	-	559	559
<b>Unsecured:</b>			
Term loans	1,174	3,704	3,704
Bank overdrafts	-	3,611	3,611
Onshore foreign currency loans	6,159	19,428	19,428
Banker's acceptances	-	3,607	3,607
Revolving credits	-	3,000	3,000
Finance lease liabilities	-	612	612
<b>Total short term borrowings</b>			<b>36,759</b>
<b>Long term borrowings:</b>			
Finance lease liabilities	-	953	953
Unsecured term loans	3,335	10,519	10,519
<b>Total long term borrowings</b>			<b>11,472</b>

**Note:**

(1) The USD is translated into RM based on the closing rate of the LPD of USD1.00:RM3.1542.

As at the LPD, we do not have any non interest-bearing borrowings.

To the best knowledge and belief of our Board, after making all reasonable enquiries, there has not been any default on payments of either interests or principal sums by our Group, in respect of any borrowings during the FYE 31 December 2013 and for the subsequent financial period up to the LPD.

### **10.3 Material commitments and contingent liabilities**

#### **10.3.1 Material commitments**

As at the LPD, our Board, after making all reasonable enquiries, is not aware of any material commitments incurred or known to be incurred by our Group, which when enforced, may have a material impact on the financial results/ position of our Group.

#### **10.3.2 Contingent liabilities**

As at the LPD, our Board, after making all reasonable enquiries, is not aware of any contingent liabilities incurred or known to be incurred by our Group, which when enforced, may have a material impact on the financial results/ position of our Group.

## **11. TERMS AND CONDITIONS**

The issuance of the Rights ICULS and Warrants pursuant to the Rights Issue of ICULS with Warrants is governed by the terms and conditions as set out in this AP, the Trust Deed, the Deed Poll, the NPA and the RSF enclosed therewith.

## **12. FURTHER INFORMATION**

You are requested to refer to the attached appendices for further information.

Yours faithfully  
For and on behalf of the Board of  
**THONG GUAN INDUSTRIES BERHAD**

**DATO' ANG POON CHUAN**  
*Managing Director*

**CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS PASSED AT OUR EGM HELD ON 28 MAY 2014**

CERTIFIED TRUE COPY

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

EXTRACT of the Minutes of the Extraordinary General Meeting of Thong Guan Industries Berhad ("TGIB" or "the Company") held at Meranti Room, Level 2, Park Avenue Hotel, E-1, Jalan Indah 2, Taman Sejati Indah, 08000 Sungai Petani, Kedah on Wednesday, 28 May 2014 at 11:40 a.m.

.....  
 Secretary  
 LAU YOKE LENG  
 (MAICSA 7034778)

**ORDINARY RESOLUTION**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO RM52,602,250 NOMINAL VALUE OF 5-YEAR 5.00% IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCK AT 100% OF ITS NOMINAL VALUE OF RM1.00 EACH ("ICULS") ON THE BASIS OF ONE (1) RM1.00 NOMINAL VALUE OF ICULS FOR EVERY TWO (2) ORDINARY SHARES OF RM1.00 IN TGIB ("TGIB SHARE(S)" OR "SHARE(S)") HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE"), TOGETHER WITH UP TO 26,301,125 FREE NEW WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) ICULS SUBSCRIBED ("PROPOSED RIGHTS ISSUE OF ICULS WITH WARRANTS")**

Dato' Chairman put the motion to the vote and it was resolved:

**"THAT**, subject to the approval-in-principle granted by Securities Commission Malaysia and Bursa Malaysia Securities Berhad ("**Bursa Securities**") and all other relevant authorities/parties (if applicable), approval be and is hereby given to the Directors of the Company for the following:

- (a) to provisionally allot and issue by way of a renounceable rights issue of up to RM52,602,250 nominal value of 5-year 5.00% ICULS on the basis of one (1) RM1.00 nominal value of ICULS for every two (2) TGIB Shares by way of provisional allotment to shareholders whose names appear in the Record of Depositors at the close of business on an entitlement date to be determined and announced later by the Board of Directors of TGIB ("**Board**") ("**Entitlement Date**") together with up to 26,301,125 Warrants on the basis of one (1) Warrant for every two (2) ICULS subscribed;
- (b) to enter into and execute the trust deed constituting the ICULS and to do all acts, deeds and things as they deem fit or expedient in order to implement, finalise and give effect to the aforesaid trust deed wherein the ICULS are convertible into new TGIB Shares on any market day from the second (2<sup>nd</sup>) anniversary of the date of issuance of the ICULS ("**ICULS Issue Date**") up to the date falling five (5) years from the ICULS Issue Date at the conversion price of RM1.00 for every one (1) new TGIB Share which is subject to adjustments in accordance with the provisions of the trust deed;
- (c) to enter into and execute the deed poll constituting the Warrants ("**Deed Poll**") and to do all acts, deeds and things as they deem fit or expedient in order to implement, finalise and give effect to the aforesaid Deed Poll wherein each of the Warrants will carry the right to subscribe, subject to any adjustment in accordance with the Deed Poll to be executed, at any time during the "Exercise Period" as defined in the Deed Poll, for one (1) new TGIB Share at an exercise price of RM1.50;
- (d) to allot and issue such number of new TGIB Shares pursuant to the conversion of the ICULS and the exercise of the Warrants, from time to time during the tenure of the ICULS and the Warrants, and such new TGIB Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing TGIB Shares provided that such new TGIB Shares then issued, shall not be entitled to any dividend, right, allotment and/ or other distribution declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the said new TGIB Shares;

**CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS PASSED AT OUR EGM HELD ON 28 MAY 2014 (cont'd)**

THONG GUAN INDUSTRIES BERHAD (324203K)  
Minutes of the Extraordinary General Meeting held on Wednesday, 28 May 2014

- (e) to allot and issue such further Warrants and new TGIB Shares arising from the subscription of further Warrants as a consequence of any adjustment in accordance with the provisions of the Deed Poll and/ or as may be required by the relevant authorities; and
- (f) to do all such acts and things including but not limited to the application to Bursa Securities for the listing of and quotation for the new TGIB Shares which may from time to time be allotted and issued upon conversion of the ICULS and exercise of the Warrants;

**THAT**, any fractional entitlements under the Proposed Rights Issue of ICULS with Warrants will be disregarded and shall be dealt with in such manner as the Directors shall in their absolute discretion deem expedient in the best interest of the Company;

**THAT**, the proceeds of the Proposed Rights Issue of ICULS with Warrants be utilised for the purposes as set out in the circular to shareholders of the Company dated 8 May 2014 ("**Circular**"), and the Directors be authorised with full powers to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Directors may deem fit, necessary and/ or expedient, subject (where required) to the approval of the relevant authorities;

**THAT**, the new TGIB Shares arising from the conversion of the ICULS and exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the existing TGIB Shares, save and except that they will not be entitled to any dividend, right, allotment and/ or other distribution that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the new TGIB Shares arising from conversion of the ICULS and the exercise of the Warrants;

**AND THAT**, the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the aforesaid Proposed Rights Issue of ICULS with Warrants with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties and to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue of ICULS with Warrants."

Confirmed as a correct record



Ong Tze-En (MAICSA 7026537)  
Joint Company Secretary

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**INFORMATION ON OUR COMPANY**


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**1. HISTORY AND BUSINESS**

Our Company was incorporated in Malaysia on 22 November 1994 as a private limited company known as Thong Guan Industries Sdn Bhd under the Act. On 18 June 1996, the Company assumed its present name following its conversion to a public limited company. Subsequently on 30 August 1997, the Company commenced operations as an investment holding company. On 19 December 1997, the shares of the Company were listed on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE"). On 31 May 2002, the listing was transferred to the Main Board of the KLSE (now known as Main Market of Bursa Securities).

At present, our Company's principal business is investment holding and trading of plastic and paper products. Through its subsidiaries, our Group is principally involved in the manufacturing, trading and sale of plastic packaging products, beverages (i.e. tea and coffee), plastic and paper products, plastic related machinery, and consumable products. The range of plastic packaging products manufactured include, amongst others, stretch film, garbage bags, biodegradable bags and etc.

Further details on the principal activities of our subsidiaries and associate company are set out in Section 6 of this Appendix.

**2. SHARE CAPITAL**

As at the LPD, our authorised and issued and paid-up share capital is as follows:

Type	No. of Shares	Par value RM	Total RM
Authorised	500,000,000	1.00	500,000,000
Issued and fully paid-up	105,204,500	1.00	105,204,500

**3. CHANGES IN SHARE CAPITAL****3.1 Authorised share capital**

As at the LPD, there has been no changes in the authorised share capital for the past three (3) years.

**3.2 Issued and paid-up share capital**

As at the LPD, there has been no changes in the issued and paid up share capital for the past three (3) years.



## INFORMATION ON OUR COMPANY (cont'd)

Maximum Scenario

	Shareholdings as at the LPD		Proforma I After the Rights Issue of ICULS with Warrants	
	Direct	Indirect	Direct	Indirect
	No. of TGIB Shares held	No. of TGIB Shares held	No. of TGIB Shares held	No. of TGIB Shares held
<b>Substantial shareholders</b>				
Foremost Equals	41,903,625	-	41,903,625	-
Dato' Ang Poon Chuan <sup>(2)</sup>	928,500	41,903,625 <sup>(1)</sup>	928,500	41,903,625 <sup>(1)</sup>
Datuk Ang Poon Seong <sup>(2)</sup>	589,125	41,903,625 <sup>(1)</sup>	589,125	41,903,625 <sup>(1)</sup>
<b>Other undertaking shareholder</b>				
Dato' Ang Poon Khim <sup>(2)</sup>	642,325	166,700 <sup>(3)</sup>	642,325	166,700 <sup>(3)</sup>

	Proforma II After (I) and the full conversion of ICULS		Proforma III After (II) and the full exercise of Warrants	
	Direct	Indirect	Direct	Indirect
	No. of TGIB Shares held	No. of TGIB Shares held	No. of TGIB Shares held	No. of TGIB Shares held
<b>Substantial shareholders</b>				
Foremost Equals	62,855,438	-	73,331,344	-
Dato' Ang Poon Chuan <sup>(2)</sup>	1,392,750	62,855,438 <sup>(1)</sup>	1,624,875	73,331,344 <sup>(1)</sup>
Datuk Ang Poon Seong <sup>(2)</sup>	883,687	62,855,438 <sup>(1)</sup>	1,030,968	73,331,344 <sup>(1)</sup>
<b>Other undertaking shareholder</b>				
Dato' Ang Poon Khim <sup>(2)</sup>	963,487	250,050 <sup>(3)</sup>	1,124,068	291,725 <sup>(3)</sup>

**Notes:**

- (1) Deemed interested via Foremost Equals pursuant to Section 6A of the Act.  
(2) The PACs with Foremost Equals as disclosed in Section 2.6 of this AP.  
(3) Shares held by spouse and children pursuant to Section 134(12)(c) of the Act.

**INFORMATION ON OUR COMPANY (cont'd)****5. BOARD OF DIRECTORS OF TGIB****5.1 Details of the Directors of TGIB**

<b>Name</b>	<b>Age</b>	<b>Nationality</b>	<b>Profession</b>	<b>Designation</b>	<b>Address</b>
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	79	Malaysian	Company Director	Chairman, Independent Non-Executive Director	No. 1055 B Jalan Tunku Abdul Halim 05100 Alor Setar Kedah Darul Aman
Dato' Ang Poon Chuan	70	Malaysian	Company Director	Managing Director	Lot 52, Jalan PKNK 1/6 Kawasan Perusahaan Sungai Petani 08000 Sungai Petani Kedah Darul Aman
Dato' Ang Poon Khim	60	Malaysian	Company Director	Executive Director	Lot 52, Jalan PKNK 1/6 Kawasan Perusahaan Sungai Petani 08000 Sungai Petani Kedah Darul Aman
Datuk Ang Poon Seong	58	Malaysian	Company Director	Executive Director	11.2 km, Jalan Tuaran 89350 Inanam, Kota Kinabalu P.O. Box 13624 88841 Kota Kinabalu Sabah
Ang See Ming	44	Malaysian	Company Director	Executive Director	Lot 52, Jalan PKNK 1/6 Kawasan Perusahaan Sungai Petani 08000 Sungai Petani Kedah Darul Aman
Kang Pang Kiang	42	Malaysian	Company Director	Independent Non-Executive Director	90, Jalan Besi Island Park 11600 Georgetown Pulau Pinang
Chow Hon Piew	60	Malaysian	Company Director	Independent Non-Executive Director	11A, Cangkat Minden Jalan 12 11700 Gelugor Pulau Pinang

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**INFORMATION ON OUR COMPANY (conf'd)****5.2 Directors' shareholdings**

The proforma effects of the Rights Issue of ICULS with Warrants on the Directors' shareholding of TGIB based on the Register of Directors' Shareholdings as at the LPD are set out below based on the following scenarios:

**Minimum Scenario**

Director	Shareholdings as at the LPD		Proforma I		After the Proposed Rights Issue of ICULS with Warrants	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
	No. of TGIB Shares held	%	No. of TGIB Shares held	%	No. of TGIB Shares held	%
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	-	-	-	-	-	-
Dato' Ang Poon Khim	642,325	0.61	166,700 <sup>(1)</sup>	0.16	642,325	0.61
Dato' Ang Poon Chuan	928,500	0.88	44,524,002 <sup>(2)</sup>	42.32	928,500	0.88
Datuk Ang Poon Seong	589,125	0.56	43,012,494 <sup>(3)</sup>	40.88	589,125	0.56
Ang See Ming	1,192,508	1.13	-	-	1,192,508	1.13
Kang Pang Kiang	-	-	-	-	-	-
Chow Hon Plew	-	-	-	-	-	-

**Notes:**

- (1) Shares held by spouse and children pursuant to Section 134(12)(c) of the Act.  
(2) Deemed interested via Foremost Equals and Sensible Matrix Sdn Bhd pursuant to Section 6A of the Act and shares held by spouse and children pursuant to Section 134(12)(c) of the Act.  
(3) Deemed interested via Foremost Equals and Sensible Matrix Sdn Bhd pursuant to Section 6A of the Act.

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## INFORMATION ON OUR COMPANY (cont'd)

Director	Proforma II -----> <----- Proforma III ----->		After (I) and the full conversion -----> <----- After (II) and the full exercise ----->		of the ICULS		of Warrants		
	No. of TGIB Shares held	%	No. of TGIB Shares held	%	Direct -----> <----- Indirect ----->	No. of TGIB Shares held	%	No. of TGIB Shares held	%
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	-	-	-	-	-	-	-	-	-
Dato' Ang Poon Khim	963,487	0.73	166,700 <sup>(1)</sup>	0.13	-	1,124,068	0.77	166,700 <sup>(1)</sup>	0.11
Dato' Ang Poon Chuan	1,392,750	1.05	70,475,815 <sup>(2)</sup>	53.30	-	1,624,875	1.11	83,451,721 <sup>(2)</sup>	57.26
Datuk Ang Poon Seong	883,687	0.67	68,964,307 <sup>(3)</sup>	52.15	-	1,030,968	0.71	81,940,213 <sup>(3)</sup>	56.22
Ang See Ming	1,192,508	0.90	-	-	-	1,192,508	0.82	-	-
Kang Pang Kiang	-	-	-	-	-	-	-	-	-
Chow Hon Piew	-	-	-	-	-	-	-	-	-

## Notes:

- (1) Shares held by spouse and children pursuant to Section 134(12)(c) of the Act.  
(2) Deemed interested via Foremost Equals and Sensible Matrix Sdn Bhd pursuant to Section 6A of the Act and shares held by spouse and children pursuant to Section 134(12)(c) of the Act.  
(3) Deemed interested via Foremost Equals and Sensible Matrix Sdn Bhd pursuant to Section 6A of the Act.

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## INFORMATION ON OUR COMPANY (cont'd)

Director	Proforma II After (I) and the full conversion of the ICULS		Proforma III After (II) and the exercise of Warrants	
	Direct	Indirect	Direct	Indirect
	No. of TGIB Shares held	% No. of TGIB Shares held	No. of TGIB Shares held	% No. of TGIB Shares held
Dato' Paduka Syed Mansor Bin Syed Kassim Barakbah	-	-	-	-
Dato' Ang Poon Khim	963,487	0.61	1,124,068	0.61
Dato' Ang Poon Chuan	1,392,750	0.88	1,624,875	0.88
Datuk Ang Poon Seong	883,687	0.56	1,030,968	0.56
Ang See Ming	1,788,762	1.13	2,086,889	1.13
Kang Pang Kiang	-	-	-	-
Chow Hon Piew	-	-	-	-

## Notes:

- (1) Shares held by spouse and children pursuant to Section 134(12)(c) of the Act.  
(2) Deemed interested via Foremost Equals and Sensible Matrix Sdn Bhd pursuant to Section 6A of the Act and shares held by spouse and children pursuant to Section 134(12)(c) of the Act.  
(3) Deemed interested via Foremost Equals and Sensible Matrix Sdn Bhd pursuant to Section 6A of the Act.

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**INFORMATION ON OUR COMPANY (cont'd)****6. SUBSIDIARY AND ASSOCIATE COMPANIES**

As at the LPD, our subsidiary companies are as set out below:

Name of company	Date / Country of incorporation	Effective equity interest (%)	Principal activities	Issued and paid-up share capital
Syarikat Thong Guan Trading Sdn Bhd	21.10.1976/ Malaysia	100	Manufacturing of beverages and trading of beverages, plastic and paper products and machinery	RM3,735,000
Thong Guan Plastic & Paper Industries Sdn Bhd	07.08.1981/ Malaysia	100	Manufacturing of plastic and paper products	RM2,496,350
Uniang Plastic Industries (Sabah) Sdn Bhd	09.04.1980/ Malaysia	100	Manufacturing and sale of film blown plastic products and flexible plastic packaging products	RM1,025,363
Jaya Uni'ang (Sabah) Sdn Bhd	15.01.1983/ Malaysia	100	Trading in film blown plastic products, food and consumable products	RM1,208,062
Ebontech Sdn Bhd	23.01.2001/ Malaysia	100	Manufacturing and trading of plastic packaging products	RM2
Thong Guan Plastic Industries (Suzhou) Co., Ltd	09.08.2000/ People's Republic of China	100	Manufacturing and trading of plastic packaging products	RM19,334,297
TGP Plaspack (Suzhou) Co., Ltd	26.11.2003/ People's Republic of China	100	Manufacturing and trading of plastic packaging products	RM27,606,469
888 Cafe Sdn Bhd	02.12.2003/ Malaysia	70	Dormant	RM100,000
TGP Marketing Sdn Bhd	09.11.2000/ Malaysia	100	Manufacturing and marketing of plastic packaging products	RM500,000
TG Plaspack (Vietnam) Co., Ltd	27.08.2007/ Socialist Republic of Vietnam	100	Dormant	RM2,700,731
TG Power Wrap Sdn Bhd	24.12.2010/ Malaysia	85	Manufacturing and marketing of polyvinyl chloride (PVC) cling food wrap	RM6,000,000
TGSH Plastic Industries Sdn Bhd	25.01.2005/ Malaysia	70	Manufacturing and marketing of plastic packaging products	RM4,000,000
TG Uni'Ang (Shanghai) International Trade Co., Ltd	08.12.2011/ People's Republic of China	100	Trading and marketing of packed food and beverages	RM459,075
888 Food Industries Sdn Bhd	06.09.2013/ Malaysia	100	Manufacturing and dealer of food and beverages products	RM500,000

As at the LPD, our Company does not have any associate company.

**INFORMATION ON OUR COMPANY (cont'd)****7. PROFIT AND DIVIDEND RECORDS**

The profit and dividend records based on our Group's audited consolidated financial statements from the FYE 31 December 2011 to 31 December 2013 and the unaudited consolidated financial statements for the six (6) months FPE 30 June 2014 are as follows:

	<----- Audited ----->			Unaudited six (6) months FPE 30 June 2014 RM'000
	<----- FYE 31 December ----->			
	2011 RM'000	2012 RM'000	2013 RM'000	
Revenue	540,013	631,193	720,276	373,734
Gross profit	65,356	69,248	75,509	42,258
Other income	3,468	4,419	4,247	2,400
EBITDA	44,821	46,479	49,412	28,092
Less: Depreciation and amortisation	16,501	16,966	17,395	8,914
Finance costs	677	832	906	493
Interest Income	415	617	726	253
PBT	28,058	29,298	31,837	18,938
Taxation	(932)	(1,300)	(2,997)	(1,514)
PAT	27,126	27,998	28,840	17,424
Attributable to:				
Equity holders of the Company	27,037	27,216	28,180	16,738
Non-controlling interests	89	782	660	686
	27,126	27,998	28,840	17,424
Gross profit margin (%)	12.10	10.97	10.48	11.31
PBT margin (%)	5.20	4.64	4.42	5.07
Number of TGIB Shares	105,204,500	105,204,500	105,204,500	105,204,500
Basic EPS (sen)	25.70	25.87	26.79	15.91
Diluted EPS (sen)	-	-	-	-
Gross dividend per TGIB Share (sen)	6.00	7.00	8.00	-

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**INFORMATION ON OUR COMPANY (cont'd)**

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**Commentary on the financial performances****Unaudited six (6) months FPE 30 June 2014**

For the FPE 30 June 2014, our Group registered a 7.53% increase in revenue from RM347.55 million in the preceding year's corresponding period to RM373.73 million in the period under review while PBT increased by 35.29% from RM14.00 million to RM18.94 million as compared to the corresponding period in 2013. The increase in revenue was mainly due to the higher average prices of raw materials which translated to higher selling prices in the current period. The increase in PBT was mainly due to higher profit contribution from plastic products as our Group continues to align its focus to marketing value added products.

**FYE 31 December 2013**

For the FYE 31 December 2013, our Group registered a 14.11% increase in revenue from RM631.19 million in 2012 to RM720.28 million in 2013 and a 8.67% increase in PBT from RM29.30 million in 2012 to RM31.84 million in 2013. The increase in revenue was mainly due to higher sales of plastic products domestically and abroad.

**FYE 31 December 2012**

For the financial year under review, our Group recorded an 16.88% increase in revenue from RM540.01 million in the FYE 31 December 2011 to RM631.19 million in the FYE 31 December 2012. The increase in revenue was mainly due to the increase of export sales and contributions from new subsidiary companies.

In tandem with the increase in revenue, our Group recorded a higher PBT of RM29.30 million for the FYE 31 December 2012, which represents an increase of 4.42% as compared to the previous FYE 31 December 2011 PBT of RM28.06 million. The increase was in line with revenue growth during the financial year.

**FYE 31 December 2011**

For the financial year under review, our Group recorded a 10.52% increase in revenue from RM488.60 million in the FYE 31 December 2010 to RM540.01 million in the FYE 31 December 2011. The increase in revenue was mainly due to the increase of export sales, better performance from the China based operations and contributions from new subsidiary companies.

In tandem with the increase in revenue, our Group registered a higher PBT of RM28.06 million for the FYE 31 December 2011, which represents an increase of 23.83% as compared to the previous FYE 31 December 2010 PBT of RM22.66 million. The increase was due to the revenue growth, cost rationalisation and better margins achieved.

**INFORMATION ON OUR COMPANY (cont'd)**

**8. HISTORICAL PRICES**

The monthly high and low transacted market prices of TGIB Shares for the past twelve (12) months from August 2013 to July 2014 are as follows:

	<b>High RM</b>	<b>Low RM</b>
<b>2013</b>		
August	1.67	1.40
September	1.60	1.46
October	1.63	1.52
November	1.83	1.60
December	2.22	1.75
<b>2014</b>		
January	2.38	2.04
February	2.51	2.15
March	2.17	1.90
April	2.20	2.03
May	2.32	2.10
June	2.42	2.26
July	2.55	2.36
August (up to the LPD)	2.92	2.42

The last transacted price of TGIB Shares on 5 February 2014 (being the last day immediately prior to the date of announcement of the Rights Issue of ICULS with Warrants) **RM**  
2.32

The last transacted price of TGIB Shares on 11 September 2014 (being the latest practicable Market Day immediately prior to the date of printing of this AP) 3.00

The last transacted price of TGIB Shares on 11 September 2014, being the last Market Day prior to the ex-date of the Rights Issue of ICULS with Warrants 3.00

*(Source: Bloomberg)*

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**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON**



**KPMG (Firm No. AF 0758)**  
Chartered Accountants  
Level 18, Hunza Tower  
163E, Jalan Kelawei,  
10250 Penang.

Telephone +604-238 2288  
Fax +604-238 2222  
Internet www.kpmg.com.my

**Assurance report on the compilation of pro forma consolidated statements of financial position included in the abridged prospectus to shareholders**

The Board of Directors  
Thong Guan Industries Berhad  
Lot 52, Jalan PKNK 1/6  
Kawasan Perusahaan Sungai Petani  
08000 Sungai Petani  
Kedah Darul Aman  
Malaysia

**Thong Guan Industries Berhad (“TGIB” or “the Company”)  
Report on the compilation of pro forma consolidated statements of financial position as at 31 December 2013**

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position of the Company and its subsidiaries (the “Group”) by the Board of Directors. The pro forma consolidated statements of financial position as at 31 December 2013, and related notes as attached to this report have been stamped by us for identification purposes. The applicable criteria on the basis of which the Board of Directors of the Company has compiled the pro forma consolidated statements of financial position is described in Note 1 to the pro forma consolidated statements of financial position.

The pro forma consolidated statements of financial position have been compiled by the Board of Directors of the Company to illustrate the impact of the proposed renounceable rights issue of up to RM52,602,250 nominal value of 5-year 5.00% Irredeemable Convertible Unsecured Loan Stock at 100% of its nominal value of RM1.00 each (“ICULS”) on the basis of one (1) RM1.00 nominal value of ICULS for every two (2) ordinary shares of RM1.00 each in TGIB (“TGIB Share(s)” or “Share(s)”), together with up to 26,301,125 Free New Warrants (“Warrants”) on the basis of one (1) Warrant for every two (2) ICULS subscribed by the entitled shareholders of TGIB (“the Proposed Rights Issue of ICULS with Warrants”) based on the Group’s statement of financial position as at 31 December 2013 as if the Proposed Rights Issue of ICULS with Warrants had taken place at the date.

As part of this process, information about the Group’s statement of financial position have been extracted by the Board of Directors from the Group’s financial statements for the year ended 31 December 2013, on which an audit report has been published.

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

*Thong Guan Industries Berhad  
Report on the compilation of pro forma consolidated  
statements of financial position  
as at 31 December 2013*

*Board of Directors' Responsibilities for the Pro forma consolidated statements of financial position*

The Board of Directors of the Company is responsible for the compilation of pro forma consolidated statements of financial position on the basis as set out in Note 1 to the pro forma consolidated statements of financial position.

*Our Responsibilities*

Our responsibility is to express an opinion about whether the pro forma consolidated statements of financial position have been compiled, in all material respects, by the Board of Directors on the basis as set out in Note 1 to the pro forma consolidated statements of financial position.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the Malaysian Institute of Accountants ("MIA"). This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the pro forma consolidated statements of financial position on the basis as set out in Note 1 to the pro forma consolidated statements of financial position.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions made by us on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position.

The purpose of pro forma consolidated statements of financial position is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purpose of illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the pro forma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether :

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**



*Thong Guan Industries Berhad  
Report on the compilation of pro forma consolidated  
statements of financial position  
as at 31 December 2013*

*Our Responsibilities (continued)*

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma consolidated statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluation the overall presentation of the pro forma consolidated statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

*Opinion*

In our opinion, the pro forma consolidated statements of financial position have been properly compiled, in all material respects, on the basis stated in Note 1 to the pro forma consolidated statements of financial position.

*Other Matters*

The letter is prepared at your request for the purpose of inclusion in the Abridged Prospectus to Shareholders in relation to the Proposed Rights Issue of ICULS with Warrants. It is not intended to be used for any other purposes. We do not assume responsibility to any other person for the content of this report.

**KPMG**  
Firm No. AF 0758  
Chartered Accountants  
Penang

Date : **29 AUG 2014**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

**Thong Guan Industries Berhad**

**Pro Forma Consolidated Statements of Financial Position as at 31 December 2013**

The Pro Forma Consolidated Statements of Financial Position of Thong Guan Industries Berhad ("TGIB" or "the Company") and its subsidiaries, hereinafter collectively referred to as TGIB Group, set out below are provided for illustrative purposes, only to show the effects on the audited consolidated statements of financial position of TGIB as at 31 December 2013 had the Proposed Rights Issue of ICULS with Warrants as described in Note 1 been effected and completed on the date, and should be read in conjunction with the accompanying notes.

The Pro Forma Consolidated Statements of Financial Position are presented under the following scenarios:

a) Minimum scenario

The minimum scenario is based on the assumption that it entails the proposed renounceable rights issue of RM27,031,787 nominal value of ICULS together with 13,515,893 Warrants.

b) Maximum scenario

The maximum scenario is based on the assumption that it entails the proposed renounceable rights issue of RM52,602,250 nominal value of ICULS together with 26,301,125 Warrants.



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

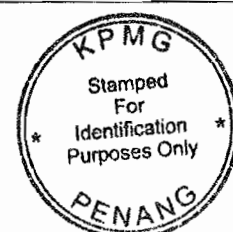
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**THONG GUAN INDUSTRIES BERHAD ("TGIB")  
AND ITS SUBSIDIARIES ("TGIB GROUP")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

**Scenario A (Minimum Scenario) - Issuance of RM27,031,787 nominal value of ICULS together with 13,515,893 Warrants**

The pro forma consolidated statements of financial position of TGIB Group as at 31 December 2013 as set out below are provided for illustrative purposes only to show the effects had the Proposed Rights Issue of ICULS with Warrants referred to in the notes took place at 31 December 2013 and based on the assumption that it entails the proposed renounceable rights issue of RM27,031,787 nominal value of ICULS together with 13,515,893 Warrants.

	Note	Audited as at 31 December 2013 RM'000	Proforma I Adjustment <sup>^</sup> RM'000	Proforma II After Proforma I and the Proposed Rights Issue of ICULS with Warrants RM'000	Proforma III After Proforma II and full conversion of ICULS RM'000	Proforma IV After Proforma III and full exercise of Warrants RM'000
<b>ASSETS</b>						
Property, plant and equipment		111,515	111,515	133,315	133,315	133,315
Prepaid lease payments		11,381	11,381	11,381	11,381	11,381
Other investments		1,016	1,016	1,016	1,016	1,016
Deferred tax assets	2b	-	-	1,515	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>123,912</b>	<b>123,912</b>	<b>147,227</b>	<b>145,712</b>	<b>145,712</b>
Other Investments		12,700	12,700	12,700	12,700	12,700
Inventories		130,291	130,291	130,291	130,291	130,291
Trade and other receivables, including derivatives		108,260	108,260	108,260	108,260	108,260
Current tax assets		2,121	2,121	2,121	2,121	2,121
Cash and cash equivalents	2a	70,250	58,678	63,110	63,110	83,384
<b>TOTAL CURRENT ASSETS</b>		<b>323,622</b>	<b>312,050</b>	<b>316,482</b>	<b>316,482</b>	<b>336,756</b>
<b>TOTAL ASSETS</b>		<b>447,534</b>	<b>435,962</b>	<b>463,709</b>	<b>462,194</b>	<b>482,468</b>
<b>EQUITY</b>						
Share capital	2c	105,205	105,205	105,205	132,237	145,753
Share premium	2d	3,938	3,938	3,938	3,938	21,375
Statutory reserve		4,141	4,141	4,141	4,141	4,141
Translation reserve		9,212	9,212	9,212	9,212	9,212
ICULS – equity component	2g	-	-	11,807	-	-
Warrant reserve	2e	-	-	10,679	10,679	-
Retained earnings	2f	167,027	155,455	154,655	143,976	143,976
<b>SHAREHOLDERS' FUNDS</b>		<b>289,523</b>	<b>277,951</b>	<b>299,637</b>	<b>304,183</b>	<b>324,457</b>
Non-controlling interests		3,598	3,598	3,598	3,598	3,598
<b>TOTAL EQUITY</b>		<b>293,121</b>	<b>281,549</b>	<b>303,235</b>	<b>307,781</b>	<b>328,055</b>



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

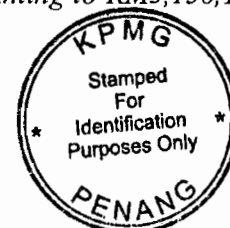
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**THONG GUAN INDUSTRIES BERHAD ("TGIB")  
AND ITS SUBSIDIARIES ("TGIB GROUP")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

**Scenario A (Minimum Scenario) - Issuance of RM27,031,787 nominal value of ICULS together with 13,515,893 Warrants (continued)**

	Note	Audited as at 31 December 2013 RM'000	Proforma I Adjustment <sup>^</sup> RM'000	Proforma II After Proforma I and the Proposed Rights Issue of ICULS with Warrants RM'000	Proforma III After Proforma II and full conversion of ICULS RM'000	Proforma IV After Proforma III and full exercise of Warrants RM'000
<b>LIABILITIES</b>						
Loans and borrowings		7,424	7,424	7,424	7,424	7,424
Deferred tax liabilities		6,348	6,348	6,348	6,348	6,348
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>13,772</b>	<b>13,772</b>	<b>13,772</b>	<b>13,772</b>	<b>13,772</b>
Trade and other payables, including derivatives		97,873	97,873	97,873	97,873	97,873
Loans and borrowings		42,233	42,233	42,233	42,233	42,233
ICULS – liability component	2h	-	-	6,061	-	-
Current tax liabilities		535	535	535	535	535
<b>TOTAL CURRENT LIABILITIES</b>		<b>140,641</b>	<b>140,641</b>	<b>146,702</b>	<b>140,641</b>	<b>140,641</b>
<b>TOTAL LIABILITIES</b>		<b>154,413</b>	<b>154,413</b>	<b>160,474</b>	<b>154,413</b>	<b>154,413</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>447,534</b>	<b>435,962</b>	<b>463,709</b>	<b>462,194</b>	<b>482,468</b>
Number of TGIB Shares in issue ('000)		105,205	105,205	105,205	132,237	145,753
Total borrowings (RM'000)		49,657	49,657	55,718	49,657	49,657
Net assets per TGIB share (RM)		2.75	2.64	2.85	2.30	2.23
Gearing (times)		0.17	0.18	0.19	0.16	0.15

<sup>^</sup> The audited consolidated statements of financial position of TGIB as at 31 December 2013 have been adjusted for the first and final tax exempt dividend of 8% for the financial year ended 31 December 2013 amounted to RM8,416,360 which was paid on 8 August 2014 and an interim tax exempt dividend of 3% for the financial year ending 31 December 2014 amounting to RM3,156,135 payable on 18 November 2014.



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

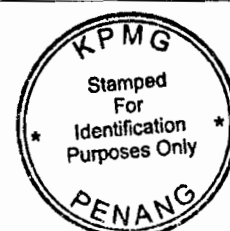
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**THONG GUAN INDUSTRIES BERHAD ("TGIB")  
AND ITS SUBSIDIARIES ("TGIB GROUP")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

**Scenario B (Maximum Scenario) - Issuance of RM52,602,250 nominal value of ICULS together with 26,301,125 Warrants**

The pro forma consolidated statements of financial position of TGIB Group as at 31 December 2013 as set out below are provided for illustrative purposes only to show the effects had the Proposed Rights Issue of ICULS with Warrants referred to in the notes took place at 31 December 2013 and based on the assumption that it entails the proposed renounceable rights issue of RM52,602,250 nominal value of ICULS together with 26,301,125 Warrants.

Note	Audited as at 31 December 2013 RM'000	Proforma I Adjustment <sup>^</sup> RM'000	Proforma II After Proforma I and the Proposed Rights Issue of ICULS with Warrants RM'000	Proforma III After Proforma II and full conversion of ICULS RM'000	Proforma IV After Proforma III and full exercise of Warrants RM'000
<b>ASSETS</b>					
	111,515	111,515	145,315	145,315	145,315
	11,381	11,381	11,381	11,381	11,381
	1,016	1,016	1,016	1,016	1,016
2b	-	-	2,949	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>123,912</b>	<b>123,912</b>	<b>160,661</b>	<b>157,712</b>	<b>157,712</b>
Other investments	12,700	12,700	12,700	12,700	12,700
Inventories	130,291	130,291	130,291	130,291	130,291
Trade and other receivables, including derivatives	108,260	108,260	108,260	108,260	108,260
Current tax assets	2,121	2,121	2,121	2,121	2,121
Cash and cash equivalents	70,250	58,678	76,680	76,680	116,131
<b>TOTAL CURRENT ASSETS</b>	<b>323,622</b>	<b>312,050</b>	<b>330,052</b>	<b>330,052</b>	<b>369,503</b>
<b>TOTAL ASSETS</b>	<b>447,534</b>	<b>435,962</b>	<b>490,713</b>	<b>487,764</b>	<b>527,215</b>
<b>EQUITY</b>					
Share capital	105,205	105,205	105,205	157,807	184,108
Share premium	3,938	3,938	3,938	3,938	37,869
Statutory reserve	4,141	4,141	4,141	4,141	4,141
Translation reserve	9,212	9,212	9,212	9,212	9,212
ICULS – equity component	-	-	22,975	-	-
Warrant reserve	-	-	20,781	20,781	-
Retained earnings	167,027	155,455	154,655	133,874	133,874
<b>SHAREHOLDERS' FUNDS</b>	<b>289,523</b>	<b>277,951</b>	<b>320,907</b>	<b>329,753</b>	<b>369,204</b>
Non-controlling interests	3,598	3,598	3,598	3,598	3,598
<b>TOTAL EQUITY</b>	<b>293,121</b>	<b>281,549</b>	<b>324,505</b>	<b>333,351</b>	<b>372,802</b>



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

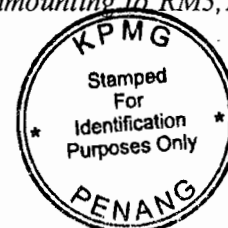
Appendix I  
Page 4 of 4

**THONG GUAN INDUSTRIES BERHAD ("TGIB")  
AND ITS SUBSIDIARIES ("TGIB GROUP")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

**Scenario B (Maximum Scenario) - Issuance of RM52,602,250 nominal value of ICULS together with 26,301,125 Warrants (continued)**

	Note	Audited as at 31 December 2013 RM'000	Proforma I Adjustment <sup>^</sup> RM'000	Proforma II After Proforma I and the Proposed Rights Issue of ICULS with Warrants RM'000	Proforma III After Proforma II and full conversion of ICULS RM'000	Proforma IV After Proforma III and full exercise of Warrants RM'000
<b>LIABILITIES</b>						
Loans and borrowings		7,424	7,424	7,424	7,424	7,424
Deferred tax liabilities		6,348	6,348	6,348	6,348	6,348
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>13,772</b>	<b>13,772</b>	<b>13,772</b>	<b>13,772</b>	<b>13,772</b>
Trade and other payables, including derivatives		97,873	97,873	97,873	97,873	97,873
Loans and borrowings		42,233	42,233	42,233	42,233	42,233
ICULS – liability component	2h	-	-	11,795	-	-
Current tax liabilities		535	535	535	535	535
<b>TOTAL CURRENT LIABILITIES</b>		<b>140,641</b>	<b>140,641</b>	<b>152,436</b>	<b>140,641</b>	<b>140,641</b>
<b>TOTAL LIABILITIES</b>		<b>154,413</b>	<b>154,413</b>	<b>166,208</b>	<b>154,413</b>	<b>154,413</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>447,534</b>	<b>435,962</b>	<b>490,713</b>	<b>487,764</b>	<b>527,215</b>
<b>Number of TGIB Shares in issue ('000)</b>		<b>105,205</b>	<b>105,205</b>	<b>105,205</b>	<b>157,807</b>	<b>184,108</b>
<b>Total borrowings (RM'000)</b>		<b>49,657</b>	<b>49,657</b>	<b>61,452</b>	<b>49,657</b>	<b>49,657</b>
<b>Net assets per TGIB share (RM)</b>		<b>2.75</b>	<b>2.64</b>	<b>3.05</b>	<b>2.09</b>	<b>2.01</b>
<b>Gearing (times)</b>		<b>0.17</b>	<b>0.18</b>	<b>0.19</b>	<b>0.15</b>	<b>0.13</b>

<sup>^</sup> The audited consolidated statements of financial position of TGIB as at 31 December 2013 have been adjusted for the first and final tax exempt dividend of 8% for the financial year ended 31 December 2013 amounted to RM8,416,360 which was paid on 8 August 2014 and an interim tax exempt dividend of 3% for the financial year ending 31 December 2014 amounting to RM3,156,135 payable on 18 November 2014.





**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

*Appendix II*

**THONG GUAN INDUSTRIES BERHAD ("TGIB")  
AND ITS SUBSIDIARIES ("TGIB GROUP")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

**Notes to the pro forma consolidated statements of financial position as at  
31 December 2013**

**1. Basis of preparation**

The pro forma consolidated statements of financial position have been properly prepared in accordance with the basis stated below using financial statements prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of TGIB Group as disclosed in its audited financial statements for the financial year ended 31 December 2013.

The pro forma consolidated statements of financial position do not include the effects of the adoption of Malaysian Financial Reporting Standards and International Financial Reporting Standards which are effective for the annual period beginning on or after 1 January 2014.

The pro forma consolidated statements of financial position have been prepared solely for illustrative purposes, to show the effects of the following:

**Proforma I – Adjustment for the dividends paid**

The audited consolidated statement of financial position of TGIB as at 31 December 2013 has been adjusted for the following:

- a) a first and final tax exempt dividend of 8% for the financial year ended 31 December 2013 amounted to RM8,416,360, as approved by the shareholders at the Annual General Meeting held on 26 June 2014 and paid on 8 August 2014; and
- b) an interim tax exempt dividend of 3% for the financial year ending 31 December 2014 amounting to RM3,156,135 payable on 18 November 2014.

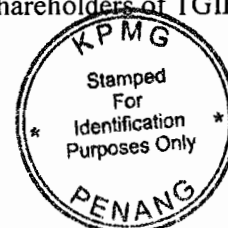
Upon completion of the dividend payments, the retained earnings and the cash and cash equivalents of TGIB Group are reduced by RM11,572,495 respectively.

**Scenario A (Minimum Scenario) - Issuance of RM27,031,787 nominal value of ICULS together with 13,515,893 Warrants**

**Proforma II – After the Proforma I and the Proposed Rights Issue of ICULS with Warrants**

The pro forma consolidated statements of financial position are stated after Proforma I and incorporating the effects of the following:

- Proposed renounceable rights issue of RM27,031,787 nominal value of 5-year 5.00% ICULS at 100% of its nominal value of RM1.00 each on the basis of one (1) RM1.00 nominal value of ICULS for every two (2) TGIB Shares, together with 13,515,893 Warrants on the basis of one (1) Warrant for every two (2) ICULS subscribed by the entitled shareholders of TGIB.



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

*Appendix II*

**THONG GUAN INDUSTRIES BERHAD ("TGIB")  
AND ITS SUBSIDIARIES ("TGIB GROUP")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

**Notes to the pro forma consolidated statements of financial position as at  
31 December 2013**

**1. Basis of preparation (continued)**

**Scenario A (Minimum Scenario) - Issuance of RM27,031,787 nominal value of ICULS together with 13,515,893 Warrants (continued)**

**Proforma II – After the Proforma I and the Proposed Rights Issue of ICULS with Warrants (continued)**

- The fair value of the ICULS is assessed and allocated into its liability and equity components of RM6,061,054 and RM11,806,816 respectively. The deferred tax assets are computed based on the statutory rate of 25% on the liability component of the ICULS.
- The fair value of Warrant was arrived at using the binomial option pricing model as at 18 August 2014 by the Directors. The fair value of the Warrants determined by the Directors was not independently verified by a third party.
- The estimated expenses to be incurred for the Proposed Rights Issue of ICULS with Warrants will be approximately RM800,000 and these expenses will be set off against the retained earnings.
- The utilisation of proceeds is as follows:

	RM'000
Purchase of machineries and other ancillary facilities	21,000
Renovation and refurbishment of existing factory building	800
Working capital	4,432
Estimated expenses in relation to the Proposed Rights Issue of ICULS with Warrants	800
	27,032

**Proforma III - After Proforma II and full conversion of ICULS**

The pro forma consolidated statements of financial position are stated after Proforma II and incorporating the effects of the full conversion of 27,031,787 ICULS.

Upon the completion of the full conversion of the ICULS, the issued and paid-up share capital of TGIB will be increased to RM132,236,287 whilst the retained earnings will be reduced to RM143,976,000. Correspondingly, the ICULS - liability component, ICULS - equity component and deferred tax assets will be reversed in full.



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

*Appendix II*

**THONG GUAN INDUSTRIES BERHAD ("TGIB")  
AND ITS SUBSIDIARIES ("TGIB GROUP")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

**Notes to the pro forma consolidated statements of financial position as at  
31 December 2013**

**1. Basis of preparation (continued)**

**Scenario A (Minimum Scenario) - Issuance of RM27,031,787 nominal value of ICULS together with 13,515,893 Warrants (continued)**

**Proforma IV - After Proforma III and full exercise of Warrants**

The pro forma consolidated statements of financial position are stated after Proforma III and incorporating the effects of the full exercise of 13,515,893 Warrants at an exercise price of RM1.50.

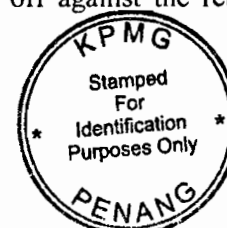
Upon the completion of the full exercise of the Warrants, the issued and paid-up share capital of TGIB will be increased to RM145,752,180 and the share premium will be increased to RM21,375,000. Correspondingly, the warrant reserve will be reversed in full.

**Scenario B (Maximum Scenario) - Issuance of RM52,602,250 nominal value of ICULS together with 26,301,125 Warrants**

**Proforma II – After the Proforma I and the Proposed Rights Issue of ICULS with Warrants**

The pro forma consolidated statements of financial position are stated after the Proforma I and incorporating the effects of the following:

- Proposed renounceable rights issue of RM52,602,250 nominal value of 5-year 5.00% ICULS at 100% of its nominal value of RM1.00 each on the basis of one (1) RM1.00 nominal value of ICULS for every two (2) TGIB Shares, together with 26,301,125 Warrants on the basis of one (1) Warrant for every two (2) ICULS subscribed by the entitled shareholders of TGIB.
- The fair value of the ICULS is assessed and allocated into its liability and equity components of RM11,794,450 and RM22,975,362 respectively. The deferred tax assets are computed based on the statutory rate of 25% on the liability component of the ICULS.
- The fair value of Warrant was arrived at using the binomial option pricing model as at 18 August 2014 by the Directors. The fair value of the Warrants determined by the Directors was not independently verified by a third party.
- The estimated expenses to be incurred for the Proposed Rights Issue of ICULS with Warrants will be approximately RM800,000 and these expenses will be set off against the retained earnings.



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

*Appendix II*

**THONG GUAN INDUSTRIES BERHAD ("TGIB")  
AND ITS SUBSIDIARIES ("TGIB GROUP")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

**Notes to the pro forma consolidated statements of financial position as at  
31 December 2013**

**1. Basis of preparation (continued)**

**Scenario B (Maximum Scenario) - Issuance of RM52,602,250 nominal value of ICULS together with 26,301,125 Warrants (continued)**

**Proforma II – After the Proforma I and the Proposed Rights Issue of ICULS with Warrants (continued)**

- The utilisation of proceeds is as follows:

	<b>RM'000</b>
Purchase of machineries and other ancillary facilities	33,000
Renovation and refurbishment of existing factory building	800
Working capital	18,002
Estimated expenses in relation to the Proposed Rights Issue of ICULS with Warrants	800
	<u>52,602</u>

**Proforma III - After Proforma II and full conversion of ICULS**

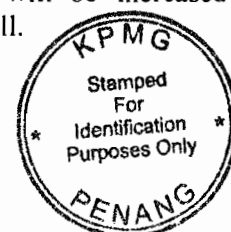
The pro forma consolidated statements of financial position are stated after Proforma II and incorporating the effects of the full conversion of 52,602,250 ICULS.

Upon the completion of the full conversion of the ICULS, the issued and paid-up share capital of TGIB will be increased to RM157,806,750 whilst the retained earnings will be reduced to RM133,874,000. Correspondingly, the ICULS - liability component, ICULS - equity component and deferred tax assets will be reversed in full.

**Proforma IV – After Proforma III and full exercise of Warrants**

The pro forma consolidated statements of financial position are stated after Proforma III and incorporating the effects of the full exercise of 26,301,125 Warrants at an exercise price of RM1.50.

Upon the completion of the full exercise of the Warrants, the issued and paid-up share capital of TGIB will be increased to RM184,107,875 and the share premium will be increased to RM37,869,000. Correspondingly, the warrant reserve will be reversed in full.



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

*Appendix II*

**THONG GUAN INDUSTRIES BERHAD ("TGIB")  
AND ITS SUBSIDIARIES ("TGIB GROUP")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

**Notes to the pro forma consolidated statements of financial position as at  
31 December 2013**

**2. Effects on the pro forma consolidated statements of financial position**

**a. Movements in cash and cash equivalents**

	Scenario A RM'000	Scenario B RM'000
Balance as at 31 December 2013	70,250	70,250
Effects of Proforma I:-		
- Payment of dividends	(11,572)	(11,572)
<b>Proforma I</b>	<u>58,678</u>	<u>58,678</u>
Effects of Proforma II:-		
- Proceeds from issuance of ICULS with Warrants	27,032	52,602
- Capital expenditure	(21,800)	(33,800)
- Payment of expenses for corporate exercise	(800)	(800)
<b>Proforma II and III</b>	<u>63,110</u>	<u>76,680</u>
Effect of Proforma IV:-		
- Proceeds from full exercise of Warrants	20,274	39,451
<b>Proforma IV</b>	<u>83,384</u>	<u>116,131</u>

**b. Movements in deferred tax assets**

	Scenario A RM'000	Scenario B RM'000
Balance as at 31 December 2013	-	-
Effect of Proforma II:-		
- Proposed Rights Issue of ICULS with Warrants	1,515	2,949
<b>Proforma II</b>	<u>1,515</u>	<u>2,949</u>
Effect of Proforma III:-		
- Full conversion of ICULS	(1,515)	(2,949)
<b>Proforma III and IV</b>	<u>-</u>	<u>-</u>



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

Appendix II

**THONG GUAN INDUSTRIES BERHAD ("TGIB")  
AND ITS SUBSIDIARIES ("TGIB GROUP")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

**Notes to the pro forma consolidated statements of financial position as at  
31 December 2013**

**2. Effects on the pro forma consolidated statements of financial position (continued)**

**c. Movements in share capital**

	Scenario A RM'000	Scenario B RM'000
Balance as at 31 December 2013	105,205	105,205
Effect of Proforma III:-		
- Full conversion of ICULS	27,032	52,602
<b>Proforma III</b>	<u>132,237</u>	<u>157,807</u>
Effect of Proforma IV:-		
- Full exercise of Warrants	13,516	26,301
<b>Proforma IV</b>	<u>145,753</u>	<u>184,108</u>

**d. Movements in share premium**

	Scenario A RM'000	Scenario B RM'000
Balance as at 31 December 2013	3,938	3,938
Effect of Proforma IV:-		
- Full exercise of Warrants	17,437	33,931
<b>Proforma IV</b>	<u>21,375</u>	<u>37,869</u>

**e. Movements in warrant reserve**

	Scenario A RM'000	Scenario B RM'000
Balance as at 31 December 2013	-	-
Effect of Proforma II:-		
- Proposed Rights Issue of ICULS with Warrants	10,679	20,781
<b>Proforma II and III</b>	<u>10,679</u>	<u>20,781</u>
Effect of Proforma IV:-		
- Full exercise of Warrants	(10,679)	(20,781)
<b>Proforma IV</b>	<u>-</u>	<u>-</u>



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2013 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

Appendix II

**THONG GUAN INDUSTRIES BERHAD ("TGIB")  
AND ITS SUBSIDIARIES ("TGIB GROUP")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

Notes to the pro forma consolidated statements of financial position as at  
31 December 2013

**2. Effects on the pro forma consolidated statements of financial position (continued)**

**f. Movements in retained earnings**

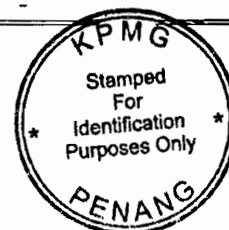
	Scenario A RM'000	Scenario B RM'000
Balance as at 31 December 2013	167,027	167,027
Effect of Proforma I:-		
- Payment of dividends	(11,572)	(11,572)
<b>Proforma I</b>	<u>155,455</u>	<u>155,455</u>
Effect of Proforma II:-		
- Expenses for corporate exercise	(800)	(800)
<b>Proforma II</b>	<u>154,655</u>	<u>154,655</u>
Effect of Proforma III:-		
- Full conversion of ICULS	(10,679)	(20,781)
<b>Proforma III and IV</b>	<u>143,976</u>	<u>133,874</u>

**g. Movements in ICULS - equity component**

	Scenario A RM'000	Scenario B RM'000
Balance as at 31 December 2013	-	-
Effect of Proforma II:-		
- Proposed Rights Issue of ICULS with Warrants	11,807	22,975
<b>Proforma II</b>	<u>11,807</u>	<u>22,975</u>
Effect of Proforma III:-		
- Full conversion of ICULS	(11,807)	(22,975)
<b>Proforma III and IV</b>	<u>-</u>	<u>-</u>

**h. Movements in ICULS - liability component**

	Scenario A RM'000	Scenario B RM'000
Balance as at 31 December 2013	-	-
Effect of Proforma II:-		
- Proposed Rights Issue of ICULS with Warrants	6,061	11,795
<b>Proforma II</b>	<u>6,061</u>	<u>11,795</u>
Effect of Proforma III:-		
- Full conversion of ICULS	(6,061)	(11,795)
<b>Proforma III and IV</b>	<u>-</u>	<u>-</u>



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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON

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**CERTIFIED TRUE COPY**  
**Chong Dee Shiang**

**Thong Guan Industries Berhad**  
(Company No. 324203 K)  
(Incorporated in Malaysia)  
**and its subsidiaries**

**Financial statements for the year  
ended 31 December 2013**



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

1

## **Thong Guan Industries Berhad**

(Company No. 324203 K)

(Incorporated in Malaysia)

### **and its subsidiaries**

## **Directors' report for the year ended 31 December 2013**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2013.

### **Principal activities**

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

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

### **Results**

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

### **Reserves and provisions**

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

### **Dividends**

Since the end of the previous financial year, the Company paid a first and final tax exempt dividend of 7 sen per ordinary share, totalling RM7,364,315 in respect of the financial year ended 31 December 2012 on 7 August 2013.

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

2

## Directors of the Company

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

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

## Directors' interests in shares

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

	Number of ordinary shares of RM1 each			Balance at 31.12.2013
	Balance at 1.1.2013/*	Bought	(Sold)	
<b>The Company</b>				
Dato' Ang Poon Chuan				
Interest in the Company :				
- own	928,500	-	-	928,500
- others #	238,000	73,000	(20,000)	291,000
Deemed interest in the Company :				
- own	43,012,494	-	-	43,012,494
Datuk Ang Poon Seong				
Interest in the Company :				
- own	589,125	-	-	589,125
Deemed interest in the Company :				
- own	43,012,494	-	-	43,012,494
Dato' Ang Poon Khim				
Interest in the Company :				
- own	642,325	-	-	642,325
- others #	156,700	10,000	-	166,700

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

3

## Directors' interests in shares (continued)

	Number of ordinary shares of RM1 each			Balance at 31.12.2013
	Balance at 1.1.2013/*	Bought	(Sold)	
Ang See Ming				
Interest in the Company :				
- own	1,192,508*	-	-	1,192,508
<b>Subsidiaries</b>				
- TGSH Plastic Industries Sdn. Bhd.				
<i>Direct interest</i>				
Ang See Ming - own	160,000*	-	-	160,000
- 888 Cafe Sdn. Bhd.				
<i>Direct interest</i>				
Ang See Ming - own	30,000*	-	-	30,000
- TG Power Wrap Sdn. Bhd.				
<i>Direct interest</i>				
Dato' Ang Poon Chuan - own	@1	-	-	@1
Ang See Ming - own	@1*	-	-	@1

\* At date of appointment

@ Shares held in trust for Thong Guan Industries Berhad

# These are shares held in the name of the spouses and/or children and are regarded as interest of the Directors in accordance with Section 134(12)(c) of the Companies Act, 1965.

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

None of the other Directors holding office at 31 December 2013 had any interest in the ordinary shares of the Company and its related corporations during the financial year.

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 25 to the financial statements.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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**Directors' benefits (continued)**

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**Issue of shares and debentures**

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures in issue during the financial year.

**Options granted over unissued shares**

No options were granted to any person to take up unissued shares of the Company during the financial year.

**Other statutory information**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

- i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

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

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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**Other statutory information (continued)**

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

**Subsequent event**

Details of such event are disclosed in Note 27 to the financial statements.

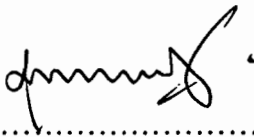
**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## Auditors

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

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



.....  
**Dato' Ang Poon Khim**



.....  
**Ang See Ming**

Kedah Darul Aman,

Date : 3 0 APR 2014

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## Thong Guan Industries Berhad

(Company No. 324203 K)

(Incorporated in Malaysia)

### and its subsidiaries

## Consolidated statement of financial position as at 31 December 2013

	Note	2013 RM'000	2012 RM'000
<b>Assets</b>			
Property, plant and equipment	3	111,515	109,164
Prepaid lease payments	4	11,381	11,183
Other investments	6	1,016	1,623
<b>Total non-current assets</b>		<u>123,912</u>	<u>121,970</u>
Other investments	6	12,700	-
Inventories	7	130,291	111,582
Trade and other receivables, including derivatives	8	108,260	80,900
Current tax assets		2,121	573
Cash and cash equivalents	9	70,250	79,010
<b>Total current assets</b>		<u>323,622</u>	<u>272,065</u>
<b>Total assets</b>		<u>447,534</u>	<u>394,035</u>
<b>Equity</b>			
Share capital	10	105,205	105,205
Reserves	11	184,318	156,554
<b>Total equity attributable to owners of the Company</b>		<u>289,523</u>	<u>261,759</u>
<b>Non-controlling interests</b>		3,598	2,938
<b>Total equity</b>		<u>293,121</u>	<u>264,697</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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**Consolidated statement of financial position as at 31  
December 2013 (continued)**

	Note	2013 RM'000	2012 RM'000
<b>Liabilities</b>			
Loans and borrowings	12	7,424	10,167
Deferred tax liabilities	13	6,348	6,237
<b>Total non-current liabilities</b>		<u>13,772</u>	<u>16,404</u>
Trade and other payables, including derivatives	14	97,873	79,870
Loans and borrowings	12	42,233	32,460
Current tax liabilities		535	604
<b>Total current liabilities</b>		<u>140,641</u>	<u>112,934</u>
<b>Total liabilities</b>		<u>154,413</u>	<u>129,338</u>
<b>Total equity and liabilities</b>		<u>447,534</u>	<u>394,035</u>

The notes on pages 21 to 89 are an integral part of these financial statements.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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**Thong Guan Industries Berhad**

(Company No. 324203 K)

(Incorporated in Malaysia)

**and its subsidiaries**

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

	Note	2013 RM'000	2012 RM'000
<b>Continuing operations</b>			
Revenue	15	720,276	631,193
Cost of goods sold		(644,767)	(561,945)
<b>Gross profit</b>		<u>75,509</u>	<u>69,248</u>
Other income		4,247	4,419
Distribution expenses		(22,843)	(21,546)
Administrative expenses		(21,425)	(21,046)
Other expenses		(3,471)	(1,562)
<b>Results from operating activities</b>	16	<u>32,017</u>	<u>29,513</u>
Interest income		726	617
Finance costs	18	(906)	(832)
<b>Profit before tax</b>		<u>31,837</u>	<u>29,298</u>
Income tax expense	19	(2,997)	(1,300)
<b>Profit for the year</b>		<u>28,840</u>	<u>27,998</u>
<b>Other comprehensive income/(expense) for the year, net of tax</b>			
<b>Item that is or may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences for foreign operations		6,948	(1,233)
<b>Total comprehensive income for the year</b>		<u><u>35,788</u></u>	<u><u>26,765</u></u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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

	Note	2013 RM'000	2012 RM'000
<b>Profit attributable to :</b>			
Owners of the Company		28,180	27,216
Non-controlling interests		660	782
		<u>28,840</u>	<u>27,998</u>
<b>Total comprehensive income attributable to :</b>			
Owners of the Company		35,128	25,983
Non-controlling interests		660	782
		<u>35,788</u>	<u>26,765</u>
<b>Basic earnings per ordinary share (sen)</b>	20	<u>26.79</u>	<u>25.87</u>

The notes on pages 21 to 89 are an integral part of these financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

## Thong Guan Industries Berhad

(Company No. 324203 K)

(Incorporated in Malaysia)

### and its subsidiaries

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

	Attributable to owners of the Company						Total equity RM'000
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	Non-controlling interests RM'000	
<b>At 1 January 2012</b>	105,205	3,938	3,497	4,141	125,307	986	243,074
Total other comprehensive expense for the year							
- Foreign currency translation differences for foreign operations	-	-	(1,233)	-	-	-	(1,233)
Profit for the year	-	-	-	-	27,216	782	27,998
<b>Total comprehensive income for the year</b>	-	-	(1,233)	-	27,216	782	26,765
<b>Contributions by and distributions to owners of the Company</b>							
- Dividend to owners of the Company	-	-	-	-	(6,312)	-	(6,312)
Shares issued by a subsidiary and subscribed by non-controlling interests	-	-	-	-	-	1,170	1,170
<b>Total transactions with owners of the Company</b>	-	-	-	-	(6,312)	1,170	(5,142)
<b>At 31 December 2012</b>	105,205	3,938	2,264	4,141	146,211	2,938	264,697
	Note 10	Note 11	Note 11	Note 11	Note 11	Note 11	

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## Consolidated statement of changes in equity for the year ended 31 December 2013 (continued)

	Share capital RM'000	Share premium RM'000	Attributable to owners of the Company		Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
			Translation reserve RM'000	Statutory reserve RM'000				
<b>At 1 January 2013</b>	105,205	3,938	2,264	4,141	146,211	261,759	2,938	264,697
Total other comprehensive income for the year	-	-	6,948	-	-	6,948	-	6,948
- Foreign currency translation differences for foreign operations	-	-	-	-	28,180	28,180	660	28,840
Profit for the year	-	-	6,948	-	28,180	35,128	660	35,788
<b>Total comprehensive income for the year</b>	-	-	6,948	-	28,180	35,128	660	35,788
<b>Total distributions to owners of the Company</b>	-	-	-	-	(7,364)	(7,364)	-	(7,364)
- Dividend to owners of the Company	-	-	-	-	(7,364)	(7,364)	-	(7,364)
<b>Total transactions with owners of the Company</b>	-	-	-	-	(7,364)	(7,364)	-	(7,364)
<b>At 31 December 2013</b>	105,205	3,938	9,212	4,141	167,027	289,523	3,598	293,121
	Note 10	Note 11	Note 11	Note 11	Note 11	Note 11		

The notes on pages 21 to 89 are an integral part of these financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## **Thong Guan Industries Berhad**

(Company No. 324203 K)

(Incorporated in Malaysia)

### **and its subsidiaries**

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

	Note	2013 RM'000	2012 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		31,837	29,298
Adjustments for :			
Property, plant and equipment :			
- Depreciation	3	17,132	16,709
- Gain on disposal	16	(285)	(110)
- Written off	16	2	20
Amortisation of prepaid lease payments	4	263	257
Interest income		(726)	(617)
Interest expense	18	906	832
Impairment loss on other investments	6	607	216
Operating profit before changes in working capital		49,736	46,605
Changes in working capital :			
Trade and other receivables		(24,083)	(4,092)
Inventories		(15,866)	7,949
Trade and other payables		14,319	2,252
Cash generated from operations		24,106	52,714
Income taxes paid		(4,503)	(1,531)
<b>Net cash from operating activities</b>		<b>19,603</b>	<b>51,183</b>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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

	Note	2013 RM'000	2012 RM'000
<b>Cash flows from investing activities</b>			
Acquisition of short term investments		(12,700)	-
Acquisition of property, plant and equipment	A	(15,383)	(8,848)
Additions to prepaid lease payments	4	(39)	(37)
Proceeds from disposal of plant and equipment		300	111
Interest received		726	617
Shares subscribed by non-controlling interests in an existing subsidiary		-	1,170
<b>Net cash used in investing activities</b>		<b>(27,096)</b>	<b>(6,987)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(906)	(832)
Repayment of finance lease liabilities		(682)	(242)
Drawdown of term loan		-	12,060
Repayment of term loans		(3,044)	(2,160)
Other bank borrowings, net		8,932	(7,819)
Dividend paid	21	(7,364)	(6,312)
<b>Net cash used in financing activities</b>		<b>(3,064)</b>	<b>(5,305)</b>
Net (decrease)/increase in cash and cash equivalents		(10,557)	38,891
Effects of exchange rate fluctuations on cash held		1,505	(219)
Cash and cash equivalents at 1 January		75,354	36,682
<b>Cash and cash equivalents at 31 December</b>	B	<b>66,302</b>	<b>75,354</b>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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

## Notes

### *A. Acquisition of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM16,915,000 (2012 : RM9,108,000), of which RM1,532,000 (2012 : RM260,000) was acquired by means of finance leases. The remaining of RM15,383,000 (2012 : RM8,848,000) was purchased by way of cash payments.

### *B. Cash and cash equivalents*

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts :

	Note	2013 RM'000	2012 RM'000
Cash and bank balances	9	51,608	48,381
Short term deposits with licensed banks	9	18,642	30,629
Bank overdrafts	12	(3,948)	(3,656)
		66,302	75,354

The notes on pages 21 to 89 are an integral part of these financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## Thong Guan Industries Berhad

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

### Statement of financial position as at 31 December 2013

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

The notes on pages 21 to 89 are an integral part of these financial statements.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## **Thong Guan Industries Berhad**

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

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

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

The notes on pages 21 to 89 are an integral part of these financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## Thong Guan Industries Berhad

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

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

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

The notes on pages 21 to 89 are an integral part of these financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## Thong Guan Industries Berhad

(Company No. 324203 K)

(Incorporated in Malaysia)

### Statement of cash flows for the year ended 31 December 2013

	Note	2013 RM'000	2012 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		12,213	8,397
Adjustments for :			
Depreciation of equipment	3	78	78
Interest income		(212)	(208)
Dividend income	15	(13,500)	(8,800)
Reversal of impairment loss on investments in subsidiaries	5	(157)	(208)
Impairment loss on investments in subsidiaries	5	470	-
Impairment loss on other investments	6	607	216
Operating loss before changes in working capital		(501)	(525)
Changes in working capital :			
Trade and other receivables		621	522
Trade and other payables		1,447	4,070
Cash generated from operations		1,567	4,067
Dividends received		8,800	12,143
<b>Net cash from operating activities</b>		10,367	16,210

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

20

**Statement of cash flows for the year ended 31 December  
2013 (continued)**

	Note	2013 RM'000	2012 RM'000
<b>Cash flows from investing activities</b>			
Interest received		212	208
Increase in investments in subsidiaries :			
- Incorporation of a new subsidiary		(500)	(459)
- Subscription of additional interests in an existing subsidiary		-	(2,730)
- Additional investments in overseas wholly-owned subsidiaries		(3,193)	(6,491)
<b>Net cash used in investing activities</b>		<b>(3,481)</b>	<b>(9,472)</b>
<b>Cash flows from financing activities</b>			
Dividend paid	21	(7,364)	(6,312)
<b>Net cash used in financing activities</b>		<b>(7,364)</b>	<b>(6,312)</b>
Net (decrease)/increase in cash and cash equivalents		(478)	426
Cash and cash equivalents at 1 January		498	72
<b>Cash and cash equivalents at 31 December</b>	9	<b>20</b>	<b>498</b>

The notes on pages 21 to 89 are an integral part of these financial statements.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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**Thong Guan Industries Berhad**

(Company No. 324203 K)

(Incorporated in Malaysia)

**and its subsidiaries****Notes to the financial statements**

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

**Principal place of business**

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

**Registered office**

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2013 do not include other entities.

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

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

**1. Basis of preparation****(a) Statement of compliance**

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

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**


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## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

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

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

- Amendments to MFRS 10, *Consolidated Financial Statements : Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities : Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011) : Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Asset - Recoverable Amount Disclosures for Non -Financial Assets*
- Amendments to MFRS 139, *Financial Instruments : Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies\**

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

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

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## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

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

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- MFRS 9, *Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139#*
- Amendments to MFRS 7, *Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

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

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

#### *MFRS 9, Financial Instruments*

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

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

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

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**1. Basis of preparation (continued)****(c) Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

**(d) Use of estimates and judgements**

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

**2. Significant accounting policies**

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

**(a) Basis of consolidation****(i) Subsidiaries**

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.



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**2. Significant accounting policies (continued)****(a) Basis of consolidation (continued)****(i) Subsidiaries (continued)**

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

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group considers it has *de facto* power over an investee when, despite not having the majority voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

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

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

**(ii) Business combinations**

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

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**2. Significant accounting policies (continued)****(b) Basis of consolidation (continued)****(ii) Business combinations (continued)**

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

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

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

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

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

**(iii) Acquisitions of non-controlling interests**

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

**(iv) Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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**2. Significant accounting policies (continued)****(a) Basis of consolidation (continued)****(v) Non-controlling interests**

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

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

**(vi) Transactions eliminated on consolidation**

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

**(b) Foreign currency****(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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**2. Significant accounting policies (continued)****(b) Foreign currency (continued)****(ii) Operations denominated in functional currencies other than Ringgit Malaysia**

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

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

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

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

**(c) Financial instruments****(i) Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

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**2. Significant accounting policies (continued)****(c) Financial instruments (continued)****(i) Initial recognition and measurement (continued)**

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

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

The Group and the Company categorise financial instruments as follows :

***Financial assets*****(a) *Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

**(b) *Available-for-sale financial assets***

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

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**2. Significant accounting policies (continued)****(c) Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement (continued)***Financial assets (continued)***(b) Available-for-sale financial assets (continued)**

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

**(c) Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(h)(i)).

*Financial liabilities*

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

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

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**2. Significant accounting policies (continued)****(c) Financial instruments (continued)****(iii) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

**(iv) Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

**(v) Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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**2. Significant accounting policies (continued)****(c) Financial instruments (continued)****(v) Derecognition (continued)**

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**(d) Property, plant and equipment****(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.



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## 2. Significant accounting policies (continued)

### (d) Property, plant and equipment (continued)

#### (ii) *Subsequent costs*

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) *Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction (capital expenditure-in-progress) are not depreciated until the assets are ready for their intended use.

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

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

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

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**2. Significant accounting policies (continued)****(e) Leased assets****(i) Finance lease**

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

**(ii) Operating lease**

Leases, where the Group or of the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

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

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**2. Significant accounting policies (continued)****(f) Inventories**

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

The cost of inventories is measured based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**(g) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

**(h) Impairment****(i) Financial assets**

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

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**2. Significant accounting policies (continued)****(h) Impairment (continued)****(i) Financial assets (continued)**

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

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

**(ii) Other assets**

The carrying amounts of other assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a group of cash-generating units that are expected to benefit from the synergies of the combination.

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**2. Significant accounting policies (continued)****(h) Impairment (continued)****(ii) Other assets (continued)**

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

**(i) Equity instruments**

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

**(i) Issue expenses**

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

**(ii) Ordinary shares**

Ordinary shares are classified as equity.

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**2. Significant accounting policies (continued)****(j) Employee benefits****(i) Short-term employee benefits**

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(ii) State plans**

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

**(k) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**(l) Revenue and other income****(i) Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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**2. Significant accounting policies (continued)****(l) Revenue and other income (continued)****(ii) Dividend income**

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

**(iii) Rental income**

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

**(iv) Interest income**

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

**(m) Borrowing costs**

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

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

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

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

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**2. Significant accounting policies (continued)****(n) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

**(o) Earnings per share**

The Group presents basic earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

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



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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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**2. Significant accounting policies (continued)****(p) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

**(q) Contingencies****(i) Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(ii) Contingent assets**

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

**(r) Fair value measurement**

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

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
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**2. Significant accounting policies (continued)****(r) Fair value measurement (continued)**

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

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

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### 3. Property, plant and equipment

Group	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital expenditure-in-progress RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2012	47,600	183,857	9,889	11,015	1,180	253,541
Additions	327	4,765	1,166	1,246	1,604	9,108
Disposals	-	(5)	(2)	(605)	-	(612)
Write off	-	(39)	-	-	-	(39)
Reclassifications	-	1,868	318	-	(2,186)	-
Effect of movements in exchange rates	(319)	(1,071)	(37)	(15)	(13)	(1,455)
At 31 December 2012/1 January 2013	47,608	189,375	11,334	11,641	585	260,543
Additions	5	5,618	716	774	9,802	16,915
Disposals	-	(736)	(10)	(560)	-	(1,306)
Write off	-	-	(3)	-	-	(3)
Effect of movements in exchange rates	1,373	4,683	169	93	60	6,378
At 31 December 2013	48,986	198,940	12,206	11,948	10,447	282,527

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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### 3. Property, plant and equipment (continued)

Group	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital expenditure-in-progress RM'000	Total RM'000
Accumulated depreciation and impairment losses						
At 1 January 2012	12,909	107,917	6,841	8,249	-	135,916
Accumulated depreciation	-	-	176	-	-	176
Accumulated impairment losses	-	-	-	-	-	-
Depreciation for the year	12,909	107,917	7,017	8,249	-	136,092
Disposals	1,849	13,297	584	979	-	16,709
Write off	-	(5)	(2)	(605)	-	(612)
Effect of movements in exchange rates	-	(19)	-	-	-	(19)
At 31 December 2012/1 January 2013	(81)	(671)	(28)	(11)	-	(791)
Accumulated depreciation	14,677	120,519	7,395	8,612	-	151,203
Accumulated impairment losses	-	-	176	-	-	176
Depreciation for the year	14,677	120,519	7,571	8,612	-	151,379
Disposals	1,916	13,462	648	1,106	-	17,132
Write off	-	(730)	(1)	(560)	-	(1,291)
Effect of movements in exchange rates	-	-	(1)	-	-	(1)
At 31 December 2013	412	3,196	130	55	-	3,793
Accumulated depreciation	17,005	136,447	8,171	9,213	-	170,836
Accumulated impairment losses	-	-	176	-	-	176
	17,005	136,447	8,347	9,213	-	171,012

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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**3. Property, plant and equipment (continued)**

Group	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital expenditure -in-progress RM'000	Total RM'000
Carrying amounts						
At 31 December 2012/1 January 2013	32,931	68,856	3,763	3,029	585	109,164
At 31 December 2013	31,981	62,493	3,859	2,735	10,447	111,515

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### 3. Property, plant and equipment (continued)

#### Group

Land and buildings comprise :

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

#### Security

At 31 December 2013, certain land and buildings with carrying amount of RM5,204,000 (2012 : RM5,515,000) are charged to licensed banks for banking facilities granted to certain subsidiaries.

#### Finance lease liabilities

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

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

#### Company

**Motor  
vehicles  
RM'000**

#### Cost

At 1 January 2012/31 December 2012/1 January 2013/31 December 2013 388

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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### 3. Property, plant and equipment (continued)

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

### 4. Prepaid lease payments - Group

	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2012	13,467	55	13,522
Additions	37	-	37
Effect of movements in exchange rates	(156)	-	(156)
At 31 December 2012/1 January 2013	13,348	55	13,403
Additions	39	-	39
Effect of movements in exchange rates	488	-	488
At 31 December 2013	13,875	55	13,930

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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#### 4. Prepaid lease payments - Group (continued)

	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	Total RM'000
<b>Amortisation</b>			
At 1 January 2012	1,961	16	1,977
Amortisation for the year	256	1	257
Effect of movements in exchange rates	(14)	-	(14)
At 31 December 2012/1 January 2013	2,203	17	2,220
Amortisation for the year	262	1	263
Effect of movements in exchange rates	66	-	66
At 31 December 2013	2,531	18	2,549
<b>Carrying amounts</b>			
At 31 December 2012/1 January 2013	11,145	38	11,183
At 31 December 2013	11,344	37	11,381

#### *Security*

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

#### 5. Investments in subsidiaries - Company

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



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## 5. Investments in subsidiaries - Company (continued)

Details of the subsidiaries are as follows :

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

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## 5. Investments in subsidiaries - Company (continued)

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2013 %	2012 %
TGSH Plastic Industries Sdn. Bhd.	Malaysia	Manufacturing and marketing of plastic packaging products	70	70
TG Uni'Ang (Shanghai) International Trade Co., Ltd. #	People's Republic of China	Trading and marketing of packed food and beverages	100	100
888 Food Industries Sdn.Bhd.	Malaysia	Manufacturing and dealer of food and beverage products	100	-

# Not audited by KPMG

### 5.1 Incorporation of a new subsidiary

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

### 5.2 Additional investment in wholly-owned overseas subsidiaries

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

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

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## 6. Other investments

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

## 7. Inventories - Group

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

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## 8. Trade and other receivables, including derivatives

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

### 8.1 Trade receivables

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

### 8.2 Amount due from subsidiaries

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

### 8.3 Derivatives

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

## 9. Cash and cash equivalents

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

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## 10. Share capital - Group/Company

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

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

## 11. Reserves

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

### 11.1 Share premium

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

### 11.2 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

### 11.3 Statutory reserve

The statutory reserve represents transfer from retained earnings as required by the local regulations in People's Republic of China.

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## 12. Loans and borrowings - Group

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

### 12.1 Securities

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## 12. Loans and borrowings - Group (continued)

### 12.2 Finance lease liabilities

Finance lease liabilities are payable as follows :

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

## 13. Deferred tax liabilities - Group

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

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

Movements in temporary differences during the year are as follows :

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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### 13. Deferred tax liabilities - Group (continued)

#### Unrecognised deferred tax assets

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

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

The other temporary differences, capital allowance carry-forwards and tax losses carry-forwards do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits therefrom.

The comparative figures have been restated to reflect the revised other temporary differences, capital allowances carry-forwards and tax losses carry-forwards available to the Group and to the Company.

### 14. Trade and other payables, including derivatives

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



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## 14. Trade and other payables, including derivatives (continued)

### 14.1 Trade payables

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

### 14.2 Amount due to subsidiaries

The non-trade amount due to subsidiaries is unsecured, interest-free and repayable on demand.

### 14.3 Derivatives

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

## 15. Revenue

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Invoiced value of goods sold less discounts and returns	720,276	631,193	420	3
Dividend income from subsidiaries	-	-	13,500	8,800
	<u>720,276</u>	<u>631,193</u>	<u>13,920</u>	<u>8,803</u>

## 16. Results from operating activities

Results from operating activities are arrived at :

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
After charging :				
Auditors' remuneration				
- Statutory audit				
- KPMG				
- current year	139	139	15	15
- prior year	13	12	11	2
- Other auditors	18	17	-	-

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## 16. Results from operating activities (continued)

Results from operating activities are arrived at (continued) :

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

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## 16. Results from operating activities (continued)

Results from operating activities are arrived at (continued) :

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
and crediting :				
Gain on disposal of plant and equipment	285	110	-	-
Gain on foreign exchange - realised	1,359	2,552	-	-
Unrealised gain on forward exchange contracts	-	47	-	-
Rental income from property and machinery	47	100	-	-
Bad debts recovered	8	2	-	-
Reversal of impairment loss on:				
- receivables	9	24	-	-
- investments in subsidiaries (Note 5)	-	-	157	208
	<u>2,738</u>	<u>2,534</u>	<u>157</u>	<u>208</u>

## 17. Key management personnel compensation

The key management personnel compensation is as follows :

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

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## 18. Finance costs - Group

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

## 19. Income tax expense

### Recognised in profit or loss

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

### Major components of income tax expense include :

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Current tax expense</b>				
Malaysian tax				
- Current year	2,878	1,802	-	-
- Prior years	(310)	(14)	-	-
Foreign tax				
- Current year	287	696	-	-
- Prior years	31	115	-	-
Total current tax recognised in profit or loss	<u>2,886</u>	<u>2,599</u>	<u>-</u>	<u>-</u>

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**19. Income tax expense (continued)**

**Recognised in profit or loss (continued)**

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Deferred tax expense</b>				
- Origination and reversal of temporary differences	110	(1,279)	-	-
- Prior years	28	17	-	-
- Revaluation	(27)	(37)	-	-
Total deferred tax recognised in profit or loss	111	(1,299)	-	-
Total income tax expense	<u>2,997</u>	<u>1,300</u>	<u>-</u>	<u>-</u>

**Reconciliation of tax expense**

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

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## 19. Income tax expense (continued)

### Reconciliation of tax expense (continued)

	2013 RM'000	2012 RM'000
<b>Company</b>		
Profit before tax	<u>12,213</u>	<u>8,397</u>
Income tax calculated using Malaysian tax rate at 25% (2012 : 25%)	3,053	2,099
Non-deductible expenses	320	48
Income not subject to tax	(3,414)	(2,250)
Effect of unrecognised deferred tax assets	41	104
Others	-	(1)
Income tax expense	<u>-</u>	<u>-</u>

\* The tax rates in the foreign jurisdictions in which certain foreign subsidiaries operate are different from that of the Malaysian tax rate.

On 7 May 2007, a subsidiary was granted International Procurement Centre (IPC) status under Section 127 of the Income Tax Act, 1967 by the Malaysian Industrial Development Authority (MIDA) which exempts the subsidiary's statutory income derived from its approved trading activities from income tax for a period of 10 years commencing from the date the subsidiary achieved an annual gross revenue of RM100 million.

## 20. Earnings per ordinary share - Group

### *Basic earnings per ordinary share*

The calculation of basic earnings per ordinary share is based on the profit attributable to the owners of the Company of RM28,180,000 (2012 : RM27,216,000) and on the weighted average number of ordinary shares outstanding during the year of 105,204,500 (2012 : 105,204,500).

## 21. Dividend - Group and Company

	Sen per share (tax exempt)	Total amount RM'000	Date of payment
<b>2013</b>			
- First and final 2012 ordinary dividend	7.00	<u>7,364</u>	7 August 2013

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## 21. Dividend - Group and Company (continued)

	Sen per share (tax exempt)	Total amount RM'000	Date of payment
2012			
- First and final 2011 ordinary dividend	6.00	<u>6,312</u>	8 August 2012
		<b>2013</b>	<b>2012</b>
Dividend per ordinary share - Gross (sen)		<u>8.00</u>	<u>7.00</u>

A first and final tax exempt dividend of 8 sen per ordinary share in respect of the financial year ended 31 December 2013 has been proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements do not reflect this final dividend which, when approved by the owners of the Company, will be accounted for as an appropriation of retained earnings from the owners' equity in the financial year ending 31 December 2014. The gross dividend per ordinary share as disclosed above take into account the first and final tax exempt dividend proposed for the financial year ended 31 December 2013.

## 22. Capital commitment - Group

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

## 23. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the financial year.

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## 24. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Plastic products
- Food, beverages and other consumable products

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

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Managing Director (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

### **Segment assets**

The total of segment assets is measured on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total assets are used to measure the return on assets of each segment.

### **Segment liabilities**

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

### **Segment capital expenditure**

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



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## 24. Operating segments (continued)

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

### **Geographical segments**

The business segments are operated principally in Malaysia and China.

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

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## 24. Operating segments (continued)

### Geographical information

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

## 25. Related parties

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

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## 25. Related parties (continued)

- i) Companies controlled by the Company
- subsidiaries as disclosed in Note 5
- ii) Companies in which all Directors except Tengku Makram Bin Tengku Ariff (\*), Lee Eng Sheng, Chow Hon Piew and Kang Pang Kiang are deemed to have substantial financial interests :
- Tong Yuan Enterprise Co. (“TYE”)
  - Thong Guan Plastic Industries (Kelantan) Sdn. Bhd. (“TGPK”)
  - Kimanis Food Industry Sdn. Bhd. (“KFI”)
  - Komet Makmur Sdn. Bhd. (“KM”)
  - Kimanis Property Sdn. Bhd. (“KP”)
- (\* up to 1.6.2013)
- iii) Companies in which close members of the family of certain Directors and key management personnel of the Group are deemed to have substantial financial interests :
- Bounty Values Sdn. Bhd. (“BV”)
  - Fang Thong Trading (“FTT”)
  - Jianson Development Sdn. Bhd. (“JD”)
  - Respack Manufacturing Sdn. Bhd. (“RMSB”)
- iv) Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include certain Directors of the Group and persons connected with Directors of the Group :
- Dato’ Ang Poon Chuan
  - Dato’ Ang Poon Khim
  - Datuk Ang Poon Seong
  - Ang See Ming
  - Ang See Cheong

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## 25. Related parties (continued)

### 25.2 Significant related party transactions

#### 25.2.1 Transactions with subsidiaries :

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

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

	<b>Group</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>
i) Sales to :		
KFI	2,360	2,999
NS	<u>-</u>	<u>14</u>
ii) Purchases from :		
KM	-	7
KFI	<u>5,326</u>	<u>5,394</u>
iii) Rental expense paid and payable to :		
	<b>2013 RM'000</b>	<b>2012 RM'000</b>
KP	60	60
TGPK	<u>2</u>	<u>2</u>

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## 25. Related parties (continued)

### 25.2 Significant related party transactions (continued)

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

	Group	
	2013 RM'000	2012 RM'000
i) Sales to :		
RMSB	25	30
FTT	317	-
	<u>342</u>	<u>30</u>
ii) Purchases from :		
	2013 RM'000	2012 RM'000
RMSB	-	6
FTT	355	632
	<u>355</u>	<u>638</u>
iii) Rental expense paid and payable to :		
	2013 RM'000	2012 RM'000
BV	360	367
	<u>360</u>	<u>367</u>

There are no individually significant outstanding balances arising from transactions other than normal trade transactions. Details of non-trade balances are disclosed in Notes 8 and 14 to the financial statements. All the amounts outstanding are unsecured and expected to be settled with cash.

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

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## 26. Financial instruments

### 26.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (L&R);
- (b) Fair value through profit or loss (FVTPL)
  - Held for trading (HFT);
- (c) Available-for-sale financial assets (AFS); and
- (d) Financial liabilities measured at amortised cost (FL).

	Carrying amount RM'000	L&R RM'000	FVTPL -HFT RM'000	AFS RM'000
<b>2013</b>				
<b>Financial assets</b>				
<b>Group</b>				
Other investments	13,716	-	-	13,716
Trade and other receivables, including derivatives	106,751	106,751	-	-
Cash and cash equivalents	70,250	70,250	-	-
	<u>190,717</u>	<u>177,001</u>	<u>-</u>	<u>13,716</u>
<b>Company</b>				
Other investments	1,016	-	-	1,016
Trade and other receivables	21,841	21,841	-	-
Cash and cash equivalents	20	20	-	-
	<u>22,877</u>	<u>21,861</u>	<u>-</u>	<u>1,016</u>

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## 26. Financial instruments (continued)

### 26.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R RM'000	FVTPL -HFT RM'000	AFS RM'000
<b>2012</b>				
<b>Financial assets</b>				
<b>Group</b>				
Other investments	1,623	-	-	1,623
Trade and other receivables, including derivatives	79,479	79,423	56	-
Cash and cash equivalents	79,010	79,010	-	-
	<u>160,112</u>	<u>158,433</u>	<u>56</u>	<u>1,623</u>
<b>Company</b>				
Other investments	1,623	-	-	1,623
Trade and other receivables	17,762	17,762	-	-
Cash and cash equivalents	498	498	-	-
	<u>19,883</u>	<u>18,260</u>	<u>-</u>	<u>1,623</u>
	Carrying amount RM'000	FL RM'000	FVTPL -HFT RM'000	
<b>2013</b>				
<b>Financial liabilities</b>				
<b>Group</b>				
Loans and borrowings	49,657	49,657	-	
Trade and other payables, including derivatives	97,873	97,755	118	
	<u>147,530</u>	<u>147,412</u>	<u>118</u>	
<b>Company</b>				
Trade and other payables	<u>5,839</u>	<u>5,839</u>	-	

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## 26. Financial instruments (continued)

### 26.1 Categories of financial instruments (continued)

	Carrying amount RM'000	FL RM'000	FVTPL -HFT RM'000
<b>2012</b>			
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	42,627	42,627	-
Trade and other payables, including derivatives	79,870	79,861	9
	<u>122,497</u>	<u>122,488</u>	<u>9</u>
<b>Company</b>			
Trade and other payables	<u>4,392</u>	<u>4,392</u>	<u>-</u>

### 26.2 Net gains and losses arising from financial instruments

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



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## 26. Financial instruments (continued)

### 26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

### 26.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities. The Company's exposure to credit risk arises principally from advances to subsidiaries.

#### Receivables

##### *Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, there was no concentration of risk. The maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. The Group uses ageing analysis to monitor the credit quality of the receivables and the risk is also mitigated by the deposits collected from customers.

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

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

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## 26. Financial instruments (continued)

### 26.4 Credit risk (continued)

#### Receivables (continued)

##### *Impairment losses*

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

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
<b>2013</b>			
Not past due	82,103	-	82,103
Past due 1 - 30 days	11,918	-	11,918
Past due 31 - 60 days	2,697	-	2,697
Past due more than 60 days	4,319	(859)	3,460
	101,037	(859)	100,178
<b>2012</b>			
Not past due	58,190	-	58,190
Past due 1 - 30 days	8,632	-	8,632
Past due 31 - 60 days	2,275	-	2,275
Past due more than 60 days	4,984	(843)	4,141
	74,081	(843)	73,238
<b>Company</b>			
<b>2013</b>			
Not past due	40	-	40
Past due 1 - 30 days	113	-	113
Past due 31 - 60 days	-	-	-
Past due more than 60 days	690	-	690
	843	-	843
<b>2012</b>			
Past due more than 60 days	699	-	699

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## 26. Financial instruments (continued)

### 26.4 Credit risk (continued)

#### Receivables (continued)

##### *Impairment losses (continued)*

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

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

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

#### **Investments and other financial assets**

##### *Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

##### *Exposure to credit risk, credit quality and collateral*

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

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

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

The investments and other financial assets are unsecured.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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**26. Financial instruments (continued)****26.4 Credit risk (continued)****Investments and other financial assets (continued)***Exposure to credit risk, credit quality and collateral (continued)*

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

**Inter company balances***Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to subsidiaries of the Company.

*Impairment losses*

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances are not considered overdue and are repayable on demand.

**Corporate guarantees***Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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**26. Financial instruments (continued)****26.4 Credit risk (continued)****Corporate guarantees (continued)***Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk representing the outstanding unsecured banking facilities of the subsidiaries as at the end of the reporting period as follows:

- i) the Company has issued corporate guarantees to licensed banks for banking facilities granted to certain subsidiaries up to a limit of RM289.5 million (2012 : RM250.7 million) of which RM62.8 million (2012 : RM43.8 million) have been utilised as at the end of the reporting period.
- ii) the Company has issued corporate guarantees to a financial institution for credit facility granted to one of its subsidiaries up to a limit of RM860,000 (2012 : RM860,000) of which RM Nil (2012 : RM Nil) has been utilised as at the end of the reporting period.
- iii) the Company has issued corporate guarantees amounting to RM132.4 million (2012 : RM92.0 million) to vendors for the purchase of raw materials by certain subsidiaries. The amount owing by the subsidiaries to those vendors as at the end of the reporting period amounted to RM24.8 million (2012 : RM20.8 million).

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment of its outstanding credit facilities.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

**Contingent liability**

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

**26.5 Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## 26. Financial instruments (continued)

### 26.5 Liquidity risk (continued)

#### *Maturity analysis*

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

Group	Carrying amount RM'000	Contractual interest rates per annum %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
<b>2013</b>							
<i>Non-derivative financial liabilities</i>							
Term loans	10,232	2.10 - 4.60	10,867	4,179	2,328	4,133	227
Finance lease liabilities	1,683	2.33 - 6.00	1,844	659	575	610	-
Bank overdrafts	3,948	7.50 - 8.10	3,948	3,948	-	-	-
Onshore foreign currency loans	26,851	0.93 - 1.63	26,872	26,872	-	-	-
Bankers' acceptances	3,943	4.74 - 5.01	3,943	3,943	-	-	-
Revolving credits	3,000	3.91	3,000	3,000	-	-	-
Trade and other payables	97,755	-	97,755	97,755	-	-	-
	<b>147,412</b>		<b>148,229</b>	<b>140,356</b>	<b>2,903</b>	<b>4,743</b>	<b>227</b>
<i>Derivative financial (assets)/liabilities</i>							
Forward exchange contracts (gross settled) :							
Inflow	-		(8,392)	(8,392)	-	-	-
Outflow	118		8,510	8,510	-	-	-

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## 26. Financial instruments (continued)

### 26.5 Liquidity risk (continued)

#### *Maturity analysis (continued)*

Group	2012	Carrying amount RM'000	Contractual interest rates per annum %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Term loans		13,276	2.30 - 4.60	14,208	3,828	3,963	4,958	1,459
Finance lease liabilities		833	2.33 - 6.24	879	507	310	62	-
Bank overdrafts		3,656	7.50 - 8.10	3,656	3,656	-	-	-
Onshore foreign currency loans		20,558	1.00 - 1.30	20,578	20,578	-	-	-
Bankers' acceptances		4,304	4.73 - 5.25	4,304	4,304	-	-	-
Trade and other payables		79,861	-	79,861	79,861	-	-	-
		<u>122,488</u>		<u>123,486</u>	<u>112,734</u>	<u>4,273</u>	<u>5,020</u>	<u>1,459</u>

#### *Non-derivative financial liabilities*

#### *Derivative financial (assets)/liabilities*

##### Forward exchange contracts

(gross settled) :

Inflow

Outflow

(47)

(3,745)

-

3,698

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## 26. Financial instruments (continued)

### 26.5 Liquidity risk (continued)

#### *Maturity analysis (continued)*

Company	Carrying amount RM'000	Contractual interest rates per annum %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
<b>2013</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	5,839	-	5,839	-	-	-	-
<b>2012</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	4,392	-	4,392	-	-	-	-



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## 26. Financial instruments (continued)

### 26.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

#### Currency risk

##### *Risk management objectives, policies and processes for managing the risk*

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily US Dollar ("USD"), Japanese Yen ("JPY"), Australian Dollar ("AUD"), Singapore Dollar ("SGD"), European Euro ("EUR"), and Chinese Yuan Renminbi ("RMB").

Material foreign currency transaction exposures are hedged using derivative financial instruments such as forward foreign exchange contracts. Where necessary, the forward foreign exchange contracts are rolled over at maturity at market rates.

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

##### *Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## 26. Financial instruments (continued)

### 26.6 Market risk (continued)

#### Currency risk (continued)

##### *Currency risk sensitivity analysis*

A 10% (2012 : 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases. There is no impact to equity arising from exposure to currency risk.

Group	Profit or loss	
	2013 RM'000	2012 RM'000
USD	(1,425)	(726)
JPY	(688)	(141)
AUD	(539)	(289)
SGD	(210)	(114)
EUR	(130)	(142)
RMB	792	1,153

A 10% (2012 : 10%) weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

#### **Interest rate risk**

The Group's primary interest rate risk is related to debt obligations and deposits, which are mainly confined to bank borrowings and short term deposits with licensed banks.

##### *Risk management objectives, policies and processes for managing the risk*

Bank borrowings are on fixed and floating rates terms. The interest rates are negotiated in order to ensure that the Group benefits from the lowest possible financing costs.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## 26. Financial instruments (continued)

### 26.6 Market risk (continued)

#### Interest rate risk (continued)

##### *Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was :

	Group RM'000	Company RM'000
<b>2013</b>		
<b>Fixed rate instruments</b>		
Financial assets	18,642	6,308
Financial liabilities	(35,477)	-
	<u>(16,835)</u>	<u>6,308</u>
<b>Floating rate instruments</b>		
Financial liabilities	<u>(14,180)</u>	<u>-</u>
<b>2012</b>		
<b>Fixed rate instruments</b>		
Financial assets	30,629	6,434
Financial liabilities	(25,695)	-
	<u>4,934</u>	<u>6,434</u>
<b>Floating rate instruments</b>		
Financial liabilities	<u>(16,932)</u>	<u>-</u>

##### *Interest rate risk sensitivity analysis*

#### (i) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## 26. Financial instruments (continued)

### 26.6 Market risk (continued)

#### Interest rate risk (continued)

##### (ii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant. There is no impact to entity arising from exposures to interest rate risk.

Group	Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000
<b>2013</b>		
Floating rate instruments	<u>(106)</u>	<u>106</u>
<b>2012</b>		
Floating rate instruments	<u>(127)</u>	<u>127</u>

### 26.7 Fair value information

#### 26.7.1 Recognised financial instruments

The carrying amounts approximate fair values due to the relatively short-term nature of these financial instruments in respect of cash and cash equivalents, receivables, payables and short term borrowings.

The Company provides financial guarantees to licensed banks and financial institutions for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the liability to estimate fair value without incurring excessive costs.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## 26. Financial instruments (continued)

### 26.7 Fair value information (continued)

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

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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## 26. Financial instruments (continued)

### 26.7 Fair value information (continued)

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

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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**26. Financial instruments (continued)****26.7 Fair value information (continued)****Policy on transfer between levels**

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

**Level 1 fair value**

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

**Level 2 fair value**

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

**Derivatives**

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

**Non-derivative financial liabilities**

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

**Transfers between Level 1 and Level 2 fair values**

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

**Level 3 fair value**

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

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

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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**27. Subsequent event**

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

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



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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

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

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

The determination of realised and unrealised profits/(losses) is based on the Guidance of Special Matter No. 1 Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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**Thong Guan Industries Berhad**

(Company No. 324203 K)


(Incorporated in Malaysia)

**and its subsidiaries****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 7 to 88 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 28 on page 89 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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



.....  
**Dato' Ang Poon Khim**



.....  
**Ang See Ming**

Kedah Darul Aman,

Date : 30 APR 2014

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (*cont'd*)

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**Thong Guan Industries Berhad**

(Company No. 324203 K)

(Incorporated in Malaysia)

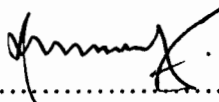
**and its subsidiaries**

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

I, **Dato' Ang Poon Khim**, the Director primarily responsible for the financial management of Thong Guan Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 89 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

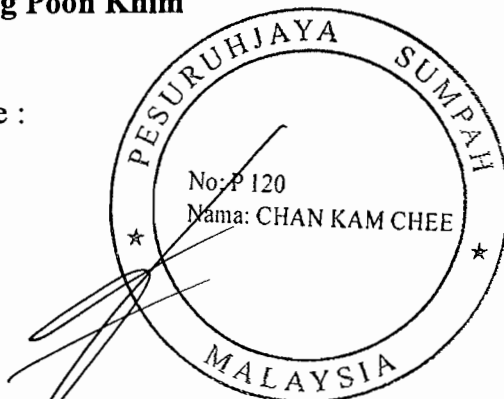
Subscribed and solemnly declared by the above named at Georgetown in the State of Penang on

30 APR 2014



.....  
**Dato' Ang Poon Khim**

Before me :



92-B Lebuh Gereja  
10200 Pulau Pinang

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**

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

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

### **Report on the Financial Statements**

We have audited the financial statements of Thong Guan Industries Berhad, which comprise the statements of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 88.

#### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)***Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 28 on page 89 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE  
31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (cont'd)**



**Other Matter(s)**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

*KPMG*

**KPMG**  
AF 0758  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Chong Dee Shiang'.

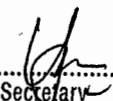
**Chong Dee Shiang**  
2782/09/14 (J)  
Chartered Accountant

Date : 30 April 2014

Petaling Jaya

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE SIX (6) MONTHS FPE 30 JUNE 2014**

THONG GUAN INDUSTRIES BERHAD ( COMPANY NO. : 324203-K ) **CERTIFIED TRUE COPY**  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE SECOND QUARTER ENDED 30 JUNE 2014

  
 Secretary  
**LAU YOKE LENG**  
 (MAICSA 7034778)

	Note	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Revenue	8	195,974	178,944	373,734	347,552
Cost of goods sold		(175,009)	(162,423)	(331,476)	(313,139)
<b>Gross profit</b>		<b>20,965</b>	<b>16,521</b>	<b>42,258</b>	<b>34,413</b>
Other income		563	1,029	2,400	2,221
Distribution expenses		(6,319)	(5,783)	(12,252)	(11,021)
Administrative expenses		(5,752)	(4,650)	(11,439)	(10,375)
Other expenses		(272)	(486)	(1,789)	(1,029)
<b>Results from operating activities</b>	17	<b>9,185</b>	<b>6,631</b>	<b>19,178</b>	<b>14,209</b>
Interest income		72	235	253	353
Finance costs		(257)	(287)	(493)	(560)
<b>Profit before tax</b>	8	<b>9,000</b>	<b>6,579</b>	<b>18,938</b>	<b>14,002</b>
Income tax expense	18	(570)	(1,025)	(1,514)	(2,859)
<b>Profit for the period</b>		<b>8,430</b>	<b>5,554</b>	<b>17,424</b>	<b>11,143</b>
<b>Other comprehensive income, net of tax</b>					
Currency translation differences for foreign operations		(429)	2,249	(2,630)	3,235
<b>Total comprehensive income for the period</b>		<b>8,001</b>	<b>7,803</b>	<b>14,794</b>	<b>14,378</b>
<b>Profit attributable to:</b>					
Owners of the Company		8,025	5,311	16,738	10,796
Non-controlling interests		405	243	686	347
		<u>8,430</u>	<u>5,554</u>	<u>17,424</u>	<u>11,143</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		7,596	7,560	14,108	14,031
Non-controlling interests		405	243	686	347
		<u>8,001</u>	<u>7,803</u>	<u>14,794</u>	<u>14,378</u>
<b>Basic earnings per ordinary share (sen)</b>	27	<u>7.63</u>	<u>5.05</u>	<u>15.91</u>	<u>10.26</u>
<b>Diluted earnings per ordinary share (sen)</b>	27	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The Unaudited Condensed Consolidated Statement of Comprehensive Income (formerly known as Income Statements) should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE SIX (6) MONTHS FPE 30 JUNE 2014 (cont'd)**
**THONG GUAN INDUSTRIES BERHAD ( COMPANY NO. : 324203-K )  
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014**

	Note	UNAUDITED AS AT 30.06.2014 RM'000	AUDITED AS AT 31.12.2013 RM'000
<b>ASSETS</b>			
Property, plant and equipment	9	106,173	111,515
Prepaid lease payments		11,119	11,381
Other investments		676	1,016
<b>Total non-current assets</b>		<b>117,968</b>	<b>123,912</b>
Other investments		17,590	12,700
Inventories		139,879	130,291
Trade and other receivables		124,195	108,260
Current tax assets		2,308	2,121
Short-term deposits with licensed banks		12,440	18,642
Cash and bank balances		42,535	51,608
<b>Total current assets</b>		<b>338,947</b>	<b>323,622</b>
<b>TOTAL ASSETS</b>		<b>456,915</b>	<b>447,534</b>
<b>EQUITY</b>			
Share capital		105,205	105,205
Reserves		198,426	184,318
Total equity attributable to owners of the Company		303,631	289,523
Non-controlling interests		5,184	3,598
<b>Total equity</b>		<b>308,815</b>	<b>293,121</b>
Long term borrowings		13,425	7,424
Deferred tax liabilities		5,214	6,348
<b>Total non-current liabilities</b>		<b>18,639</b>	<b>13,772</b>
Trade and other payables		79,343	97,873
Short term borrowings		49,703	42,233
Current tax liabilities		415	535
<b>Total current liabilities</b>		<b>129,461</b>	<b>140,641</b>
<b>Total LIABILITIES</b>		<b>148,100</b>	<b>154,413</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>456,915</b>	<b>447,534</b>
<b>Net Assets per share attributable to the owners of the Company (RM)</b>		<b>2.89</b>	<b>2.75</b>

The Unaudited Condensed Consolidated Statement of Financial Position (formerly known as Balance Sheets) should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.



**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE SIX (6) MONTHS FPE 30 JUNE 2014 (cont'd)**
**THONG GUAN INDUSTRIES BERHAD ( COMPANY NO. : 324203-K )  
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

	6 months ended	
	30.06.2014 RM'000	30.06.2013 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	18,938	14,002
Adjustments for:		
Depreciation of property, plant and equipment	8,783	8,492
Amortisation of prepaid lease payments	131	130
Gain on disposal of property, plant and equipment	(26)	(18)
Interest income	(253)	(353)
Interest expense	493	560
Impairment loss on other investments	340	245
Property, plant and equipment written off	-	1
Operating profit before changes in working capital	28,406	23,059
Changes in working capital:		
Trade and other receivables	(17,271)	(9,181)
Inventories	(10,507)	6,416
Trade and other payables	(17,466)	(746)
Cash (used in)/ generated from operations	(16,838)	19,548
Income taxes paid	(2,957)	(1,561)
<b>Net cash (used in)/ generated from operating activities</b>	<b>(19,795)</b>	<b>17,987</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of short term other investments	(4,890)	-
Acquisition of property, plant and equipment	(4,424)	(3,708)
Acquisition of prepaid lease payments	(13)	(12)
Proceeds from disposal of property, plant and equipment	165	19
Interest received	253	353
Shares subscribed by non-controlling interests in an existing subsidiary	900	-
<b>Net cash used in investing activities</b>	<b>(8,009)</b>	<b>(3,348)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(493)	(560)
(Repayment)/ proceeds of finance lease liabilities	(66)	1,035
Repayment of term loans, net	5,510	(1,393)
Other bank borrowings, net	8,651	(4,920)
<b>Net cash from/ (used in) financing activities</b>	<b>13,602</b>	<b>(5,838)</b>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(14,202)</b>	<b>8,801</b>
Effects of exchange rate fluctuations on cash held	(451)	721
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>66,302</b>	<b>75,354</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>51,649</b>	<b>84,876</b>
<b>REPRESENTED BY:-</b>		
Cash and bank balances	42,535	64,410
Short-term deposits with licensed banks	12,440	23,107
Bank overdrafts	(3,326)	(2,641)
	<b>51,649</b>	<b>84,876</b>

The Unaudited Condensed Consolidated Statement of Cash Flows (formerly known as Cash Flow Statements) should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE SIX (6) MONTHS FPE 30 JUNE 2014 (cont'd)**
**THONG GUAN INDUSTRIES BERHAD ( COMPANY NO. : 324203-K )  
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

	← Attributable to owners of the Company →					Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Statutory reserve RM'000	Distributable Retained earnings RM'000			
<b><u>6 months period ended 30.06.2013</u></b>								
At 1 January 2013	105,205	3,939	2,264	4,141	146,210	261,759	2,938	264,697
Total comprehensive income for the period	-	-	3,235	-	10,796	14,031	347	14,378
At 30 June 2013	<u>105,205</u>	<u>3,939</u>	<u>5,499</u>	<u>4,141</u>	<u>157,006</u>	<u>275,790</u>	<u>3,285</u>	<u>279,075</u>
<b><u>6 months period ended 30.06.2014</u></b>								
At 1 January 2014	105,205	3,938	9,212	4,141	167,027	289,523	3,598	293,121
Total comprehensive income for the period	-	-	(2,630)	-	16,738	14,108	686	14,794
Shares issued by a subsidiary and subscribed by non-controlling interests	-	-	-	-	-	-	900	900
At 30 June 2014	<u>105,205</u>	<u>3,938</u>	<u>6,582</u>	<u>4,141</u>	<u>183,765</u>	<u>303,631</u>	<u>5,184</u>	<u>308,815</u>

The Unaudited Condensed Consolidated Statement of Cash Flows (formerly known as Cash Flow Statements) should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

## UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE SIX (6) MONTHS FPE 30 JUNE 2014 (cont'd)

### THONG GUAN INDUSTRIES BERHAD ( COMPANY NO. : 324203-K ) QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014

#### PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134

##### 1 Basis of preparation

This quarterly report is unaudited and is prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") No 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read together with the Group's audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes.

The significant accounting policies and methods adopted by the Group in this quarterly report are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2013.

##### 2 Changes in accounting policies

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

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

- Amendments to MFRS 10, Consolidated Financial Statements : Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities : Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011) : Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Impairment of Asset - Recoverable Amount Disclosures for Non -Financial Assets
- Amendments to MFRS 139, Financial Instruments : Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies\*

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

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

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

- MFRS 9, Financial Instruments (2009)
- MFRS 9, Financial Instruments (2010)
- MFRS 9, Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139#
- Amendments to MFRS 7, Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures

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

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

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

###### *MFRS 9, Financial Instruments*

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

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

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE SIX (6) MONTHS FPE 30 JUNE 2014 (cont'd)****THONG GUAN INDUSTRIES BERHAD ( COMPANY NO. : 324203-K )  
QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014****3 Seasonal or cyclical factors**

The cyclical nature of the manufacturing sector is generally correlated to the global economy while seasonally demand will normally peak for the year end festive seasons.

**4 Unusual items due to their nature, size or incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial year-to-date as a consequence of their nature, size or incidence.

**5 Changes in estimates**

There were no material changes in estimates of amount reported in either the prior interim period of the current financial year or prior financial years that have a material effect on the results during the current quarter and financial year-to-date.

**6 Debt and equity securities**

There were no issuance or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter ended 30 June 2014.

**7 Dividends paid**

There were no dividend paid in the quarter under review.

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE SIX (6) MONTHS FPE 30 JUNE 2014 (cont'd)**

**THONG GUAN INDUSTRIES BERHAD ( COMPANY NO. : 324203-K )  
QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

**8 Segment information**

The Group's operations can be divided into two products based operating segments.

Segment information for the year ended 30 June 2014 are as follow:

	<u>Plastic Products</u>	<u>Food, Beverages and Other Consumable Products</u>	<u>Consolidated</u>
<u>2014</u>	RM'000	RM'000	RM'000
<b>Revenue</b>			
Revenue from external customers	351,107	22,627	373,734
<b>Segment profit</b>	16,990	1,948	18,938
Included in the measure of segment profit are:			
-Depreciation and amortisation	8,579	335	8,914
-Non-cash expenses other than depreciation and amortisation	-	1	1
<b>Segment assets</b>	415,395	41,520	456,915
Included in the measure of segment assets is:			
-Capital expenditure	4,329	312	4,641

Segment information for the year ended 30 June 2013 are as follow:

	<u>Plastic Products</u>	<u>Food, Beverages and Other Consumable Products</u>	<u>Consolidated</u>
<u>2013</u>	RM'000	RM'000	RM'000
<b>Revenue</b>			
Revenue from external customers	328,058	19,494	347,552
<b>Segment profit</b>	12,938	1,064	14,002
Included in the measure of segment profit are:			
-Depreciation and amortisation	8,243	379	8,622
-Non-cash expenses other than depreciation and amortisation	-	3	3
<b>Segment assets</b>	377,518	27,145	404,663
Included in the measure of segment assets is:			
-Capital expenditure	3,693	28	3,721

**9 Revaluation of property, plant and equipment**

Land and buildings of the Group have not been revalued since certain properties were first revalued in 1995. The Directors have not adopted a policy of regular revaluation of such assets. As permitted under the transitional provisions of International Accounting Standard No. 16 (Revised): Property, Plant and Equipment adopted by the Malaysian Accounting Standard Board, these assets are stated at their respective valuation less accumulated depreciation.

**10 Material events subsequent to the end of the financial period**

There were no material events subsequent to the end of the current quarter that have not been reflected in the financial statements as the date of this report.

**11 Changes in the composition of the Group**

There were no changes in the composition of the Group for the current quarter ended 30 June 2014.

**12 Contingent liabilities**

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

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE SIX (6) MONTHS FPE 30 JUNE 2014 (cont'd)**

**THONG GUAN INDUSTRIES BERHAD ( COMPANY NO. : 324203-K )  
QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**13 Review of performance**

	Individual quarter		Cumulative period	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
<b>Revenue</b>				
Plastic Products	184,702	169,060	351,107	328,058
Food, Beverages and Other Consumable Products	11,272	9,884	22,627	19,494
<b>Group</b>	<b>195,974</b>	<b>178,944</b>	<b>373,734</b>	<b>347,552</b>
<b>Profit before tax</b>				
Plastic Products	7,960	6,245	16,990	12,938
Food, Beverages and Other Consumable Products	1,040	334	1,948	1,064
<b>Group</b>	<b>9,000</b>	<b>6,579</b>	<b>18,938</b>	<b>14,002</b>
<b>Group</b>				

Group revenue for the six months ended 30 June 2014 was RM373.734 million compared with RM347.552 million for the six months ended 30 June 2013, an increase of 7.53%. The increase in revenue was mainly due to higher average prices of raw materials which translated to higher selling prices compared to the corresponding period in 2013. Group profit before tax for the period ended 30 June 2014 was RM18.938 million, an increase of 35.25% over the RM14.002 million registered in the corresponding period in 2013. The increase in profit before tax was mainly due to higher profit contribution from plastic products as the group continue to align its focus to marketing value added products.

For the three months second quarter ended 30 June 2014, Group revenue grew by 9.52% from RM178.944 million to RM195.974 million while profit before taxation increased by 36.80% from RM6.579 million to RM9.000 million as compared to the corresponding quarter in 2013. The increase in revenue was mainly due to higher average prices of raw materials which translated to higher selling prices compared to the corresponding period in 2013. The increase in profit before tax was mainly due to higher profit contribution from plastic products as the group continue to align its focus to marketing value added products.

**Plastic Products**

For the six months ended 30 June 2014, revenue increased by 7.03% from RM328.058 million to RM351.107 million while profit before tax increased by 31.32% from RM12.938 million to RM16.990 million as compared to the preceding year corresponding period in 2013.

The increase in revenue was mainly due to the higher average prices of raw materials which translated to higher selling prices compared to the corresponding period in 2013. The increase in profit before tax was mainly due to higher contribution from stretch film and PVC food wrap divisions compared to the corresponding period in 2013.

For the three months second quarter ended 30 June 2014, revenue grew by 9.25% from RM169.060 million to RM184.702 million while profit before taxation increased by 27.46% from RM6.245 million to RM7.960 million as compared to the corresponding quarter in 2013. The increase in revenue was mainly due to higher average prices of raw materials which translated to higher selling prices compared to the corresponding period in 2013. The increase in profit before tax was mainly due to the profit contribution from stretch film and PVC food wrap divisions compared to the corresponding period in 2013.

**Food, Beverages and Other Consumable Products**

For the six months ended 30 June 2014, revenue increased by 16.07% from RM19.494 million to RM22.627 million while profit before tax increased by 83.08% from RM1.064 million to RM1.948 million as compared to the corresponding period in 2013.

The increase in revenue was mainly due to higher demand of tea, instant beverages products, curry powder and snack food compared to the corresponding period in 2013. The increase in profit before tax was mainly due to higher margin from the tea, coffee and instant beverages products compared to the corresponding period in 2013.

For the three months second quarter ended 30 June 2014, revenue increased by 14.04% from RM9.884 million to RM11.272 million while profit before taxation increased by 211.38% from RM0.334 million to RM1.040 million as compared to the corresponding quarter in 2013. The increase in revenue was mainly due higher demand of tea, instant beverages products and snack food compared to the corresponding period in 2013. The increase in profit before taxation was mainly due to higher margin from the tea and instant beverages products compared to the corresponding period in 2013.

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE SIX (6) MONTHS FPE 30 JUNE 2014 (cont'd)**
**THONG GUAN INDUSTRIES BERHAD ( COMPANY NO. : 324203-K )  
 QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014**
**14 Comparison with immediate preceding quarter's results**

	Individual quarter ended		Variance RM'000	Variance %
	30.06.2014 RM'000	31.03.2014 RM'000		
Revenue	195,974	177,760	18,214	10.25
Profit before tax	9,000	9,938	(938)	(9.44)

The revenue for the quarter ended 30 June 2014 increased by RM18.214 million or 10.25% and profit before taxation decreased by RM0.938 million or 9.44% as compared to the preceding quarter. The increase in revenue was mainly due to increase in export volume and the higher average prices of raw materials which translated to higher selling price during the current quarter. The decrease in profit before tax was mainly due to lower profit contributions from china subsidiary companies in the current quarter.

**15 Current year prospect**

The Group's conventional stretch film has continued to face stiff competition in the market. However, the Group has managed to substantially differentiate its products and services to its customers and move further up the value chain to achieve better profit margin. Its investment in new nano-layer & thin film machines and on a research and development (R&D) centre will further boost this effort.

The Group is currently running four lines for the PVC food wrap division, with a production capacity of 6,000 tonnes annually. Its fifth and sixth lines is expected to commence operation by the third quarter of 2014 and will further boost its profitability.

The Group is working to produce higher-value added compounds with its recent new investment for this division. This is expected to further boost its profit margin.

The Group will continue to invest and improve on its garbage bags and industrial films divisions. The margins of these divisions will further improve with investment on more sophisticated machines in the pipeline.

The food, beverage and other consumable business unit has continued to grow and is expected to continue its steady progress in 2014 and 2015 with more effort on marketing and promotional activities.

The Group is confident of the continuous increased contributions from its business units and has chartered further investments and growth with the expected completion of its fund raising exercise during the current year.

**16 Variance of actual profit from forecast profit**

Not applicable.

**17 Results from operating activities**

Results from operating activities are arrived at:

	Individual quarter		Cumulative period	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
After charging:				
Bad debts written off	-	4	1	4
Depreciation of property, plant and equipment	4,493	4,266	8,783	8,492
Amortisation of prepaid lease payments	65	65	131	130
Property, plant and equipment written off	-	-	-	1
Impairment loss on other investments	340	59	340	245
Loss on foreign exchange				
- realised	116	99	28	206
and crediting:				
Gain on foreign exchange				
- unrealised	476	401	333	1,077
Reversal of impairment loss on receivables	-	8	-	8
Unrealised gain on derivatives	57	5	195	50

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE SIX (6) MONTHS FPE 30 JUNE 2014 (cont'd)**
**THONG GUAN INDUSTRIES BERHAD ( COMPANY NO. : 324203-K )  
 QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014**
**18 Income tax expense**

	Individual quarter		Cumulative period	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Income tax in respect of				
- Current period	1,678	942	2,752	2,890
- Prior year	(104)	15	(104)	30
Deferred tax expense	(1,004)	68	(1,134)	(61)
	<u>570</u>	<u>1,025</u>	<u>1,514</u>	<u>2,859</u>

The Group's effective tax rate was lower than the statutory corporate tax rate due to the availability of certain tax incentives to certain subsidiary companies within the group.

**19 Sale of unquoted investments and/or properties**

There were no sale of unquoted investments for the current financial quarter and financial period-to-date.

**20 Quoted securities**

There were no purchases or disposals of quoted securities for the current financial quarter and financial period-to-date.

**21 Status of corporate proposals announced**

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

The Group had on 22 April 2014 announced that Bursa Securities has, vide its letter dated 21 April 2014, resolved to approve the admission of the ICULS and Warrants to the official list of Bursa Securities as well as the listing of and quotation for the ICULS, Warrants, and the new TGIB Shares to be issued arising from the conversion of the ICULS and the exercise of the Warrants on the Main Market of Bursa Securities.

The Group had on 13 June 2014 announced that the Securities Commission Malaysia ("SC") has, vide its letter dated 12 June 2014 approved its corporate proposals under subsection 214(1) of the Capital Market & Services Act 2007.

The Group had on 21 August 2014 announced that the date of announcement of the Entitlement Date in relation to the Right Issue of ICULS with Warrants is expected to be in the month of September 2014. The revision of the timeline for the implementation of the Right Issue of ICULS with Warrants is to facilitate the preparation of the necessary documents in relation to the implementation of the Right Issue of ICULS with Warrants.



**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE SIX (6) MONTHS FPE 30 JUNE 2014 (cont'd)**

**THONG GUAN INDUSTRIES BERHAD ( COMPANY NO. : 324203-K )  
QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

**22 Group borrowings and debt securities**

	30.06.2014 RM'000
<b>Current</b>	
<u>Secured</u>	
Term loans	1,066
Bankers' acceptances	584
Finance lease liability	619
	2,269
<u>Unsecured</u>	
Term loans	2,248
Revolving credit	3,000
Overdrafts	3,326
Bankers' acceptances	3,696
Onshore foreign currency loans	35,164
	47,434
	49,703
<b>Non-current</b>	
<u>Secured</u>	
Term loans	33
Finance lease liability	999
	1,032
<u>Unsecured</u>	
Term loans	12,393
	13,425

The above borrowings are denominated in Ringgit Malaysia except for Revolving Credit, Onshore Foreign Currency Loans and unsecured term loans which are denominated in US Dollar.

**23 Disclosure of derivatives**

Details of derivative financial instruments outstanding as at 30 June 2014 are set out below:

<u>Type of derivatives</u>	<u>Contract/ Notional Value RM'000</u>	<u>Fair Value RM'000</u>
<b>Foreign Exchange Contracts</b>		
- Less than 1 year	9,541	9,346
- 1 year to 3 years	-	-
- More than 3 years	-	-
<b>Total</b>	9,541	9,346

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE SIX (6) MONTHS FPE 30 JUNE 2014 (cont'd)**
**THONG GUAN INDUSTRIES BERHAD ( COMPANY NO. : 324203-K )  
 QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014**
**24 Realised and unrealised retained earnings**

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Total retained earnings of Thong Guan Industries Berhad and its subsidiaries		
- Realised	198,046	183,690
- Unrealised	(4,686)	(7,613)
	<u>193,360</u>	<u>176,077</u>
Less: Consolidation adjustments	(9,595)	(9,050)
Total group retained earnings	<u>183,765</u>	<u>167,027</u>

**25 Changes in material litigation**

There was no material litigation pending as at the date of this quarterly report.

**26 Dividends**

A first and final tax exempt dividend of 8 sen per share in respect of the financial year ended 31 December 2013 (previous corresponding financial year ended 31 December 2012 : 7 sen) was approved at the Company's 19th Annual General Meeting on 26 June 2014 and was paid on 8 August 2014 to depositors registered in the Record of Depositor on 18 July 2014.

The Board of Directors of the Company had declared a tax exempt interim dividend of 3% (3 sen per share) in respect of the financial year ending 31 December 2014. The entitlement date is fixed on 7 November 2014 and payment will be made on 18 November 2014.

**27 Earnings Per ordinary share**
**(a) Basic earnings per ordinary share**

Basic earnings per ordinary share amounts are calculated by dividing profit attributable to the ordinary equity shareholders by the weighted average number of ordinary shares in issue during the financial period, excluding treasury shares held by the Company.

	Individual quarter		Cumulative period	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
Profit attributable to ordinary equity owners of the Company (RM'000)	8,025	5,311	16,738	10,796
Weighted average number of ordinary share in issue (units'000)	105,205	105,205	105,205	105,205
Basic earnings per ordinary share (sen)	<u>7.63</u>	<u>5.05</u>	<u>15.91</u>	<u>10.26</u>

**(b) Diluted earnings per ordinary share**

There are no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the current quarter and financial period-to-date.

**28 Auditors' report on preceding annual financial statements**

There were no qualification on the auditors' report of the Group's most recent annual audited financial statements.

By Order of the Board

Dato' Ang Poon Chuan  
 Managing Director

DATED THIS 21 AUGUST 2014

**DIRECTORS' REPORT**

(Prepared for inclusion in this Abridged Prospectus)

**THONG GUAN INDUSTRIES BHD.** (324203 K)

Lot 52, Jalan PKNK 1/6, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia. Tel: 604-4417888 Fax: 604-4419888  
Website: www.thongguan.com Email: info@thongguan.com

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

17 SEP 2014

**To: The Shareholders of Thong Guan Industries Berhad**

On behalf of the Board of Directors of Thong Guan Industries Berhad ("TGIB" or the "Company") ("Board"), I wish to report that, after making due enquiries in relation to the Company and its subsidiary companies ("Group") during the period between 31 December 2013, being the date on which the latest audited consolidated financial statement have been made up, and 3 September 2014, being a date not earlier than fourteen (14) days before the issuance of this Abridged Prospectus:

- (i) the business of our Group has, in the opinion of our Board, been satisfactorily maintained;
- (ii) in the opinion of our Board, no circumstances have arisen since the last audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (iii) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no contingent liabilities which have arisen by reason of any guarantee or indemnity given by our Group;
- (v) there have not been any default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings in our Group; and
- (vi) there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited consolidated financial statements of our Group.

Yours faithfully,  
For and on behalf of the Board of Directors of  
**THONG GUAN INDUSTRIES BERHAD**

**DATO' ANG POON CHUAN**  
Managing Director

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**ADDITIONAL INFORMATION**

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**1. SHARE CAPITAL**

- (i) Save for the ICULS, Warrants and the new TGIB Shares to be issued pursuant to the conversion of the ICULS and the exercise of the Warrants respectively, no securities will be allotted or issued on the basis of this AP later than twelve (12) months after the date of the issuance of this AP.
- (ii) As at the date of this AP, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM1.00 each.
- (iii) All the ICULS and new TGIB Shares to be issued pursuant to the conversion of the ICULS and the exercise of the Warrants respectively shall, upon allotment and issuance, rank *pari passu* in all respects with the existing issued and paid-up ordinary share capital, save and except that such Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the entitlement date precedes the date of the allotment of the new Shares.
- (iv) Save as disclosed below, no person has been, is or would be entitled to be given an option to subscribe for any share, stocks and debentures of our Company or our subsidiary as at the date of this AP:
  - (a) the ICULS are convertible into up to 52,602,250 TGIB Shares at the exercise price of RM1.00 per TGIB Share from the second (2<sup>nd</sup>) anniversary of the date of issue of the ICULS up to and including the last day of the period of five (5) years from (and including) the date on which the ICULS is issued but if that day is not a Market Day, it shall be the Market Day immediately preceding such last day.
  - (b) the Warrants are exercisable into up to 26,301,125 TGIB Shares at the exercise price of RM1.50 per TGIB Share which will expire on the day falling immediately before the fifth (5<sup>th</sup>) anniversary of the date of issuance of the Warrants and if such date is not a Market Day, then on the preceding Market Day.
- (v) Save as for the ICULS, Warrants and the new TGIB Shares to be issued pursuant to the conversion of the ICULS and the exercise of the Warrants respectively, no securities in our Company have been issued or are proposed or intended to be issued either as fully or partly paid-up in cash or otherwise than in cash within the two (2) years immediately preceding the date of this AP.

**2. DIRECTORS' REMUNERATION**

The provisions in our Company's Articles of Association in relation to the remuneration of our Directors are as follows:

**Article 70**

- (1) The fees payable to the Directors shall from time to time be determined by a resolution of the Company in general meeting. Provided that such fees shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.
- (2) The Directors may also be paid all travelling, hotel, and other expenses properly incurred by them in attending and returning from meeting of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company.

**ADDITIONAL INFORMATION (cont'd)**

- (3) Fees payable to non-executive Directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover.
- (4) Salaries payable to executive Directors may not include a commission on or percentage of turnover.

**Article 92**

A managing director shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, commission, or participation in profits or partly in one way and partly in another) as the Directors may determine.

**3. DECLARATIONS OF CONFLICT OF INTEREST****3.1 Principal Adviser**

Save as disclosed below, RHBIB confirms that as at the LPD, there is no equity, financial or any other relationship or circumstances with TGIB and/ or its directors and/ or substantial shareholders, that has resulted in or may result in a situation of conflict of interest in its role as the Principal Adviser to our Company for the Rights Issue of ICULS with Warrants:

- (i) On 2 May 2014, RHB had extended loan facility to Foremost Equals, being the substantial shareholder of TGIB in relation to the Rights Issue of ICULS with Warrants.

RHBIB is of the opinion that the relationship disclosed above will not give rise to a situation of conflict of interest in its advisory capacity to our Company on the Proposed Rights Issue of ICULS with Warrants based on the following reasons:

- (a) The Rights Issue of ICULS with Warrants is a capital raising transaction involving all shareholders of TGIB, who will be given equal opportunity to subscribe for new securities in the Company on equal terms;
- (b) Although Foremost Equals is a substantial shareholder of TGIB, it is not a substantial shareholder of RHB;
- (c) The granting of the loan facilities is in the ordinary course of business of RHB;
- (d) The conduct of RHB's business is regulated strictly by the Financial Services Act 2013 and RHB's own internal control, policies and procedures; and
- (e) Save for the advisory and funding fees in relation to the Rights Issue of ICULS with Warrants to be received by RHBIB and RHB respectively, RHBIB and RHB will not be receiving any other benefits from the Rights Issue of ICULS with Warrants.

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**ADDITIONAL INFORMATION (cont'd)**

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**3.2 Due Diligence Solicitors**

Salina, Lim Kim Chuan & Co, the due diligence solicitors for the Rights Issue of ICULS with Warrants, confirm that as at the LPD, they have no equity, financial or any other relationship or circumstances with TGIB that has resulted in or may result in a situation of conflict of interest in their role as the due diligence solicitors to our Company for the Rights Issue of ICULS with Warrants.

**3.3 Reporting Accountants**

KPMG, the reporting accountants for the Rights Issue of ICULS with Warrants, confirm that as at the LPD, there is no equity, financial or any other relationship or circumstances with TGIB that has resulted in or may result in a situation of conflict of interest in their role as the reporting accountants to our Company for the Rights Issue of ICULS with Warrants.

**3.4 Trustee**

Pacific Trustees Berhad, the Trustee for the Rights Issue of ICULS with Warrants, confirm that as at the LPD, there is no equity, financial or any other relationship or circumstances with TGIB that has resulted in or may result in a situation of conflict of interest in their role as the trustee to our Company for the Rights Issue of ICULS with Warrants.

**4. MATERIAL CONTRACTS**

Save as disclosed below, neither TGIB nor any of its subsidiary companies have entered into any material contracts (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of this AP:

- (a) the Trust Deed dated 25 August 2014 made between TGIB and the Trustee constituting the ICULS; and
- (b) the Deed Poll dated 25 August 2014 executed by TGIB constituting the Warrants.

**5. MATERIAL LITIGATION**

As at the LPD, neither TGIB nor its subsidiaries are engaged in any material litigation, claims or arbitrations, either as plaintiff or defendant, and the Board does not have any knowledge of any proceedings pending or threatened against TGIB and/or its subsidiaries or of any fact likely to give rise to any proceeding, which may materially or adversely affect the business or financial position of TGIB or any of its subsidiaries.

**6. GENERAL**

- (i) There is no existing or proposed service contract entered or to be entered into by TGIB with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this AP.
- (ii) The estimated expenses of the Rights Issue of ICULS with Warrants is approximately RM800,000, all of which will be borne by our Company.

**ADDITIONAL INFORMATION (cont'd)**

- (iii) Save as disclosed in this AP, our Directors, after making all reasonable enquiries, are not aware of any material information including trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.
- (iv) Save as disclosed in this AP, the financial conditions and operations of our Group are not affected by any of the following:
  - (a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;
  - (b) material commitments for capital expenditure;
  - (c) unusual or infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;
  - (d) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on our Group's revenue or operating income; and
  - (e) substantial increase in revenue.

**7. WRITTEN CONSENTS**

The written consents of our Principal Adviser, company secretaries, principal bankers, Bloomberg, share registrar, due diligence solicitors and Trustee for the Rights Issue of ICULS with Warrants to the inclusion in this AP of their names in the form and context in which they appear have been given before issuance of this AP and have not subsequently been withdrawn.

The written consents of the auditors and reporting accountants to the inclusion in this AP of their names, the Auditors' Report relating to the audited consolidated financial statements of our Group for the FYE 31 December 2013 and the review letter on the proforma consolidated statement of financial position of our Group as at 31 December 2013 respectively, in the form and context in which they appear have been given before the issuance of this AP and have not subsequently been withdrawn.

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**ADDITIONAL INFORMATION (cont'd)**

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**8. DOCUMENTS FOR INSPECTION**

Copies of the following documents are made available for inspection at the Registered Office of our Company at Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A, Jalan Sultan Ahmad Shah, 10050 Penang for a period of twelve (12) months from the date of this AP:

- (i) our Memorandum and Articles of Association;
- (ii) the Trust Deed for the ICULS;
- (iii) the Deed Poll for the Warrants;
- (iv) our audited consolidated financial statements for the past two (2) FYE 31 December 2012 and 31 December 2013;
- (v) our latest unaudited quarterly results for the FPE 30 June 2014;
- (vi) the Proforma Consolidated Statements of Financial Position of our Group as at 31 December 2013 in relation to the Rights Issue of ICULS with Warrants together with the notes and reporting accountants' letter thereon as set out in Appendix III of this AP;
- (vii) the Directors' Report as set out in Appendix VI of this AP;
- (viii) the consent letters as referred to in Section 7 of Appendix VII of this AP; and
- (ix) the letters of undertaking by the Undertaking Shareholders as referred to in Section 2.5 of this AP.

**9. RESPONSIBILITY STATEMENT**

This AP together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

RHBIB, being the Principal Adviser for the Rights Issue of ICULS with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of ICULS with Warrants.