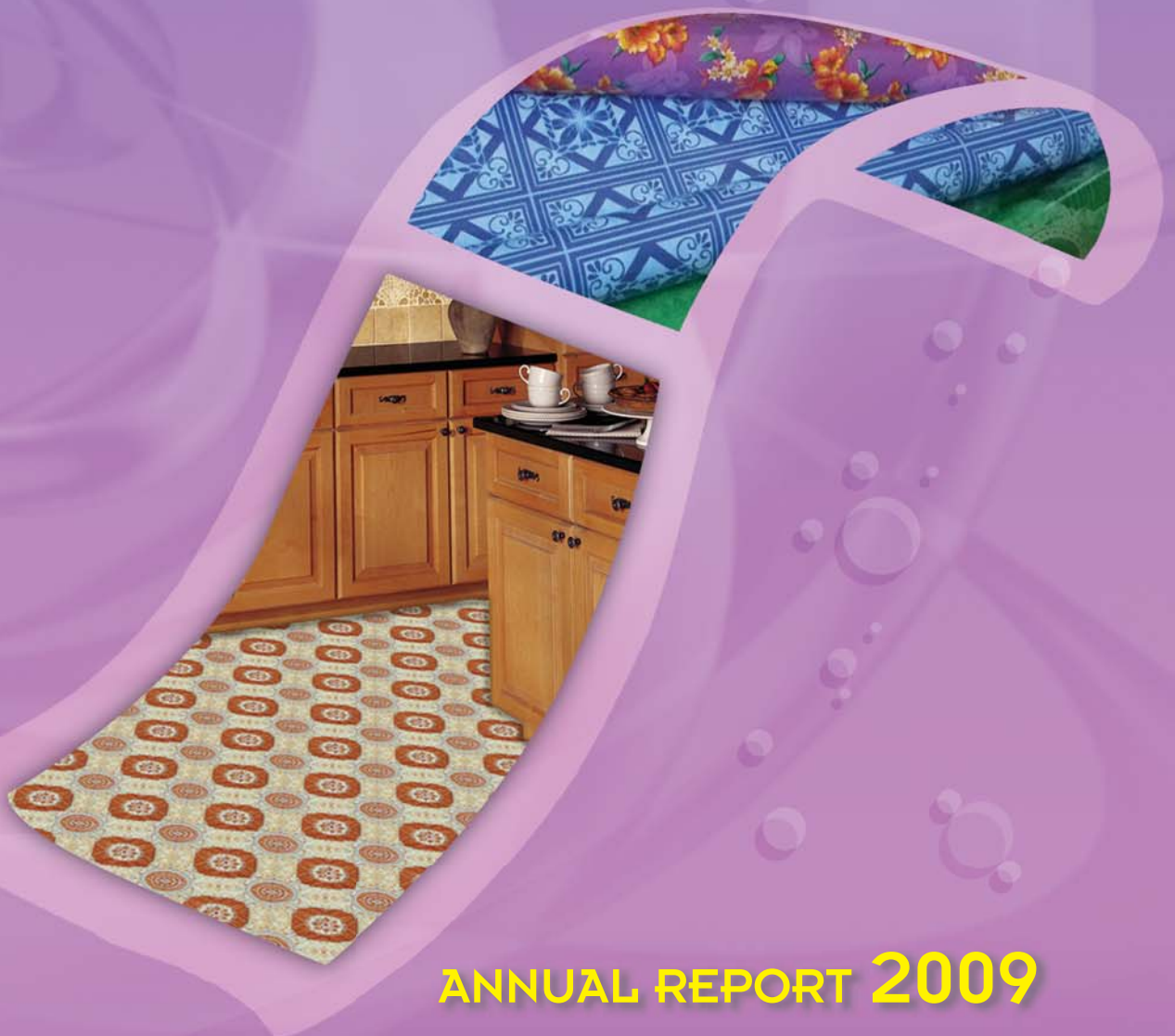




TEK SENG HOLDINGS BERHAD (579572-M)



ANNUAL REPORT 2009

Contents

Corporate Profile	1
Corporate Information	2
Corporate Structure	3
Directors' Profile	4
Financial Highlights	7
Chairman's Statement	9
Corporate Social Responsibility	10
Statement on Corporate Governance	11
Statement About The State of Internal Control	16
Report of Audit Committee	18
Statement of Directors' Responsibilities	23
Financial Statements	24
List of Properties	57
Statistics on Shareholdings	58
Additional Compliance Information	60
Notice of Eighth Annual General Meeting	61
Proxy Form	

CORPORATE PROFILE



Tek Seng Holdings Berhad ("TekSeng") was incorporated in Malaysia under the Company Act, 1965 on 10 May 2002 as a private limited company under the name of Tek Seng Holdings Sdn. Bhd. On 16 May 2003, it was converted to a public limited company and assumed its present name. TekSeng was listed on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") on 2 November 2004. On 22 September 2006, TekSeng was successful transferred from the Second Board to the Main Board of Bursa Securities.

TekSeng is an investment holding company. Its subsidiaries are principally engaged in manufacturing and trading of polyvinyl chloride related products and PP non-woven products and letting of properties.

The Group has a track record of more than 30 years in the plastics industry with the late Loh Phah Seng @ Loh Boon Teik as the original founder until 1989, when Loh Kok Beng, his eldest son took over the management of the business.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Chairman

Mr. Loh Kok Beng

Managing Director

Mr. Loh Kok Cheng

Executive Director

Mdm. Loh Joo Eng

Independent Non-Executive Director

Mr. Ong Eng Choon

Dr. Kamarudin Bin Ngah

Mr. Mohamed Haniffah Bin S.M. Mydin

AUDIT COMMITTEE

Independent Non-Executive Director

Mr. Ong Eng Choon (Chairman)

Independent Non-Executive Director

Dr. Kamarudin Bin Ngah

Mr. Mohamed Haniffah Bin S.M. Mydin

REMUNERATION COMMITTEE

Independent Non-Executive Director

Dr. Kamarudin Bin Ngah (Chairman)

Independent Non-Executive Director

Mr. Ong Eng Choon

Mr. Mohamed Haniffah Bin S.M. Mydin

Executive Director

Mr. Loh Kok Beng

NOMINATION COMMITTEE

Independent Non-Executive Director

Mr. Mohamed Haniffah Bin S.M. Mydin (Chairman)

Independent Non-Executive Director

Dr. Kamarudin Bin Ngah

Mr. Ong Eng Choon

COMPANY SECRETARIES

Lee Peng Loon (MACS 01258)

P'ng Chiew Keem (MAICSA 7026443)

REGISTERED OFFICE

51-21-A, Menara BHL Bank

Jalan Sultan Ahmad Shah

10050 Penang

Telephone No : (04) 227 6888

Facsimile No : (04) 229 8118

Email : corpnet@streamyx.com

SHARE REGISTRAR

Plantation Agencies Sdn. Berhad (2603-D)

3rd Floor, Standard Chartered Bank Chambers

Beach Street

10300 Penang

Telephone No : (04) 262 5333

Facsimile No : (04) 262 2018

Email : sharereg@plantationagencies.com.my

EXTERNAL AUDITORS

UHY Diong (AF 1411)

Chartered Accountants

51-21-F, Menara BHL Bank

Jalan Sultan Ahmad Shah

10050 Penang

PRINCIPAL BANKERS

AmBank (M) Berhad (295576-U)

EON Bank Berhad (92351-V)

Hong Leong Bank Berhad (97141-X)

Malayan Banking Bhd (3813-K)

OCBC Bank (Malaysia) Berhad (295400-W)

Public Bank Berhad (6463-H)

Standard Chartered Bank Malaysia Berhad (115793-P)

United Overseas Bank (Malaysia) Bhd (271809-K)

SOLICITORS

Salina, Lim Kim Chuan & Co.

Advocate & Solicitor

(Corporate Division)

51-15-C2, Menara BHL Bank

Jalan Sultan Ahmad Shah

10050 Penang

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

Main Board

Stock Code: 7200

CORPORATE STRUCTURE



(42879-T)

TEK SENG SDN. BHD.
TRADING
100%



(216849-M)

PELANGI SEGI SDN. BHD.
TRADING
100%



TEK SENG HOLDINGS BERHAD
(Company No. 579572-M)



(233444-T)

DOUBLE GRADE NON-WOVEN INDUSTRIES SDN. BHD.
MANUFACTURING & LETTING OF PROPERTIES
100%



(347584-P)

WANGSAGA INDUSTRIES SDN. BHD.
MANUFACTURING
100%

DIRECTORS' PROFILE



MR. LOH KOK BENG
Malaysian, 44 years of age
Executive Chairman
Member of Remuneration Committee

Mr. Loh Kok Beng was appointed as a Director of Tek Seng Holdings Berhad on 16 August 2004. He is currently responsible for the Group financial and administrative affairs, and development of the strategic business plans for the Group.

He graduated from Han Chiang High School in 1984 with Sijil Pelajaran Malaysia and has approximately 25 years of working experience in the PVC based industry particularly in PVC calendaring, printing and lamination.

He sits on the Board of several private limited companies.

He is the brother of Mr. Loh Kok Cheng, a Director and major shareholder and Madam Loh Joo Eng, a Director of the Company. He does not have any conflict of interest in any business arrangement involving the Company except as disclosed in the Financial Statements.

He attended all four Board Meetings held during the financial year ended 31 December 2009.

Mr. Loh Kok Cheng was appointed as a Director of Tek Seng Holdings Berhad on 16 August 2004.

He graduated from Chung Ling High School in 1985 and has 20 years of experience in plastics industry. He is responsible for the operations of sales and marketing divisions and expansion of the overseas market for the Group.

He sits on the Board of several private limited companies.

He is the brother of Mr. Loh Kok Beng, a Director and major shareholder and Madam Loh Joo Eng, a Director of the Company. He does not have any conflict of interest in any business arrangement involving the Company except as disclosed in the Financial Statements.

He attended all four Board Meetings held during the financial year ended 31 December 2009.



MR. LOH KOK CHENG
Malaysian, 43 years of age
Managing Director

DIRECTORS' PROFILE (CONT'D)



DR. KAMARUDIN BIN NGAH

*Malaysian, 50 years of age
Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit Committee
Member of Nomination Committee*

Dr. Kamarudin Bin Ngah was appointed as a Director of Tek Seng Holdings Berhad on 16 August 2004.

He holds a Doctorate of Philosophy in Development and Planning. He was with Malayan Banking Berhad from June 1984 to June 1985 as a sub-Accountant 1. He was a Councilor for Seberang Perai Municipality Council from 1999 to 2001. He is presently a Researcher with the Centre of Policy Research, University Sains Malaysia.

He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

He attended three of the four Board Meetings held during the financial year ended 31 December 2009.

Mr. Mohamed Haniffah Bin S.M. Mydin was appointed as a Director of Tek Seng Holdings Berhad on 16 October 2006.

Mr. Mohamed Haniffah Bin S.M. Mydin started his career as an officer in Koperasi Usaha Bersatu Malaysia Bhd in March 1981 and later was promoted to Assistant Manager. In January 1983, Mr. Mohamed was seconded to JUB Credit & Leasing Sdn. Bhd. as a General Manager where he was in charge of the credit & leasing operations. He left JUB Credit & Leasing Sdn. Bhd. in March 1985.

In April 1985, Mr. Mohamed joined Advanced Electronics (M) Sdn. Bhd. ("AESB"), a wholly-owned subsidiary of Idris Hydraulic (Malaysia) Bhd as a Senior Manager. He was later promoted to the position of Group General Manager. Mr. Mohamed was responsible for an array of business portfolios including the restructuring exercise, strategic planning, business development and financial matters of AESB.

In November 1995, Mr. Mohamed left AESB and ventured into his own business. Shortly, he joined Instangreen Corporation Bhd which was under the Corporate Debt Restructuring Committee as the Chief Operating Officer. He was involved in the financial and business restructuring of Instangreen Corporation Bhd until it was re-floated under its new name of LBS Bina Bhd.

Mr. Mohamed re-joined AESB Group in August 1999 to re-strategise the consumer home electrical business. In early 2005, he partnered with a senior officer of AESB's holding company, jointly acquired the entire group of AESB under a Management Buy-Out Scheme. AESB was later sold to a third party where he resigned as the Chief Executive Officer of AESB in July 2006.

He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

He attended all four Board Meetings held during the financial year ended 31 December 2009.



**MR. MOHAMED HANIFFAH
BIN S.M. MYDIN**

*Malaysian, 57 years of age
Independent Non-Executive Director
Chairman of Nomination Committee
Member of Remuneration Committee
Member of Audit Committee*

DIRECTORS' PROFILE (CONT'D)



MDM. LOH JOO ENG
Malaysian, 50 years of age
Executive Director

Mdm. Loh Joo Eng was appointed as a Director of Tek Seng Holdings Berhad on 16 August 2004.

She is responsible for the daily operations and procurement of raw materials for the Group. She has more than 25 years of experience in PVC based industry. She graduated from Penang Chinese Girls' High School in 1978 with Malaysia Certificate of Education.

She sits on the Board of several private limited companies.

She is the sister to Mr. Loh Kok Beng and Mr. Loh Kok Cheng, who are the Directors and major shareholders of the Company. She does not have any conflict of interest in any business arrangement involving the Company except as disclosed in the Financial Statements.

She attended all four Board Meetings held during the financial year ended 31 December 2009.

Mr. Ong Eng Choon was appointed as a Director of Tek Seng Holdings Berhad on 16 August 2004.

He graduated from Tunku Abdul Rahman College, Kuala Lumpur with the Diploma of Business Administration and has 32 years of tax experience of which 3 years were spent with the Inland Revenue Board, 10 years with one of the top four accounting firms before becoming the Managing Director of Taxnet Consultants Sdn. Bhd.

He is a Chartered Accountant (Malaysia), a Fellow Member of the Chartered Association of Certified Accountants (FCCA), an Associate Member of the Institute of Chartered Secretaries and Administrators (ICSA) and also an Associate Member of the Chartered Tax Institute of Malaysia.

Mr. Ong is also an Independent Non-Executive Director of Chin Well Holdings Berhad, Elsoft Research Berhad, Tejari Technologies Berhad and Public Packages Holdings Berhad.

He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

He attended all four Board Meetings held during the financial year



MR. ONG ENG CHOON
Malaysian, 58 years of age
Independent Non-Executive Director
Chairman of Audit Committee
Member of Remuneration Committee
Member of Nomination Committee

CONVICTION OF OFFENCE

None of the Directors have been convicted of any offences within the past 10 years other than traffic offences, if any.

DIRECTORS' SHAREHOLDINGS

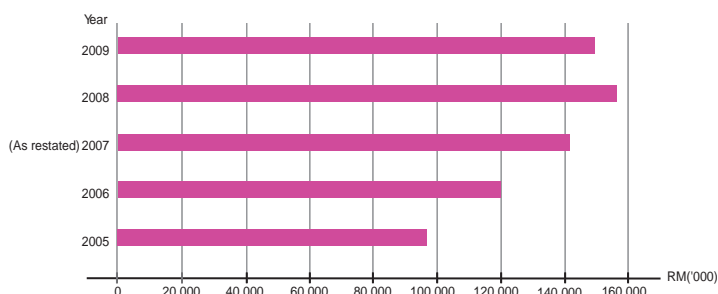
The details of the Directors' shareholdings in the Company are set out under the Statistics on Shareholdings in page 59 of this Annual Report.

FINANCIAL HIGHLIGHTS

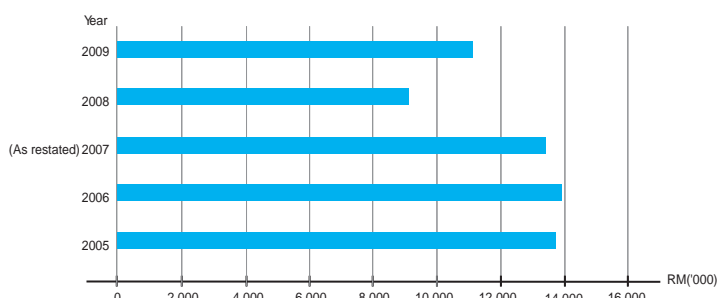
	GROUP	GROUP	GROUP	GROUP	GROUP
	2005	2006	(As restated) 2007	2008	2009
Revenue (RM'000)	96,032	120,344	142,379	158,441	149,428
Profit Before Tax and MI (RM'000)	13,571	13,816	13,383	9,380	11,205
Profit After Tax and MI (RM'000)	9,916	10,120	11,626	10,711	10,505
Gross Earnings Per Share (Sen)	7.07	5.76	5.58	3.91	4.67
Net Earnings Per Share (Sen)	5.16	4.22	4.84	4.46	4.38

FINANCIAL HIGHLIGHTS (CONT'D)

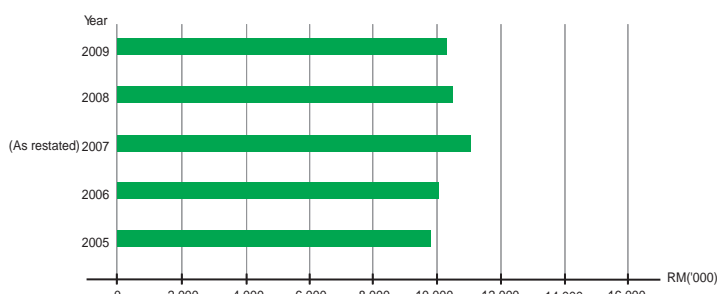
Revenue



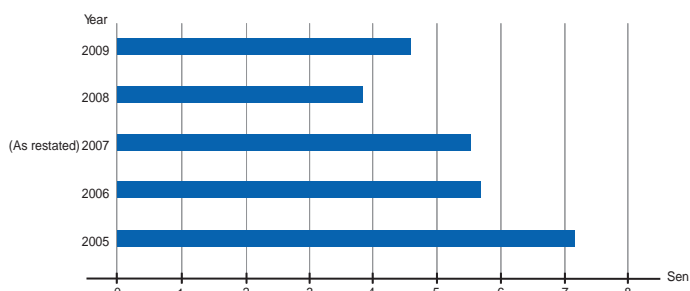
Profit Before Tax and MI



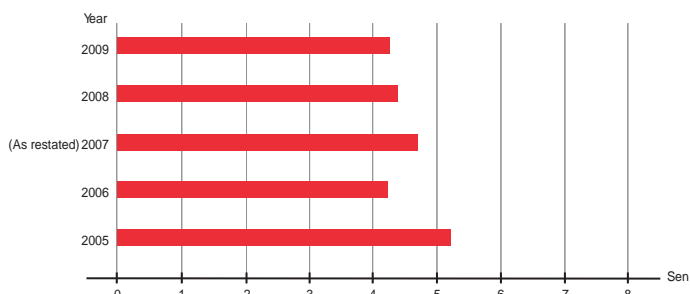
Profit After Tax and MI



Gross Earnings Per Share



Net Earnings Per Share



CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Directors of Tek Seng Holdings Berhad, it is my pleasure to present to you the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2009.

Business Environment

The year 2009 had been badly affected by the collapsed of large financial institutions / investment firms, decline in credit availability and downturn in stock markets around the world. Economies worldwide were undergoing major financial crisis. Such adverse effect, had significantly affected our revenue due to decline in international trade.

However, our Group managed to reposition itself through our business strategies and had undertaken several measures to mitigate this challenging environment.

Financial Performance

For the financial year ended 31 December 2009, our Group's revenue decreased by 5.69% to RM149.4 million as compared with the preceding year. The profit after tax a slightly decreased by 1.92% to RM10.5 million for the year under review. As at 31 December 2009, our shareholders' equity stood at RM115 million as compared with RM108 million as at the end of the previous financial year.

Dividends

In line with our Group's performance and to continually reward our loyal shareholders, during the financial year, our Board had declared and paid an interim dividend of 2.0 sen per ordinary share less tax on 30 September 2009. In addition, our Board has recommended a final dividend of 2.0 sen per ordinary share less tax subject to the shareholders' approval at the forthcoming Annual General Meeting.

Outlook and Prospects

There are positive signs of stabilization of the global economy coupled with our government putting forward several measures and stimulus package that would help our economic in recovery, the Board is optimistic that such indications are expected to complement our performance for the Year 2010.

Nevertheless, our Group will take cautious approach to minimize the exposure from the challenging operating environment and global volatility. To stay competitive, our Group will continue to focus on cost control, improving our operational efficiency and product quality as well as enhancement of our product range and uphold ourselves as a leading one-stop PVC products supplier in the region.

Acknowledgement

On behalf of the Board of Directors, I would like to express my gratitude to our loyal shareholders for their continued support; to our valued customers, business associates, bankers and all relevant authorities for their confidence and trust in Tek Seng Group.

Last but not least, I would like to express my appreciation and thanks to all my fellow directors, the management and staff for their hard work and commitment in bringing Tek Seng Group to greater heights.

CORPORATE SOCIAL RESPONSIBILITY



Tek Seng Group acknowledges the importance of Corporate Social Responsibility ("CSR") in fostering a good business culture and practices. Our CSR objective is to be a socially responsible corporate in today's world with continuous efforts to contribute and extend our responsibilities to our employees, the community and the development of our country. The various CSR initiatives undertaken by the Group are summarized below:

WORKPLACE

Health & Safety

In ensuring and providing a safe and conducive working environment for our employees, the Group had implemented various programmes to educate employees in safe forklifts driving, proper loading and stacking skills and proper maintenance procedure trainings during the financial year.

Sports and Wellness

Recognised the need to create harmony, better working relationships, co-operations and teamwork amongst the employees, our Group had supported and organized various sports and recreational activities during the financial year.



COMMUNITY

In order to uphold our CSR's objective, our Group had made donations to various non-profit organisations such as Monfort Boys Town, MAA-Medicare Kidney Charity Fund, Malaysia Mental Health Association, Malaysian Association For the Blind and other orphanage/ handicapped/ charitable homes during the financial year for the purpose of assisting less fortunate communities in improving their lives and also in an effort to contribute to the local education sector.

ENVIRONMENTAL

Apart from contributing to the community in terms of economic value, the Group also acknowledges its role in preserving and conserving the environment. The Group had undertaken various measures and explored feasible opportunities during the financial year to minimise any adverse impact from manufacturing operations, waste disposals and products' design and packaging.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors acknowledges the importance of maintaining good corporate governance in the Group. To achieve this objective, the Board has initiated moves to ensure that the principles of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibility to protect and enhance shareholders' value as well as the financial performance of the Group.

The Board has complied with most of the best practices as set out under Part 2 of the Malaysian Code on Corporate Governance ("the Code") and is pleased to present its report on the extent of its compliance with the Code.

THE BOARD OF DIRECTORS

There are presently six (6) Board members in Tek Seng Holdings Berhad comprising three (3) Non-Independent Executive Directors and three (3) Independent Non-Executive Directors. The composition equips the Board with the necessary skills of business, financial and technical experience to effectively lead and control the Company. The profile of each Director is set out in pages 4 to 6 of this Annual Report.

There is a clear division of responsibility between the roles of the Chairman and the Managing Director to ensure that there is a balance of power and authority. Currently, the Board is chaired by Mr. Loh Kok Beng whose responsibility is to ensure Board effectiveness, implementation of Board policies and decisions, corporate affairs and overall financial performance of the Group.

Mr. Loh Kok Cheng, the Managing Director leads the management in the operations and has overall responsibility over the operation units and organisational effectiveness.

The roles of the Independent Non-Executive Directors is vital for the successful direction of the Group as they provide independent professional views, advice and decisions to take into account the interest of the Group, shareholders, employees, customers, suppliers and many others of which the Group conducts business.

SUPPLY OF INFORMATION

The Board is provided with sufficient and timely information to enable it to discharge its duties effectively. At least seven (7) days prior to Board Meetings, all Directors are provided with agendas and Board Papers to enable the Directors to participate actively in the meetings.

All Directors have access to the advice and services of the Company Secretaries in carrying out their duties and to ensure all rules, requirements and regulations are complied with.

All Directors may obtain further information which they may require in discharging their duties such as seeking independent professional advice at the Company's expense, if necessary.

The Board should receive information that is not just historical or bottom line and financial oriented, but information that goes beyond assessing the quantitative performance of the enterprise, and looks at other performance factors, such as customer satisfaction, product and service quality, market share, market reaction, environmental performance and so on, when dealing with any item on the agenda.

APPOINTMENT / RE-ELECTION OF DIRECTORS

In accordance with the Memorandum and Articles of Association of the Company, one third (1/3) of the Directors shall retire from office every year at the Annual General Meeting and be eligible for re-election. Provided always that all Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

COMPOSITION

The Nomination Committee consists of:

Name	Designation	Directorial Status
Mr. Mohamed Haniffah Bin S.M. Mydin	Chairman	Independent Non-Executive Director
Mr. Ong Eng Choon	Member	Independent Non-Executive Director
Dr. Kamarudin Bin Ngah	Member	Independent Non-Executive Director

TERMS OF REFERENCE

Appointment/Composition

1. The Nomination Committee shall be appointed by the Board of Directors.
2. The Nomination Committee shall consist of not less than 2 members.
3. All the Nomination Committee members must be non-executive directors, with a majority of them being independent directors.
4. The chairman of the Nomination Committee must be an independent director and shall be appointed by the Board of Directors. In the absence of the chairman of the Nomination Committee, the remaining members present shall elect one of their number to chair the meeting.

Meetings

1. The Nomination Committee shall meet at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board of Directors for approval and at such times, whenever they deemed necessary.
2. The quorum of the Nomination Committee meeting shall be 2 members and comprised of a majority of independent directors.
3. The Company Secretary or the representative of the Company Secretary shall act as the secretary of the Nomination Committee.
4. Participants may be invited from time to time to attend the Nomination Committee meeting depending on the nature of the subject under review. These participants may include the executive directors, the chief executive officer, the head of Human Resource and external advisers or experts.

Authority

The Nomination Committee is authorised by the Board of Directors to carry out the duties mentioned below and the other directors and employees shall give all assistance that is necessary to enable the Nomination Committee to discharge its duties.

The Nomination Committee shall, whenever necessary and reasonable for the performance of its duties and at the Company's cost to obtain independent professional or other advice.

Duties and Responsibilities

1. To regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes or adjustments that are deemed necessary.
2. To annually review the required mix of skills, experience, competencies, effectiveness and other qualities of the Board as a whole, the committees of the Board, and for assessing the contribution of each individual director, including non-executive directors, as well as chief executive officer.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

3. To review and recommend to the Board, the candidates for all directorships to be filled by the shareholders or the Board, as and when they arise. In making its recommendations, the Nomination Committee should consider the candidates' -
 - i) skills, knowledge, expertise and experience;
 - ii) professionalism;
 - iii) integrity; and
 - iv) in the case of candidates for the position of independent non-executive directors, to evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors.
4. To give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and what skills and expertise are therefore needed on the Board in the future.
5. To review and recommend to the Board for the appointment and/or continuation in office of the managing director, executive directors and chief executives of the Group, subject to the provision of the laws and their service contract, if any.
6. To review and recommend to the Board for the appointment and continuation in office of any director who has reached the age of 70, having due regard to their performance, skills and experience required.
7. To review and recommend to the Board for the re-election of directors who retire by rotation pursuant to the provision of the Company's Articles of Association, having due regard to their performance, skills and experience required.

DIRECTORS' TRAINING

All the Directors had attended the Mandatory Accreditation Programme (MAP). For the year under review, all the Directors had attended seminars, trainings and courses to keep abreast with the development of the business environment as follows:-

Name	Description of training
Mr. Loh Kok Beng	Safe Forklift Driving
Mr. Loh Kok Cheng	Safe Forklift Driving
Mdm. Loh Joo Eng	Cash Flow & Credit Management
Mr. Ong Eng Choon	Expand Your Business Horizons-Add Value To Your Current Range Of Services
	National Tax Conference 2009
	New Framework For Listing And Equity Fund Raising And Key Changes To The Listing Requirements
	Latest Developments On Transfer Pricing In Malaysia And Tax Cases & Public Rulings
	Taxation Seminar 2009
	Update Of Financial Reporting Standards In Malaysia 2010 Version
Dr. Kamarudin Bin Ngah	Corporate Directors Training Programme
Mr. Mohamed Haniffah Bin S.M. Mydin	National Seminar On Taxation 2009

DIRECTORS' REMUNERATION

The Remuneration Committee of the Company consists of mainly Independent Non-Executive Directors.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

The Remuneration Committee consists of:

Name of Members	Designation	Directorial Status
Dr. Kamarudin Bin Ngah	Chairman	Independent Non-Executive Director
Mr. Ong Eng Choon	Member	Independent Non-Executive Director
Mr. Mohamed Haniffah Bin S.M. Mydin	Member	Independent Non-Executive Director
Mr. Loh Kok Beng	Member	Executive Chairman

The terms and reference of the Remuneration Committee are as follows :

Appointment / Composition

1. The Remuneration Committee shall consist of not less than three (3) members of whom a majority shall be Independent Directors.
2. The Chairman of the Remuneration Committee shall be appointed by the members of the Committee among their number who is an Independent Director.

Meeting

1. The Remuneration Committee must meet at least once a year.
2. The quorum of the meeting shall be two (2) members and composed of a majority of Independent Directors.
3. Meeting will be attended by the members of the Committee and the Company Secretary, who shall act as the Secretary or any representative of the Secretary.
4. Participants may be invited from time to time to attend the meeting depending on the nature of the subject under review. These participants may include the Directors, Division Heads, representatives from Internal Audit Departments and External Auditors.

Functions / Responsibilities

1. To establish and recommend the remuneration package for Executive Directors such as the terms of employment or contract of employment/service, benefit, pension, incentive scheme, bonuses, fees, expenses, compensation payable on termination of the service contract by the Company and/or the Group etc.
2. To review for changes to the above.
3. To ensure the performance related elements of remuneration forming a significant proportion of the total remuneration packages of Executive Directors.
4. To review with the Executive Directors, their goals and objectives and to assess their performance against these objectives as well as contribution to the corporate strategy.
5. The Executive Directors should play no part in decisions on their own remuneration.
6. To consider other matters as referred to the Committee by the Board.

The proposed remuneration packages of Executive Directors are to be proposed to the Board of Directors for approval.

The proposed remuneration packages of Non-Executive Directors are to be proposed to the Board of Directors and the shareholders for approval at the Annual General Meeting.

Minutes

1. The Company Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the Committee.

Disclosure

1. The membership of the Remuneration Committee shall be disclosed in the Directors' Report and Annual Report of the Company.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

The aggregate Directors' Remuneration during the financial year ended 31 December 2009 be categorised into the following components:

Category	Directors' Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	0	1,283,547	1,283,547
Non-Executive Directors	72,000	0	72,000
	72,000	1,283,547	1,355,547

The Directors' Remuneration are categorised into the following bands:

Range of Remuneration	Executive Directors	Non-Executive Directors
RM50,000 and below	0	3
RM50,001 to RM100,000	0	0
RM100,001 to RM150,000	1	0
RM150,001 to RM200,000	0	0
RM200,001 to RM250,000	0	0
RM250,001 to RM300,000	0	0
RM300,001 and above	2	0

SHAREHOLDERS

The Board provides timely and accurate disclosure of all material information of the Group to the shareholders and investors. Information is disseminated through announcements made to the Bursa Malaysia Securities Berhad which includes the quarterly reports, annual report and press releases.

The Annual General Meeting is used as a principal forum for dialogue with all shareholders. Extraordinary General Meetings are held as and when required. At the general meetings, the Board provides opportunities for shareholders to raise questions on the business activities of the Group, agenda of the meetings and its proposed resolutions. The Chairman of the meeting will facilitate the discussion with the shareholders and provide further information in response to shareholders' queries. The Board encourages all shareholders to attend the Company's Annual General Meeting and to participate in the proceedings.

FINANCIAL REPORTING

The Board through the review of the Audit Committee and in consultation with the External Auditors, presents a balance and understandable assessment of the Group's financial position and prospect to the public in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia. The quarterly results announcements also reflect the Board's commitment to give regular updated assessments on the Company's performance.

INTERNAL CONTROL

The Board acknowledges its responsibilities to maintain an appropriate system of internal control to safeguard shareholders' investment and the Group's assets. The Statement of Internal Control is set out under the statement about the state of internal control in pages 16 to 17.

RELATIONSHIP WITH THE AUDITORS

Internal Auditors

The Company outsourced its internal audit function to a professional consulting firm, which assists the Audit Committee in discharging its duties and responsibilities. The Internal Auditors' role is to report to the Audit Committee on the improvement of organisational's management, records, accounting policies, controls, identification and managing of significant risk.

The Audit Committee meets with the Internal Auditors regularly to ensure controls are effectively applied. Through the Audit Committee, the Board has established transparent relationship with the Internal Auditors.

External Auditors

The Board maintains formal and transparent relationship with its External Auditors through the review of their audit plans, scope of audit and audit reports as well as their professional fees and appointment by the Audit Committee. The External Auditors is expected to report their findings to the Audit Committee and to discuss with the Board of Directors on matters that necessitate the Board's attention.

STATEMENT ABOUT THE STATE OF INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of Bursa Securities Listing Requirements, the Board of Directors of Tek Seng Holdings Berhad is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies ('Internal Control Guidance') issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Malaysia Securities Berhad.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board recognises the importance of a structured risk management and a risk-based internal audit to establish and maintain a sound system of internal control. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems. Because of the limitations that are inherent in any systems of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

RISK MANAGEMENT

The Board and management practice proactive significant risks identification on a quarterly basis or earlier as appropriate, particularly any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed to, and maintained at, a level acceptable to the Board.

INTERNAL AUDIT

The Board acknowledges the importance of internal audit function and has engaged the services of an independent professional consulting firm, to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the Internal Auditors based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and inadequate controls to ensure that an adequate action plan has been put in place to improve the controls. For those areas with high risk and adequate controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:

- An organization structure with well-defined scopes of responsibility, clear lines of accountability and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for operational, financial and human resource management, which is subject to regular review and improvement;

STATEMENT ABOUT THE STATE OF INTERNAL CONTROL (CONT'D)

- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- A comprehensive business planning and detailed budgeting process where operating units prepare budgets for the coming year which are approved both at operating unit level and by the Board;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary; and
- Regular visits to operating units by members of the Board and senior management.

Based on the internal auditors' report for the financial year ended 31 December 2009, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial period, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.23 of Bursa Securities Listing Requirements.

This statement is issued in accordance with a resolution of the Directors dated 23 April 2010.

REPORT OF AUDIT COMMITTEE

COMPOSITION

The Audit Committee consists of :

Name of Members	Designation	Directorial Status
Mr. Ong Eng Choon	Chairman	Independent Non-Executive Director
Dr. Kamarudin Bin Ngah	Member	Independent Non-Executive Director
Mr. Mohamed Haniffah Bin S.M. Mydin	Member	Independent Non-Executive Director

MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2009, four (4) Audit Committee Meetings were held at The Conference Room of Tek Seng Holdings Berhad and the details of attendance are as follows:-

Name of Members	No. of Meetings Attended
Mr. Ong Eng Choon	4 out of 4
Dr. Kamarudin Bin Ngah	3 out of 4
Mr. Mohamed Haniffah Bin S.M. Mydin	4 out of 4

TERMS OF REFERENCE

Appointment / Composition:

1. The members of the Committee shall be appointed by the Board.
2. The Audit Committee shall consist of not less than three (3) members of whom:
 - a) all members of the Committee must be Non-Executive Directors with a majority of them being Independent Directors;
 - b) at least one (1) member of the Committee:
 - i) must be a member of the Malaysian Institute of Accountants; or
 - ii) if he is not a member of the Malaysian Institute of Accountants,
 - a) he must have at least three (3) years' working experience; and
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - iii) he fulfils such other requirements as prescribed or approved by Bursa Securities.
 - c) all members of the Committee should be financially literate.

REPORT OF AUDIT COMMITTEE (CONT'D)

3. No Alternate Director shall be appointed as a member of the Committee.
4. A quorum shall be two (2) members and composed of a majority of Independent Directors.
5. The Chairman of the Committee shall be appointed by the members of the Committee among their number who is an Independent Director.
6. The Board must review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.
7. The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

Meetings

1. Meetings shall be held not less than four (4) times in a year. In addition, the Chairman of the Committee may call a meeting of the Committee if a request is made by any Committee members, the Company's Executive Chairman/CEO of the Group.
2. The Committee may also be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary. The Committee should meet with the External Auditors without Executive Board members present at least twice a year.
3. Meeting will be attended by the members of the Committee and the quorum of the meeting is two (2) with a majority of members present must be Independent Directors. The Company Secretary or any representative of the Secretary shall be the Secretary of the Committee.
4. Participants may be invited from time to time to attend the meeting depending on the nature of the subject under review. These participants may include the Directors, General Managers, Division Heads, representatives from the Finance and Internal Audit Departments and External Auditors. The head of Finance, Internal Audit and a representative of the External Auditors should normally attend meetings.
5. On a continuous basis, the Chairman of the Committee should meet with the senior management, such as the Executive Chairman, the Chief Executive Officer, the Finance Director, the Internal and External Auditors in order to be kept informed of matters affecting the Company.

REPORT OF AUDIT COMMITTEE (CONT'D)

Authority

1. The Committee is authorised by the Board to carry out the duties mentioned below and the Board and Management shall give all assistance that is necessary to enable the Committee to discharge its duties.
2. The Committee shall, whenever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board and at the Company's cost:
 - a) have authority to investigate any matter within its terms of reference;
 - b) have the resources which are required to perform its duties;
 - c) have full and unrestricted access to any information pertaining to the Company;
 - d) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any);
 - e) be able to obtain independent professional or other advice; and
3. The Internal Audit function reports directly to the Committee.

Functions and Responsibilities:

The functions and responsibilities of the Committee shall include the following:

1. to discuss and liaise with the External Auditors to ensure the smooth implementation of the audit plan, review and forward the evaluation of the system of internal controls and audit report to the Board;
2. to review the assistance given by employees of the Group to the External Auditors;
3. to review the effectiveness of internal control systems and the findings of the Internal Auditors, if available;
4. to review quarterly report and annual financial statements prior to the approval of the Board, focusing particularly on;
 - i) changes in or implementation of major accounting policy changes;
 - ii) significant and unusual events; and
 - iii) compliance with accounting standards and other legal requirements.
5. to review any related party transactions and conflict of interest situation that may rise within the Company and the Group including any transaction, procedure or course of conduct that raise questions of management integrity;
6. to review and report the same to the Board any letter of resignation from the External Auditors of the Company as well as whether there is any reason (supported by grounds) to believe that the Company's External Auditors are not suitable for re-appointment;
7. to make recommendations concerning the appointment of the External Auditors and their remuneration to the Board;
8. to review the adequacy of the scope, functions, competency and resources of the Internal Audit functions and that it has the necessary authority to carry out its work;

REPORT OF AUDIT COMMITTEE (CONT'D)

9. to review any appraisal or assessment of the performance of the Internal Auditors and to approve any appointment, resignation or termination of Internal Auditors;
10. to review and verify the allocation of shares options granted to employees pursuant to the Employee Share Option Scheme;
11. to consider other topics as defined by the Board.

The reports of the Committee and the External and Internal Auditors and corrective action taken shall be tabled for discussion by the Board of Directors.

Minutes

1. The Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the Committee and to the Board Meeting.

Audit Committee Report

1. The Committee shall ensure that an audit committee report is prepared at the end of each financial year that complies with the undermentioned.
 - a) The audit committee report shall be clearly set out in the Annual Report of the Company;
 - b) The audit committee report shall include the following:
 - i) the composition of the Committee, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
 - ii) the terms of reference of the Committee;
 - iii) the number of Committee meetings held during the financial year end and details of attendance of each member;
 - iv) a summary of activities of the Committee in the discharge of its functions and duties for that financial year of the Company; and
 - v) a summary of the activities of the Internal Audit function or activity.

REPORT OF AUDIT COMMITTEE (CONT'D)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2009, the Audit Committee carried out its duties as set out in terms of reference. Key activities include:

1. Reviewed and approved the annual audit plan.
2. Reviewed the financial statements of the Group on a quarterly basis before recommending them for the approval of the Board of Directors.
3. Reviewed the annual audited financial statements of the Company and the Group with the external auditors before recommending them for the approval of the Board of Directors.
4. Reviewed and approved the External Audit Reports of the Group and discussed results of their examinations and recommendations.
5. Reviewed and approved the Internal Audit Reports of the Group and discussed results for their findings and recommendations.
6. Reviewed any recurrent related party transactions arise within the Group.

INTERNAL AUDIT FUNCTION

The Board outsourced its internal audit function and the Internal Auditors, reports directly to the Audit Committee and assists the Audit Committee in discharging its duties and responsibilities. The costs incurred for the internal audit function in respect of the financial year ended 31 December 2009 was RM30,000.00.

During the financial year ended 31 December 2009, the Company's Internal Auditors carried out its duties as set out in accordance with the Internal Audit Plan as follows:

1. Reviewed the Group's systems of internal controls and ascertained the extent of compliance with the established policies, procedures and statutory requirements.
2. Identified areas for improvement of controls in operations and processes of the Group.

All the findings by the Internal Auditors were presented to the Audit Committee. The Audit Committee had taken steps to ensure that appropriate actions are being taken to continuously improve the current systems of internal control.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors acknowledge that they are responsible for the Annual Audited Financial Statements so as to give a true and fair view of the state of affairs as at the end of the financial year of the Group and of the Company and of their results and their cash flows.

In preparing the financial statements for the year ended 31 December 2009, the Directors are satisfied that :-

1. reasonable and prudent judgement and estimates were made; and
2. all applicable Approved Accounting Standards in Malaysia have been followed.

The Directors also responsible for ensuring that the Company maintains appropriate accounting policies that disclose with reasonable accuracy of the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

FINANCIAL STATEMENTS

CONTENTS	PAGE
DIRECTORS' REPORT	25
STATEMENT BY DIRECTORS	28
STATUTORY DECLARATION	28
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS	29
BALANCE SHEETS	30
INCOME STATEMENTS	31
STATEMENTS OF CHANGES IN EQUITY	32
CASH FLOW STATEMENTS	33
NOTES TO THE FINANCIAL STATEMENTS	35

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended **31 December 2009**.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The principal activities of the subsidiary companies are manufacturing and trading of PVC related products and PP non-woven related products, trading of polyvinyl chloride products and letting of properties.

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

FINANCIAL RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	<u>10,505,186</u>	<u>(186,149)</u>

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The dividends declared and paid by the Company since the end of the previous financial year were as follows:

	RM
In respect of the financial year ended 31 December 2009 :	
An interim dividend of 2 sen per share, less 25% of income tax on 240,000,000 ordinary shares, paid on 30 September 2009	<u>3,600,000</u>

A final dividend of 2 sen per share, less 25% of income tax on 240,000,000 ordinary shares in respect of the financial year ended 31 December 2009, amounting to a dividend payable of RM3,600,000 will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2010.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

EMPLOYEE SHARE OPTIONS SCHEME

The Tek Seng Holdings Berhad Employee Share Options Scheme ("ESOS") is governed by the By-Laws approved by the shareholders at the General Meeting held on 2 September 2004. The ESOS was implemented on 29 October 2004 and is to be in force for a period of 5 years from the date of implementation. The ESOS expired on 28 October 2009 and the Company had not granted any option under this ESOS. The Company will not extend the ESOS.

Details of the ESOS are set out in Note 15 to the financial statements.

DIRECTORS' REPORT (CONT'D)

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows: -

Loh Kok Beng
 Loh Kok Cheng
 Loh Joo Eng
 Ong Eng Choon
 Dr. Kamarudin Bin Ngah
 Mohamed Haniffah Bin S.M. Mydin

DIRECTORS' INTERESTS

The shareholdings in the Company and its related corporations of those who are Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act 1965, are as follows:-

<u>Shareholdings in the Company</u>	Number of Ordinary Shares of RM0.25 each			At 31-12-2009
	At 01-01-2009	Bought	Sold	
Direct interest				
Loh Kok Beng	53,683,630	9,996,000	0	63,679,630
Loh Kok Cheng	53,683,630	9,996,000	0	63,679,630
Loh Joo Eng	1,250,000	0	0	1,250,000
Ong Eng Choon	62,500	0	0	62,500
Dr. Kamarudin Bin Ngah	8,236,375	0	(8,232,000)	4,375
Mohamed Haniffah Bin S.M. Mydin	11,760,000	0	(11,760,000)	0
Indirect interest				
Loh Joo Eng *	110,575	0	0	110,575

By virtue of Loh Kok Beng's and Loh Kok Cheng's interests in shares in the Company, they are deemed to have an interest in its subsidiary companies to the extent that the Company has an interest.

* Shares held by family members by virtue of Section 134(12)(c) of the Companies (Amendment) Act, 2007.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects 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.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements of the Group) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' REPORT(CONT'D)

OTHER STATUTORY INFORMATION

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

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

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) 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
- (c) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
- (d) not otherwise dealt with in this report or financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability 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, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The Auditors, Messrs. UHY Diong, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their Resolution,

LOH KOK BENG
Director

LOH KOK CHENG
Director

Dated: 26 April 2010

STATEMENT BY DIRECTORS

The Directors of **TEK SENG HOLDINGS BERHAD**, state that, in their opinion, the financial statements set out on pages 30 to 56 are drawn up in accordance with the provisions of the Companies Act 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at **31 December 2009** and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with their Resolution,

LOH KOK BENG
Director

LOH KOK CHENG
Director

Dated: 26 April 2010

STATUTORY DECLARATION

I, **LOH KOK BENG**, being the Director primarily responsible for the financial management of **TEK SENG HOLDINGS BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 30 to 56 are 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 abovenamed **LOH KOK BENG** at)
Georgetown in the State of Penang)
this 26 April 2010)

LOH KOK BENG

Before me,

QUAH KEAT JIN, PJM
NO. P092
Commissioner for Oaths
Penang.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Report on the Financial Statements

We have audited the financial statements of **TEK SENG HOLDINGS BERHAD**, which comprise the balance sheets as at **31 December 2009** of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 56.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 judgment, 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 Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with 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 at **31 December 2009** and of their financial performance and cash flows for the financial year then ended.

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 have been properly kept in accordance with the provisions of Act.
- b) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

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.

UHY DIONG

No. AF-1411

Chartered Accountants

Penang

Dated: 26 April 2010

TEE GUAN PIAN

No. 1886/05/10 (J/PH)

Chartered Accountant

BALANCE SHEETS

as at 31 December 2009

		Group		Company	
	NOTE	2009 RM	2008 RM	2009 RM	2008 RM
NON-CURRENT ASSETS					
Property, plant and equipment	5	109,571,012	114,841,845	0	0
Prepaid land lease payments	6	6,988,012	7,121,998	0	0
Intangible asset	7	8,149	10,257	0	0
Investments in subsidiary companies	8	0	0	37,969,093	37,969,093
Deferred tax assets	9	6,965,500	6,200,300	0	0
		<u>123,532,673</u>	<u>128,174,400</u>	<u>37,969,093</u>	<u>37,969,093</u>
CURRENT ASSETS					
Inventories	10	26,743,120	32,683,195	0	0
Receivables, deposits and prepayments	11	27,063,648	26,280,481	32,940,038	36,697,712
Tax recoverable		189,606	236,885	0	40,064
Cash and bank balances		1,523,666	1,191,622	20,671	4,547
		<u>55,520,040</u>	<u>60,392,183</u>	<u>32,960,709</u>	<u>36,742,323</u>
CURRENT LIABILITIES					
Payables	12	16,950,327	17,127,752	95,272	90,737
Hire purchase payable	13	0	48,656	0	0
Bank borrowings					
-bank overdrafts	14	15,569	5,899,653	0	0
-others	14	43,437,942	49,406,750	0	0
Taxation		98,664	293,951	0	0
		<u>60,502,502</u>	<u>72,776,762</u>	<u>95,272</u>	<u>90,737</u>
NET CURRENT (LIABILITIES)/ASSETS		(4,982,462)	(12,384,579)	32,865,437	36,651,586
		<u>118,550,211</u>	<u>115,789,821</u>	<u>70,834,530</u>	<u>74,620,679</u>
CAPITAL AND RESERVE					
ATTRIBUTABLE TO EQUITY					
HOLDERS OF THE COMPANY					
Share capital	15	60,000,000	60,000,000	60,000,000	60,000,000
Retained profits		55,086,987	48,181,801	10,834,530	14,620,679
TOTAL EQUITY		<u>115,086,987</u>	<u>108,181,801</u>	<u>70,834,530</u>	<u>74,620,679</u>
NON-CURRENT LIABILITIES					
Term loans	16	2,759,324	7,039,220	0	0
Deferred tax liabilities	9	703,900	568,800	0	0
		<u>3,463,224</u>	<u>7,608,020</u>	<u>0</u>	<u>0</u>
		<u>118,550,211</u>	<u>115,789,821</u>	<u>70,834,530</u>	<u>74,620,679</u>

The annexed notes form part of the financial statements.

INCOME STATEMENTS

for the financial year ended 31 December 2009

		Group		Company	
	NOTE	2009 RM	2008 RM	2009 RM	2008 RM
Revenue	17	149,428,409	158,441,275	0	0
Other income		58,020	282,818	0	0
Changes in inventories of work-in-progress and finished goods		(1,258,047)	4,738,453	0	0
Purchase of trading merchandise		(13,126,156)	(11,827,705)	0	0
Raw materials and consumables used		(83,670,567)	(101,860,454)	0	0
Amortisation of prepaid land lease payments		(133,986)	(133,986)	0	0
Depreciation		(13,561,485)	(11,788,163)	0	0
Staff costs	18	(10,175,176)	(9,792,021)	0	0
Carriage outwards		(3,039,621)	(3,527,411)	0	0
Utilities expenses		(6,379,833)	(5,628,417)	0	0
Other expenses		(5,402,516)	(7,076,898)	(186,149)	(198,703)
Finance costs	20	(1,534,156)	(2,447,852)	0	0
PROFIT/(LOSS) BEFORE TAX	21	11,204,886	9,379,639	(186,149)	(198,703)
Taxation	22	(699,700)	1,331,465	0	2,883
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>10,505,186</u>	<u>10,711,104</u>	<u>(186,149)</u>	<u>(195,820)</u>
Attributable to:					
Equity holders of the Company		<u>10,505,186</u>	<u>10,711,104</u>		
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Basic earnings per share	23	<u>0.04</u>	<u>0.04</u>		
Diluted earnings per share		<u>N/A</u>	<u>N/A</u>		

The annexed notes form part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2009

Group	NOTE	Attributable to Equity Holders of the Company		
		Share capital	Distributable Retained profits	Total equity
		RM	RM	RM
At 1 January 2008		60,000,000	32,067,397	92,067,397
Prior year adjustment	24	0	13,395,300	13,395,300
As restated		60,000,000	45,462,697	105,462,697
Dividends for the financial year ended				
- 31 December 2007	25	0	(5,328,000)	(5,328,000)
- 31 December 2008	25	0	(2,664,000)	(2,664,000)
Profit for the financial year		0	10,711,104	10,711,104
At 31 December 2008		60,000,000	48,181,801	108,181,801
At 1 January 2009		60,000,000	48,181,801	108,181,801
Dividend for the financial year ended 31 December 2009	25	0	(3,600,000)	(3,600,000)
Profit for the financial year		0	10,505,186	10,505,186
At 31 December 2009		60,000,000	55,086,987	115,086,987

Company	NOTE	Share capital	Distributable Retained profits	Total equity
		RM	RM	RM
At 1 January 2008		60,000,000	22,808,499	82,808,499
Dividends for the financial year ended				
- 31 December 2007	25	0	(5,328,000)	(5,328,000)
- 31 December 2008	25	0	(2,664,000)	(2,664,000)
Loss for the financial year		0	(195,820)	(195,820)
At 31 December 2008		60,000,000	14,620,679	74,620,679
At 1 January 2009		60,000,000	14,620,679	74,620,679
Dividend for the financial year ended 31 December 2009	25	0	(3,600,000)	(3,600,000)
Loss for the financial year		0	(186,149)	(186,149)
At 31 December 2009		60,000,000	10,834,530	70,834,530

The annexed notes form part of the financial statements.

CASH FLOW STATEMENTS

for the financial year ended 31 December 2009

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
CASH FLOW FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	11,204,886	9,379,639	(186,149)	(198,703)
Adjustments for:				
Amortisation of prepaid land lease payments	133,986	133,986	0	0
Amortisation of intangible asset	2,108	1,608	0	0
Allowance for doubtful debts	0	116,852	0	0
Bad debts recovered	(3,000)	0	0	0
Bad debts written off	27,894	42,086	0	0
Depreciation	13,561,485	11,788,163	0	0
Interest expense	1,534,156	2,429,017	0	0
Loss on disposal of property, plant and equipment	2,622	0	0	0
Property, plant and equipment written off	60,755	0	0	0
Gain on disposal of property, plant and equipment	0	(100)	0	0
Interest income	(203)	(14,939)	0	0
Operating profit/(loss) before working capital changes	26,524,689	23,876,312	(186,149)	(198,703)
Inventories	5,940,075	(2,852,030)	0	0
Receivables, deposits and prepayments	(808,061)	7,134,948	3,757,674	8,164,652
Payables	(184,188)	1,829,427	(2,228)	333
	31,472,515	29,988,657	3,569,297	7,966,282
Interest received	203	14,939	0	0
Interest paid	(1,534,156)	(2,429,017)	0	0
Tax refunded	114,168	25,480	40,064	25,480
Taxation paid	(1,591,976)	(1,850,709)	0	(2,000)
Net cash flow from operating activities	28,460,754	25,749,350	3,609,361	7,989,762
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (Note a)	(6,983,276)	(30,298,610)	0	0
Purchase of intangible asset	0	(6,865)	0	0
Proceeds from disposal of property, plant and equipment	54,097	441,806	0	0
Net cash flow from investing activities	(6,929,179)	(29,863,669)	0	0
CASH FLOW FROM FINANCING ACTIVITIES				
Dividends paid	(3,593,237)	(7,989,887)	(3,593,237)	(7,989,887)
Repayment of hire purchase payables	(48,656)	(97,344)	0	0
Proceeds from bankers' acceptance	113,966,018	126,374,538	0	0
Repayment of bankers' acceptance	(119,474,435)	(115,175,635)	0	0
Proceeds from Foreign Currency Trust Receipts	1,177,176	5,590,490	0	0
Repayment of Foreign Currency Trust Receipts	(2,212,077)	(4,555,589)	0	0
Proceeds from On Shore Foreign Currency Financing	1,933,381	663,029	0	0
Repayment of On Shore Foreign Currency Financing	(2,105,802)	(490,608)	0	0
Proceeds from Revolving Credit	573,709	0	0	0
Repayment of Revolving Credit	(101,128)	0	0	0
Repayment of term loans	(5,430,396)	(6,987,464)	0	0
Net cash flow from financing activities	(15,315,447)	(2,668,470)	(3,593,237)	(7,989,887)

The annexed notes form part of the financial statements.

CASH FLOW STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
NET CHANGES IN CASH AND CASH EQUIVALENTS	6,216,128	(6,782,789)	16,124	(125)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	(4,708,031)	2,074,758	4,547	4,672
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note b)	<u>1,508,097</u>	<u>(4,708,031)</u>	<u>20,671</u>	<u>4,547</u>
Represented by :				
(a) Purchase of property, plant and equipment :				
- financed by hire purchase arrangement	0	146,000	0	0
- financed by term loans arrangement	1,424,850	6,567,660	0	0
- financed by cash	6,983,276	30,298,610	0	0
- additions during the financial year (Note 5)	<u>8,408,126</u>	<u>37,012,270</u>	<u>0</u>	<u>0</u>
(b) Analysis of cash and cash equivalents :				
Cash and bank balances	1,523,666	1,191,622	20,671	4,547
Bank overdrafts (Note 14)	<u>(15,569)</u>	<u>(5,899,653)</u>	<u>0</u>	<u>0</u>
	<u>1,508,097</u>	<u>(4,708,031)</u>	<u>20,671</u>	<u>4,547</u>

The annexed notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

1. GENERAL INFORMATION

The Company is principally involved in investment holding.

The principal activities of the subsidiary companies are manufacturing and trading of PVC related products and PP non-woven related products, trading of polyvinyl chloride products and letting of properties.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company's registered office and principal place of business are as follows:

Registered office:

51-21-A Menara BHL Bank Jalan Sultan Ahmad Shah 10050 Penang

Principal place of business:

Plot 159 MK 13 Jalan Perindustrian Bukit Minyak 7 Bukit Minyak Industrial Park 14000 Bukit Mertajam Penang

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 April 2010.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act 1965 and Financial Reporting Standards in Malaysia.

Standards and Interpretations in issue but not yet effective

At the date of authorisation for issue of these financial statements, the following FRSs, amendments to FRSs and Issues Committee Interpretations ("IC Interpretations") were in issue but not yet effective and have not been applied by the Group and the Company:

FRSs, amendments to FRSs and IC Interpretations		Effective for financial periods beginning on or after
FRS 1 and FRS 127	Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 4	Insurance Contracts	1 January 2010
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued	1 January 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued	1 July 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 7	Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
FRS 8	Operating Segments	1 July 2009
Amendment to FRS 8	Operating Segments	1 January 2010
FRS 101	Presentation of Financial Statements	1 January 2010
Amendment to FRS 107	Statement of Cash Flows (formerly known as Cash Flow Statements)	1 January 2010
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendment to FRS 110	Events after the Reporting Period (formerly known as Events after the Balance Sheet Date)	1 January 2010
Amendment to FRS 116	Property, Plant and Equipment	1 January 2010
Amendment to FRS 117	Leases	1 January 2010
Amendment to FRS 118	Revenue	1 January 2010
Amendment to FRS 119	Employee Benefits	1 January 2010
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
FRS 123 and		
Amendment to FRS 123	Borrowing Costs	1 January 2010

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

2. BASIS OF PREPARATION (CONTINUED)

Standards and Interpretations in issue but not yet effective (Continued)

FRSs, amendments to FRSs and IC Interpretations		Effective for financial periods beginning on or after
Amendment to FRS 127	Consolidated and Separate Financial Statements	1 January 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendment to FRS 128	Investments in Associates	1 January 2010
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendment to FRS 131	Interests in Joint Ventures	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010/ 1 March 2010
Amendment to FRS 134	Interim Financial Reporting	1 January 2010
Amendment to FRS 136	Impairment of Assets	1 January 2010
Amendment to FRS 138	Intangible Assets	1 January 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 140	Investment Property	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010

By virtue of the exemption provided in paragraph 103AB of FRS 139 and paragraph 44AB of FRS 7, the impact of applying FRS 139 and FRS 7 on the financial statements of the Group and of the Company upon initial application of these standards as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial year.

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. The financial statements of the subsidiary companies are prepared for the same reporting date as the Company.

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements.

The difference between the cost of acquisition over the Group's share of fair value of the identifiable net assets of the subsidiary companies acquired at the date of acquisition is reflected as goodwill or reserve on consolidation. Reserve on consolidation in excess of the fair value of the non-monetary assets acquired is recognised immediately in the income statement.

All intercompany transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.17.

Freehold land has an unlimited useful life and therefore is not amortised. Capital work-in-progress is not depreciated. Depreciation on other property, plant and equipment is calculated to write off the cost on a straight line basis over the expected useful lives of the assets concerned. The annual rates of depreciation are as follows :-

Buildings	2%
Office equipment, furniture and fittings	8% - 10%
Plant and machineries	5% - 10%
Motor vehicles	16% - 20%
Electrical installation	10%

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognised in the income statement.

3.3 Intangible asset

Expenditure on acquired trade mark is capitalised and amortised using the straight line method over its estimated useful life of a period of 8 years. Intangible asset is not revalued.

3.4 Investments in subsidiary companies

Investments in subsidiary companies are stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.17.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. The cost of raw materials consists of purchase price plus the cost of bringing the inventories to their present location. The cost of finished goods and work-in-progress comprise of costs of raw materials, direct labour and appropriate proportions 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.

3.6 Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the financial year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for the goods and services received.

3.9 Hire purchase

Property, plant and equipment acquired under hire purchase arrangement are capitalised in the financial statements and the corresponding obligation is treated as liability. Interest is allocated to the income statement to give a constant periodic rate of interest on the remaining hire purchase liability.

These property, plant and equipment are depreciated in accordance with the depreciation policy of the Group.

3.10 Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing costs and borrowings are subsequently measured at amortised cost using the effective interest method.

3.11 Provisions

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

3.12 Income tax

Income tax on the profit or loss for the financial year comprise of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the year in which they are declared.

3.14 Revenue recognition

Revenue is recognised upon delivery of products and customers' acceptance, net of sales tax and discounts, and after eliminating sales within the Group.

Rental income and interest income are recognised on an accrual basis

Dividend income is recognised when the Company's rights to receive dividend is established.

3.15 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are accounted for at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in the income statement.

3.16 Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

The Group's contributions to a defined contribution plan, known as Employees Provident Fund ("EPF") are recognised in the income statement in the financial year to which they relate.

3.17 Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of their assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Financial instruments

Financial instruments are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instrument.

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

3.19 Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The Directors are required to exercise their judgment when preparing the financial statements as it requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the financial year. It also requires the Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimated.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are explained below:

(i) Impairment of property, plant and equipment

The Group reviews the carrying amounts of its property, plant and equipment at each balance sheet date to ensure that its carrying amounts do not exceed the value in use ("VIU") of the cash generating units ("CGU") to which the property, plant and equipment are allocated. Estimating a VIU amount requires the management to make an estimate of expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Impairment of investment in subsidiaries

The Group carried out the impairment test based on the assessment of the fair value of the respective assets or CGU fair value less costs to sell or based on the estimation of the VIU of the CGUs to which the investments in subsidiaries belong to. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(iii) Depreciation of plant and machineries

The Directors estimate that the cost of plant and machineries for the manufacturing of PVC related products is depreciated on a straight line basis over the expected useful lives of the assets concerned. Such estimates are based on the Directors' historical experience and common life expectancies applied in this industry. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets and therefore future depreciation charges could be revised accordingly.

(iv) Income tax

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters are different from the amounts initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(v) Allowance for doubtful debts

Allowances are applied by the Group in making allowance for doubtful debts in view of the changes in circumstances that indicate that the carrying amounts may not be recoverable. Due consideration in the assessment of irrecoverable debts are based on the all pertinent information relating to the ability of the debtor to settle the debts. The difference will impact the carrying value of the receivables if expectation is different from the original estimate.

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Buildings RM	Office equipment, furniture and fittings RM	Plant and machineries RM	Motor vehicles RM	Electrical installation RM	Capital work-in- progress RM	Total RM
Group								
At cost								
At 1 January 2009	258,352	35,016,437	1,902,602	100,856,476	3,474,782	48,435	8,931,874	150,488,958
Additions	0	130,712	45,900	7,358,999	872,515	0	0	8,408,126
Disposals	0	0	0	0	(135,360)	0	(20,000)	(155,360)
Written off	0	0	(252,762)	(6,800)	0	0	0	(259,562)
Reclassification	0	0	0	7,719,874	0	0	(7,719,874)	0
At 31 December 2009	<u>258,352</u>	<u>35,147,149</u>	<u>1,695,740</u>	<u>115,928,549</u>	<u>4,211,937</u>	<u>48,435</u>	<u>1,192,000</u>	<u>158,482,162</u>

Accumulated depreciation

At 1 January 2009	0	3,210,222	1,115,238	28,691,422	2,581,797	48,434	0	35,647,113
Current charge	0	700,931	156,776	12,366,181	337,597	0	0	13,561,485
Disposals	0	0	0	0	(98,641)	0	0	(98,641)
Written off	0	0	(196,030)	(2,777)	0	0	0	(198,807)
At 31 December 2009	<u>0</u>	<u>3,911,153</u>	<u>1,075,984</u>	<u>41,054,826</u>	<u>2,820,753</u>	<u>48,434</u>	<u>0</u>	<u>48,911,150</u>

Net book value

At 31 December 2009	<u>258,352</u>	<u>31,235,996</u>	<u>619,756</u>	<u>74,873,723</u>	<u>1,391,184</u>	<u>1</u>	<u>1,192,000</u>	<u>109,571,012</u>
---------------------	----------------	-------------------	----------------	-------------------	------------------	----------	------------------	--------------------

At cost

At 1 January 2008	258,352	29,813,574	1,752,566	78,766,211	3,282,956	48,435	0	113,922,094
Additions	0	5,202,863	153,736	22,090,265	195,532	0	9,369,874	37,012,270
Disposals	0	0	(3,700)	0	(3,706)	0	(438,000)	(445,406)
At 31 December 2008	<u>258,352</u>	<u>35,016,437</u>	<u>1,902,602</u>	<u>100,856,476</u>	<u>3,474,782</u>	<u>48,435</u>	<u>8,931,874</u>	<u>150,488,958</u>

Accumulated depreciation

At 1 January 2008	0	2,591,901	954,100	18,064,032	2,204,183	48,434	0	23,862,650
Current charge	0	618,321	164,838	10,627,390	377,614	0	0	11,788,163
Disposals	0	0	(3,700)	0	0	0	0	(3,700)
At 31 December 2008	<u>0</u>	<u>3,210,222</u>	<u>1,115,238</u>	<u>28,691,422</u>	<u>2,581,797</u>	<u>48,434</u>	<u>0</u>	<u>35,647,113</u>

Net book value

At 31 December 2008	<u>258,352</u>	<u>31,806,215</u>	<u>787,364</u>	<u>72,165,054</u>	<u>892,985</u>	<u>1</u>	<u>8,931,874</u>	<u>114,841,845</u>
---------------------	----------------	-------------------	----------------	-------------------	----------------	----------	------------------	--------------------

(a) The net book value of freehold land and factory buildings amounting to RM22,346,918 (2008: RM22,857,653) have been pledged to a licensed bank for banking facilities granted to the subsidiary companies as referred to in Note 14 to the financial statements.

(b) The net book value of property, plant and equipment acquired under term loans arrangements are as follows:

	2009 RM	2008 RM
Plant and machineries	19,648,463	19,572,057
Factory buildings	<u>0</u>	<u>7,922,160</u>

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

6. PREPAID LAND LEASE PAYMENTS

	Group	
	2009	2008
	RM	RM
At 1 January	7,121,998	7,255,984
Amortisation for the financial year	(133,986)	(133,986)
At 31 December	<u>6,988,012</u>	<u>7,121,998</u>
Analysed as:		
Long term leasehold land	<u>6,988,012</u>	<u>7,121,998</u>

The prepaid land lease payments have been pledged as securities for borrowings as disclosed in Note 14 to the financial statements.

7. INTANGIBLE ASSET

	Group	
	2009	2008
	RM	RM
At cost		
Trade mark		
At 1 January	16,865	10,000
Addition	0	6,865
	<u>16,865</u>	<u>16,865</u>
Less:Accumulated amortisation	(8,716)	(6,608)
At 31 December	<u>8,149</u>	<u>10,257</u>

8. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2009	2008
	RM	RM
At cost		
Unquoted shares	<u>37,969,093</u>	<u>37,969,093</u>

Details of the subsidiary companies are as follows:

Name of subsidiary companies	Place of incorporation	Effective equity interest		Principal activities
		2009	2008	
Tek Seng Sdn. Bhd.	Malaysia	100%	100%	Trading of PVC products
Wangsaga Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of PVC related products
Pelangi Segi Sdn. Bhd.	Malaysia	100%	100%	Trading of polyvinyl chloride products
Double Grade Non-Woven Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of PP non-woven related products and letting of properties

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

9. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2009	2008
	RM	RM
At 1 January	5,631,500	2,500,100
Recognised in the income statement (Note 22):		
- property, plant and equipment	(996,700)	(1,001,730)
- reinvestment allowance	1,652,600	4,091,200
- (over)/underprovision in respect of prior year	(25,800)	3,200
- resulting from reduction in tax rate	0	38,730
At 31 December	<u>6,261,600</u>	<u>5,631,500</u>

Represented by :

Deferred tax assets	6,965,500	6,200,300
Deferred tax liabilities	(703,900)	(568,800)
	<u>6,261,600</u>	<u>5,631,500</u>

Subject to income tax:

Deferred tax assets (before offsetting)

Reinvestment allowances	19,123,900	17,487,500
Offsetting	(12,158,400)	(11,287,200)
Deferred tax assets (after offsetting)	<u>6,965,500</u>	<u>6,200,300</u>

Deferred tax liabilities (before offsetting)

Property, plant and equipment	12,862,300	11,856,000
Offsetting	(12,158,400)	(11,287,200)
Deferred tax liabilities (after offsetting)	<u>703,900</u>	<u>568,800</u>

10. INVENTORIES

	Group	
	2009	2008
	RM	RM
At cost		
Raw materials	14,495,289	19,177,317
Work-in-progress	2,501,125	4,126,435
Finished goods	9,746,706	9,379,443
	<u>26,743,120</u>	<u>32,683,195</u>

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Trade receivables	26,034,952	25,107,854	0	0
Less: Allowance for doubtful debts	0	(116,852)	0	0
	<u>26,034,952</u>	<u>24,991,002</u>	<u>0</u>	<u>0</u>
Non-trade receivables	444,865	12,555	0	0
Amount owing by subsidiary companies	0	0	32,940,038	36,696,912
Deposits	540,986	1,104,623	0	800
Prepayments	42,845	172,301	0	0
	<u>27,063,648</u>	<u>26,280,481</u>	<u>32,940,038</u>	<u>36,697,712</u>

The amount owing by subsidiary companies is non-trade in nature, interest free, unsecured and has no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

12. PAYABLES

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Trade payables	9,250,806	6,630,545	0	0
Non-trade payables	4,435,068	7,898,740	1,141	3,369
Accruals	3,244,072	2,584,849	74,500	74,500
Dividend payables	19,631	12,868	19,631	12,868
Deposits	750	750	0	0
	<u>16,950,327</u>	<u>17,127,752</u>	<u>95,272</u>	<u>90,737</u>

13. HIRE PURCHASE PAYABLE [2008 ONLY]

	Group 2008 RM
Representing hire purchase liability: - current	<u>48,656</u>
Present value of hire purchase liability - current	<u>48,656</u>

The amount owing to hire purchase payable is interest free.

14. BANK BORROWINGS

	Group	
	2009	2008
	RM	RM
Secured		
Bank overdrafts	15,569	5,899,653
Bankers' acceptance	37,387,718	42,896,135
Foreign Currency Trust Receipts ("FCTR")	0	1,034,901
On Shore Foreign Currency Financing ("OFCF")	0	172,421
Revolving credit	472,581	0
Term loans (Note 16)	<u>5,577,643</u>	<u>5,303,293</u>
	<u>43,453,511</u>	<u>55,306,403</u>

The effective interest rates per annum during the financial year for borrowings were as follows:

	Group	
	2009	2008
	%	%
Bank overdrafts	7.75	4.73 - 7.85
Bankers' acceptance	2.53 - 2.84	3.51 - 4.74
Foreign Currency Trust Receipts	N/A	6.15
On Shore Foreign Currency Financing	N/A	3.95
Revolving credit	2.15	N/A
Term loans	<u>4.20</u>	<u>5.79</u>

The bank borrowings are covered by way of :

- (a) charges on prepaid land lease payments and factory buildings of the Group (Note 5 and 6); and
- (b) corporate guarantee by Tek Seng Holdings Berhad.

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

15. SHARE CAPITAL

	Group and Company	
	2009	2008
	RM	RM
Authorised		
400,000,000 ordinary shares of RM0.25 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid		
240,000,000 ordinary shares of RM0.25 each	<u>60,000,000</u>	<u>60,000,000</u>

(a) Net Assets

The Net Assets per share of the Group is RM0.48 (2008: RM0.45) at the balance sheet date.

(b) Employee Share Options Scheme

The Tek Seng Holdings Berhad Employee Share Options Scheme ("ESOS") is governed by the By-Laws approved by the shareholders at the General Meeting held on 2 September 2004. The ESOS was implemented on 29 October 2004 and is to be in force for a period of 5 years from the date of implementation. The ESOS expired on 28 October 2009 and the Company had not granted any option under this ESOS. The Company will not extend the ESOS.

The salient features of the ESOS are as follows:

- i) Eligibility for participation in the ESOS shall be subject to the By-Laws of the ESOS where the eligible employees must be at least eighteen (18) years of age and have been confirmed in the employment of the Group as at the date of offer;
- ii) The ESOS Committee may at its discretion at any time within the duration of the scheme and from time to time make offers to any eligible employees, subject to the eligible employees' maximum allowable allotment. However, not more than fifty percent (50%) of the shares available under the scheme should be allocated, in aggregate, to Directors and senior management. In addition, not more than ten percent (10%) (or such percentage as allowable by the relevant authorities) of the shares available under the ESOS should be allocated to any individual Director or employees who, either singly or collectively through persons connected with the Directors or employees (as defined in the Listing Requirements), holds twenty percent (20%) or more in the issued and fully paid-up share capital of the Company;
- iii) The option price for each share shall be the weighted average market price of the existing ordinary shares of the Company as shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer set at a discount of not more than ten percent (10%) or at the par value of the ordinary shares of the Company, whichever is the higher amount;
- iv) Options which are exercisable in a particular year but are not exercised may be carried forward to subsequent years subject to the option period. All unexercised options shall be exercisable in the last year of the option period or in the period allowed or approved by ESOS Committee as described in By-Law 14. Any option which remains unexercised at the expiry of the option period shall be automatically terminated; and
- v) The ESOS share shall remain unissued until the option is exercised and shall, upon allotment and issue, rank pari passu in all respects with the existing issued ordinary shares of the Company save that they will not entitle the holders thereof to receive any dividends, rights, allotment and/or any other distribution declared to the shareholders of the Company which entitlement thereof preceded the relevant exercise date of option.

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

16. TERM LOANS

	Group	
	2009	2008
	RM	RM
Secured		
Representing term loans:		
- current (Note 14)	5,577,643	5,303,293
- non-current	2,759,324	7,039,220
	<u>8,336,967</u>	<u>12,342,513</u>
The term loans maturity profile are as follows:		
- in one year or less	5,577,643	5,303,293
- in more than one year but not more than two years	2,388,093	5,124,266
- in more than two years but not more than three years	371,231	1,914,954
	<u>8,336,967</u>	<u>12,342,513</u>

The security and average effective interest rates have been disclosed in Note 14 to the financial statements.

17. REVENUE

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Sale of goods	<u>149,428,409</u>	<u>158,441,275</u>	<u>0</u>	<u>0</u>

18. STAFF COSTS

	Group	
	2009	2008
	RM	RM
Salaries, bonus and other emoluments	9,002,187	8,808,150
Contributions to defined contribution plan	733,610	697,507
Social security contributions	82,387	80,690
Other employee benefits	356,992	205,674
	<u>10,175,176</u>	<u>9,792,021</u>

19. DIRECTORS' REMUNERATION

The aggregate amount of remuneration receivable by Directors of the Group and of the Company during the year are as follows:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Non-executive Directors:				
- fees	<u>72,000</u>	<u>72,000</u>	<u>72,000</u>	<u>72,000</u>
Executive Directors:				
- other emoluments	<u>1,283,547</u>	<u>1,169,292</u>	<u>0</u>	<u>0</u>

The Executive Directors' other emoluments are included in staff costs of the Group.

Included in the Executive Directors' other emoluments are contributions to a defined contribution plan of RM127,728 (2008: RM123,012).

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

20. FINANCE COSTS

	Group	
	2009	2008
	RM	RM
Bank interest	11	85
Commission on bankers' acceptance and trust receipts	1,093,465	1,641,269
Interest on bank overdrafts	19,583	28,510
Interest on FCTR	23,877	53,363
Interest on OFCF	15,329	5,467
Interest on term loans	376,322	700,323
LC charges	3,733	18,835
Revolving interest	1,836	0
	<u>1,534,156</u>	<u>2,447,852</u>

21. PROFIT/(LOSS)BEFORE TAX

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Profit/(Loss) before tax is arrived at after charging:				
Amortisation of intangible asset	2,108	1,608	0	0
Allowance for doubtful debts	0	116,852	0	0
Audit fee	41,500	41,500	5,000	5,000
Bad debts written off	27,894	42,086	0	0
Loss on disposal of property, plant and equipment	2,622	0	0	0
Loss on foreign exchange				
- realised	6,918	93,845	0	0
- unrealised	158,995	1,146,697	0	0
Property, plant and equipment written off	60,755	0	0	0
Rental of plant and machinery	58,253	94,356	0	0
Rental of premises	1,200	0	0	0
	<u>3,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
and crediting:				
Bad debts recovered	3,000	0	0	0
Gain on disposal of property, plant and equipment	0	100	0	0
Gain on foreign exchange				
- realised	35,855	261,179	0	0
- unrealised	11,481	0	0	0
Interest income	203	14,939	0	0
Rental income	6,600	6,600	0	0
	<u>6,600</u>	<u>6,600</u>	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

22. TAXATION

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
The major components of the tax expense/(income) are:				
Current tax expense based on profit for the financial year	1,299,622	1,831,728	0	0
Under/(Over)provision of taxation in respect of prior years	30,178	(31,793)	0	(2,883)
	<u>1,329,800</u>	<u>1,799,935</u>	<u>0</u>	<u>(2,883)</u>
Deferred tax expense (Note 9):				
- relating to origination and reversal of temporary differences	996,700	1,001,730	0	0
- reinvestment allowance	(1,652,600)	(4,091,200)	0	0
- under/(over)provision in respect of prior years	25,800	(3,200)	0	0
- resulting from reduction in tax rate	0	(38,730)	0	0
	<u>699,700</u>	<u>(1,331,465)</u>	<u>0</u>	<u>(2,883)</u>
Reconciliation of tax expense/(income) and accounting profit/(loss):				
Accounting profit/(loss) before tax	<u>11,204,886</u>	<u>9,379,639</u>	<u>(186,149)</u>	<u>(198,703)</u>
Tax at the applicable tax rate of 25% (2008: 26%)	2,801,300	2,438,670	(46,500)	(51,700)
Tax effect of:				
- income not subject to tax	(42,260)	(84,430)	0	0
- expenses not deductible for tax purposes	170,182	519,560	25,600	28,800
- different tax rate for first RM500,000 of chargeable income	(25,000)	(63,242)	0	0
- utilisation of reinvestment allowances	(628,800)	0	0	0
Under/(Over)provision of taxation in respect of prior years	30,178	(31,793)	0	(2,883)
Permanent loss not recognised during the year	20,900	22,900	20,900	22,900
Under/(Over)provision of deferred taxation in respect of prior years	25,800	(3,200)	0	0
Unutilised reinvestment allowances recognised during the year	(1,652,600)	(4,091,200)	0	0
Deferred tax liability resulting from reduction in tax rate	0	(38,730)	0	0
Tax expense/(income) for the year	<u>699,700</u>	<u>(1,331,465)</u>	<u>0</u>	<u>(2,883)</u>

The current corporate tax rate is 25% (2008: 26%). The corporate tax rate remain the same at the rate of 25% for year 2010. Consequently, deferred tax liabilities in Note 9 is measured using this tax rate.

In the previous financial year, pursuant to Paragraph 2A, Schedule 1, Part 1 of the Income Tax Act 1967, the statutory income tax rate is 20% for the first RM500,000 and 26% on the balance of chargeable income for small and medium enterprises with paid-up capital of RM2,500,000 and below.

However, pursuant to Paragraph 2B, Schedule 1 of the Income Tax Act 1967 which was introduced with effect from the year of assessment 2009, the Company no longer qualifies for the above preferential rate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2009

22. TAXATION (CONTINUED)

The Malaysian Budget 2008 introduced a single tier income tax system with effect from year of assessment 2008. Companies without Section 108 tax credit will automatically move to the new single tier dividend system on 1 January 2008 whilst companies with tax credit are given an irrevocable option to elect for a switch to the new system during the transitional period of six years. All the companies will be in the new system on 1 January 2014. Under the new system, tax on profits of companies is a final tax and dividend distributed will be exempted from tax in the hands of the shareholders.

The Company did not elect for the irrevocable option to switch to the new system. Accordingly, during the transitional period, the Company may utilise the credit in Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Malaysian Budget 2008. As at 31 December 2009, the Company has sufficient tax credit under Section 108 balance and tax exempt income of the Income Tax Act 1967 to frank the payment of dividends out of its entire retained profits.

23. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company over the weighted average number of ordinary shares in issue during the financial year.

	Group 2009	2008
Profit attributable to ordinary equity holders of the Company (RM)	10,505,186	10,711,104
Weighted average number of ordinary shares in issue	240,000,000	240,000,000
Basic earnings per share (RM)	<u>0.04</u>	<u>0.04</u>

24. PRIOR YEAR ADJUSTMENT [2008 ONLY]

The prior year adjustment is in respect of the adoption of FRS 112 : Income Taxes. With the removal of the relevant provisions in FRS 112 ²⁰⁰⁴ which explicitly prohibit the recognition of the deferred tax on reinvestment allowance or other allowance in excess of capital allowance, entities can now account for these items as tax credits or investment tax credits. The effects of this change on the Group's financial statement is as follows:

	Group 2008 RM
Effect on the balance sheets	
Retained profits	
At 1 January	
- as previously reported	32,067,397
- effect of change for adoption FRS 112	<u>13,395,300</u>
As restated	<u>45,462,697</u>
Deferred tax asset	
At 1 January	
- as previously reported	(10,895,200)
- effect of change for adoption FRS 112	<u>13,395,300</u>
As restated	<u>2,500,100</u>

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

25. DIVIDENDS

Dividends recognised for the financial year are as follows:

	Group and Company Gross per share RM	Amount of dividend RM
In respect of financial year ended 31 December 2007		
- Final dividend of 3 sen per share less 26% of income tax, on 240,000,000 ordinary shares	0.030	5,328,000
In respect of financial year ended 31 December 2008		
- Interim dividend of 1.5 sen per share less 26% of income tax, on 240,000,000 ordinary shares	0.015	2,664,000
In respect of financial year ended 31 December 2009		
- Interim dividend of 2 sen per share less 25% of income tax, on 240,000,000 ordinary shares	0.020	3,600,000

A final dividend of 2 sen per share, less 25% of income tax on 240,000,000 ordinary shares in respect of the financial year ended 31 December 2009, amounting to a dividend payable of RM3,600,000 will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2010.

26. CAPITAL COMMITMENTS

	Group 2009 RM	2008 RM
Property, plant and equipment		
- Contracted but not provided for	1,063,300	3,065,000

27. CONTINGENT LIABILITIES

	Company 2009 RM	2008 RM
Corporate guarantee extended to financial institutions for credit facilities granted to subsidiary companies	103,735,440	108,264,000

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's business activities expose it to financial risks, including interest rate risk, credit risk, foreign currency exchange risk and liquidity and cash flow risks. The Group's overall financial risk management objective is to ensure that the Group achieves profitability and enhances value for its shareholders. This is carried out via the hands-on monitoring of the Group's day-to-day operations by the Executive Directors.

The Group is exposed to the following financial risks:

Interest rate risk

The Group is not subject to significant risk of fluctuations in interest rates. Interest rates of bank borrowings are mainly subject to fluctuations in the banks' base lending rates. Bank borrowings are secured from the banks, which offer the most competitive rates.

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES(CONTINUED)

Credit risk

The Group is exposed to credit risk mainly from trade receivables. These receivables are continually monitored to ensure that issues arising from non-collectibles are minimised. There were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

Foreign currency exchange risk

The Group is exposed to foreign currency fluctuations as a result of sales and purchases transactions denominated in foreign currencies. The Group does not use derivative financial instruments to hedge its risk.

Foreign exchange exposures in transactional currencies other than functional currencies of the Group are kept to an acceptable level.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in the Group's functional currency of Ringgit Malaysia are as follows:

At 31 December 2009

Functional currency	US Dollar RM	Singapore Dollar RM	EURO RM	Total RM
Receivables				
- Trade	1,089,899	0	0	1,089,899
- Non-trade	418,276	0	0	418,276
Deposits	356,493	0	0	356,493
Payables				
- Trade	1,087,414	0	0	1,087,414
- Non-trade	4,192,346	0	0	4,192,346
Bank balances	420,275	61,501	146	481,922
Revolving credit	472,581	0	0	472,581
Term loans	5,510,618	0	0	5,510,618

At 31 December 2008

Functional currency	US Dollar RM	Singapore Dollar RM	EURO RM	Total RM
Receivables				
- Trade	1,279,589	26,928	0	1,306,517
Deposits	427,757	0	649,588	1,077,345
Payables				
- Trade	2,447,360	0	0	2,447,360
- Non-trade	7,006,439	0	401,220	7,407,659
Bank balances	717,398	23,446	152	740,996
Foreign currency trust receipts	1,034,901	0	0	1,034,901
On shore foreign currency financing	172,421	0	0	172,421
Term loan	6,533,238	0	0	6,533,238

Liquidity and cash flow risks

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient cash flow at all times.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the financial year ended 31 December 2009

29. FINANCIAL INSTRUMENTS

Financial assets

The Group's and Company's principal financial assets are cash and bank balances, trade receivables, non-trade receivables, amount owing by subsidiary companies and deposits.

The accounting policies applicable to the major financial assets are as disclosed in Note 3 to the financial statements.

Financial liabilities and equity instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Equity instruments are recorded at the amount of the proceeds received.

The Group's and the Company's principal financial liabilities are trade payables, non-trade payables, accruals, dividend payables, deposits, hire purchase payable and bank borrowings.

Fair values

The carrying amounts of the Group's and Company's cash and cash equivalents, trade receivables, non-trade receivables, deposits, trade payables, non-trade payables, accruals, dividend payables, hire purchase payable, bankers' acceptance, foreign currency trust receipts and on shore foreign currency financing are assumed to approximate their fair values because of the short maturity of these instruments.

The fair values of amount owing by subsidiary companies has not been computed as the timing of the repayment of this balance cannot be reasonably determined.

The carrying amount of term loans is assumed to approximate its fair value because it is subject to variable interest rates which in turn approximate the current market interest rate for a similar loan at the balance sheet date.

30. SEGMENTAL REPORTING - GROUP

(a) Business segments

The Group's main business activities are in the following three areas:-

- (i) Manufacture of PVC Sheeting and PP Non-Woven;
- (ii) Trading of PP Non-Woven; and
- (iii) Trading of PVC Leather.

Other business segment includes trading of plastic products and materials that are not significant to be reported separately.

The Directors are of the opinion that all transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

30. SEGMENTAL REPORTING - GROUP (CONTINUED)

(a) Business segments (Continued)

	PVC Sheeting RM	PP Non- Woven RM	PVC Leather RM	Others RM	Group RM
1-1-2009 to 31-12-2009					
Revenue					
External revenue	111,998,948	8,978,924	8,866,271	19,584,266	149,428,409
Results					
Segment results	9,504,626	761,983	752,423	1,661,990	12,681,022
Other income					58,020
Finance costs	(1,149,875)	(92,185)	(91,028)	(201,068)	(1,534,156)
Profit before tax					11,204,886
Taxation					(699,700)
Profit for the financial year					10,505,186
At 31 December 2009					
Assets					
Segment assets	128,839,966	10,329,064	10,199,471	22,529,106	171,897,607
Unallocated assets					7,155,106
Consolidated total assets					179,052,713
At 31 December 2009					
Liabilities					
Segment liabilities	(41,093,097)	(3,294,422)	(3,253,089)	(7,185,587)	(54,826,195)
Unallocated liabilities					(9,139,531)
Consolidated total liabilities					(63,965,726)
1-1-2009 to 31-12-2009					
Capital expenditure	6,302,023	505,231	498,893	1,101,979	8,408,126
Depreciation	10,164,547	814,889	804,665	1,777,384	13,561,485
Non-cash expenses other than depreciation	168,449	13,504	13,335	29,455	224,743

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

30. SEGMENTAL REPORTING - GROUP (CONTINUED)

(a) Business segments (Continued)

	PVC Sheeting RM	PP Non- Woven RM	PVC Leather RM	Others RM	Group RM
1-1-2008 to 31-12-2008					
Revenue					
External revenue	127,044,293	13,079,194	8,405,011	9,912,777	158,441,275
Results					
Segment results	9,256,962	953,003	612,423	722,285	11,544,673
Other income					282,818
Finance costs	(1,962,782)	(202,068)	(129,854)	(153,148)	(2,447,852)
Profit before tax					9,379,639
Taxation					1,331,465
Profit for the financial year					10,711,104
At 31 December 2008					
Assets					
Segment assets	146,038,339	15,034,629	9,661,621	11,394,809	182,129,398
Unallocated assets					6,437,185
Consolidated total assets					188,566,583
Liabilities					
Segment liabilities	(53,828,101)	(5,541,596)	(3,561,166)	(4,199,999)	(67,130,862)
Unallocated liabilities					(13,253,920)
Consolidated total liabilities					(80,384,782)
1-1-2008 to 31-12-2008					
Capital expenditure	29,677,858	3,055,332	1,963,431	2,315,649	37,012,270
Depreciation	9,452,201	973,103	625,340	737,519	11,788,163
Non-cash expenses other than depreciation	236,168	24,313	15,624	18,427	294,532

Segment assets primarily consist of property, plant and equipment, prepaid land lease payments, intangible asset, inventories, receivables, deposits, prepayments and cash and bank balances. Segment liabilities comprise of payables and bank borrowings.

Capital expenditure comprises of additions to property, plant and equipment (Note 5) and prepaid land lease payments (Note 6).

NOTES TO THE FINANCIAL STATEMENTS(CONT'D)

for the financial year ended 31 December 2009

30. SEGMENTAL REPORTING - GROUP (CONTINUED)

(b) Geographical segments

Although the Group's business segments is managed on a worldwide basis, it operates in six main geographical areas of the world. In Malaysia, its home country, the Group's areas of operations is principally involved in the manufacture of PVC products and PP Non-Woven, trading of plastic based products and materials and investment holding.

The Group also involves in the trading of PVC Floor Covering and PVC Films and Sheets in other countries.

	Revenue	
	2009	2008
	RM	RM
Malaysia *	92,368,468	101,691,398
Indonesia	14,551,041	16,312,553
Korea	0	7,289,356
Myanmar	3,926,792	1,907,756
Republic of South Africa	4,320,550	3,737,307
Singapore	6,771,064	3,968,052
Yemen	9,484,062	7,473,207
Others	18,006,432	16,061,646
	<u>149,428,409</u>	<u>158,441,275</u>

	Total assets	
	2009	2008
	RM	RM
Malaysia *	110,680,592	121,026,541
Indonesia	17,435,797	19,414,148
Korea	0	8,675,321
Myanmar	4,705,282	2,270,488
Republic of South Africa	5,177,103	4,447,902
Singapore	8,113,433	4,722,519
Yemen	11,364,285	8,894,129
Others	21,576,221	19,115,535
	<u>179,052,713</u>	<u>188,566,583</u>

	Capital expenditure	
	2009	2008
	RM	RM
Malaysia *	5,197,443	23,755,361
Indonesia	818,767	3,810,652
Korea	0	1,702,811
Myanmar	220,955	445,656
Republic of South Africa	243,111	873,044
Singapore	380,998	926,947
Yemen	533,655	1,745,759
Others	1,013,197	3,752,040
	<u>8,408,126</u>	<u>37,012,270</u>

* Company's home country

LIST OF PROPERTIES

Location/Address	Date of Acquisition	Description and Existing Use	Approximate Land/ Built-up Area	Age of Building / Tenure	Net Book Value as at 31-Dec-09
1. Plot 159, Jalan Perindustrian Bukit Minyak 7, Taman Perindustrian Bukit Minyak, 14000 Bukit Mertajam. (H.S. (D) 46613, Lot 395, Mukim 13, Seberang Perai Tengah, Penang)	03 May 2000	1-storey factory (attached with 4-storey production area) cum 2-storey office block / Manufacturing and office use Owner occupied	Land area = 27,351.55 sq. Metre Built-up area = 19,822 sq. Metre	8 years old / Leasehold 60 years expiring on 11 Mar 2061	Land = RM3,013,120.31 Building = RM11,358,104.44
2. Plot 160, Jalan Perindustrian Bukit Minyak 7, Taman Perindustrian Bukit Minyak, 14000 Bukit Mertajam. (H.S. (D) 48999, PT 429, Mukim 13, Seberang Perai Tengah, Penang)	12 Dec 2002	1-storey factory (attached with 4-storey production area) / Manufacturing and Warehouse Owner occupied	Land area = 17,494.55 sq. Metre Built-up area = 10,425 sq. Metre	7 years old / Leasehold 60 years expiring on 25 Aug 2063	Land = RM2,054,888.74 Building = RM10,591,115.40
3. Plot 162(b), Jalan Perindustrian Bukit Minyak 7, Taman Perindustrian Bukit Minyak, 14000 Bukit Mertajam. (H.S.(D) 53381, PT 793, Mukim 13, Seberang Perai Tengah, Penang)	1 Jun 2005	1-storey factory/ Warehouse Owner occupied	Land area = 15,784.28 sq. Metre Built-up area = 5,280 sq. Metre	4 year old/ Leasehold 60 years expiring on 25 Aug 2063	Land = RM1,920,004.43 Building = RM8,824,301.22
4. 43, Jalan Mas Jaya 2, Kawasan Perindustrian Mas Jaya, Selangor Darul Ehsan. (H.S. (D) 69154, PT 27606, Mukim Cheras, Daerah Langat, Selangor)	1 Jun 1995	1 1/2-Storey warehouse / Warehouse Owner occupied	Land area = 328 sq. Metre Built-up area = 273 sq. Metre	14 years old / Freehold	Land = RM258,352.00 Building = RM139,344.00
5. 90-5-03, Medan Fettes, 11200 Penang (Parcel No. 7, Storey No. 5, Building Cahaya, erected on part of land held under Grant (First Grade) No. HB (M)86, Lot 3793, Mukim 18, North East District, Penang.)	28 Nov 1996	Apartment Rented out	Built-up area = 74.32 sq.Metre	13 years old / Freehold	Building = RM117,070.98
6. 77-14-5, Menara Belfield Condominium, Jalan Tallala 50460 Kuala Lumpur (Parcel No. B1-13A, erected on part of land under Certificate of Title No. 7564, Lot 393, Section 69, Kuala Lumpur)	28 Jan 1997	Apartment / Hostel Owner occupied	Built-up area = 98.47 sq.Metre	12 years old/ Freehold	Building = RM206,057.20

STATISTICS ON SHAREHOLDINGS

as at 30 April 2010

Authorised Share Capital	:	RM100,000,000
Issued Capital	:	240,000,000 Units
Paid-Up Capital	:	RM60,000,000
Class of Shares	:	Ordinary shares of RM0.25 each
Voting Rights	:	1 vote per ordinary share

Analysis of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	90	3.41	4,360	#
100 to 1,000 shares	130	4.92	62,252	0.03
1,001 to 10,000 shares	1,619	61.28	8,191,631	3.41
10,001 to 100,000 shares	708	26.80	21,175,875	8.82
100,001 to less than 5% of issued shares	92	3.48	95,373,882	39.74
5% and above of issued shares	3	0.11	115,192,000	48.00
Total	2,642	100.00	240,000,000	100.00

Negligible

Thirty Largest Securities Accounts Holders

Name	No. of Shares	% of Issued Capital
1 Loh Kok Beng	51,183,630	21.33
2 Loh Kok Cheng	51,183,630	21.33
3 Soon Seok Choo	12,824,740	5.34
4 Cool Assets Sdn Bhd	11,956,000	4.98
5 Loh Kok Beng	9,996,000	4.17
6 Loh Kok Cheng	9,996,000	4.17
7 Peninsular Harvest Sdn Bhd	9,446,900	3.94
8 Chang, Jung-Chen	7,464,741	3.11
9 Teoh Thean Hai	7,180,325	2.99
10 Hsu Chou, Yu-Ling	6,542,566	2.73
11 CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Loh Kok Cheng (PB)	2,500,000	1.04
12 CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Loh Kok Beng (PB)	2,500,000	1.04
13 Addeen Holdings Sdn Bhd	1,889,800	0.79
14 Teh Kee Heng	1,425,500	0.59
15 Loh Loo Ngoh	1,292,500	0.54
16 Loh Joo Eng	1,250,000	0.52
17 Loh Loo Guat	1,250,000	0.52
18 Ho Poay Chiew	1,250,000	0.52
19 Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Chia Hong @ Gan Chia Hong(E-TMR)	1,200,000	0.50
20 Teoh Thean Hai	1,148,750	0.48
21 HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Loh Chee Hung (M15)	880,000	0.37
22 Lim Tian Huat	678,850	0.28
23 Ling, Kun-Tzu	625,000	0.26
24 Choong Ngok Mam	565,000	0.24
25 Lui Pek Har	537,800	0.22
26 Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Bong Khiong Sin	457,300	0.19
27 ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chu Soong Tau	420,000	0.18
28 On Thiam Chai	391,000	0.16

STATISTICS ON SHAREHOLDINGS(CONT'D)

as at 30 April 2010

Thirty Largest Securities Accounts Holders(CONT'D)

	Name	No. of Shares	% of Issued Capital
29	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Francis Kong @ Kong Fen Shin	390,000	0.16
30	RHB Capital Nominees (Tempatan) Sdn Bhd Wong Lok Yee (T-471071)	384,400	0.16
	Total	198,810,432	82.85

Substantial Shareholdings

Substantial Shareholders	No. of ordinary shares of RM0.25 each held					
	Direct Interest		%	Deemed Interest		%
Loh Kok Beng	63,679,630	N1	26.53	-		-
Loh Kok Cheng	63,679,630	N1	26.53	-		-
Soon Seok Choo	12,824,740		5.34	-		-

Notes :

(N1) Inclusive of his beneficial interest in 2,500,000 shares held by CIMSEC Nominees (Tempatan) Sdn Bhd

Directors' Shareholdings

Name of Directors	No. of ordinary shares of RM0.25 each held					
	Direct Interest		%	Deemed Interest		%
Loh Kok Beng	63,679,630	N1	26.53	-		-
Loh Kok Cheng	63,679,630	N1	26.53	-		-
Loh Joo Eng	1,250,000		0.52	110,575	N2	0.05
Dr. Kamarudin Bin Ngah	4,375		#	-		-
Mohamed Haniffah Bin S.M. Mydin	40,000		0.02	-		-
Ong Eng Choon	62,500		0.03	-		-

Notes :

(N1) Inclusive of his beneficial interest in 2,500,000 shares held by CIMSEC Nominees (Tempatan) Sdn Bhd

(N2) Deemed interested by virtue of her spouse's, son's and daughter's direct interest in Tek Seng Holdings Bhd.

Negligible

ADDITIONAL COMPLIANCE INFORMATION

Non-Audit Fees

There were no non-audit fees paid to the external auditors by the Group for the financial year ended 31 December 2009.

Share Buybacks

The Company does not have a share buy-back programme in place.

Variations in Results

There were no profit estimates or unaudited financial results released which differ by 10% of more from the audited results.

Profit Guarantee

There were no profit guarantee given by the Company or its subsidiaries for the financial year ended 31 December 2009.

Revaluation Policy on Landed Properties

There was no revaluation of landed properties for the financial year ended 31 December 2009.

Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2009.

Depository Receipt Programme

The Company does not have any depository receipt programme during the financial year ended 31 December 2009.

Options or Convertible Securities

There were no options or convertible securities issued by the Company during the financial year ended 31 December 2009.

Recurrent Related Party Transactions

There were no recurrent related party transactions entered into by the Company and its subsidiaries during the financial year ended 31 December 2009.

Material Contracts

There were no material contracts of the Company and its subsidiaries involving the interest of its Directors and major shareholders during the financial year ended 31 December 2009.

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of the Company will be held at Kelawai Room, Lobby Level, Evergreen Laurel Hotel of 53, Persiaran Gurney, 10250 Penang on Friday, 25 June 2010, at 9.30 a.m. for the following purposes :-

AGENDA

	<i>As Ordinary Business :</i>	
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of Directors and Auditors thereon.	Please refer to Note 6
2.	To re-elect Dr. Kamarudin bin Ngah, the Director retiring pursuant to Article 86 of the Company's Articles of Association and who, being eligible, offer himself for re-election.	Ordinary Resolution 1
3.	To re-elect Encik Mohamed Haniffah bin S.M. Mydin, the Director retiring pursuant to Article 86 of the Company's Articles of Association and who, being eligible, offer himself for re-election.	Ordinary Resolution 2
4.	To approve the payment of a final dividend of 2 sen per ordinary share less Income Tax of 25% for the financial year ended 31 December 2009.	Ordinary Resolution 3
5.	To approve the payment of Directors' Fees for the financial year ended 31 December 2009.	Ordinary Resolution 4
6.	To re-appoint Messrs. UHY Diong as auditors of the Company until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 5
7.	<p><i>As Special Business :</i> To consider and if thought fit, to pass with or without modifications, the following resolutions as Ordinary / Special Resolutions :</p> <p>AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES</p> <p>"That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued."</p>	Ordinary Resolution 6

NOTICE OF EIGHTH ANNUAL GENERAL MEETING (CONT'D)

8.	<p>PROPOSED AMENDMENT TO THE COMPANY'S ARTICLES OF ASSOCIATION</p> <p>"That the existing Article 148 of the Company's Articles of Association which read as follows:</p> <p>148. Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder and to such address as the holder may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.</p> <p>be deleted in its entirety and substituted with the following new Article 148:-</p> <p>148. Any dividend, interest or money payable in cash in respect of shares may be paid by electronic payments via direct crediting to the bank account of the holder whose name appear in the Record of Depositors or by cheque or warrant sent through the post directed to the registered address of the holder and to such address as the holder may in writing direct. Every such mode of payments shall be made payable to the order of the person and shall operate as a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the cheque or warrant has been stolen or that the endorsement thereon has been forged or discrepancy in the bank account details of the holder. Any cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.</p>	<p>Special Resolution 1</p>
9.	<p>To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.</p>	

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a final dividend of 2.0 sen per ordinary share less Income Tax of 25% for the financial year ended 31 December 2009, if approved, will be paid on 01 September 2010 to depositors registered in the Record of Depositors of the Company on 10 August 2010.

A depositor shall qualify for entitlement only in respect of :

- Shares transferred into the depositor's securities account before 4.00 p.m. on 10 August 2010 in respect of ordinary transfers; and
- Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board,

LEE PENG LOON (MACS 01258)
P'NG CHIEW KEEM (MAICSA 7026443)
 Company Secretaries

Penang

Date : 03 June 2010

NOTICE OF EIGHTH ANNUAL GENERAL MEETING (CONT'D)

NOTES ON APPOINTMENT OF PROXY

1. *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies' Act, 1965 shall not apply to the Company.*
2. *For a proxy to be valid, the Proxy Form duly completed must be deposited at the Registered Office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.*
3. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.*
4. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*
5. *If the appointer is a corporation, the Proxy Form must be executed under the corporation's Common Seal or under the hand of an officer or attorney duly authorised.*

EXPLANATORY NOTE ON ORDINARY BUSINESS

6. *The Agenda 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders of the Company and hence, Agenda 1 is not put forward for voting.*

EXPLANATORY NOTE ON SPECIAL BUSINESS

7. *The Ordinary Resolution 6 proposed under Agenda 7, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider will be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.*

The general mandate for issue of shares is a renewal. As at the date of notice of meeting, no shares has been issued pursuant to the general mandate granted at the last Annual General Meeting of the Company and of which, it will lapse at the conclusion of the 8th Annual General Meeting of the Company to be held on 25 June 2010.

The general mandate for issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

8. *The Special Resolution 1, proposed under Agenda 8, is to seek shareholders' approval to amend Article 148 of the Company's Articles of Association to facilitate future payments of dividends through electronic payment systems.*



TEK SENG HOLDINGS BERHAD

3 JUNE 2010

Dear Shareholder,

RE: eDividend (Electronic Dividend) service

We are pleased to inform you that Bursa Malaysia Berhad ("the Company") will be providing eDividend to shareholders to be implemented in the third quarter of 2010. The eDividend refers to the payment of cash dividends by a listed issuer directly into the shareholders' bank accounts. One of the main objectives of implementing eDividend is to promote greater efficiency of the payment system which is aligned to the national agenda of migrating to electronic payment.

1. Benefits of eDividend

- 1.1 eDividend extends to all companies listed on Bursa Malaysia Securities Berhad ("**listed issuers**") and provides, amongst others, faster access to your cash dividends, eliminates the inconvenience of having to deposit the dividend cheques and problems such as misplaced, lost or expired cheques, and unauthorised deposit of dividend cheques.
- 1.2 For those shareholders who have previously opted for direct crediting of dividend entitlement via GIRO Service with the Company, you will still need to register for eDividend to enjoy the following additional benefits:-
 - (a) the convenience of a one-off registration for entitlement to eDividend from all listed issuers; and
 - (b) the option to consolidate the dividends from all your Central Depository System ("**CDS**") accounts into one bank account for better account management.

2. Registration for eDividend

- 2.1 Registration for eDividend will commence on **19 April 2010** for a period of 1 year until 18 April 2011, at no cost to the shareholders. If you register after the 1 year period, an administrative charge will be imposed.

To register for eDividend, you are required to provide to Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**") through your stock broker, your bank account number and other information by completing the prescribed form. This form can be obtained in due course from your stock broker's office where your CDS account is maintained, or downloaded from Bursa Malaysia's website at <http://www.bursamalaysia.com>.

- 2.2 You need to submit to your stock broker's office where your CDS account is maintained, the duly completed prescribed form and the following for registration:-

- (a) Individual depositor: Copy of identification documents i.e. NRIC, Passport, Authority Card or other acceptable identification documents. Original documents must be produced for your stock broker's verification;

Corporate depositor: Certified true copy of the Certificate of Incorporation/Certificate of Registration; and

- (b) Copy of your bank statement / bank savings book / details of your bank account obtained from your bank's website that has been certified by your bank / copy of letter from your bank confirming your bank account particulars. For individuals, original documents must be produced for your stock broker's verification. For corporate entities, a certified true copy is to be submitted.



TEK SENG HOLDINGS BERHAD

If the CDS account is held in the name of a nominee, the nominee will register for the eDividend.

- 2.3 If you are not able to be present at your stock broker's office to submit the prescribed form and supporting documents, please ensure that the signing of the prescribed form and the supporting documents have been witnessed by an acceptable witness specified by Bursa Depository. In this regard, an acceptable witness includes an Authorised Officer of your stock broker, a Dealer's Representative, a notary public and an Authorised Officer of the Malaysian Embassy/High Commission.

3. Notification of eDividend payment after registration

- 3.1 You are encouraged to provide in the prescribed form to Bursa Depository both your mobile phone number and e-mail address, if any. This is to enable the Company to issue electronic notification to you either via e-mail or sms, at the discretion of the Company, once the Company has paid the cash dividend out of its account. Please note that if you provide only your mobile phone number, you may only be notified of the cash dividend payment when you receive your dividend warrant or tax certificate.

4. Additional information for shareholders

- 4.1 Your savings or current account, must be an active bank account, maintained with a local bank under your name or in the case of a joint account, has your name as one of the account holders. It must also be a bank account with a financial institution that is a member of the Malaysian Electronic Payment System Inter-Bank GIRO (IBG) set out below, which can be found on this website: http://www.meps.com.my/faq/interbank_giro.asp?id=2#answer

- | | |
|--|---|
| 1. Affin Bank Berhad | 12. EON Bank Berhad |
| 2. Alliance Bank Malaysia Berhad | 13. Hong Leong Bank Berhad |
| 3. AmBank (M) Berhad | 14. HSBC Bank Malaysia Berhad |
| 4. Bank Islam Malaysia Berhad | 15. Malayan Banking Berhad |
| 5. Bank Muamalat Malaysia Berhad | 16. OCBC Bank (Malaysia) Berhad |
| 6. Bank Kerjasama Rakyat Malaysia Berhad | 17. Public Bank Berhad |
| 7. Bank of America | 18. RHB Bank Berhad |
| 8. Bank Simpanan Nasional | 19. Standard Chartered Bank Malaysia Berhad |
| 9. CIMB Bank Berhad | 20. The Royal Bank of Scotland Berhad |
| 10. Citibank Berhad | 21. United Overseas Bank (Malaysia) Bhd |
| 11. Deutsche Bank Berhad | |

- 4.2 Your bank account particulars and other related information is protected under the Securities Industry (Central Depositories) Act 1991 which strictly prohibits the disclosure of such information to any person unless you expressly authorise the disclosure in writing. For eDividend purposes, you will be authorising disclosure of your bank account particulars and other related information to persons necessary to facilitate the eDividend such as the Company, the share registrar and the appointed paying banks.

- 4.3 Once you have registered for eDividend, any cash dividend entitlement of which the books closure date is announced by the Company on or after 1 September 2010, shall be paid to you via eDividend.

We look forward to a successful implementation of eDividend through your active participation, and to serving you better as our valued shareholders. If you have any query relating to our eDividend service, please do not hesitate to contact our Share Registrar, Plantation Agencies Sdn Berhad (Attn: Mr. Tai Yew Wong at Tel No.04-262 5333).

Thank you.

Yours faithfully
Loh Kok Beng
Executive Chairman

PROXY FORM
TEK SENG HOLDINGS BERHAD
(579572-M)
(Incorporated in Malaysia)

*I / We.....
[Full Name in Block Letters (I/C No./ Passport No./ Company No.)]

of
(Address)

being a * member / members of the abovenamed Company, hereby appoint

.....
[Full Name in Block Letters (I/C No./ Passport No./ Company No.)]

of.....
(Address)

or failing whom, the Chairman as *my/our proxy to vote for *me/us on *my/our behalf at the 8th Annual General Meeting of the Company, to be held at Kelawai Room, Lobby Level, Evergreen Laurel Hotel of 53, Persiaran Gurney, 10250 Penang on Friday, 25 June 2010, at 9.30 a.m. and at any adjournment thereof.

RESOLUTION	ORDINARY						SPECIAL
	1	2	3	4	5	6	1
FOR							
AGAINST							

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

Signed thisday of, 2010.

No. of shares held

.....
Signature of Member(s)

Notes :

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, this form duly completed must be deposited at the Registered Office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
5. If the appointer is a corporation, this form must be executed under the corporation's Common Seal or under the hand of an officer or attorney duly authorised.

** Strike out whichever is not desired.*

Please Fold Here

Affix
Stamp
Here

THE COMPANY SECRETARY
TEK SENG HOLDINGS BERHAD (579572-M)
51-21-A, MENARA BHL BANK,
JALAN SULTAN AHMAD SHAH,
10050 PENANG

Please Fold Here

TEK SENG HOLDINGS BERHAD (579572-M)

Plot 159, MK 13 Jalan Perindustrian Bukit Minyak 7, Bukit Minyak Industrial Park,
14000 Bukit Mertajam, S.P.T., Pulau Pinang, Malaysia.

Tel : 604-507 5808 (Hunting Lines) URL : <http://www.tekseng.com.my>